

ACUITY BRANDS INC  
Form 10-Q  
April 01, 2015  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended February 28, 2015.

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from to .

Commission file number 001-16583.

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ACUITY BRANDS, INC.  
(Exact name of registrant as specified in its charter)

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|   |  |
|---|--|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization)<br>1170 Peachtree Street, N.E., Suite 2300,<br>Atlanta, Georgia<br>(Address of principal executive offices)<br>(404) 853-1400<br>(Registrant's telephone number, including area code) | 58-2632672<br>(I.R.S. Employer<br>Identification Number)<br>30309-7676<br>(Zip Code) |
|---|--|

None  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock — \$0.01 par value — 43,431,395 shares as of March 30, 2015.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statement

## ACUITY BRANDS, INC.

## CONSOLIDATED BALANCE SHEETS

(In millions, except share and per-share data)

|   | February 28,<br>2015<br>(unaudited) | August 31, 2014 |
|---|-------------------------------------|-----------------|
| <b>ASSETS</b>   |                                     |                 |
| Current Assets:   |                                     |                 |
| Cash and cash equivalents   | \$601.1                             | \$552.5         |
| Accounts receivable, less reserve for doubtful accounts of \$1.3 and \$1.9 as of February 28, 2015 and August 31, 2014, respectively                    | 355.7                               | 373.4           |
| Inventories   | 237.4                               | 212.0           |
| Deferred income taxes   | 20.9                                | 21.5            |
| Prepayments and other current assets  | 35.1                                | 27.3            |
| Total Current Assets  | 1,250.2                             | 1,186.7         |
| Property, Plant, and Equipment, at cost:  |                                     |                 |
| Land  | 7.1                                 | 7.8             |
| Buildings and leasehold improvements  | 116.7                               | 116.0           |
| Machinery and equipment   | 392.3                               | 375.8           |
| Total Property, Plant, and Equipment  | 516.1                               | 499.6           |
| Less — Accumulated depreciation and amortization  | 357.0                               | 347.1           |
| Property, Plant, and Equipment, net   | 159.1                               | 152.5           |
| Other Assets:   |                                     |                 |
| Goodwill  | 565.6                               | 569.4           |
| Intangible assets, net  | 222.6                               | 231.6           |
| Deferred income taxes   | 3.4                                 | 3.0             |
| Other long-term assets  | 17.2                                | 24.9            |
| Total Other Assets  | 808.8                               | 828.9           |
| Total Assets  | \$2,218.1                           | \$2,168.1       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                     |                 |
| Current Liabilities:  |                                     |                 |
| Accounts payable  | \$280.9                             | \$287.4         |
| Accrued compensation  | 44.4                                | 54.8            |
| Accrued pension liabilities, current  | 1.2                                 | 1.2             |
| Other accrued liabilities   | 107.6                               | 127.1           |
| Total Current Liabilities   | 434.1                               | 470.5           |
| Long-Term Debt  |                                     |                 |
| Accrued Pension Liabilities, less current portion   | 60.2                                | 65.1            |
| Deferred Income Taxes   | 58.3                                | 58.4            |
| Self-Insurance Reserves, less current portion   | 7.4                                 | 6.8             |
| Other Long-Term Liabilities   | 52.8                                | 50.2            |
| Total Liabilities   | 966.5                               | 1,004.6         |
| Commitments and Contingencies (see Commitments and Contingencies footnote)  |                                     |                 |
| Stockholders' Equity:   |                                     |                 |
| Preferred stock, \$0.01 par value; 50,000,000 shares authorized; none issued  | —                                   | —               |
| Common stock, \$0.01 par value; 500,000,000 shares authorized; 52,903,923 issued and 43,184,668 outstanding at February 28, 2015; 52,581,917 issued and | 0.5                                 | 0.5             |

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42,862,662 outstanding at August 31, 2014

|  |           |           |   |
|--|-----------|-----------|---|
| Paid-in capital  | 779.6     | 761.5     |   |
| Retained earnings  | 979.8     | 893.6     |   |
| Accumulated other comprehensive loss   | (88.1     | ) (71.9   | ) |
| Treasury stock, at cost, 9,719,255 shares at February 28, 2015 and August 31, 2014 | (420.2    | ) (420.2  | ) |
| Total Stockholders' Equity   | 1,251.6   | 1,163.5   |   |
| Total Liabilities and Stockholders' Equity   | \$2,218.1 | \$2,168.1 |   |

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

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## ACUITY BRANDS, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In millions, except per-share data)

|   | Three Months Ended   |                      | Six Months Ended     |                      |   |
|---|----------------------|----------------------|----------------------|----------------------|---|
|   | February 28,<br>2015 | February 28,<br>2014 | February 28,<br>2015 | February 28,<br>2014 |   |
| Net Sales   | \$616.1              | \$546.2              | \$1,263.5            | \$1,120.9            |   |
| Cost of Products Sold                                 | 360.4                | 331.0                | 734.8                | 668.6                |   |
| Gross Profit  | 255.7                | 215.2                | 528.7                | 452.3                |   |
| Selling, Distribution, and Administrative Expenses    | 177.7                | 157.0                | 354.0                | 316.7                |   |
| Special Charge  | (0.6                 | ) (0.2               | ) 9.4                | (0.2                 | ) |
| Operating Profit                                      | 78.6                 | 58.4                 | 165.3                | 135.8                |   |
| Other Expense (Income):                               |                      |                      |                      |                      |   |
| Interest Expense, net                                 | 8.0                  | 8.0                  | 15.9                 | 16.0                 |   |
| Miscellaneous (Income) Expense, net                   | (0.1                 | ) 0.1                | (1.0                 | ) 0.7                |   |
| Total Other Expense                                   | 7.9                  | 8.1                  | 14.9                 | 16.7                 |   |
| Income before Provision for Income Taxes              | 70.7                 | 50.3                 | 150.4                | 119.1                |   |
| Provision for Income Taxes                            | 24.3                 | 17.6                 | 52.9                 | 41.9                 |   |
| Net Income  | \$46.4               | \$32.7               | \$97.5               | \$77.2               |   |
| Earnings Per Share:                                   |                      |                      |                      |                      |   |
| Basic Earnings per Share                              | \$1.07               | \$0.76               | \$2.25               | \$1.79               |   |
| Basic Weighted Average Number of Shares Outstanding   | 43.1                 | 42.8                 | 43.1                 | 42.7                 |   |
| Diluted Earnings per Share                            | \$1.07               | \$0.75               | \$2.24               | \$1.78               |   |
| Diluted Weighted Average Number of Shares Outstanding | 43.4                 | 43.1                 | 43.3                 | 43.0                 |   |
| Dividends Declared per Share                          | \$0.13               | \$0.13               | \$0.26               | \$0.26               |   |
| Comprehensive Income:                                 |                      |                      |                      |                      |   |
| Net Income  | \$46.4               | \$32.7               | \$97.5               | \$77.2               |   |
| Other Comprehensive Income (Expense) Items:           |                      |                      |                      |                      |   |
| Foreign currency translation adjustments              | (9.8                 | ) (1.3               | ) (16.9              | ) 1.0                |   |
| Defined benefit pension plans, net of tax             | 0.9                  | 0.6                  | 0.7                  | 1.2                  |   |
| Other Comprehensive Income (Expense), net of tax      | (8.9                 | ) (0.7               | ) (16.2              | ) 2.2                |   |
| Comprehensive Income                                  | \$37.5               | \$32.0               | \$81.3               | \$79.4               |   |

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

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

|   | Six Months Ended<br>February 28, |         |
|---|----------------------------------|---------|
|   | 2015                             | 2014    |
| Cash Provided by (Used for) Operating Activities:   |                                  |         |
| Net income  | \$97.5                           | \$77.2  |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities:                        |                                  |         |
| Depreciation and amortization   | 22.5                             | 21.4    |
| Share-based compensation expense  | 8.4                              | 8.7     |
| Excess tax benefits from share-based payments   | (12.2)                           | (9.9)   |
| Deferred income taxes   | 0.2                              | 1.1     |
| Change in assets and liabilities, net of effect of acquisitions, divestitures, and effect of exchange rate changes: |                                  |         |
| Accounts receivable   | 11.9                             | 9.1     |
| Inventories   | (27.4)                           | (25.2)  |
| Prepayments and other current assets  | (8.9)                            | (9.6)   |
| Accounts payable  | (4.3)                            | (5.5)   |
| Other current liabilities   | (11.1)                           | (4.3)   |
| Other   | (1.1)                            | (5.6)   |
| Net Cash Provided by Operating Activities   | 75.5                             | 57.4    |
| Cash Provided by (Used for) Investing Activities:   |                                  |         |
| Purchases of property, plant, and equipment   | (27.0)                           | (16.5)  |
| Proceeds from sale of property, plant, and equipment  | —                                | 0.9     |
| Net Cash Used for Investing Activities  | (27.0)                           | (15.6)  |
| Cash Provided by (Used for) Financing Activities:   |                                  |         |
| Proceeds from stock option exercises and other  | 7.4                              | 7.9     |
| Excess tax benefits from share-based payments   | 12.2                             | 9.9     |
| Dividends paid  | (11.3)                           | (11.2)  |
| Other financing activities  | (3.2)                            | —       |
| Net Cash Provided by Financing Activities   | 5.1                              | 6.6     |
| Effect of Exchange Rate Changes on Cash   | (5.0)                            | 0.7     |
| Net Change in Cash and Cash Equivalents   | 48.6                             | 49.1    |
| Cash and Cash Equivalents at Beginning of Period  | 552.5                            | 359.1   |
| Cash and Cash Equivalents at End of Period  | \$601.1                          | \$408.2 |
| Supplemental Cash Flow Information:   |                                  |         |
| Income taxes paid during the period   | \$58.0                           | \$46.6  |
| Interest paid during the period   | \$21.5                           | \$21.2  |

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

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Amounts in millions, except per-share data and as indicated)

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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 designs, produces, and distributes a broad array of lighting solutions and services for commercial, institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The Company’s lighting solutions include devices such as luminaires, lighting controls, power supplies, prismatic skylights, light-emitting diode (“LED”) lamps and drivers, 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 (collectively referred to herein as “lighting solutions”). The Company has one operating segment serving the North American lighting market 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 February 28, 2015, the consolidated statements of comprehensive income for the three and six months ended February 28, 2015 and 2014, and the consolidated cash flows for the six months ended February 28, 2015 and 2014. 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, 2014 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 29, 2014 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three and six months ended February 28, 2015 and 2014 are not necessarily indicative of the results to be expected for the full fiscal year because the net sales and net income of the Company historically have been higher in the second half of its fiscal year and because, 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 2015.

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.

3. Subsequent Event

Distech Acquisition

On March 9, 2015, the Company entered into an agreement to acquire all of the outstanding capital stock of Distech Controls Inc. (“Distech”), a leading provider of building automation and energy management solutions that allow for the seamless integration of lighting, HVAC, access control, closed circuit television, and related systems. Distech is



headquartered in Quebec, Canada. The terms of the agreement reflect a cash purchase price totaling \$318.0 Canadian dollars, or approximately \$250.0 U.S. dollars, which

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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will be funded using cash on hand. The acquisition is subject to formal approval of certain shareholders of Distech and other customary closing conditions, which are expected to be achieved within the next several months.

During March 2015, the Company also entered into a foreign currency forward contract in an effort to mitigate nearly all of the foreign currency exposure associated with the Canadian dollar purchase price. Because U.S. GAAP does not allow a hedge of a firm commitment to acquire a business to receive hedge accounting treatment, any gain or loss incurred on the ultimate settlement of the forward contract, which is based on the market exchange rates at the settlement date of the forward contract, will be recognized in the income statement. The ultimate settlement of the forward contract is scheduled to occur in the third quarter of fiscal 2015 upon the closing of the acquisition.

#### 4. New Accounting Pronouncements

##### Accounting Standards Adopted in Fiscal 2015

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force) ("ASU 2013-05"), which applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The provisions of ASU 2013-05 did not have a material effect on the Company's financial condition, results of operations, or cash flows.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) ("ASU 2013-11"), which applies to the presentation of unrecognized tax benefits as a liability on the balance sheet when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose. ASU 2013-11 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The provisions of ASU 2013-11 did not have a material effect on the Company's financial condition, results of operations, or cash flows.

##### Accounting Standards Yet to Be Adopted

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, 2016. The Company is currently evaluating the impact of the provisions of ASU 2014-09.

#### 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. 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).



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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The following table presents information about assets and liabilities required to be carried at fair value and measured on a recurring basis as of February 28, 2015 and August 31, 2014:

|                           | Fair Value Measurements as of: |         |         |                        |                 |         |         |                        |
|---------------------------|--------------------------------|---------|---------|------------------------|-----------------|---------|---------|------------------------|
|                           | February 28, 2015              |         |         |                        | August 31, 2014 |         |         |                        |
|                           | Level 1                        | Level 2 | Level 3 | Total<br>Fair<br>Value | Level 1         | Level 2 | Level 3 | Total<br>Fair<br>Value |
| <b>Assets:</b>            |                                |         |         |                        |                 |         |         |                        |
| Cash and cash equivalents | \$601.1                        | \$—     | \$—     | \$601.1                | \$552.5         | \$—     | \$—     | \$552.5                |
| Other                     | 0.5                            | —       | —       | 0.5                    | 0.6             | —       | —       | 0.6                    |
| <b>Liabilities:</b>       |                                |         |         |                        |                 |         |         |                        |
| Other                     | \$0.5                          | \$—     | \$8.9   | \$9.4                  | \$0.6           | \$—     | \$11.6  | \$12.2                 |

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 the following valuation methods and assumptions in estimating the fair value of the following assets and liabilities:

The fair value of Level 1 assets and liabilities is determined based on quoted market prices.

The fair value of Level 3 liabilities is estimated using a discounted cash flow technique with significant inputs that are not observable in the market, appropriately discounted considering the uncertainties associated with the obligation. Changes in these inputs, including probability assessments or the discount rate, could result in a higher or lower fair value measurement. Any reasonably likely change in the assumptions used in the analysis would not result in a material change to the fair value of these 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.

The Company's Level 3 liabilities consist of certain acquisition-related liabilities. The change in these liabilities during fiscal 2015 was due to a \$3.2 decrease from payments, a \$1.9 increase in the estimated fair value, and a \$1.4 decrease due to currency rate fluctuations in the period. The expense associated with the change in the estimated fair value was included in Selling, Distribution, and Administrative Expenses within the Consolidated Statements of Comprehensive Income.

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 February 28, 2015 and August 31, 2014:

|                     | February 28, 2015 |            | August 31, 2014   |            |
|---------------------|-------------------|------------|-------------------|------------|
|                     | Carrying<br>Value | Fair Value | Carrying<br>Value | Fair Value |
| <b>Liabilities:</b> |                   |            |                   |            |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Senior unsecured public notes, net of unamortized discount | \$349.7 | \$392.0 | \$349.6 | \$391.2 |
| Industrial revenue bond                                    | 4.0     | 4.0     | 4.0     | 4.0     |

The senior unsecured public notes are carried at the outstanding balance, net of bond discounts, 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).

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The tax-exempt industrial revenue bond is carried at the outstanding balance as of the end of the reporting period. The industrial revenue bond is a variable-rate instrument that resets on a weekly basis; therefore, the Company estimates that the face amount of the bond approximates fair value as of February 28, 2015 based on bonds of similar terms and maturity (Level 2).

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 \$2.8 and \$2.9 related to intangible assets with finite lives during the three months ended February 28, 2015 and 2014, respectively, and \$5.6 during both the six months ended February 28, 2015 and 2014. Amortization expense is generally recorded on a straight-line basis and is expected to be approximately \$11.1 in fiscal 2015, \$10.5 in fiscal 2016, \$10.2 in fiscal 2017, \$10.2 in fiscal 2018, and \$10.1 in fiscal 2019. Since the Distech acquisition has not yet closed, these projections exclude any impact to amortization expense related to potential intangible assets associated with that transaction.

The change in the carrying amount of goodwill during the six months ended February 28, 2015 is due to foreign currency translation adjustments. 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:

|   | February 28, 2015 | August 31, 2014 |
|---|-------------------|-----------------|
| Raw materials, supplies, and work in process <sup>(1)</sup> | \$129.6           | \$125.7         |
| Finished goods  | 120.2             | 97.6            |
|   | 249.8             | 223.3           |
| Less: Reserves  | (12.4             | ) (11.3         |
| Total Inventory   | \$237.4           | \$212.0         |

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 new 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. Stock options of approximately 78,220 and

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71,780 for the three months ended February 28, 2015 and 2014, respectively, and 54,019 and 50,762 for the six months ended February 28, 2015 and 2014, respectively, were excluded from the diluted earnings per share calculation as the effect of inclusion would have been antidilutive. Restricted stock shares of 5,632 were excluded from the diluted earnings per share calculation for the six months ended February 28, 2015, as the effect of inclusion would have been antidilutive. There were no shares of restricted stock excluded from the diluted earnings per share calculation for the three months ended February 28, 2015 and 2014, or for the six months ended February 28, 2014. 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 six months ended February 28, 2015 and 2014:

|   | Three Months Ended   |                      | Six Months Ended     |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2015 | February 28,<br>2014 | February 28,<br>2015 | February 28,<br>2014 |
| <b>Basic Earnings per Share:</b>                      |                      |                      |                      |                      |
| Net income  | \$46.4               | \$32.7               | \$97.5               | \$77.2               |
| Less: Income attributable to participating securities | (0.1                 | ) (0.3               | ) (0.5               | ) (0.7               |
| Net income available to common shareholders           | \$46.3               | \$32.4               | \$97.0               | \$76.5               |
| Basic weighted average shares outstanding             | 43.1                 | 42.8                 | 43.1                 | 42.7                 |
| Basic earnings per share                              | \$1.07               | \$0.76               | \$2.25               | \$1.79               |
| <b>Diluted Earnings per Share:</b>                    |                      |                      |                      |                      |
| Net income  | \$46.4               | \$32.7               | \$97.5               | \$77.2               |
| Less: Income attributable to participating securities | (0.1                 | ) (0.3               | ) (0.5               | ) (0.7               |
| Net income available to common shareholders           | \$46.3               | \$32.4               | \$97.0               | \$76.5               |
| Basic weighted average shares outstanding             | 43.1                 | 42.8                 | 43.1                 | 42.7                 |
| Common stock equivalents                              | 0.3                  | 0.3                  | 0.2                  | 0.3                  |
| Diluted weighted average shares outstanding           | 43.4                 | 43.1                 | 43.3                 | 43.0                 |
| Diluted earnings per share                            | \$1.07               | \$0.75               | \$2.24               | \$1.78               |

## 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<br>Currency<br>Items | Defined<br>Benefit<br>Pension Plans | Accumulated<br>Other<br>Comprehensive<br>Loss Items |
|--|------------------------------|-------------------------------------|---|
| Balance at August 31, 2014                                       | \$(18.1                      | ) \$(53.8                           | ) \$(71.9   |
| Other Comprehensive Income (Expense) before reclassifications    | (16.9                        | ) —                                 | (16.9   |
| Amounts reclassified from accumulated other comprehensive income | —                            | 0.7                                 | 0.7   |
| Net current-period Other Comprehensive Income (Expense)          | (16.9                        | ) 0.7                               | (16.2   |
| Balance at February 28, 2015                                     | \$(35.0                      | ) \$(53.1                           | ) \$(88.1   |





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ACUITY BRANDS, INC.

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The following table presents the tax expense or benefit allocated to each component of other comprehensive income (expense) for the three months ended February 28, 2015 and 2014:

|  | Three Months Ended |                       |          | February 28, 2014 |                       |          |
|--|--------------------|-----------------------|----------|-------------------|-----------------------|----------|
|  | February 28, 2015  |                       |          | February 28, 2014 |                       |          |
|  | Before             | Tax                   | Net of   | Before            | Tax                   | Net of   |
|  | Tax                | (Expense)             | Tax      | Tax               | (Expense)             | Tax      |
|  | Amount             | or Benefit            | Amount   | Amount            | or Benefit            | Amount   |
| Foreign Currency Translation Adjustments       | \$(9.8 )           | \$ —                  | \$(9.8 ) | \$(1.3 )          | \$ —                  | \$(1.3 ) |
| Defined Benefit Pension Plans:                 |                    |                       |          |                   |                       |          |
| Amortization of defined benefit pension items: |                    |                       |          |                   |                       |          |
| Prior service cost                             | 0.2                | <sup>(1)</sup> (0.1 ) | 0.1      | 0.2               | <sup>(1)</sup> (0.1 ) | 0.1      |
| Actuarial losses                               | 1.1                | <sup>(1)</sup> (0.3 ) | 0.8      | 0.8               | <sup>(1)</sup> (0.3 ) | 0.5      |
| Total Defined Benefit Pension Plans, net       | 1.3                | (0.4 )                | 0.9      | 1.0               | (0.4 )                | 0.6      |
| Other Comprehensive Income (Expense)           | \$(8.5 )           | \$(0.4 )              | \$(8.9 ) | \$(0.3 )          | \$(0.4 )              | \$(0.7 ) |

These accumulated other comprehensive income components are included in net periodic pension cost. See

<sup>(1)</sup> Pension and Profit Sharing Plans footnote within the Notes to Consolidated Financial Statements for additional details.

The following table presents the tax expense or benefit allocated to each component of other comprehensive income (expense) for the six months ended February 28, 2015 and 2014:

|  | Six Months Ended  |                       |           | February 28, 2014 |                       |        |
|--|-------------------|-----------------------|-----------|-------------------|-----------------------|--------|
|  | February 28, 2015 |                       |           | February 28, 2014 |                       |        |
|  | Before            | Tax                   | Net of    | Before            | Tax                   | Net of |
|  | Tax               | (Expense)             | Tax       | Tax               | (Expense)             | Tax    |
|  | Amount            | or Benefit            | Amount    | Amount            | or Benefit            | Amount |
| Foreign Currency Translation Adjustments       | \$(16.9 )         | \$ —                  | \$(16.9 ) | \$1.0             | \$ —                  | \$1.0  |
| Defined Benefit Pension Plans:                 |                   |                       |           |                   |                       |        |
| Actuarial gain or loss                         | (1.3 )            | 0.3                   | (1.0 )    | —                 | —                     | —      |
| Amortization of defined benefit pension items: |                   |                       |           |                   |                       |        |
| Prior service cost                             | 0.4               | <sup>(1)</sup> (0.2 ) | 0.2       | 0.4               | <sup>(1)</sup> (0.1 ) | 0.3    |
| Actuarial losses                               | 2.2               | <sup>(1)</sup> (0.7 ) | 1.5       | 1.5               | <sup>(1)</sup> (0.6 ) | 0.9    |
| Total Defined Benefit Pension Plans, net       | 1.3               | (0.6 )                | 0.7       | 1.9               | (0.7 )                | 1.2    |
| Other Comprehensive Income (Expense)           | \$(15.6 )         | \$(0.6 )              | \$(16.2 ) | \$2.9             | \$(0.7 )              | \$2.2  |

These accumulated other comprehensive income components are included in net periodic pension cost. See

<sup>(1)</sup> 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 new \$250.0 revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility replaced the Company's prior \$250.0 revolving credit facility, which was scheduled to mature on January 31, 2017. 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 February 28, 2015, the Company was in compliance with all financial covenants under the Revolving Credit Facility. At February 28, 2015, 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 February 28, 2015, the Company had outstanding letters of credit totaling \$10.3, primarily for securing collateral requirements under the casualty insurance programs

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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.

**Notes**

At February 28, 2015, 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. Further discussion of the Company's 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   |                      | Six Months Ended     |                      |
|-----------------------|----------------------|----------------------|----------------------|----------------------|
|                       | February 28,<br>2015 | February 28,<br>2014 | February 28,<br>2015 | February 28,<br>2014 |
| Interest expense      | \$8.2                | \$8.1                | \$16.3               | \$16.2               |
| Interest income       | (0.2                 | ) (0.1               | ) (0.4               | ) (0.2               |
| Interest expense, net | \$8.0                | \$8.0                | \$15.9               | \$16.0               |

**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 February 28, 2015, 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.

**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.

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Reserves for product warranty and recall costs are included in Other accrued liabilities on the Consolidated Balance Sheets. The changes in the reserves for product warranty and recall costs during the six months ended February 28, 2015 and 2014 are summarized as follows:

|                               | Six Months Ended |        |
|-------------------------------|------------------|--------|
|                               | February 28,     |        |
|                               | 2015             | 2014   |
| Beginning of period           | \$8.5            | \$5.9  |
| Warranty and recall costs     | 10.3             | 11.5   |
| Payments and other deductions | (8.7             | ) (9.0 |
| End of period                 | \$10.1           | \$8.4  |

Amounts included in the table above for fiscal 2014 were adjusted to include certain warranty and recall costs as well as payments and other deductions primarily for products or components shipped to customers at no charge and labor costs to satisfy the product warranty and recall obligations of the Company.

**Litigation**

The Company is subject to various legal claims arising in the normal course of business, including patent infringement and product recall 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. Each of these award programs is more fully discussed within the Company's Form 10-K. The Company recorded \$4.3 and \$4.2 of share-based expense for the three months ended February 28, 2015 and 2014, respectively, and \$8.4 and \$8.7 for the six months ended February 28, 2015 and 2014, respectively. Benefits of tax deductions in excess of recognized share-based compensation cost are reported as a financing cash flow and were \$12.2 and \$9.9 for the six months ended February 28, 2015 and 2014, respectively. New shares issued upon exercise of stock options were 63,909 and 138,958 for the three months ended February 28, 2015 and 2014, respectively and 187,766 and 191,685 for the six months ended February 28, 2015 and 2014, respectively.

Further details regarding 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.

**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.



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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Net periodic pension cost for the Company's defined benefit pension plans during the three and six months ended February 28, 2015 and 2014 included the following components before tax:

|                                    | Three Months Ended   |                      | Six Months Ended     |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | February 28,<br>2015 | February 28,<br>2014 | February 28,<br>2015 | February 28,<br>2014 |
| Service cost                       | \$0.8                | \$0.6                | \$1.5                | \$1.2                |
| Interest cost                      | 2.1                  | 2.2                  | 4.2                  | 4.5                  |
| Expected return on plan assets     | (2.8                 | ) (2.5               | ) (5.5               | ) (5.0               |
| Amortization of prior service cost | 0.2                  | 0.2                  | 0.4                  | 0.4                  |
| Recognized actuarial loss          | 1.1                  | 0.8                  | 2.2                  | 1.5                  |
| Net periodic pension cost          | \$1.4                | \$1.3                | \$2.8                | \$2.6                |

## 14. Special Charge

## Fiscal 2013 Actions

During fiscal 2013, the Company continued efforts to streamline the organization through the planned closure of certain production facilities as well as the realignment of responsibilities primarily within various selling, distribution, and administrative departments. These actions allowed the Company to reduce costs and enhance customer service capabilities, while permitting continued investment in future growth initiatives, such as new products, expanded market presence, and technology and innovation.

During fiscal 2013, the Company recorded a pre-tax special charge of \$7.8 consisting of severance and employee-related costs of \$7.6 and lease termination costs of \$0.2, which were included in Special Charge in the Consolidated Statements of Comprehensive Income. During fiscal 2014, the Company recognized a reversal of pre-tax special charges of \$0.2 due primarily to lower-than-anticipated costs related to severance and employee-related expenses of \$0.6 partially offset by production transfer costs of \$0.4. During fiscal 2015, the Company recognized a reversal of pre-tax special charges of \$0.4 due primarily to lower-than-anticipated costs related to severance and employee-related expenses.

## Fiscal 2015 Actions

During fiscal 2015, the Company continued efforts to streamline the organization by realigning certain responsibilities primarily within various selling, distribution, and administrative departments and the consolidation of certain production activities. 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. During fiscal 2015, the Company recorded a pre-tax special charge of \$9.8 consisting primarily of severance and employee-related costs.

As of February 28, 2015, remaining severance reserves were \$5.7 and are included in Accrued Compensation on the Consolidated Balance Sheets. The changes in the reserves related to these programs during the six months ended February 28, 2015 are summarized as follows:

|                                 | Fiscal 2013<br>Actions | Fiscal 2015<br>Actions | Total  |
|---------------------------------|------------------------|------------------------|--------|
| Balance at August 31, 2014      | \$0.8                  | \$—                    | \$0.8  |
| Special charge                  | (0.4                   | ) 9.8                  | 9.4    |
| Payments made during the period | (0.1                   | ) (4.4                 | ) (4.5 |
| Balance at February 28, 2015    | \$0.3                  | \$5.4                  | \$5.7  |





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15. Supplemental Guarantor Condensed Consolidating Financial Statements

In December 2009, ABL, the wholly-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-sub subsidiary guarantor reporting.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING BALANCE SHEETS

|  | February 28, 2015 |                   |                      |                |                           |              |
|--|-------------------|-------------------|----------------------|----------------|---------------------------|--------------|
|  | Parent            | Subsidiary Issuer | Subsidiary Guarantor | Non-Guarantors | Consolidating Adjustments | Consolidated |
| <b>ASSETS</b>                                    |                   |                   |                      |                |                           |              |
| Current Assets:                                  |                   |                   |                      |                |                           |              |
| Cash and cash equivalents                        | \$557.1           | \$1.4             | \$—                  | \$ 42.6        | \$ —                      | \$ 601.1     |
| Accounts receivable, net                         | —                 | 316.1             | —                    | 39.6           | —                         | 355.7        |
| Inventories                                      | —                 | 223.2             | —                    | 14.2           | —                         | 237.4        |
| Other current assets                             | 18.8              | 28.1              | —                    | 9.1            | —                         | 56.0         |
| Total Current Assets                             | 575.9             | 568.8             | —                    | 105.5          | —                         | 1,250.2      |
| Property, Plant, and Equipment, net              | 0.3               | 122.6             | —                    | 36.2           | —                         | 159.1        |
| Goodwill   | —                 | 524.2             | 2.7                  | 38.7           | —                         | 565.6        |
| Intangible assets, net                           | —                 | 83.8              | 119.4                | 19.4           | —                         | 222.6        |
| Deferred income taxes                            | 30.8              | —                 | —                    | 3.1            | (30.5 )                   | 3.4          |
| Other long-term assets                           | 0.1               | 14.7              | —                    | 2.4            | —                         | 17.2         |
| Investments in and amounts due from subsidiaries | 719.1             | 166.6             | 154.6                | —              | (1,040.3 )                | —            |
| Total Assets                                     | \$1,326.2         | \$1,480.7         | \$276.7              | \$ 205.3       | \$ (1,070.8 )             | \$ 2,218.1   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>      |                   |                   |                      |                |                           |              |
| Current Liabilities:                             |                   |                   |                      |                |                           |              |
| Accounts payable                                 | \$0.3             | \$265.2           | \$—                  | \$ 15.4        | \$ —                      | \$ 280.9     |
| Other accrued liabilities                        | 8.6               | 114.9             | —                    | 29.7           | —                         | 153.2        |
| Total Current Liabilities                        | 8.9               | 380.1             | —                    | 45.1           | —                         | 434.1        |
| Long-Term Debt                                   | —                 | 353.7             | —                    | —              | —                         | 353.7        |
| Deferred Income Taxes                            | —                 | 88.8              | —                    | —              | (30.5 )                   | 58.3         |
| Other Long-Term Liabilities                      | 65.7              | 33.5              | —                    | 21.2           | —                         | 120.4        |
| Amounts due to affiliates                        | —                 | —                 | —                    | 70.4           | (70.4 )                   | —            |
| Total Stockholders' Equity                       | 1,251.6           | 624.6             | 276.7                | 68.6           | (969.9 )                  | 1,251.6      |
| Total Liabilities and Stockholders' Equity       | \$1,326.2         | \$1,480.7         | \$276.7              | \$ 205.3       | \$ (1,070.8 )             | \$ 2,218.1   |

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING BALANCE SHEETS

August 31, 2014

|   | Parent    | Subsidiary<br>Issuer | Subsidiary<br>Guarantor | Non-<br>Guarantors | Consolidating<br>Adjustments | Consolidated |
|---|-----------|----------------------|-------------------------|--------------------|------------------------------|--------------|
| <b>ASSETS</b>                                       |           |                      |                         |                    |                              |              |
| Current Assets:                                     |           |                      |                         |                    |                              |              |
| Cash and cash equivalents                           | \$516.0   | \$3.1                | \$—                     | \$33.4             | \$—                          | \$ 552.5     |
| Accounts receivable, net                            | —         | 331.0                | —                       | 42.4               | —                            | 373.4        |
| Inventories   | —         | 196.8                | —                       | 15.2               | —                            | 212.0        |
| Other current assets                                | 9.4       | 31.6                 | —                       | 7.8                | —                            | 48.8         |
| Total Current Assets                                | 525.4     | 562.5                | —                       | 98.8               | —                            | 1,186.7      |
| Property, Plant, and Equipment, net                 | 0.4       | 121.4                | —                       | 30.7               | —                            | 152.5        |
| Goodwill  | —         | 524.2                | 2.7                     | 42.5               | —                            | 569.4        |
| Intangible assets, net                              | —         | 86.6                 | 121.5                   | 23.5               | —                            | 231.6        |
| Deferred income taxes                               | 30.4      | —                    | —                       | 3.1                | (30.5 )                      | 3.0          |
| Other long-term assets                              | 4.2       | 18.0                 | —                       | 2.7                | —                            | 24.9         |
| Investments in and amounts due from<br>subsidiaries | 692.6     | 130.2                | 142.3                   | —                  | (965.1 )                     | —            |
| Total Assets  | \$1,253.0 | \$1,442.9            | \$266.5                 | \$201.3            | \$ (995.6 )                  | \$ 2,168.1   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>         |           |                      |                         |                    |                              |              |
| Current Liabilities:                                |           |                      |                         |                    |                              |              |
| Accounts payable                                    | \$1.1     | \$268.2              | \$—                     | \$18.1             | \$—                          | \$ 287.4     |
| Other accrued liabilities                           | 25.0      | 129.5                | —                       | 28.6               | —                            | 183.1        |
| Total Current Liabilities                           | 26.1      | 397.7                | —                       | 46.7               | —                            | 470.5        |
| Long-Term Debt                                      | —         | 353.6                | —                       | —                  | —                            | 353.6        |
| Deferred Income Taxes                               | —         | 88.9                 | —                       | —                  | (30.5 )                      | 58.4         |
| Other Long-Term Liabilities                         | 63.4      | 34.4                 | —                       | 24.3               | —                            | 122.1        |
| Amounts due to affiliates                           | —         | —                    | —                       | 52.3               | (52.3 )                      | —            |
| Total Stockholders' Equity                          | 1,163.5   | 568.3                | 266.5                   | 78.0               | (912.8 )                     | 1,163.5      |
| Total Liabilities and Stockholders' Equity          | \$1,253.0 | \$1,442.9            | \$266.5                 | \$201.3            | \$ (995.6 )                  | \$ 2,168.1   |

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

|  | Three Months Ended February 28, 2015 |                   |                      |                |                           |              |
|--|--------------------------------------|-------------------|----------------------|----------------|---------------------------|--------------|
|  | Parent                               | Subsidiary Issuer | Subsidiary Guarantor | Non-Guarantors | Consolidating Adjustments | Consolidated |
| Net Sales:   |                                      |                   |                      |                |                           |              |
| External sales   | \$—                                  | \$555.6           | \$—                  | \$60.5         | \$ —                      | \$ 616.1     |
| Intercompany sales                                     | —                                    | —                 | 9.5                  | 23.5           | (33.0 )                   | —            |
| Total Sales  | —                                    | 555.6             | 9.5                  | 84.0           | (33.0 )                   | 616.1        |
| Cost of Products Sold                                  | —                                    | 320.5             | —                    | 62.9           | (23.0 )                   | 360.4        |
| Gross Profit   | —                                    | 235.1             | 9.5                  | 21.1           | (10.0 )                   | 255.7        |
| Selling, Distribution, and Administrative Expenses     | 7.8                                  | 158.8             | 1.0                  | 20.1           | (10.0 )                   | 177.7        |
| Intercompany charges                                   | (0.8 )                               | 0.4               | —                    | 0.4            | —                         | —            |
| Special Charge   | —                                    | (0.6 )            | —                    | —              | —                         | (0.6 )       |
| Operating Profit (Loss)                                | (7.0 )                               | 76.5              | 8.5                  | 0.6            | —                         | 78.6         |
| Interest expense, net                                  | 2.5                                  | 5.5               | —                    | —              | —                         | 8.0          |
| Equity earnings in subsidiaries                        | (52.6 )                              | 0.1               | —                    | —              | 52.5                      | —            |
| Miscellaneous (income) expense, net                    | —                                    | (0.4 )            | —                    | 0.3            | —                         | (0.1 )       |
| Income before Provision for Income Taxes               | 43.1                                 | 71.3              | 8.5                  | 0.3            | (52.5 )                   | 70.7         |
| Provision (Benefit) for Income Taxes                   | (3.3 )                               | 23.7              | 3.4                  | 0.5            | —                         | 24.3         |
| Net Income   | \$46.4                               | \$47.6            | \$5.1                | \$ (0.2 )      | \$ (52.5 )                | \$ 46.4      |
| Other Comprehensive Income (Expense)                   |                                      |                   |                      |                |                           |              |
| Items:   |                                      |                   |                      |                |                           |              |
| Foreign Currency Translation Adjustments               | (9.8 )                               | (9.8 )            | —                    | —              | 9.8                       | (9.8 )       |
| Defined Benefit Pension Plans, net                     | 0.9                                  | 0.3               | —                    | 0.4            | (0.7 )                    | 0.9          |
| Other Comprehensive Income (Expense) Items, net of tax | (8.9 )                               | (9.5 )            | —                    | 0.4            | 9.1                       | (8.9 )       |
| Comprehensive Income (Expense)                         | \$37.5                               | \$38.1            | \$5.1                | \$0.2          | \$ (43.4 )                | \$ 37.5      |

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

|  | Three Months Ended February 28, 2014 |                   |                      |                |                           |              |
|--|--------------------------------------|-------------------|----------------------|----------------|---------------------------|--------------|
|  | Parent                               | Subsidiary Issuer | Subsidiary Guarantor | Non-Guarantors | Consolidating Adjustments | Consolidated |
| Net Sales:   |                                      |                   |                      |                |                           |              |
| External sales   | \$—                                  | \$484.3           | \$—                  | \$61.9         | \$ —                      | \$ 546.2     |
| Intercompany sales                                     | —                                    | —                 | 8.7                  | 19.2           | (27.9 )                   | —            |
| Total Sales  | —                                    | 484.3             | 8.7                  | 81.1           | (27.9 )                   | 546.2        |
| Cost of Products Sold                                  | —                                    | 288.1             | —                    | 61.5           | (18.6 )                   | 331.0        |
| Gross Profit   | —                                    | 196.2             | 8.7                  | 19.6           | (9.3 )                    | 215.2        |
| Selling, Distribution, and Administrative Expenses     | 6.8                                  | 139.7             | 1.4                  | 18.4           | (9.3 )                    | 157.0        |
| Intercompany charges                                   | (0.8 )                               | 0.4               | —                    | 0.4            | —                         | —            |
| Special Charge   | —                                    | (0.2 )            | —                    | —              | —                         | (0.2 )       |
| Operating Profit (Loss)                                | (6.0 )                               | 56.3              | 7.3                  | 0.8            | —                         | 58.4         |
| Interest expense, net                                  | 2.5                                  | 5.5               | —                    | —              | —                         | 8.0          |
| Equity earnings in subsidiaries                        | (38.2 )                              | (1.7 )            | —                    | —              | 39.9                      | —            |
| Miscellaneous (income) expense, net                    | —                                    | 0.1               | —                    | (1.1 )         | 1.1                       | 0.1          |
| Income before Provision for Income Taxes               | 29.7                                 | 52.4              | 7.3                  | 1.9            | (41.0 )                   | 50.3         |
| Provision (Benefit) for Income Taxes                   | (3.0 )                               | 17.2              | 2.9                  | 0.5            | —                         | 17.6         |
| Net Income   | \$32.7                               | \$35.2            | \$4.4                | \$1.4          | \$ (41.0 )                | \$ 32.7      |
| Other Comprehensive Income (Expense)                   |                                      |                   |                      |                |                           |              |
| Items:   |                                      |                   |                      |                |                           |              |
| Foreign Currency Translation Adjustments               | (1.3 )                               | (1.3 )            | —                    | —              | 1.3                       | (1.3 )       |
| Defined Benefit Pension Plans, net                     | 0.6                                  | 0.3               | —                    | 0.2            | (0.5 )                    | 0.6          |
| Other Comprehensive Income (Expense) Items, net of tax | (0.7 )                               | (1.0 )            | —                    | 0.2            | 0.8                       | (0.7 )       |
| Comprehensive Income (Expense)                         | \$32.0                               | \$34.2            | \$4.4                | \$1.6          | \$ (40.2 )                | \$ 32.0      |

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

Six Months Ended February 28, 2015

|  | Parent   | Subsidiary Issuer | Subsidiary Guarantor | Non-Guarantors | Consolidating Adjustments | Consolidated |
|--|----------|-------------------|----------------------|----------------|---------------------------|--------------|
| Net Sales:   |          |                   |                      |                |                           |              |
| External sales   | \$—      | \$1,136.4         | \$—                  | \$ 127.1       | \$ —                      | \$ 1,263.5   |
| Intercompany sales                                     | —        | —                 | 19.2                 | 50.2           | (69.4 )                   | —            |
| Total Sales  | —        | 1,136.4           | 19.2                 | 177.3          | (69.4 )                   | 1,263.5      |
| Cost of Products Sold                                  | —        | 652.6             | —                    | 131.6          | (49.4 )                   | 734.8        |
| Gross Profit   | —        | 483.8             | 19.2                 | 45.7           | (20.0 )                   | 528.7        |
| Selling, Distribution, and Administrative Expenses     | 15.4     | 317.4             | 2.0                  | 39.2           | (20.0 )                   | 354.0        |
| Intercompany charges                                   | (1.6 )   | 0.8               | —                    | 0.8            | —                         | —            |
| Special Charge   | —        | 9.4               | —                    | —              | —                         | 9.4          |
| Operating Profit (Loss)                                | (13.8 )  | 156.2             | 17.2                 | 5.7            | —                         | 165.3        |
| Interest expense (income), net                         | 5.1      | 10.9              | —                    | (0.1 )         | —                         | 15.9         |
| Equity earnings in subsidiaries                        | (109.8 ) | (4.3 )            | —                    | —              | 114.1                     | —            |
| Miscellaneous (income) expense, net                    | —        | (0.9 )            | —                    | (0.1 )         | —                         | (1.0 )       |
| Income before Provision for Income Taxes               | 90.9     | 150.5             | 17.2                 | 5.9            | (114.1 )                  | 150.4        |
| Provision (Benefit) for Income Taxes                   | (6.6 )   | 50.9              | 6.9                  | 1.7            | —                         | 52.9         |
| Net Income   | \$97.5   | \$99.6            | \$10.3               | \$ 4.2         | \$ (114.1 )               | \$ 97.5      |
| Other Comprehensive Income (Expense)                   |          |                   |                      |                |                           |              |
| Items:   |          |                   |                      |                |                           |              |
| Foreign Currency Translation Adjustments               | (16.9 )  | (17.0 )           | —                    | —              | 17.0                      | (16.9 )      |
| Defined Benefit Pension Plans, net                     | 0.7      | 0.7               | —                    | (0.1 )         | (0.6 )                    | 0.7          |
| Other Comprehensive Income (Expense) Items, net of tax | (16.2 )  | (16.3 )           | —                    | (0.1 )         | 16.4                      | (16.2 )      |
| Comprehensive Income (Expense)                         | \$81.3   | \$83.3            | \$10.3               | \$ 4.1         | \$ (97.7 )                | \$ 81.3      |

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

|  | Six Months Ended February 28, 2014 |                   |                          |                           |                           |              |
|--|------------------------------------|-------------------|--------------------------|---------------------------|---------------------------|--------------|
|  | Parent                             | Subsidiary Issuer | Subsidiary Non-Guarantor | Subsidiary Non-Guarantors | Consolidating Adjustments | Consolidated |
| Net Sales:   |                                    |                   |                          |                           |                           |              |
| External sales   | \$—                                | \$996.3           | \$—                      | \$ 124.6                  | \$ —                      | \$ 1,120.9   |
| Intercompany sales                                     | —                                  | —                 | 17.4                     | 42.7                      | (60.1 )                   | —            |
| Total Sales  | —                                  | 996.3             | 17.4                     | 167.3                     | (60.1 )                   | 1,120.9      |
| Cost of Products Sold                                  | —                                  | 583.4             | —                        | 126.1                     | (40.9 )                   | 668.6        |
| Gross Profit   | —                                  | 412.9             | 17.4                     | 41.2                      | (19.2 )                   | 452.3        |
| Selling, Distribution, and Administrative Expenses     | 13.8                               | 282.2             | 2.1                      | 37.8                      | (19.2 )                   | 316.7        |
| Intercompany charges                                   | (1.6 )                             | 0.8               | —                        | 0.8                       | —                         | —            |
| Special Charge   | —                                  | (0.2 )            | —                        | —                         | —                         | (0.2 )       |
| Operating Profit (Loss)                                | (12.2 )                            | 130.1             | 15.3                     | 2.6                       | —                         | 135.8        |
| Interest expense (income), net                         | 5.0                                | 11.0              | —                        | —                         | —                         | 16.0         |
| Equity earnings in subsidiaries                        | (88.3 )                            | (3.0 )            | —                        | —                         | 91.3                      | —            |
| Miscellaneous (income) expense, net                    | —                                  | 0.1               | —                        | (0.5 )                    | 1.1                       | 0.7          |
| Income before Provision for Income Taxes               | 71.1                               | 122.0             | 15.3                     | 3.1                       | (92.4 )                   | 119.1        |
| Provision (Benefit) for Income Taxes                   | (6.1 )                             | 41.7              | 6.0                      | 0.3                       | —                         | 41.9         |
| Net Income   | \$77.2                             | \$80.3            | \$9.3                    | \$ 2.8                    | \$ (92.4 )                | \$ 77.2      |
| Other Comprehensive Income (Expense)                   |                                    |                   |                          |                           |                           |              |
| Items:   |                                    |                   |                          |                           |                           |              |
| Foreign Currency Translation Adjustments               | 1.0                                | 1.0               | —                        | —                         | (1.0 )                    | 1.0          |
| Defined Benefit Pension Plans, net                     | 1.2                                | 0.6               | —                        | 0.4                       | (1.0 )                    | 1.2          |
| Other Comprehensive Income (Expense) Items, net of tax | 2.2                                | 1.6               | —                        | 0.4                       | (2.0 )                    | 2.2          |
| Comprehensive Income (Expense)                         | \$79.4                             | \$81.9            | \$9.3                    | \$ 3.2                    | \$ (94.4 )                | \$ 79.4      |





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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

|   | Six Months Ended February 28, 2015 |                   |                      |                |                           | Consolidated |
|---|------------------------------------|-------------------|----------------------|----------------|---------------------------|--------------|
|   | Parent                             | Subsidiary Issuer | Subsidiary Guarantor | Non-Guarantors | Consolidating Adjustments |              |
| Net Cash Provided by Operating Activities         | \$42.3                             | \$ 14.2           | \$ —                 | \$ 19.0        | \$ —                      | \$ 75.5      |
| Cash Provided by (Used for) Investing Activities: |                                    |                   |                      |                |                           |              |
| Purchases of property, plant, and equipment       | —                                  | (15.7 )           | —                    | (11.3 )        | —                         | (27.0 )      |
| Investments in subsidiaries                       | (9.5 )                             | —                 | —                    | —              | 9.5                       | —            |
| Net Cash Used for Investing Activities            | (9.5 )                             | (15.7 )           | —                    | (11.3 )        | 9.5                       | (27.0 )      |
| Cash Provided by (Used for) Financing Activities: |                                    |                   |                      |                |                           |              |
| Proceeds from stock option exercises and other    | 7.4                                | —                 | —                    | —              | —                         | 7.4          |
| Excess tax benefits from share-based payments     | 12.2                               | —                 | —                    | —              | —                         | 12.2         |
| Intercompany capital                              | —                                  | —                 | —                    | 9.5            | (9.5 )                    | —            |
| Dividends paid                                    | (11.3 )                            | —                 | —                    | —              | —                         | (11.3 )      |
| Other financing activities                        | —                                  | —                 | —                    | (3.2 )         | —                         | (3.2 )       |
| Net Cash Provided by Financing Activities         | 8.3                                | —                 | —                    | 6.3            | (9.5 )                    | 5.1          |
| Effect of Exchange Rate Changes on Cash           | —                                  | (0.2 )            | —                    | (4.8 )         | —                         | (5.0 )       |
| Net Change in Cash and Cash Equivalents           | 41.1                               | (1.7 )            | —                    | 9.2            | —                         | 48.6         |
| Cash and Cash Equivalents at Beginning of Period  | 516.0                              | 3.1               | —                    | 33.4           | —                         | 552.5        |
| Cash and Cash Equivalents at End of Period        | \$557.1                            | \$ 1.4            | \$ —                 | \$ 42.6        | \$ —                      | \$ 601.1     |

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

|  | Six Months Ended February 28, 2014 |                   |                      |                |                           |              |
|--|------------------------------------|-------------------|----------------------|----------------|---------------------------|--------------|
|  | Parent                             | Subsidiary Issuer | Subsidiary Guarantor | Non-Guarantors | Consolidating Adjustments | Consolidated |
| Net Cash Provided by Operating Activities            | \$34.3                             | \$ 17.2           | \$—                  | \$ 5.9         | \$ —                      | \$ 57.4      |
| Cash Provided by (Used for) Investing Activities:    |                                    |                   |                      |                |                           |              |
| Purchases of property, plant, and equipment          | —                                  | (14.0 )           | —                    | (2.5 )         | —                         | (16.5 )      |
| Proceeds from sale of property, plant, and equipment | —                                  | 0.9               | —                    | —              | —                         | 0.9          |
| Investments in subsidiaries                          | —                                  | (4.5 )            | —                    | 4.5            | —                         | —            |
| Net Cash Used for Investing Activities               | —                                  | (17.6 )           | —                    | 2.0            | —                         | (15.6 )      |
| Cash Provided by (Used for) Financing Activities:    |                                    |                   |                      |                |                           |              |
| Proceeds from stock option exercises and other       | 7.9                                | —                 | —                    | —              | —                         | 7.9          |
| Excess tax benefits from share-based payments        | 9.9                                | —                 | —                    | —              | —                         | 9.9          |
| Dividends paid                                       | (11.2 )                            | —                 | —                    | —              | —                         | (11.2 )      |
| Net Cash Provided by Financing Activities            | 6.6                                | —                 | —                    | —              | —                         | 6.6          |
| Effect of Exchange Rate Changes on Cash              | —                                  | (0.1 )            | —                    | 0.8            | —                         | 0.7          |
| Net Change in Cash and Cash Equivalents              | 40.9                               | (0.5 )            | —                    | 8.7            | —                         | 49.1         |
| Cash and Cash Equivalents at Beginning of Period     | 331.0                              | 0.8               | —                    | 27.3           | —                         | 359.1        |
| Cash and Cash Equivalents at End of Period           | \$371.9                            | \$ 0.3            | \$—                  | \$ 36.0        | \$ —                      | \$ 408.2     |

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(\$ in millions, except per-share data and as indicated)

The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes included within this report. References made to years are for fiscal year periods.

The purpose of this discussion and analysis is to enhance the understanding and evaluation of the results of operations, financial position, cash flows, indebtedness, and other key financial information of Acuity Brands, Inc. and its subsidiaries as of February 28, 2015 and for the three and six months ended February 28, 2015 and 2014. For a more complete understanding of this discussion, please read the Notes to Consolidated Financial Statements included in this report. Also, please refer to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014, filed with the Securities and Exchange Commission (the "SEC") on October 29, 2014 ("Form 10-K").

Overview

Company

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, with its principal office in Atlanta, Georgia, employs approximately 7,000 people worldwide. The Company designs, produces, and distributes a broad array of lighting solutions, components, and services for commercial, institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The Company's lighting solutions include devices such as luminaires, lighting controls, power supplies, prismatic skylights, light-emitting diode ("LED") lamps and drivers, 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 (collectively referred to herein as "lighting solutions"). The Company is one of the world's leading producers and distributors of lighting solutions, with a broad, highly configurable product offering, consisting of a diversified portfolio of lighting, controls, and daylighting brands. The Company integrates conventional and advanced solid-state lighting fixtures with digital controls and daylighting products to create greater energy efficiencies and higher quality of light for a broad and diverse customer base. As of February 28, 2015, the Company operates 16 manufacturing facilities and seven distribution facilities along with three warehouses to serve its extensive customer base. Please refer to the Description of Business and Basis of Presentation footnote of the Notes to Consolidated Financial Statements for more information.

Liquidity and Capital Resources

The Company's principal sources of liquidity are operating cash flows generated primarily from its business operations, cash on hand, and various sources of borrowings. The ability of the Company to generate sufficient cash flow from operations or to access certain capital markets, including banks, is necessary to fund its operations and capital expenditures, pay dividends, meet its obligations as they become due, and maintain compliance with covenants contained in its financing agreements.

Based on its cash on hand, availability under existing financing arrangements and current projections of cash flow from operations, the Company believes that it will be able to meet its liquidity needs over the next 12 months. Short-term needs are expected to include funding operations as currently planned, making anticipated capital investments, paying quarterly stockholder dividends as currently anticipated, paying principal and interest on borrowings as currently scheduled, making required contributions to its employee benefit plans, funding potential acquisitions, and potentially repurchasing shares of its outstanding common stock as authorized by the Board of Directors (the "Board"). Two million shares of the Company's common stock are currently authorized and available for repurchase under an existing repurchase program. The Company expects to repurchase these shares on an opportunistic basis. The Company intends to use approximately \$250.0 of cash on hand to fund the Distech Controls, Inc. acquisition which is expected to be completed in the next several months subject to formal approval of certain shareholders of Distech and other customary closing conditions (see the Subsequent Event footnote of the Notes to Consolidated Financial Statements for additional information). The Company currently expects to invest approximately two percent of net sales during fiscal 2015, of which \$27.0 had been invested as of February 28, 2015, primarily for equipment, tooling, facility enhancements, and new and enhanced information technology capabilities.

Additionally, management believes that the Company's cash flows from operations and sources of funding, including, but not limited to, borrowing capacity, will sufficiently support the long-term liquidity needs of the Company. The Company operates five manufacturing facilities in Mexico which are authorized to operate as Maquiladoras by the Ministry of Economy of Mexico. Maquiladora status allows the Company to import certain items from the United States into Mexico duty-free, provided that such items, after processing, are exported from Mexico within a stipulated time frame. Maquiladora

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status, which is renewed every year, is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations, which have become stricter in recent years.

Certain new regulations related to the Maquiladora program became effective beginning in January 2015. The Company's existing trade compliance business processes may not allow the Company to comply with certain of the new regulations within the stipulated time frames. Failure to comply with these new regulations could have a material adverse effect on the Company's financial position, results of operations, and cash flows primarily because the Company would in such event be required to pay value-added tax on material imported into Mexico and then seek a refund of those amounts months later after the material is exported from Mexico.

**Cash Flow**

The Company uses available cash and cash flow from operations, as well as proceeds from the exercise of stock options, to fund operations and capital expenditures, repurchase common stock of the Company, fund acquisitions, and pay dividends.

The Company's cash position at February 28, 2015 was \$601.1, an increase of \$48.6 from August 31, 2014. Cash flow generated from operations and cash generated from stock issued under employee and director compensation plans during the period were partially used during the first six months of fiscal 2015 to make capital expenditures of \$27.0 and pay dividends to stockholders of \$11.3.

The Company generated \$75.5 of cash flow from operating activities during the six months ended February 28, 2015 compared with \$57.4 in the prior-year period, an increase of \$18.1, due primarily to higher net income and lower operating working capital requirements partially offset by increased variable incentive compensation payments. Operating working capital (calculated by adding accounts receivable plus inventories, and subtracting accounts payable-net of acquisitions and the impact of foreign exchange rate changes) increased by approximately \$19.8 during the first six months of fiscal 2015 compared to an increase of approximately \$21.6 during the first six months of fiscal 2014 primarily as a result of the timing of payments from customers compared to the prior-year period.

Management believes that investing in assets and programs that will over time increase the overall return on its invested capital is a key factor in driving stockholder value. The Company invested \$27.0 and \$16.5 in the first six months of fiscal 2015 and 2014, respectively, primarily related to investments in new equipment, tooling, facility enhancements, and information technology. As noted above, the Company expects to invest approximately two percent of net sales primarily for equipment, tooling, facility enhancements, and new and enhanced information technology capabilities during fiscal 2015.

**Capitalization**

The current capital structure of the Company is comprised principally of senior unsecured notes and equity of its stockholders. As of February 28, 2015, total debt outstanding of \$353.7 remained substantially unchanged from August 31, 2014 and consisted primarily of fixed-rate obligations.

On August 27, 2014, the Company executed the Revolving Credit Facility with a borrowing capacity of \$250.0. The Revolving Credit Facility replaced the Company's prior \$250.0 revolving credit facility, which was scheduled to mature on January 31, 2017. The Revolving Credit Facility will mature and all amounts outstanding thereunder will be due and payable on August 27, 2019.

The Company was in compliance with all financial covenants under the Revolving Credit Facility as of February 28, 2015. At February 28, 2015, 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 February 28, 2015, the Company had outstanding letters of credit totaling \$10.3, 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. See the Debt footnote of the Notes to Consolidated Financial Statements.

During the first six months of fiscal 2015, the Company's consolidated stockholders' equity increased \$88.1 to \$1,251.6 at February 28, 2015 from \$1,163.5 at August 31, 2014. The increase was due primarily to net income earned in the period, as well as amortization of stock-based compensation, stock issuances resulting primarily from the exercise of stock options, and amortization of pension plan prior service costs and actuarial losses partially offset by dividend

payments and foreign currency translation adjustments. The Company's debt to total capitalization ratio (calculated by dividing total debt by the sum of total debt and total stockholders' equity) was 22.0% and 23.3% at February 28, 2015 and August 31, 2014, respectively. The ratio of debt, net of cash, to total capitalization, net of cash, was (24.6)% at February 28, 2015 and (20.6)% at August 31, 2014.

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## Dividends

Acuity Brands paid dividends on its common stock of \$11.3 and \$11.2 (\$0.26 per share) during the six months ended February 28, 2015 and 2014, respectively. All decisions regarding the declaration and payment of dividends by Acuity Brands are at the discretion of the Board and are evaluated regularly in light of the Company's financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors the Board deems relevant.

## Results of Operations

## Second Quarter of Fiscal 2015 Compared with Second Quarter of Fiscal 2014

The following table sets forth information comparing the components of net income for the three months ended February 28, 2015 and 2014:

|  | Three Months Ended   |                      | Increase<br>(Decrease) | Percent<br>Change |    |
|--|----------------------|----------------------|------------------------|-------------------|----|
|  | February 28,<br>2015 | February 28,<br>2014 |                        |                   |    |
| Net Sales  | \$616.1              | \$546.2              | \$69.9                 | 12.8              | %  |
| Cost of Products Sold                              | 360.4                | 331.0                | 29.4                   | 8.9               | %  |
| Gross Profit                                       | 255.7                | 215.2                | 40.5                   | 18.8              | %  |
| Percent of net sales                               | 41.5                 | % 39.4               | % 210                  | bps               |    |
| Selling, Distribution, and Administrative Expenses | 177.7                | 157.0                | 20.7                   | 13.2              | %  |
| Special Charge                                     | (0.6                 | ) (0.2               | ) (0.4                 | ) 200.0           | %  |
| Operating Profit                                   | 78.6                 | 58.4                 | 20.2                   | 34.6              | %  |
| Percent of net sales                               | 12.8                 | % 10.7               | % 210                  | bps               |    |
| Other Expense (Income)                             |                      |                      |                        |                   |    |
| Interest Expense, net                              | 8.0                  | 8.0                  | —                      | —                 | %  |
| Miscellaneous (Income)/Expense, net                | (0.1                 | ) 0.1                | (0.2                   | ) (200.0          | )% |
| Total Other Expense                                | 7.9                  | 8.1                  | (0.2                   | ) (2.5            | )% |
| Income before Provision for Income Taxes           | 70.7                 | 50.3                 | 20.4                   | 40.6              | %  |
| Percent of net sales                               | 11.5                 | % 9.2                | % 230                  | bps               |    |
| Provision for Taxes                                | 24.3                 | 17.6                 | 6.7                    | 38.1              | %  |
| Effective tax rate                                 | 34.4                 | % 35.0               | %                      |                   |    |
| Net Income   | \$46.4               | \$32.7               | \$13.7                 | 41.9              | %  |
| Diluted Earnings per Share                         | \$1.07               | \$0.75               | \$0.32                 | 42.7              | %  |

Net sales were \$616.1 for the three months ended February 28, 2015 compared with \$546.2 reported for the three months ended February 28, 2014, an increase of \$69.9, or 12.8%. For the three months ended February 28, 2015, the Company reported net income of \$46.4, an increase of \$13.7, or 41.9%, compared with \$32.7 for the three months ended February 28, 2014. For the second quarter of fiscal 2015, diluted earnings per share increased 42.7% to \$1.07 compared with \$0.75 reported in the year-ago period.

The following table reconciles certain U.S. GAAP financial measures to the corresponding non-U.S. GAAP measures referred to in the discussion of the Company's results of operations, which exclude acquisition-related professional fees and restructuring charges associated primarily with continued efforts to streamline the organization. Although special charges related to efforts to improve overall Company efficiency have been recognized in prior periods and could recur in future periods, management typically excludes the impact of special charges during internal reviews of performance and uses these non-U.S. GAAP measures for baseline comparative operational analysis, decision making, and other activities. These non-U.S. GAAP financial measures, including adjusted selling, distribution, and administrative expenses, adjusted operating profit and margin, adjusted net income, and adjusted diluted earnings per share, are provided to enhance the user's overall understanding of the Company's current financial performance. Specifically, the Company believes these non-U.S. GAAP measures provide greater comparability and enhanced visibility into the results of operations. The non-U.S. GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, results prepared in accordance with U.S. GAAP.





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|  | Three Months Ended   |                      |                        |                   |     |
|--|----------------------|----------------------|------------------------|-------------------|-----|
|  | February 28,<br>2015 | February 28,<br>2014 | Increase<br>(Decrease) | Percent<br>Change |     |
| Selling, Distribution, and Administrative Expenses         | \$177.7              | \$157.0              |                        |                   |     |
| Less: Acquisition-related professional fees                | (0.7)                | —                    |                        |                   |     |
| Adjusted Selling, Distribution and Administrative Expenses | \$177.0              | \$157.0              | \$20.0                 | 12.7              | %   |
| Percent of net sales                                       | 28.7                 | % 28.7               | % —                    |                   | bps |
| Operating Profit   | \$78.6               | \$58.4               |                        |                   |     |
| Add-back: Acquisition-related professional fees            | 0.7                  | —                    |                        |                   |     |
| Less: Special charge                                       | (0.6)                | (0.2)                |                        |                   |     |
| Adjusted Operating Profit                                  | \$78.7               | \$58.2               | \$20.5                 | 35.2              | %   |
| Percent of net sales                                       | 12.8                 | % 10.7               | % 210                  |                   | bps |
| Net Income   | \$46.4               | \$32.7               |                        |                   |     |
| Add-back: Acquisition-related professional fees            | 0.7                  | —                    |                        |                   |     |
| Less: Special charge, net of tax                           | (0.4)                | (0.1)                |                        |                   |     |
| Adjusted Net Income  | \$46.7               | \$32.6               | \$14.1                 | 43.3              | %   |
| Diluted Earnings per Share                                 | \$1.07               | \$0.75               |                        |                   |     |
| Add-back: Acquisition-related professional fees            | 0.02                 | —                    |                        |                   |     |
| Less: Special charge, net of tax                           | (0.01)               | —                    |                        |                   |     |
| Adjusted Diluted Earnings per Share                        | \$1.08               | \$0.75               | \$0.33                 | 44.0              | %   |

Net Sales  
Net sales for the three months ended February 28, 2015 increased 12.8% compared with the prior-year period due primarily to a 15% increase in sales volume partially offset by unfavorable changes in product prices and the mix of products sold ("price/mix") of approximately 1% and unfavorable foreign currency rate changes of approximately 1%. Sales volume was higher across most product categories and key sales channels as the Company realized greater demand. Sales of LED-based products increased approximately 60% compared to the year-ago period and represented approximately 43% of total net sales. The change in price/mix was due primarily to unfavorable pricing on LED luminaires, reflecting the decline in certain LED component costs. Due to the changing dynamics of the Company's product portfolio, including the increase of integrated lighting solutions as well as the proliferation of new products due to the adoption of solid-state lighting, it is not possible to precisely quantify volume or differentiate the individual components of price/mix.

**Gross Profit**

Gross profit for the second quarter of fiscal 2015 increased \$40.5, or 18.8%, to \$255.7 compared with \$215.2 in the prior-year period. Gross profit margin increased 210 basis points to 41.5% for the three months ended February 28, 2015 compared with 39.4% in the prior-year period. Gross profit was higher than the prior year due primarily to additional contribution on higher net sales, lower material and component costs, and improved manufacturing productivity. These items were partially offset by unfavorable price/mix and the unfavorable impact of foreign currency rate changes.

**Operating Profit**

Selling, Distribution, and Administrative ("SD&A") expenses for the three months ended February 28, 2015 were \$177.7 compared with \$157.0 in the prior-year period, an increase of \$20.7, or 13.2%. The increase in SD&A expenses was due primarily to higher costs to support the greater sales volume, including freight and commissions, and higher employee-related costs, including variable incentive compensation costs, partially offset by savings from recent streamlining efforts. SD&A expenses for the second quarter of fiscal 2015 were 28.8% of net sales compared with 28.7% for the prior-year period. Adjusted SD&A expenses (excluding the impact of acquisition-related professional fees) for the three months ended February 28, 2015 were \$177.0 (28.7% of net sales) compared with SD&A expenses of \$157.0 (28.7% of net sales) in the prior-year period.

During the three months ended February 28, 2015 and 2014, the Company recognized a reversal of pre-tax special charges of \$0.6 and \$0.2, respectively, due to lower-than-anticipated costs related to previously-initiated streamlining

efforts. Further details regarding the Company's special charges are included in the Special Charge footnote of the Notes to Consolidated Financial Statements.

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Operating profit for the second quarter of fiscal 2015 was \$78.6 compared with \$58.4 for the prior-year period, an increase of \$20.2, or 34.6%. The increase in operating profit was due primarily to higher gross profit, partially offset by increases in costs to support greater sales volume and higher employee-related costs, including variable incentive compensation.

Adjusted operating profit (excluding the impact of acquisition-related professional fees and special charges) increased by \$20.5, or 35.2%, to \$78.7 for the second quarter of fiscal 2015 compared with \$58.2 (excluding the impact of special charges) for the second quarter of fiscal 2014. Adjusted operating profit margin (excluding the impact of acquisition-related professional fees and special charges) increased 210 basis points to 12.8% for the second quarter of fiscal 2015 compared with 10.7% (excluding the impact of special charges) in the year-ago period.

**Other Expense (Income)**

Other expense (income) consists principally of net interest expense and net miscellaneous income/expense, which is comprised primarily of gains and losses associated with foreign currency-related transactions. Interest expense, net, was \$8.0 for both the three months ended February 28, 2015 and 2014. The Company reported net miscellaneous income of \$0.1 in the second quarter of fiscal 2015 and net miscellaneous expense of \$0.1 in the second quarter of fiscal 2014.

**Provision for Income Taxes and Net Income**

The Company's effective income tax rate was 34.4% and 35.0% for the three months ended February 28, 2015 and 2014, respectively. The decrease in the effective tax rate was due primarily to the retroactive application of the research and development tax credit, which became law during the second fiscal quarter. The Company estimates that the effective tax rate for fiscal 2015 will be approximately 35.5% before any discrete items and if the rates in its taxing jurisdictions remain generally consistent throughout the year.

Net income for the second quarter of fiscal 2015 increased \$13.7 to \$46.4 from \$32.7 reported for the prior-year period. The increase in net income resulted primarily from higher operating profit and other income partially offset by a higher provision for income taxes. Diluted earnings per share for the three months ended February 28, 2015 increased \$0.32 to \$1.07 compared with diluted earnings per share of \$0.75 for the prior-year period.

Adjusted net income (excluding the impact of acquisition-related professional fees and special charges) for the second quarter of fiscal 2015 was \$46.7 compared with \$32.6 (excluding the impact of special charges) in the prior-year period, which represented an increase of \$14.1, or 43.3%. Adjusted diluted earnings per share (excluding the impact of acquisition-related professional fees and special charges) for the three months ended February 28, 2015 increased \$0.33, or 44.0%, to \$1.08 compared with \$0.75 for the prior-year period.

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First Six Months of Fiscal 2015 Compared with First Six Months of Fiscal 2014

The following table sets forth information comparing the components of net income for the six months ended February 28, 2015 and 2014:

|  | Six Months Ended     |                      | Increase<br>(Decrease) | Percent<br>Change |    |
|--|----------------------|----------------------|------------------------|-------------------|----|
|  | February 28,<br>2015 | February 28,<br>2014 |                        |                   |    |
| Net Sales  | \$1,263.5            | \$1,120.9            | \$142.6                | 12.7              | %  |
| Cost of Products Sold                              | 734.8                | 668.6                | 66.2                   | 9.9               | %  |
| Gross Profit                                       | 528.7                | 452.3                | 76.4                   | 16.9              | %  |
| Percent of net sales                               | 41.8                 | % 40.4               | % 140                  | bps               |    |
| Selling, Distribution, and Administrative Expenses | 354.0                | 316.7                | 37.3                   | 11.8              | %  |
| Special Charge                                     | 9.4                  | (0.2                 | ) 9.6                  | NM                |    |
| Operating Profit                                   | 165.3                | 135.8                | 29.5                   | 21.7              | %  |
| Percent of net sales                               | 13.1                 | % 12.1               | % 100                  | bps               |    |
| Other Expense (Income)                             |                      |                      |                        |                   |    |
| Interest Expense, net                              | 15.9                 | 16.0                 | (0.1                   | ) (0.6            | )% |
| Miscellaneous (Income) Expense, net                | (1.0                 | ) 0.7                | (1.7                   | ) (242.9          | )% |
| Total Other Expense                                | 14.9                 | 16.7                 | (1.8                   | ) (10.8           | )% |
| Income before Provision for Income Taxes           | 150.4                | 119.1                | 31.3                   | 26.3              | %  |
| Percent of net sales                               | 11.9                 | % 10.6               | % 130                  | bps               |    |
| Provision for Taxes                                | 52.9                 | 41.9                 | 11.0                   | 26.3              | %  |
| Effective tax rate                                 | 35.2                 | % 35.2               | %                      |                   |    |
| Net Income   | \$97.5               | \$77.2               | \$20.3                 | 26.3              | %  |
| Diluted Earnings per Share                         | \$2.24               | \$1.78               | \$0.46                 | 25.8              | %  |

NM - not meaningful

Net sales were \$1,263.5 for the six months ended February 28, 2015 compared with \$1,120.9 reported for the six months ended February 28, 2014, an increase of \$142.6, or 12.7%. For the six months ended February 28, 2015, the Company reported net income of \$97.5, an increase of \$20.3, or 26.3%, compared with \$77.2 for the six months ended February 28, 2014. For the first six months of fiscal 2015, diluted earnings per share increased 25.8% to \$2.24 compared with \$1.78 reported in the year-ago period.

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The table below reconciles certain U.S. GAAP financial measures to the corresponding non-U.S. GAAP measures referred to in the discussion of the Company's results of operations, which exclude incremental recoveries related to a fraud at a freight service provider, acquisition-related professional fees, and special charges associated primarily with continued efforts to streamline the organization.

|   | Six Months Ended     |                      | Increase<br>(Decrease) | Percent<br>Change |     |
|---|----------------------|----------------------|------------------------|-------------------|-----|
|   | February 28,<br>2015 | February 28,<br>2014 |                        |                   |     |
| Selling, Distribution, and Administrative Expenses                | \$354.0              | \$316.7              |                        |                   |     |
| Less: Acquisition-related professional fees                       | (0.7 )               | —                    |                        |                   |     |
| Add-back: Freight service provider fraud-related recovery         | —                    | 5.0                  |                        |                   |     |
| Adjusted Selling, Distribution and Administrative Expenses        | \$353.3              | \$321.7              | \$ 31.6                | 9.8               | %   |
| Percent of net sales  | 28.0                 | % 28.7               | % (70 )                |                   | bps |
| Operating Profit  | \$165.3              | \$135.8              |                        |                   |     |
| Add-back: Acquisition-related professional fees                   | 0.7                  | —                    |                        |                   |     |
| Less: Freight service provider fraud-related recovery             | —                    | (5.0 )               |                        |                   |     |
| Add-back: Special charge  | 9.4                  | (0.2 )               |                        |                   |     |
| Adjusted Operating Profit   | \$175.4              | \$130.6              | \$ 44.8                | 34.3              | %   |
| Percent of net sales  | 13.9                 | % 11.7               | % 220                  |                   | bps |
| Net Income  | \$97.5               | \$77.2               |                        |                   |     |
| Add-back: Acquisition-related professional fees                   | 0.7                  | —                    |                        |                   |     |
| Less: Freight service provider fraud-related recovery, net of tax | —                    | (3.1 )               |                        |                   |     |
| Add-back: Special charge, net of tax                              | 5.9                  | (0.1 )               |                        |                   |     |
| Adjusted Net Income   | \$104.1              | \$74.0               | \$ 30.1                | 40.7              | %   |
| Diluted Earnings per Share  | \$2.24               | \$1.78               |                        |                   |     |
| Add-back: Acquisition-related professional fees                   | 0.02                 | —                    |                        |                   |     |
| Less: Freight service provider fraud-related recovery, net of tax | —                    | (0.07 )              |                        |                   |     |
| Add-back: Special charge, net of tax                              | 0.14                 | —                    |                        |                   |     |
| Adjusted Diluted Earnings per Share                               | \$2.40               | \$1.71               | \$ 0.69                | 40.4              | %   |

## Net Sales

Net sales for the six months ended February 28, 2015 increased \$142.6, or 12.7%, compared with the prior-year period due primarily to an increase in sales volume of approximately 15%, which was partially offset by the impact of an unfavorable change in price/mix of approximately 1% and unfavorable foreign currency rate changes of 1%. Sales volume was higher across most product categories and key sales channels as the Company realized greater demand for LED-based luminaires. Sales of LED-based luminaires during the first six months of fiscal 2015 increased approximately 65% compared to the year-ago period and represented approximately 43% of total net sales. The change in price/mix was due primarily to unfavorable pricing on LED luminaires, reflecting the decline in certain LED component costs. Due to the changing dynamics of the Company's product portfolio, including the increase of integrated lighting solutions as well as the proliferation of new products due to the adoption of solid-state lighting, it is not possible to precisely quantify volume or differentiate the individual components of price/mix.

## Gross Profit

Gross profit for the first six months of fiscal 2015 increased \$76.4, or 16.9%, to \$528.7 compared with \$452.3 in the prior-year period. Gross profit margin increased to 41.8% for the six months ended February 28, 2015 compared with 40.4% in the prior-year period. The increase in gross profit margin was due primarily to additional contribution on higher net sales, lower material and component costs, and improved manufacturing productivity. These items were partially offset by unfavorable price/mix and the unfavorable impact of foreign currency rate changes.

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## Operating Profit

SD&A expenses for the six months ended February 28, 2015 were \$354.0 compared with \$316.7 in the prior-year period, an increase of \$37.3, or 11.8%. The increase in SD&A expenses was due primarily to higher costs to support the greater sales volume, including freight and commissions, and higher employee-related costs, including variable incentive compensation costs, partially offset by savings from recent streamlining efforts. SD&A expenses for the first six months of fiscal 2015 were 28.0% of net sales compared with 28.3% for the prior-year period. Adjusted SD&A expenses (excluding the impact of acquisition-related professional fees) for the six months ended February 28, 2015 were \$353.3 (28.0% of net sales) compared with adjusted SD&A expenses (excluding the freight service provider fraud-related recovery) of \$321.7 (28.7% of net sales) in the prior-year period.

The Company recognized pre-tax special charges of \$9.4 during the first six months of fiscal 2015, related primarily to the Company's continued efforts to streamline the organization by realigning certain responsibilities primarily within various selling, distribution, and administrative departments and the consolidation of certain production activities. Further details regarding the Company's special charges are included in the Special Charge footnote of the Notes to Consolidated Financial Statements. During the first six months of fiscal 2014, the Company recorded a reversal of pre-tax special charges of \$0.2 due primarily to lower-than-anticipated costs related to previously-initiated streamlining efforts of \$0.6 partially offset by production transfer costs of \$0.4.

Operating profit for the first six months of fiscal 2015 was \$165.3 compared with \$135.8 for the prior-year period, an increase of \$29.5, or 21.7%. The increase in operating profit for the first six months of fiscal 2015 compared with the first six months of fiscal 2014 was due primarily to higher gross profit, partially offset by increases in costs to support greater sales volume, special charges, and higher employee-related costs, including variable incentive compensation. Adjusted operating profit (excluding the impact of acquisition-related professional fees and special charges) increased by \$44.8, or 34.3%, to \$175.4 for the first six months of fiscal 2015 compared with \$130.6 (excluding the impact of recoveries associated with the fraud at a freight service provider and special charges) for the first six months of fiscal 2014. Adjusted operating profit margin for the first six months of fiscal 2015 (excluding the impact of acquisition-related professional fees and special charges) increased 220 basis points to 13.9% compared with adjusted operating profit margin (excluding the impact of recoveries associated with the fraud at a freight service provider and special charges) of 11.7% in the year-ago period.

## Other Expense (Income)

Other expense (income) consists principally of net interest expense and net miscellaneous expense (income), which is comprised primarily of gains and losses associated with foreign currency-related transactions. Interest expense, net, was \$15.9 for the six months ended February 28, 2015 compared with \$16.0 for the six months ended February 28, 2014. The Company reported net miscellaneous income of \$1.0 in the first six months of fiscal 2015 compared with net miscellaneous expense of \$0.7 in the prior-year period.

## Provision for Income Taxes and Net Income

The Company's effective income tax rate was 35.2% for both the six months ended February 28, 2015 and 2014. Net income for the first six months of fiscal 2015 increased \$20.3 to \$97.5 from \$77.2 reported for the prior-year period. The increase in net income resulted primarily from higher operating profit and lower other expense partially offset by a higher provision for income taxes. Diluted earnings per share for the six months ended February 28, 2015 increased \$0.46 to \$2.24 compared with diluted earnings per share of \$1.78 for the prior-year period.

Adjusted net income (excluding the impact of acquisition-related professional fees and special charges) for the first six months of fiscal 2015 was \$104.1 compared with \$74.0 of adjusted net income (excluding the impact of recoveries associated with the fraud at a freight service provider and special charges) in the prior-year period, which represented an increase of \$30.1, or 40.7%. Adjusted diluted earnings per share (excluding the impact of acquisition-related professional fees and special charges) for the six months ended February 28, 2015 increased \$0.69, or 40.4%, to \$2.40 compared with adjusted diluted earnings per share (excluding the impact of recoveries associated with the fraud at a freight service provider and special charges) of \$1.71 for the prior-year period.

## Outlook

Management believes that the execution of the Company's strategy will provide opportunities for continued profitable growth. The Company's strategy is to capitalize on market growth opportunities by continuing to expand and leverage its industry-leading lighting product and solutions portfolio combined with its extensive market presence and financial strength. Management continues to position the Company to optimize short-term performance while investing in and deploying resources for long-term profitable growth opportunities.



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During the first half of fiscal 2015, the Company continued efforts to streamline the organization by realigning certain responsibilities primarily within various selling, distribution, and administrative departments and the consolidation of certain production activities. The Company recorded a pre-tax special charge of \$9.8 during the six months ended February 28, 2015 for streamlining actions initiated in the current fiscal year. The special charge consisted primarily of severance and employee-related costs. Management expects to incur production transfer expenses and additional costs associated with these streamlining actions totaling approximately \$1.4 during the second half of fiscal 2015. While management expects to achieve annual savings in fiscal 2015 in excess of these costs, management plans to reinvest a portion of these savings over the next twelve months in additional growth initiatives which require resources for further innovation, including talent with different skill sets. Management believes the Company will realize savings, net of investments, approximately equal to the amount of the total fiscal 2015 special charge.

On March 9, 2015, the Company announced that it entered into an agreement to acquire all of the outstanding capital stock of Distech Controls Inc. ("Distech"), a provider of building automation and energy management solutions. The acquisition is expected to be completed during the next several months subject to formal approval of certain shareholders of Distech and other customary closing conditions. Distech generated net sales in excess of \$70 Canadian dollars during calendar year 2014 and significantly outpaced the rate of growth of its core markets with a five-year annualized growth rate of over 25%. The operating profit margin of the business is similar to that of the Company. The growth rate for the North American lighting market, which typically benefits from new construction as well as renovation and retrofit activity, is projected to be in the mid-to-upper single digit range for fiscal 2015 with continued gradual improvement over the next several years. Management currently believes that the Company will benefit from continued renovation and tenant improvement projects, further expansion in underpenetrated geographies and channels, and growth from the introduction of new lighting products and solutions.

Additionally, the lighting industry continues to experience some volatility with respect to input costs. While some commodity costs have waned recently, others continue to rise. As the economy improves, management believes there is the potential for rising input costs. While management expects employee-related costs will continue to rise due to wage inflation and rising health care costs, management will continue to be vigilant in its pricing posture and productivity efforts to help offset rising costs. Management remains optimistic about the opportunities for solid profitable growth for fiscal 2015 and the foreseeable future and expects that the Company will be able to outperform the markets it serves while delivering performance more consistent with management's long-term financial objectives. From a longer term perspective, management expects that its addressable markets will experience solid growth over the next decade, particularly as energy and environmental concerns come to the forefront. Management remains positive about the future prospects of the Company and its ability to continue to outperform the markets it serves.

Critical Accounting Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses the financial condition and results of operations as reflected in the Company's Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. As discussed in the Description of Business and Basis of Presentation footnote of the Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expense during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition; accounts receivable; inventory valuation; depreciation, amortization and the recoverability of long-lived assets, including goodwill and intangible assets; share-based compensation expense; medical, product warranty and recall, and other reserves; income taxes; retirement benefits; litigation; and environmental matters. Management bases its estimates and judgments on its substantial historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Management discusses the development of accounting estimates with the Company's Audit Committee of the Board.

There have been no material changes in the Company's critical accounting estimates during the current period. For a detailed discussion of significant accounting policies that may involve a higher degree of judgment, please refer to the Company's Form 10-K.

Cautionary Statement Regarding Forward-Looking Information

This filing contains forward-looking statements within the meaning of the federal securities laws. Statements made herein that may be considered forward-looking include statements incorporating terms such as "expects", "believes", "intends", "anticipates" and similar terms that relate to future events, performance, or results of the Company. In addition, the Company, or

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the executive officers on the Company's behalf, may from time to time make forward-looking statements in reports and other documents the Company files with the SEC or in connection with oral statements made to the press, current and potential investors, or others. Forward-looking statements include, without limitation: (a) the Company's projections regarding financial performance, liquidity, capital structure, capital expenditures, and dividends; (b) expectations about the impact of volatility and uncertainty in general economic conditions; (c) external forecasts projecting the North American lighting market growth rate; (d) expectations about the impact of volatility and uncertainty in component and commodity costs and availability, and the Company's ability to manage those challenges, as well as the Company's response with pricing of its products; (e) the Company's ability to execute and realize benefits from initiatives related to streamlining its operations, capitalizing on growth opportunities, expanding in key markets, enhancing service to the customer, and investing in product innovation; (f) the Company's estimate of its fiscal 2015 annual tax rate; (g) the Company's future amortization expense; (h) the Company's ability to achieve its long-term financial goals and measures; and (i) the Company's expectations about the Distech Controls, Inc. acquisition. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report. Except as required by law, the Company undertakes no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. The Company's forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the historical experience of the Company and management's present expectations or projections. These risks and uncertainties include, but are not limited to, customer and supplier relationships and prices; competition; ability to realize anticipated benefits from initiatives taken and timing of benefits; market demand; litigation and other contingent liabilities; and economic, political, governmental, and technological factors affecting the Company. Also, additional risks that could cause the Company's actual results to differ materially from those expressed in the Company's forward-looking statements are discussed in Part I, "Item 1a. Risk Factors" of the Company's Form 10-K, and are specifically incorporated herein by reference.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

**General.** The Company is exposed to market risks that may impact its Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and Consolidated Statements of Cash Flows due primarily to fluctuations in interest rates, foreign exchange rates, and commodity prices. There have been no material changes to the Company's exposure from market risks from those disclosed in Part II, Item 7a of the Company's Form 10-K.

**Item 4. Controls and Procedures**

Disclosure controls and procedures are controls and other procedures that are designed to reasonably ensure that information required to be disclosed in the reports filed or submitted by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to reasonably ensure that information required to be disclosed by the Company in the reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. As required by SEC rules, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of February 28, 2015. This evaluation was carried out under the supervision and with the participation of management, including the principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of the Company's disclosure controls and procedures are effective at a reasonable assurance level as of February 28, 2015. However, because all disclosure procedures must rely to a significant degree on actions or decisions made by employees throughout the organization, such as reporting of material events, the Company and its reporting officers believe that they cannot provide absolute assurance that all control issues and instances of fraud or errors and omissions, if any, within the Company will be detected. Limitations within any control system, including the Company's control system, include faulty judgments in decision-making or simple errors or mistakes. In addition, controls can be circumvented by an individual, by collusion

between two or more people, or by management override of the control. Because of these limitations, misstatements due to error or fraud may occur and may not be detected.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Acuity Brands is subject to various legal claims arising in the normal course of business, including, but not limited to, patent infringement, product liability claims, and employment matters. Acuity Brands is self-insured up to specified limits for certain types of claims, including product liability, and is fully self-insured for certain other types of claims, including environmental, product recall, and patent infringement. 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 Acuity Brands. 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 Acuity Brands in future periods. Acuity Brands establishes reserves for legal claims when the costs associated with the claims 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.

Information regarding reportable legal proceedings is contained in Part I, “Item 3. Legal Proceedings” in the Company’s Form 10-K. Information set forth in this report’s Commitments and Contingencies footnote of the Notes to Consolidated Financial Statements describes any legal proceedings that became reportable during the quarter ended February 28, 2015, and updates any descriptions of previously reported legal proceedings in which there have been material developments during such quarter. The discussion of legal proceedings included within the Commitments and Contingencies footnote of the Notes to Consolidated Financial Statements is incorporated into this Item 1 by reference.

Item 1a. Risk Factors

There have been no material changes in the Company’s risk factors from those disclosed in Part I, “Item 1a. Risk Factors” of the Company’s Form 10-K.

Item 5. Other Information

Compensatory Arrangements of Certain Officers

On March 27, 2015, the Board of Directors of the Company (“Board”) approved restricted stock awards under the Company’s 2012 Omnibus Stock Incentive Compensation Plan for certain key members of management, including awards for Mark A. Black, Executive Vice President and President of Acuity Brands Lighting, and Richard K. Reece, Executive Vice President and Chief Financial Officer. The stock awards for Messrs. Black and Reece were each valued at \$3.5 million and will vest in four equal annual installments. The stock awards will be granted on the earlier date of either the completion of the acquisition of Distech Controls or June 1, 2015. The awards are in recognition of the individual achievements of Messrs. Black and Reece in driving improvements in the Company’s financial performance and expanding the Company’s addressable market through the implementation of Acuity Brands’ tiered solutions strategy, both of which has led to increased shareholder value.

Declaration of Dividend

On March 27, 2015, the Board of Directors of the Company declared a quarterly dividend of \$0.13 per share. The dividend is payable on May 1, 2015 to stockholders of record on April 17, 2015.

Item 6. Exhibits

Exhibits are listed on the [Index to Exhibits](#).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACUITY BRANDS, INC.

Date: April 1, 2015

By: /S/ VERNON J. NAGEL  
VERNON J. NAGEL  
CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE  
OFFICER

Date: April 1, 2015

By: /S/ RICHARD K. REECE  
RICHARD K. REECE  
EXECUTIVE VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER (Principal Financial and  
Accounting Officer)

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INDEX TO EXHIBITS

|             |  |  |
|-------------|--|--|
| EXHIBIT 3   | <p>(a) Restated Certificate of Incorporation of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007.</p> <p>(b) Certificate of Amendment of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007.</p> <p>(c) Amended and Restated Bylaws of Acuity Brands, Inc., dated as of September 30, 2011.</p>  | <p>Reference is made to Exhibit 3.1 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.</p> <p>Reference is made to Exhibit 3.2 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.</p> <p>Reference is made to Exhibit 3.1 of registrant's Form 8-K as filed with the Commission on October 5, 2011, which is incorporated herein by reference.</p> |
| EXHIBIT 31  | <p>(a) Certification of the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</p> <p>(b) Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</p>  | <p>Filed with the Commission as part of this Form 10-Q.</p> <p>Filed with the Commission as part of this Form 10-Q.</p>  |
| EXHIBIT 32  | <p>(a) Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</p> <p>(b) Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</p>  | <p>Filed with the Commission as part of this Form 10-Q.</p> <p>Filed with the Commission as part of this Form 10-Q.</p>  |
| EXHIBIT 101 | <p>The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2015, filed on April 1, 2015, formatted in XBRL (Extensible Business Reporting Language):</p> <p>(i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to Consolidated Financial Statements.</p> | <p>Filed with the Commission as part of this Form 10-Q.</p>  |