Allegion plc
Form 10-Q
October 26, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
or
o 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 001-35971

ALLEGION PUBLIC LIMITED COMPANY
(Exact name of registrant as specified in its charter)

Ireland	98-1108930
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Block D
Iveagh Court
Harcourt Road
Dublin 2, Ireland
(Address of principal executive offices, including zip code)
+(353) (1) 2546200
(Registrant's telephone number, including area code)

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 x 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 x NO ¨

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

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Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	
	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The number of ordinary shares outstanding of Allegion plc as of October 23, 2017 was 95,042,640.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

ALLEGION PLC
CONDENSED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
In millions, except per share amounts	2017	2016	2017	2016
Net revenues	$609.4	$581.1	$1,785.1	$1,668.3
Cost of goods sold	335.5	317.6	989.3	921.1
Selling and administrative expenses	147.8	142.0	436.8	418.9
Operating income	126.1	121.5	359.0	328.3
Interest expense	17.8	15.6	49.7	48.4
Loss on divestitures	—	84.4	—	84.4
Other (income) expense, net	(3.7)	0.4	(8.2)	(17.0)
Earnings before income taxes	112.0	21.1	317.5	212.5
Provision for income taxes	21.9	19.1	52.9	56.3
Net earnings	90.1	2.0	264.6	156.2
Less: Net earnings attributable to noncontrolling interests	0.3	0.4	0.9	1.9
Net earnings attributable to Allegion plc	$89.8	$1.6	$263.7	$154.3
Earnings per share attributable to Allegion plc ordinary shareholders:				
Basic net earnings	$0.95	$0.02	$2.77	$1.61
Diluted net earnings	$0.94	$0.02	$2.75	$1.59
Weighted-average shares outstanding				
Basic	95.0	96.0	95.2	95.9
Diluted	95.8	96.9	96.0	96.8
Dividends declared per ordinary share	$0.16	$0.12	$0.48	$0.36
Total comprehensive income	$112.7	$16.2	$347.5	$172.1
Less: Total comprehensive income attributable to noncontrolling interests	0.8	0.2	2.0	2.4
Total comprehensive income attributable to Allegion plc	$111.9	$16.0	$345.5	$169.7

See accompanying notes to condensed and consolidated financial statements.

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ALLEGION PLC
CONDENSED AND CONSOLIDATED BALANCE SHEETS
(Unaudited)

In millions	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 334.9	$ 312.4
Accounts and notes receivable, net	302.8	260.0
Inventories	257.1	220.6
Other current assets	29.8	36.3
Total current assets	924.6	829.3
Property, plant and equipment, net	246.1	226.6
Goodwill	755.9	716.8
Intangible assets, net	393.2	357.4
Other noncurrent assets	127.5	117.3
Total assets	$ 2,447.3	$ 2,247.4
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 177.7	$ 179.9
Accrued expenses and other current liabilities	219.5	201.5
Short-term borrowings and current maturities of long-term debt	35.0	48.2
Total current liabilities	432.2	429.6
Long-term debt	1,412.0	1,415.6
Other noncurrent liabilities	231.0	285.8
Total liabilities	2,075.2	2,131.0
Equity:		
Allegion plc shareholders' equity:		
Ordinary shares, $0.01 par value (95,025,612 and 95,273,927 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively)	1.0	1.0
Capital in excess of par value	5.2	—
Retained earnings	543.5	376.6
Accumulated other comprehensive loss	(182.5)	(264.3)
Total Allegion plc shareholders' equity	367.2	113.3
Noncontrolling interests	4.9	3.1
Total equity	372.1	116.4
Total liabilities and equity	$ 2,447.3	$ 2,247.4

See accompanying notes to condensed and consolidated financial statements.

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ALLEGION PLC
CONDENSED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
In millions	2017	2016
Cash flows from operating activities:		
Net earnings	$264.6	$156.2
Adjustments to arrive at net cash provided by operating activities:		
Loss on divestitures	—	84.4
Depreciation and amortization	49.9	50.7
Discretionary pension plan contribution	(50.0)	—
Changes in assets and liabilities and other non-cash items	(94.5)	(112.9)
Net cash provided by operating activities	170.0	178.4
Cash flows from investing activities:		
Capital expenditures	(33.7)	(26.4)
Acquisition of and equity investments in businesses, net of cash acquired	(20.8)	(31.4)
Proceeds from sale of marketable securities	—	14.1
Proceeds from sale of equity investment	15.5	—
Other investing activities, net	2.9	(5.6)
Net cash used in investing activities	(36.1)	(49.3)
Cash flows from financing activities:		
Short-term borrowings, net	(1.3)	—
Borrowings from revolving facility	165.0	—
Issuance of term facility	700.0	—
Settlement of second amended credit facility	(856.3)	—
Payments of long-term debt	(23.5)	(53.6)
Debt repayments, net	(16.1)	(53.6)
Debt issuance costs	(3.0)	(0.3)
Dividends paid to ordinary shareholders	(45.6)	(34.5)
Acquisition/divestiture of noncontrolling interests	—	(0.4)
Repurchase of ordinary shares	(60.0)	(30.0)
Other financing activities, net	6.0	2.8
Net cash used in financing activities	(118.7)	(116.0)
Effect of exchange rate changes on cash and cash equivalents	7.3	1.7
Net increase in cash and cash equivalents	22.5	14.8
Cash and cash equivalents - beginning of period	312.4	199.7
Cash and cash equivalents - end of period	$334.9	$214.5

See accompanying notes to condensed and consolidated financial statements.

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ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Basis of Presentation

The accompanying condensed and consolidated financial statements of Allegion plc, an Irish public limited company, and its consolidated subsidiaries ("Allegion" or the "Company"), reflect the consolidated operations of the Company and have been prepared in accordance with United States Securities and Exchange Commission ("SEC") interim reporting requirements. Accordingly, the accompanying condensed and consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for full financial statements and should be read in conjunction with the consolidated financial statements included in the Allegion Annual Report on Form 10-K for the year ended December 31, 2016. In the opinion of management, the accompanying condensed and consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to state fairly the consolidated unaudited results for the interim periods presented.

Note 2 – Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements:

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU 2015-11 changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. The standard defines net realizable value as estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The Company adopted the provisions of ASU 2015-11 on January 1, 2017. The adoption of ASU 2015-11 did not have a material impact on the condensed and consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." This update addresses the income tax consequences of intra-entity transfers of assets other than inventory. Previously, GAAP prohibited the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. In addition, interpretations of this guidance have developed in practice over the years for transfers of certain intangible and tangible assets. The amendments in the update will require recognition of current and deferred income taxes resulting from an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company elected to early adopt on January 1, 2017. As a result, during the first quarter of 2017, the Company recognized a cumulative effect within retained earnings of $5.0 million with an offset to other current assets and other noncurrent assets.

In January 2017, the FASB issued ASU 2017-04, "Intangibles– Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment." The amended guidance simplifies the accounting for goodwill impairment for all entities by eliminating the requirement to perform a hypothetical purchase price allocation. A goodwill impairment charge will now be recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill.
The ASU will be effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for any impairment tests after January 1, 2017. The Company elected to early adopt on October 1, 2017 and will apply the new standard, if applicable, to our annual impairment test on goodwill as of October 1, 2017.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASC 606). ASC 606 is a single, comprehensive revenue recognition model for all contracts with customers. The model is based on changes in contract assets (rights to receive consideration) and liabilities (obligations to provide a good or perform a service). Revenue is recognized based on the satisfaction of performance obligations, which occurs when control of a good or service transfers to a customer. ASC 606
contains expanded disclosure requirements relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Entities may use a full retrospective approach or report the cumulative effect as of the date of adoption ("modified retrospective method"). This guidance will be effective for the Company January 1, 2018. The FASB has also issued the following standards which clarify ASU 2014-09 and have the same effective date as the original standard: ASU 2016-20, Revenue from Contracts with Customers: Technical Corrections and Improvements, ASU 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients and ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing. The Company has completed an assessment of the new standard’s impact and a technical assessment of material customer contracts. The Company will choose the modified retrospective method upon adoption in 2018. The adoption of the new standard will not have a material impact on the Company's condensed and consolidated

statements of comprehensive income, balance sheets or statements of cash flows. The Company will expand the condensed and consolidated financial statement disclosures in order to comply with ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve month term, these arrangements will be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted, although we currently plan to adopt this ASU on January 1, 2019. ASU 2016-02 is required to be applied with a modified retrospective approach to each prior reporting period presented with various optional practical expedients. The Company is continuing to assess what impact ASU 2016-02 will have on the condensed and consolidated financial statements; however, the Company anticipates that this adoption will result in a significant gross-up of assets and liabilities on its condensed and consolidated balance sheets and will require changes to its systems and processes.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. The ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is assessing what impact ASU 2016-13 will have on the condensed and consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Clarification of Certain Cash Receipts and Cash Payments." ASU 2016-15 eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. The ASU will be effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The amendments in this update will be applied retrospectively to all periods presented, unless deemed impracticable, in which case, prospective application is permitted. The Company is assessing what impact ASU 2016-15 will have on the condensed and consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of comprehensive income separately from the service cost component and outside a subtotal of operating income. ASU 2017-07 also allows only the service cost component to be eligible for capitalization when applicable (for example, as a cost of internally manufactured inventory or a self-constructed asset). The ASU is effective for annual periods beginning after December 15, 2017. The ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The amendments allow a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. Upon adoption, the Company intends to apply these practical expedients for prior period presentation. The Company does not believe the adoption of the new standard will not have a material impact on the Company's condensed and consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 addresses previous limitations on how an entity can designate the hedged risk in certain cash flow and fair value hedging relationships by expanding and refining hedge accounting for both nonfinancial and financial risk components and aligning the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The ASU is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The amendments in this update should be applied to hedging relationships existing on the date of adoption, which includes a cumulative-effect adjustment to eliminate any ineffectiveness recorded to accumulated other comprehensive income or loss with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year in which adoption occurred. Presentation and disclosure amendments are required to be applied prospectively. The Company is assessing what impact ASU 2017-12 will have on the condensed and consolidated financial statements.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Note 3 – Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in first-out (FIFO) method.
The major classes of inventory were as follows:

In millions	September 30, 2017	December 31, 2016
Raw materials	$ 71.3	$ 56.7
Work-in-process	30.5	23.6
Finished goods	155.3	140.3
Total	$ 257.1	$ 220.6

Note 4 – Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2017 were as follows:

In millions	Americas	EMEIA	Asia Pacific	Total
December 31, 2016 (gross)	$ 372.9	$736.1	$93.3	$1,202.3
Accumulated impairment	—	(478.6)	(6.9)	(485.5)
December 31, 2016 (net)	372.9	257.5	86.4	716.8
Acquisitions and settlements	3.1	(1.7)	1.3	2.7
Currency translation	—	31.1	5.3	36.4
September 30, 2017 (net)	$ 376.0	$286.9	$93.0	$755.9

Note 5 – Intangible Assets

The gross amount of the Company’s intangible assets and related accumulated amortization were as follows:

	September 30, 2017			December 31, 2016		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$32.4	$ (9.3)	$ 23.1	$48.0	$ (25.3)	$ 22.7
Customer relationships	319.0	(69.1)	249.9	278.9	(51.6)	227.3
Trademarks (finite-lived)	87.7	(44.5)	43.2	78.5	(37.3)	41.2
Other	7.1	(4.5)	2.6	11.0	(9.4)	1.6
Total finite-lived intangible assets	446.2	$ (127.4)	318.8	416.4	$ (123.6)	292.8
Trademarks (indefinite-lived)	74.4		74.4	64.6		64.6
Total	$520.6		$ 393.2	$481.0		$ 357.4

Intangible asset amortization expense was $16.4 million and $15.5 million for the nine months ended September 30, 2017 and 2016. Future estimated amortization expense on existing intangible assets in each of the next five years amounts to approximately $22.3 million for full year 2017, $22.3 million for 2018, $21.4 million for 2019, $21.4 million for 2020, and $21.4 million for 2021.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Note 6 – Acquisitions

On January 3, 2017, the Company acquired Republic Doors & Frames, LLC through one of its subsidiaries. In 2016, we completed one business acquisition (Trelock GmbH). These acquisitions did not have a material impact on the condensed and consolidated financial statements.

Note 7 – Divestitures

On April 5, 2017, iDevices LLC, including the Company's equity investment, was acquired by a third party. The Company recorded a $4.9 million gain in the second quarter of 2017 within Other (income) expense, net.

As previously disclosed, the Company sold a majority stake of Bocom Wincent Technologies Co., Ltd. ("Systems Integration") in the fourth quarter of 2015, retaining 15% of the shares. Under the terms of the transaction, the Company was to receive consideration of up to $75 million based on the future cash collection performance of Systems Integration and additional payments of approximately $8.3 million related to working capital transferred with the sale. In the three months ended September 30, 2016, the Company recorded a charge of $84.4 million to write the carrying value of Systems Integration's assets and liabilities down to their estimated fair value less costs to complete the transaction. As of September 30, 2017, the Company currently estimates the fair value of the consideration to be $2.7 million, which is classified within Other noncurrent assets within the Condensed and Consolidated Balance Sheets. The Company does not expect to incur any material charges in future periods related to Systems Integration.

Note 8 – Debt and Credit Facilities

Long-term debt and other borrowings consisted of the following:

In millions	September 30, 2017		December 31, 2016	
Term Loan A Facility	$ —		$ 879.8	
Term Facility	700.0		—	
Revolving Facility	165.0		—	
5.75% Senior notes due 2021	300.0		300.0	
5.875% Senior notes due 2023	300.0		300.0	
Other debt, including capital leases, maturing in various amounts through 2024	1.0		2.3	
Unamortized debt issuance costs, net	(19.0	)	(18.3	)
Total debt	1,447.0		1,463.8	

Less current portion of long-term debt	35.0		48.2	
Total long-term debt	$	1,412.0	$	1,415.6

Unsecured Credit Facilities

On September 12, 2017, the Company entered into a new Credit Agreement (the “Credit Agreement”), which refinanced in full the Company's previously outstanding credit facility, the Second Amended and Restated Credit Agreement, dated as of September 30, 2015 (the “Second Amended Credit Agreement”). The Credit Agreement provides for $1,200.0 million in unsecured financing, consisting of a $700.0 million term loan facility maturing on September 12, 2022 (the “Term Facility”) and a $500.0 million revolving credit facility maturing on September 12, 2022 (the “Revolving Facility” and, together with the Term Facility, the “Credit Facilities”). All obligations under the Second Amended Credit Agreement were satisfied, all commitments thereunder were terminated, and all guarantees and security interests that had been granted in connection therewith were released.

The full amount of the Term Facility was drawn at closing. Amounts borrowed under the Term Facility that are repaid or prepaid may not be reborrowed. The proceeds from the Term Facility along with the initial borrowings of $165.0 million under the Revolving Facility were used primarily to repay the then outstanding borrowing under the Second Amended Credit Agreement. The Term

Facility will amortize in quarterly installments at the following rates: 1.25% per quarter starting December 31, 2017 through December 31, 2020, 2.5% per quarter from March, 31, 2021 through June 30, 2022, with the balance due on September 12, 2022.

The Revolving Facility consists of a five-year revolving credit facility with aggregate commitments in an amount equal to $500.0 million, of which up to $100.0 million is available for the issuance of letters of credit, and including a swingline facility in an amount equal to $50.0 million. Certain of the commitments under the Revolving Facility are available to be drawn in currencies other than US dollars, including euros and pounds sterling. Amounts repaid under the Revolving Facility may be reborrowed. As discussed further below, the Company repaid in full the outstanding borrowings under the Revolving Facility on October 2, 2017, with proceeds from the issuance of Senior Notes due 2024 and 2027 on the same date.

The indebtedness, obligations and liabilities under the Credit Facilities are unconditionally guaranteed jointly and severally on an unsecured basis by Allegion plc and Allegion US Holding Company.

Outstanding borrowings under the Credit Facilities will accrue interest, at the option of the Borrowers, at a per annum rate of (i) a LIBOR rate plus the applicable margin or (ii) a base rate plus the applicable margin. The applicable margin for borrowings under the Credit Facilities is subject to a ratings-based pricing grid with the margin ranging from 1.125% to 1.500% depending on the Borrowers’ credit ratings.

Outstanding borrowings under the Term Facility currently accrue interest at LIBOR plus an applicable margin. The margin for the Term Facility borrowing was 1.25% as of September 30, 2017.

The Borrower will pay certain fees with respect to the Credit Facilities, including an unused commitment fee on the undrawn portion of the Revolving Facility of between 0.125% and 0.200%, depending on the Borrowers’ credit rating, as well as certain other fees.

During the three month period ending September 30, 2017, the Company incurred a non-cash charge of approximately $0.4 million associated with the write-off of previously unamortized deferred financing costs on the Second Amended Credit Agreement, expensed $1.2 million of third party costs to Interest expense, and recorded deferred financing costs of $2.6 million as part of the new Credit Facilities transaction which will be amortized over the duration of the Credit Facilities.

To manage the Company's exposure to fluctuations in LIBOR rates, the Company has forward starting interest rate swaps to fix the interest rate paid during the contract period for $250.0 million of the Company's variable rate Term Facility. These swaps expire in September 2020.

At September 30, 2017, the Company had $18.0 million of letters of credit outstanding.

Senior Notes

A wholly-owned subsidiary of the Company has issued $300.0 million of 5.75% senior notes due 2021 (the "2021 Senior Notes"). The 2021 Senior Notes accrue interest at the rate of 5.75% per annum, payable semi-annually on April 1 and October 1 of each year. The 2021 Senior Notes mature on October 1, 2021.

In September 2015, Allegion plc issued $300.0 million of 5.875% senior notes due 2023 (the "2023 Senior Notes"). The 2023 Senior Notes accrue interest at the rate of 5.875% per annum, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2016. The 2023 Senior Notes mature on September 15, 2023.

On October 2, 2017, Allegion US Holding Company Inc. (“Allegion US Holding”), a subsidiary of Allegion plc (“Allegion”), issued $400.0 million aggregate principal amount of its 3.200% Senior Notes due 2024 and $400.0 million aggregate principal amount of its 3.550% Senior Notes due 2027.
On October 3, 2017 Allegion US Holding used the net proceeds of the offering to redeem in full the Company’s 5.75% Senior Notes due 2021 and to redeem in full the Company’s 5.875% Senior Notes due 2023, pay the related redemption premiums of approximately $33.0 million (will be recorded in Interest expense), and fees of approximately $7.4 million related to the Senior Notes due 2024 and 2027, of which half will be deferred over 7 years and half over 10 years and amortized into interest expense. The Company will also have a loss related to the write off of unamortized debt issue costs from previous issuances of approximately $9.4 million (will be recorded in Interest expense). In addition, on October 2, 2017, the Company repaid in full the borrowings under the Revolving Facility and used the remaining proceeds for general corporate purposes.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

The Company recorded approximately $7.4 million of deferred debt issue costs related to the Senior Notes due 2024 and 2027, of which $2.3 million was recorded as of September 30, 2017, and $5.1 million was recorded in October 2017.

The weighted-average interest rate for borrowings was 2.95% under the Term Loan Facility (including the effect of interest rate swaps) at September 30, 2017, 5.75% under the 2021 Senior Notes and 5.875% under the 2023 Senior Notes.

Note 9 – Financial Instruments

In the normal course of business, the Company uses various financial instruments, including derivative instruments, to manage the risks associated with interest and currency rate exposures. These financial instruments are not used for trading or speculative purposes.

On the date a derivative contract is entered into, the Company designates the derivative instrument as a cash flow hedge of a forecasted transaction, a cash flow hedge of a recognized asset or liability, or as an undesignated derivative. The Company formally documents its hedge relationships, including identification of the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivative instruments that are designated as hedges to specific assets, liabilities or forecasted transactions.

The fair market value of derivative instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded.

The Company assesses at inception and at least quarterly thereafter, whether the derivatives used in cash flow hedging transactions are highly effective in offsetting the changes in the cash flows of the hedged item. To the extent the derivative is deemed to be a highly effective hedge, the fair market value changes of the instrument are recorded to Accumulated other comprehensive income.

Any ineffective portion of a derivative instrument’s change in fair value is recorded in Net earnings in the period of change. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, the hedging relationship will be undesignated and any future gains and losses on the derivative instrument will be recorded in Net earnings.

Currency Hedging Instruments

The gross notional amount of the Company’s currency derivatives was $85.2 million and $132.6 million at September 30, 2017 and December 31, 2016, respectively. At September 30, 2017 and December 31, 2016, a loss of $0.5 million and a gain of $0.8 million, net of tax, were included in Accumulated other comprehensive loss related to the fair value of the Company’s currency derivatives designated as cash flow hedges. The amount expected to be reclassified into Net earnings over the next twelve months is a loss of $0.5 million. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company’s currency derivatives not designated as hedges are recorded in Net earnings as changes in fair value occur. At September 30, 2017, the maximum term of the Company’s currency derivatives was less than one year.

Interest Rate Swaps

To manage the Company's exposure to fluctuations in LIBOR rates, the Company has forward starting interest rate swaps to fix the interest rate paid during the contract period for $250.0 million of the Company's variable rate Term Facility. These swaps expire in September 2020.

These interest rate swaps met the criteria to be accounted for as cash flow hedges of variable rate interest payments. Consequently, the changes in fair value of the interest rate swaps were recognized in Accumulated other comprehensive loss. At September 30, 2017 and December 31, 2016, gains of $2.4 million and $2.6 million, net of tax, were recorded in Accumulated other comprehensive loss related to these interest rate swaps. No gains are expected to be reclassified into Net earnings over the next twelve months. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions.

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The fair values of derivative instruments included within the Condensed and Consolidated Balance Sheets were as follows:

In millions	Asset derivatives September 30, 2017	Asset derivatives December 31, 2016	Liability derivatives September 30, 2017	Liability derivatives December 31, 2016
Derivatives designated as hedges:				
Currency derivatives	$ —	$ 0.7	$ 1.3	$ 0.1
Interest rate swaps	3.7	4.6	—	0.4
Derivatives not designated as hedges:				
Currency derivatives	0.4	0.3	0.1	0.2
Total derivatives	$ 4.1	$ 5.6	$ 1.4	$ 0.7

Asset and liability currency derivatives included in the table above are recorded within Other current assets and Accrued expenses and other current liabilities, respectively. Asset and liability interest rate swap derivatives included in the table above are recorded within Other noncurrent assets and Accrued expenses and other current liabilities.

The amounts associated with derivatives designated as hedges affecting Net earnings and Accumulated other comprehensive loss for the three months ended September 30 were as follows:

In millions	Amount of gain recognized in Accumulated other comprehensive loss 2017	2016	Location of gain (loss) recognized in Net earnings	Amount of gain (loss) reclassified from Accumulated other comprehensive loss and recognized into Net earnings 2017	2016
Currency derivatives	$ 0.6	$ 1.5	Cost of goods sold	$ 1.0	$ (1.1)
Interest rate swaps	0.3	2.5	Interest expense	—	—
Total	$ 0.9	$ 4.0		$ 1.0	$ (1.1)

The amounts associated with derivatives designated as hedges affecting Net earnings and Accumulated other comprehensive loss for the nine months ended September 30 were as follows:

In millions	Amount of gain (loss) recognized in Accumulated other comprehensive loss 2017	2016	Location of gain (loss) recognized in Net earnings	Amount of gain reclassified from Accumulated other comprehensive loss and recognized into Net earnings 2017	2016
Currency derivatives	$ 2.2	$ (0.7)	Cost of goods sold	$ 4.0	$ 4.2
Interest rate swaps	(0.5)	(1.0)	Interest expense	—	—
Total	$ 1.7	$ (1.7)		$ 4.0	$ 4.2

The gains and losses associated with the Company's non-designated currency derivatives, which are offset by changes in the fair value of the underlying transactions, are included within Other (income) expense, net in the Condensed and Consolidated Statements of Comprehensive Income.

Concentration of Credit Risk

The counterparties to the Company’s forward contracts and swaps consist of a number of investment grade major international financial institutions. The Company could be exposed to losses in the event of nonperformance by the counterparties. However, the credit ratings and the concentration of risk in these financial institutions are monitored on a continuous basis and present no significant credit risk to the Company.

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Note 10 – Pensions and Postretirement Benefits Other than Pensions

The Company sponsors several U.S. defined benefit and defined contribution plans covering substantially all of its U.S. employees. Additionally, the Company has non-U.S. defined benefit and defined contribution plans covering eligible non-U.S. employees. Postretirement benefits, other than pensions, provide healthcare benefits, and in some instances, life insurance benefits for certain eligible employees.

Pension Plans

The noncontributory defined benefit pension plans covering non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat dollar benefit formula. The non-U.S. pension plans generally provide benefits based on earnings and years of service. The Company also maintains additional other supplemental plans for officers and other key employees.

The components of the Company's net periodic pension benefit costs for the three and nine months ended September 30 were as follows:

	U.S. Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Service cost	$2.1	$2.6	$6.5	$7.3
Interest cost	2.7	2.6	7.8	7.6
Expected return on plan assets	(3.0)	(2.6)	(8.9)	(7.7)
Net amortization of:				
Prior service costs	—	0.2	0.2	0.5
Plan net actuarial losses	1.3	0.4	3.6	3.1
Net periodic pension benefit cost	$3.1	$3.2	$9.2	$10.8

	Non-U.S. Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Service cost	$0.8	$0.8	$2.4	$2.5
Interest cost	2.1	2.9	6.4	8.7
Expected return on plan assets	(3.4)	(3.7)	(10.3)	(11.1)
Amortization of plan net actuarial losses	0.4	0.6	1.3	1.7
Net periodic pension benefit (income) cost	$(0.1)	$0.6	$(0.2)	$1.8

The Company made employer contributions of $56.0 million (of which $50.0 million was discretionary) and $6.7 million during the nine months ended September 30, 2017 and 2016 to its defined benefit pension plans. Additional contributions of approximately $3.7 million are expected during the remainder of 2017.

Postretirement Benefits Other Than Pensions

The Company sponsors a postretirement plan that provides for healthcare benefits, and in some instances, life insurance benefits that cover certain eligible retired employees. The Company funds postretirement benefit obligations principally on a pay-as-you- go basis. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory.

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NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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The components of net periodic postretirement benefit income for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Service cost	$—	$0.1	$—	$0.1
Interest cost	0.1	0.1	0.3	0.3
Net amortization of:				
Prior service gains	(0.4)	(0.5)	(1.2)	(1.3)
Plan net actuarial gains	—	—	(0.1)	—
Net periodic postretirement benefit income	$(0.3)	$(0.3)	$(1.0)	$(0.9)

Note 11 – Fair Value Measurement
Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on a framework that utilizes the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is comprised of three levels that are described below:

- Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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Assets and liabilities measured at fair value at September 30, 2017 were as follows:

	Fair value measurements			
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Interest rate swaps	$ —	$ 3.7	$ —	$ 3.7
Currency derivatives	—	0.4	—	0.4
Total asset recurring fair value measurements	$ —	$ 4.1	$ —	$ 4.1
Liabilities:				
Currency derivatives	$ —	$ 1.4	$ —	$ 1.4
Deferred compensation plans	—	19.8	—	19.8
Total liability recurring fair value measurements	$ —	$ 21.2	$ —	$ 21.2
Nonrecurring fair value measurements				
Financial instruments not carried at fair value				
Total debt	$ —	$ 1,494.6	$ —	$ 1,494.6
Total financial instruments not carried at fair value	$ —	$ 1,494.6	$ —	$ 1,494.6

Assets and liabilities measured at fair value at December 31, 2016 were as follows:

	Fair value measurements			
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Interest rate swap	$ —	$ 4.6	$ —	$ 4.6
Currency derivatives	—	1.0	—	1.0
Total asset recurring fair value measurements	$ —	$ 5.6	$ —	$ 5.6
Liabilities:				
Currency derivatives	$ —	$ 0.3	$ —	$ 0.3
Interest rate swap	—	0.4	—	0.4
Deferred compensation plans	—	16.8	—	16.8

Total liability recurring fair value measurements	$—	$ 17.5	$	—$17.5
Financial instruments not carried at fair value				
Total debt	$—	$ 1,510.6	$	—$1,510.6
Total financial instruments not carried at fair value	$—	$ 1,510.6	$	—$1,510.6

The Company determines the fair value of its financial assets and liabilities using the following methodologies:

- Currency derivatives – These instruments include foreign currency contracts for non-functional currency balance sheet exposures. The fair value of the foreign currency contracts are determined based on a pricing model that uses spot rates and forward prices from actively quoted currency markets that are readily accessible and observable.

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NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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- Interest rate swaps – These instruments include interest rate swap contracts for up to $250.0 million of the Company's variable rate debt. The fair value of the derivative instruments are determined based on quoted prices for the Company's swaps, which are not considered an active market.
- Deferred compensation plans - These include obligations related to deferred compensation adjusted for market performance. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.
- Debt – These securities are recorded at cost and include debt instruments maturing through 2024. The fair value of the long-term debt instruments is obtained based on observable market prices quoted on public exchanges for similar instruments.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings are a reasonable estimate of their fair value due to the short-term nature of these instruments.

These methodologies used by the Company to determine the fair value of its financial assets and liabilities at September 30, 2017 are the same as those used at December 31, 2016. There have been no significant transfers between Level 1 and Level 2 categories.

Note 12 – Equity

The reconciliation of Ordinary shares is as follows:

In millions	Total
December 31, 2016	95.3
Shares issued under incentive plans, net	0.5
Repurchase of ordinary shares	(0.8)
September 30, 2017	95.0

During the nine months ended September 30, 2017, the Company paid $60.0 million to repurchase 0.8 million ordinary shares on the open market under a share repurchase program previously approved by its Board of Directors.

The components of Equity for the nine months ended September 30, 2017 were as follows:

In millions	Allegion plc shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2016	$ 113.3	$ 3.1	$ 116.4
Net earnings	263.7	0.9	264.6
Currency translation	86.8	1.1	87.9
Change in value of derivatives qualifying as cash flow hedges, net of tax	(1.5)	—	(1.5)
Pension and OPEB adjustments, net of tax	(3.5)	—	(3.5)
Total comprehensive income	345.5	2.0	347.5

Cumulative effect of change in accounting principle	(5.0)	—	(5.0)
Share-based compensation	12.8	—	12.8
Dividends to noncontrolling interests	—	(0.1)	(0.1)
Dividends to ordinary shareholders	(45.6)	—	(45.6)
Repurchase of ordinary shares	(60.0)	—	(60.0)
Shares issued under incentive plans, net	6.2	—	6.2
Other	—	(0.1)	(0.1)
Balance at September 30, 2017	$ 367.2	$ 4.9	$ 372.1

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The components of Equity for the nine months ended September 30, 2016 were as follows:

In millions	Allegion plc shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2015	$ 25.6	$ 4.1	$ 29.7
Net earnings	154.3	1.9	156.2
Currency translation	15.5	0.5	16.0
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	(15.0)	—	(15.0)
Pension and OPEB adjustments, net of tax	14.9	—	14.9
Total comprehensive income	169.7	2.4	172.1
Share-based compensation	13.1	—	13.1
Acquisition/divestiture of noncontrolling interests	(0.4)	—	(0.4)
Dividends to noncontrolling interests	—	(2.8)	(2.8)
Dividends to ordinary shareholders	(34.6)	—	(34.6)
Shares issued under incentive plans, net	8.4	—	8.4
Repurchase of ordinary shares	(30.0)	—	(30.0)
Balance at September 30, 2016	$ 151.8	$ 3.7	$ 155.5

Other Comprehensive Income (Loss)

The changes in Accumulated other comprehensive loss for the nine months ended September 30, 2017 are as follows:

In millions	Cash flow hedges	Pension and OPEB Items	Foreign Currency Items	Total
December 31, 2016	$ 3.4	$ (120.5)	$ (147.2)	$ (264.3)
Other comprehensive income (loss) before reclassifications	1.8	(6.5)	86.8	82.1
Amounts reclassified from accumulated other comprehensive loss	(4.0)	3.8	—	(0.2)
Tax benefit (expense)	0.7	(0.8)	—	(0.1)
September 30, 2017	$ 1.9	$ (124.0)	$ (60.4)	$ (182.5)

The changes in Accumulated other comprehensive loss for the nine months ended September 30, 2016 are as follows:

In millions	Cash flow hedges and marketable securities	Pension and OPEB Items	Foreign Currency Items	Total
December 31, 2015	$ 14.0	$ (139.3)	$ (106.9)	$ (232.2)
Other comprehensive income before reclassifications	1.4	12.1	15.5	29.0
Amounts reclassified from accumulated other comprehensive loss	(17.8)	4.0	—	(13.8)
Tax benefit (expense)	1.4	(1.2)	—	0.2
September 30, 2016	$ (1.0)	$ (124.4)	$ (91.4)	$ (216.8)

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Reclassifications out of Accumulated other comprehensive loss for the three and nine months ended September 30, 2017 were as follows:

In millions	Amount Reclassified from Accumulated Other Comprehensive Loss Three months ended	Nine months ended	Statement of Comprehensive Income Line Item
Reclasses below represent (income) loss to the Statement of Comprehensive Income			
Gains on cash flow hedges:			
Foreign exchange contracts	$ (1.0)	$ (4.0)	Cost of goods sold
	(1.0)	(4.0)	Earnings before income taxes
	0.3	1.1	Provision for income taxes
	$ (0.7)	$ (2.9)	Net earnings
Defined benefit pension items:			
Amortization of:			
Prior-service gains	$ (0.4)	$ (1.0)	(a)
Actuarial losses	1.7	4.8	(a)
	1.3	3.8	Loss before income taxes
	(0.3)	(0.9)	Tax benefit
	$ 1.0	$ 2.9	Net loss
Total reclassifications for the period	$ 0.3	$ —	Net loss

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost and net periodic postretirement benefit cost (see Note 10 for additional details).

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Reclassifications out of Accumulated other comprehensive loss for the three and nine months ended September 30, 2016 were as follows:

In millions	Amount Reclassified from Accumulated Other Comprehensive Loss Three months ended	Nine months ended	Statement of Comprehensive Income Line Item
Reclasses below represent (income) loss to the Statement of Comprehensive Income			
Gains on cash flow hedges:			
Foreign exchange contracts	$1.1	$(4.2)	Cost of goods sold
	1.1	(4.2)	Loss (earnings) before income taxes
	0.6	1.4	Provision for income taxes
	$1.7	$(2.8)	Net loss (earnings)
Gains on marketable securities:			
Realized gain on sale of securities	$—	$(13.6)	Other, net
	—	(13.6)	Earnings before income taxes
	—	—	Provision for income taxes
	$—	$(13.6)	Net earnings
Defined benefit pension items:			
Amortization of:			
Prior-service gains	$(0.3)	$(0.8)	(a)
Actuarial losses	1.0	4.8	(a)
	0.7	4.0	Loss before income taxes
	(0.4)	(1.2)	Tax benefit
	$0.3	$2.8	Net loss
Total reclassifications for the period	$2.0	$(13.6)	Net loss (earnings)

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost and net periodic postretirement benefit cost (see Note 10 for additional details).

Note 13 – Share-Based Compensation
The Company records share-based compensation awards using a fair value method and recognizes compensation expense for an amount equal to the fair value of the share-based payment issued in its financial statements. The Company’s share-based compensation plans include programs for stock options, restricted stock units ("RSUs"), performance share units ("PSUs") and deferred compensation.

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Compensation Expense

Share-based compensation expense is included in Selling and administrative expenses within Net earnings. The expenses recognized for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Stock options	$0.7	$1.1	$2.7	$3.3
RSUs	1.7	2.0	5.9	6.1
PSUs	1.4	1.2	4.5	3.7
Deferred compensation	0.6	0.7	2.0	1.1
Pre-tax expense	4.4	5.0	15.1	14.2
Tax benefit	(1.5)	(1.5)	(5.0)	(4.2)
After-tax expense	$2.9	$3.5	$10.1	$10.0

Stock Options/RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. Grants issued during the nine months ended September 30 were as follows:

	2017		2016	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	165,113	$ 18.22	230,259	$ 15.86
RSUs	119,695	$ 73.37	113,095	$ 58.89

The fair value of each of the Company's stock option and RSU awards is expensed on a straight-line basis over the required service period, which is generally the 3-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Company recognizes expense for the fair value at the grant date.

The average fair value of the stock options granted is determined using the Black-Scholes option-pricing model. The following assumptions were used during the nine months ended September 30:

	2017	2016
Dividend yield	0.89 %	0.83 %
Volatility	24.93 %	28.85 %
Risk-free rate of return	2.08 %	1.38 %
Expected life	6.0 years	6.0 years

Expected volatility is based on the weighted average of the implied volatility of a group of the Company’s peers due to the lack of trading history for the Company's ordinary shares. The risk-free rate of return is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected life of the award. Historical peer data is used to estimate forfeitures within the Company’s valuation model. The expected life of the Company’s stock option awards is derived from the simplified approach based on the weighted average time to vest and the remaining contractual term and represents the period of time that awards are expected to be outstanding.

Performance Shares

The Company has a Performance Share Program for key employees. The program provides awards in the form of PSUs based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary

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shares. All PSUs are settled in the form of ordinary shares unless deferred. During the nine months ended September 30, 2017, the Company granted PSUs with a maximum award level of approximately 0.1 million shares.

In February 2015, 2016 and 2017, the Company's Compensation Committee granted PSUs that were based 50% upon a performance condition, measured at each reporting period by earnings per share ("EPS") performance in relation to pre-established targets set by the Compensation Committee, and 50% upon a market condition, measured by the Company's relative total shareholder return ("TSR") against the S&P 400 Capital Goods Index over a three-year performance period based on the change in the 30 day average price for the grant year index to the 30 day average price for the index over the performance period. The fair values of the market condition were estimated using a Monte Carlo Simulation approach in a risk-neutral framework based upon historical volatility, risk-free rates and correlation matrix.

Deferred Compensation

The Company allows key employees to defer a portion of their eligible compensation into a number of investment choices including its ordinary share equivalents. Any amounts invested in ordinary share equivalents will be settled in ordinary shares of the Company at the time of distribution.

Note 14 – Restructuring Activities

During the three months ended September 30, 2017 and 2016, the Company incurred costs of $7.4 million and $1.1 million, respectively, associated with ongoing restructuring actions. During the nine months ended September 30, 2017 and 2016, the Company incurred costs of $8.5 million and $3.0 million, respectively, associated with ongoing restructuring actions.

Restructuring Plans

Restructuring charges recorded during the three and nine months ended September 30 as part of restructuring plans were as follows:

	Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Americas	$5.4	$0.7	$5.4	$2.0
EMEIA	1.5	0.4	2.5	0.8
Asia Pacific	—	—	—	0.2
Corporate	0.5	—	0.6	—
Total	$7.4	$1.1	$8.5	$3.0
Cost of goods sold	2.9	0.7	3.2	0.8
Selling and administrative expenses	4.5	0.4	5.3	2.2
Total	$7.4	$1.1	$8.5	$3.0

The Americas, Corporate and EMEIA restructuring charges primarily related to workforce reductions and the closure and consolidation of manufacturing facilities in an effort to increase efficiencies. Americas restructuring charges also include costs associated with the exit of an immaterial product line.

The changes in the restructuring reserve during the nine months ended September 30, 2017 were as follows:

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In millions	Americas	EMEIA	Corporate	Total
December 31, 2016	$ 0.3	$ 3.2	$ —	$ 3.5
Additions, net of reversals	5.4	2.5	0.6	8.5
Cash and non-cash uses	(4.6)	(4.4)	(0.5)	(9.5)
Currency translation	—	0.2	—	0.2
September 30, 2017	$ 1.1	$ 1.5	$ 0.1	$ 2.7

The majority of the costs accrued as of September 30, 2017 will be paid within one year.

The Company did not incur other non-qualified restructuring charges during the three months ended September 30, 2017. The Company did incur other non-qualified restructuring charges of $1.4 million during the nine months ended September 30, 2017, in conjunction with restructuring plans, which represent costs that are directly attributable to restructuring activities, but do not fall into the severance, exit or disposal category.

Note 15 – Other (Income) Expense, Net

The components of Other (income) expense, net for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Interest income	$ (0.3)	$ (0.5)	$ (0.6)	$ (1.9)
Exchange (gain) loss	(0.1)	0.5	0.4	2.9
(Earnings) loss from and gains on the sale of equity investments	(0.1)	0.1	(4.7)	(3.9)
Other	(3.2)	0.3	(3.3)	(14.1)
Other (income) expense, net	$ (3.7)	$ 0.4	$ (8.2)	$ (17.0)

Other (income) expense, net for the three months ended September 30, 2017 included a gain of $2.9 million related to a legal entity liquidation. Other (income) expense, net for the nine months ended September 30, 2017 included a gain of $4.9 million from the sale of iDevices, LLC, and a gain of $2.9 million related to a legal entity liquidation.

During the nine months ended September 30, 2016 the Company recorded gains from the sale of marketable securities of $12.4 million, which is included in Other in the table above. Additionally, earnings from equity method investments included a gain recognized by an investment during the nine months ended September 30, 2016.

Note 16 – Income Taxes

The effective income tax rates for the three months ended September 30, 2017 and 2016 were 19.6% and 90.5%. The effective income tax rate for the three months ended September 30, 2016 was negatively impacted by $84.4 million (before and after-tax) primarily due to the write-down of the carrying value of consideration receivable related to the September 2015 divestiture of our Systems Integration business in China. Excluding this write-down, the effective tax rate increased due to unfavorable changes in the mix of income earned in higher rate jurisdictions.

The effective income tax rates for the nine months ended September 30, 2017 and 2016 were 16.7% and 26.5%. The effective income tax rate for the nine months ended September 30, 2017 was impacted by a favorable benefit of vesting and exercise of share based compensation awards and a favorable benefit resulting from the release of valuation allowances, which are partially offset by unfavorable changes in the mix of income earned in higher rate jurisdictions. The effective income tax rate for the nine months ended September 30, 2016 was negatively impacted by $84.4 million (before and after-tax) primarily due to the write-down of the carrying value of consideration receivable related to the September 2015 divestiture of our Systems Integration business in China.

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Note 17 – Earnings Per Share (EPS)

Basic EPS is calculated by dividing Net earnings attributable to Allegion plc by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company’s case, includes shares issuable under share-based compensation plans.

The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted earnings per share calculations for the three and nine months ended September 30:

	Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Weighted-average number of basic shares	95.0	96.0	95.2	95.9
Shares issuable under incentive stock plans	0.8	0.9	0.8	0.9
Weighted-average number of diluted shares	95.8	96.9	96.0	96.8

At September 30, 2017, 0.1 million stock options were excluded from the computation of weighted average diluted shares outstanding because the effect of including these shares would have been anti-dilutive.

Note 18 – Business Segment Information

The Company classifies its businesses into the following three reportable segments based on industry and market focus: Americas, EMEIA and Asia Pacific.

Segment operating income is the measure of profit and loss that the Company’s chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews, and compensation. For these reasons, the Company believes that Segment operating income represents the most relevant measure of segment profit and loss. The Company’s chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, from Operating income to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base the Company's operating decisions. The Company defines Segment operating margin as Segment operating income as a percentage of Net revenues.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

A summary of operations by reportable segment for the three and nine months ended September 30 was as follows:

	Three months ended		Nine months ended	
In millions	2017	2016	2017	2016
Net revenues				
Americas	$455.2	$436.2	$1,331.4	$1,235.7
EMEIA	125.1	116.4	372.7	356.5
Asia Pacific	29.1	28.5	81.0	76.1
Total	$609.4	$581.1	$1,785.1	$1,668.3
Segment operating income				
Americas	$131.8	$131.5	$379.7	$351.7
EMEIA	9.1	3.4	24.5	20.3
Asia Pacific	2.2	1.8	5.1	3.8
Total	143.1	136.7	409.3	375.8
Reconciliation to Operating income				
Unallocated corporate expense	(17.0)	(15.2)	(50.3)	(47.5)
Operating income	$126.1	$121.5	$359.0	$328.3
Reconciliation to earnings before income taxes				
Interest expense	17.8	15.6	49.7	48.4
Loss on divestitures	—	84.4	—	84.4
Other (income) loss, net	(3.7)	0.4	(8.2)	(17.0)
Earnings before income taxes	$112.0	$21.1	$317.5	$212.5

Note 19 – Commitments and Contingencies

The Company is involved in various litigations, claims and administrative proceedings, including those related to environmental and product warranty matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

Environmental Matters

The Company is dedicated to an environmental program to reduce the utilization and generation of hazardous materials during the manufacturing process and to remediate identified environmental concerns. As to the latter, the Company is currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former production facilities. The Company regularly evaluates its remediation programs and considers alternative remediation methods that are in addition to, or in replacement of, those currently utilized by the Company based upon enhanced technology and regulatory changes. Changes to the Company's remediation programs may result in increased expenses and increased environmental reserves.

The Company is sometimes a party to environmental lawsuits and claims and from time to time receives notices of potential violations of environmental laws and regulations from the U.S. Environmental Protection Agency and similar state authorities. It has also been identified as a potentially responsible party ("PRP") for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all such sites, there are other PRPs and, in most instances, the Company’s involvement is minimal.

In estimating its liability, the Company has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based on our understanding of the parties’ financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

During the three months ended September 30, 2017 and 2016, the Company recorded $0.5 million and $1.8 million of expenses for environmental remediation at sites presently or formerly owned or leased by us. During the nine months ended September 30, 2017 and 2016, the Company recorded $2.0 million and $6.8 million of expenses for environmental remediation at sites presently or formerly owned or leased by it.

As of September 30, 2017 and December 31, 2016, the Company has recorded reserves for environmental matters of $29.0 million and $30.6 million. Of the total reserve, $8.8 million and $9.6 million relate to remediation of sites previously disposed by the Company. Environmental reserves are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. The Company's total current environmental reserve at September 30, 2017 and December 31, 2016 was $12.9 million and $6.1 million, respectively, and the remainder is classified as non-current. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Warranty Liability

Standard product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Company assesses the adequacy of its liabilities and will make adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available.

The changes in the standard product warranty liability for the nine months ended September 30 were as follows:

In millions	2017	2016
Balance at beginning of period	$13.3	$11.7
Reductions for payments	(5.5)	(4.6)
Accruals for warranties issued during the current period	6.2	6.2
Changes to accruals related to preexisting warranties	(0.7)	—
Translation	0.4	—
Balance at end of period	$13.7	$13.3

Standard product warranty liabilities are classified as Accrued expenses and other current liabilities.

Note 20 – Guarantor Financial Information

Allegion US Holding Company, Inc. ("Allegion US Holding") is the issuer of the 2021 Senior Notes and a guarantor of the 2023 Senior Notes. Allegion plc is the issuer of the 2023 Senior Notes and a guarantor of the 2021 Senior Notes. Schlage Lock Company LLC and Von Duprin LLC (together, the “Other Subsidiary Guarantors”) are guarantors of the 2021 Senior Notes and the 2023 Senior Notes. The following condensed and consolidated financial information of Allegion plc, Allegion US Holding, the Other Subsidiary Guarantors and the other Allegion subsidiaries that are not guarantors (the “Other Subsidiaries”) on a combined basis as of September 30, 2017 and December 31, 2016, and for the three and nine months ended September 30, 2017 and 2016, is being presented in order to meet the reporting requirements under the 2021 Senior Notes and 2023 Senior Notes indentures and Rule 3-10 of Regulation S-X. In accordance with Rule 3-10(d) of Regulation S-X, separate financial statements for Allegion plc, Allegion US Holding and the Other Subsidiary Guarantors are not required to be filed with the SEC, as the subsidiary debt issuer and the guarantors are directly or indirectly 100% owned by the Parent and the guarantees are full and unconditional and joint and several.

As disclosed within Note 8, the 2021 and 2023 Senior Notes were redeemed by the respective issuers on October 3, 2017. On October 2, 2017, Allegion US Holding issued Senior Notes due 2024 and Senior Notes due 2027 (together the “Notes”). The Notes are guaranteed by Allegion plc (the “Guarantor”) pursuant to an Indenture dated October 2, 2017, and are jointly, severally, and fully and unconditionally guaranteed on an unsecured senior basis by the Guarantor. The Notes are not guaranteed by the Company's current and future subsidiaries presented in this periodic report, although the Notes are the direct obligations of Allegion US Holding. As a result, the guarantor financial information presented under Rule 3-10 of Regulation S-X included in this periodic report does not reflect the guarantor structure of the Notes. In future periodic filings beginning with the Company's 2017 consolidated financial statements included in Form 10-K, the condensed and consolidating financial information presented below will be modified to present the guarantor financial information consistent with the guarantor structure of the Notes. Specifically, the “Allegion US Holding” column will be labeled as the “Issuer”, the “Allegion plc” column will be labeled as the “Guarantor” and the “Other Subsidiary Guarantors” column will be combined with the “Other Subsidiaries” column and be labeled “Non-Guarantor Subsidiaries”. Consolidating adjustments will also be modified to eliminate previously disclosed activity between the subsidiary guarantors and the other subsidiaries as applicable.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Statement of Comprehensive Income
For the three months ended September 30, 2017

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net revenues	$—	$—	$ 432.6	$ 273.0	$ (96.2)	$609.4
Cost of goods sold	—	—	241.3	190.4	(96.2)	335.5
Selling and administrative expenses	1.3	—	87.5	59.0	—	147.8
Operating income (loss)	(1.3)	—	103.8	23.6	—	126.1
Equity earnings (loss) in affiliates, net of tax	104.1	47.4	0.5	88.0	(240.0)	—
Interest expense	13.0	4.6	—	0.2	—	17.8
Intercompany interest and fees	—	28.3	(38.8)	10.5	—	—
Other income, net	—	—	(0.4)	(3.3)	—	(3.7)
Earnings (loss) before income taxes	89.8	14.5	143.5	104.2	(240.0)	112.0
Provision (benefit) for income taxes	—	(12.7)	55.1	(20.5)	—	21.9
Net earnings (loss)	89.8	27.2	88.4	124.7	(240.0)	90.1
Less: Net earnings attributable to noncontrolling interests	—	—	—	0.3	—	0.3
Net earnings (loss) attributable to Allegion plc	$89.8	$ 27.2	$ 88.4	$ 124.4	$ (240.0)	$89.8
Total comprehensive income (loss)	$111.9	$ 27.4	$ 89.5	$ 146.5	$ (262.6)	$112.7
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	0.8	—	0.8
Total comprehensive income (loss) attributable to Allegion plc	$111.9	$ 27.4	$ 89.5	$ 145.7	$ (262.6)	$111.9

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2017

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net revenues	$—	$ —	$ 1,271.5	$ 835.3	$ (321.7)	$ 1,785.1
Cost of goods sold	—	—	715.2	595.8	(321.7)	989.3
Selling and administrative expenses	3.8	—	262.1	170.9	—	436.8
Operating income (loss)	(3.8)	—	294.2	68.6	—	359.0
Equity earnings (loss) in affiliates, net of tax	302.8	114.2	2.4	245.7	(665.1)	—
Interest expense	35.3	14.2	—	0.2	—	49.7
Intercompany interest and fees	—	77.7	(100.9)	23.2	—	—
Other income, net	—	—	(4.5)	(3.7)	—	(8.2)
Earnings (loss) before income taxes	263.7	22.3	402.0	294.6	(665.1)	317.5
Provision (benefit) for income taxes	—	(35.4)	153.9	(65.6)	—	52.9
Net earnings (loss)	263.7	57.7	248.1	360.2	(665.1)	264.6
Less: Net earnings attributable to noncontrolling interests	—	—	—	0.9	—	0.9
Net earnings (loss) attributable to Allegion plc	$ 263.7	$ 57.7	$ 248.1	$ 359.3	$ (665.1)	$ 263.7
Total comprehensive income	345.5	57.2	250.6	441.9	(747.7)	347.5
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	2.0	—	2.0
Total comprehensive income attributable to Allegion plc	$ 345.5	$ 57.2	$ 250.6	$ 439.9	$ (747.7)	$ 345.5

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Statement of Comprehensive Income
For the three months ended September 30, 2016

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net revenues	$ —	$ —	$ 424.6	$ 265.2	$ (108.7)	$ 581.1
Cost of goods sold	—	—	234.7	191.6	(108.7)	317.6
Selling and administrative expenses	0.9	—	83.6	57.5	—	142.0
Operating income (loss)	(0.9)	—	106.3	16.1	—	121.5
Equity earnings (loss) in affiliates, net of tax	12.9	42.4	(0.2)	86.0	(141.1)	—
Interest expense	10.4	5.1	—	0.1	—	15.6
Intercompany interest and fees	—	23.9	(33.1)	9.2	—	—
Loss on divestiture	—	—	—	84.4	—	84.4
Other income, net	—	0.4	0.3	(0.3)	—	0.4
Earnings (loss) before income taxes	1.6	13.0	138.9	8.7	(141.1)	21.1
Provision (benefit) for income taxes	—	(11.3)	53.1	(22.7)	—	19.1
Net earnings (loss)	1.6	24.3	85.8	31.4	(141.1)	2.0
Less: Net earnings attributable to noncontrolling interests	—	—	—	0.4	—	0.4
Net earnings (loss) attributable to Allegion plc	$ 1.6	$ 24.3	$ 85.8	$ 31.0	$ (141.1)	$ 1.6
Total comprehensive income (loss)	$ 16.0	$ 27.6	$ 86.6	$ 42.1	$ (156.1)	$ 16.2
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	0.2	—	0.2
Total comprehensive income (loss) attributable to Allegion plc	$ 16.0	$ 27.6	$ 86.6	$ 41.9	$ (156.1)	$ 16.0

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2016

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net revenues	$—	$ —	$ 1,194.3	$ 798.3	$ (324.3)	$ 1,668.3
Cost of goods sold	—	—	674.4	571.0	(324.3)	921.1
Selling and administrative expenses	3.2	—	246.9	168.8	—	418.9
Operating income (loss)	(3.2)	—	273.0	58.5	—	328.3
Equity earnings (loss) in affiliates, net of tax	190.8	105.9	0.4	242.4	(539.5)	—
Interest expense	32.6	15.3	—	0.5	—	48.4
Intercompany interest and fees	0.1	71.6	(99.1)	27.4	—	—
Loss on divestiture	—	—	—	84.4	—	84.4
Other income (expense), net	0.1	0.4	(20.1)	2.6	—	(17.0)
Earnings (loss) before income taxes	154.8	18.6	392.6	270.4	(539.5)	212.5
Provision (benefit) for income taxes	0.5	(33.6)	149.7	(60.3)	—	56.3
Net earnings (loss)	154.3	52.2	242.9	330.7	(539.5)	156.2
Less: Net earnings attributable to noncontrolling interests	—	—	—	1.9	—	1.9
Net earnings (loss) attributable to Allegion plc	$ 154.3	$ 52.2	$ 242.9	$ 328.8	$ (539.5)	$ 154.3
Total comprehensive income	$ 169.7	$ 43.8	$ 253.2	$ 260.2	$ (554.8)	$ 172.1
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	2.4	—	2.4
Total comprehensive income attributable to Allegion plc	$ 169.7	$ 43.8	$ 253.2	$ 257.8	$ (554.8)	$ 169.7

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Balance Sheet
September 30, 2017

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Current assets:						
Cash and cash equivalents	$1.1	$0.1	$ 177.7	$ 156.0	$ —	$334.9
Accounts and notes receivable, net	—	—	164.9	137.9	—	302.8
Inventories	—	—	80.6	176.5	—	257.1
Other current assets	0.5	35.4	12.7	79.2	(98.0)	29.8
Accounts and notes receivable affiliates	—	416.4	492.6	342.0	(1,251.0)	—
Total current assets	1.6	451.9	928.5	891.6	(1,349.0)	924.6
Investment in affiliates	1,514.7	2,903.8	218.6	3,648.8	(8,285.9)	—
Property, plant and equipment, net	—	—	120.9	125.2	—	246.1
Goodwill and other intangible assets, net	—	—	180.0	969.1	—	1,149.1
Notes receivable affiliates	2.9	1,124.9	3,444.7	1,667.2	(6,239.7)	—
Other noncurrent assets	5.4	19.2	55.4	47.5	—	127.5
Total assets	$1,524.6	$4,499.8	$ 4,948.1	$ 7,349.4	$ (15,874.6)	$2,447.3
Current liabilities:						
Accounts payable and accruals	$3.0	$11.0	$ 275.4	$ 205.8	$ (98.0)	$397.2
Short-term borrowings and current maturities of long-term debt	35.0	—	—	—	—	35.0
Accounts and notes payable affiliates	—	72.0	669.9	509.1	(1,251.0)	—
Total current liabilities	38.0	83.0	945.3	714.9	(1,349.0)	432.2
Long-term debt	1,118.2	292.7	—	1.1	—	1,412.0
Notes payable affiliate	—	2,655.5	51.0	3,533.2	(6,239.7)	—
Other noncurrent liabilities	1.2	—	84.4	145.4	—	231.0
Total liabilities	1,157.4	3,031.2	1,080.7	4,394.6	(7,588.7)	2,075.2
Equity:						
Total shareholders equity (deficit)	367.2	1,468.6	3,867.4	2,949.9	(8,285.9)	367.2
Noncontrolling interests	—	—	—	4.9	—	4.9
Total equity (deficit)	367.2	1,468.6	3,867.4	2,954.8	(8,285.9)	372.1
Total liabilities and equity	$1,524.6	$4,499.8	$ 4,948.1	$ 7,349.4	$ (15,874.6)	$2,447.3

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Balance Sheet
December 31, 2016

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Current assets:						
Cash and cash equivalents	$0.5	$0.1	$ 166.0	$ 145.8	$ —	$312.4
Accounts and notes receivable, net	—	—	140.0	120.0	—	260.0
Inventories	—	—	77.6	143.0	—	220.6
Other current assets	0.4	49.7	9.4	145.1	(168.3)	36.3
Accounts and notes receivable affiliates	—	331.6	395.0	320.6	(1,047.2)	—
Total current assets	0.9	381.4	788.0	874.5	(1,215.5)	829.3
Investment in affiliates	1,229.4	2,814.1	193.4	3,422.6	(7,659.5)	—
Property, plant and equipment, net	—	—	122.0	104.6	—	226.6
Goodwill and other intangible assets, net	—	—	180.8	893.4	—	1,074.2
Notes receivable affiliates	53.2	1,149.8	3,444.7	1,679.8	(6,327.5)	—
Other noncurrent assets	5.4	14.8	61.9	35.2	—	117.3
Total assets	$1,288.9	$4,360.1	$ 4,790.8	$ 7,010.1	$ (15,202.5)	$2,247.4
Current liabilities:						
Accounts payable and accruals	$7.0	$4.7	$ 353.2	$ 184.8	$ (168.3)	$381.4
Short-term borrowings and current maturities of long-term debt	46.9	—	—	1.3	—	48.2
Accounts and notes payable affiliates	0.4	36.4	629.6	380.8	(1,047.2)	—
Total current liabilities	54.3	41.1	982.8	566.9	(1,215.5)	429.6
Long-term debt	1,120.2	294.4	—	1.0	—	1,415.6
Notes payables affiliate	—	2,690.7	53.3	3,583.5	(6,327.5)	—
Other noncurrent liabilities	1.1	—	138.7	146.0	—	285.8
Total liabilities	1,175.6	3,026.2	1,174.8	4,297.4	(7,543.0)	2,131.0
Equity:						
Total shareholders equity (deficit)	113.3	1,333.9	3,616.0	2,709.6	(7,659.5)	113.3
Noncontrolling interests	—	—	—	3.1	—	3.1
Total equity (deficit)	113.3	1,333.9	3,616.0	2,712.7	(7,659.5)	116.4
Total liabilities and equity	$1,288.9	$4,360.1	$ 4,790.8	$ 7,010.1	$ (15,202.5)	$2,247.4

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Statement of Cash Flows
For the nine months ended September 30, 2017

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net cash provided by (used in) operating activities	$ 67.4	$ 10.3	$ 231.3	$ 280.9	$ (419.9)	$170.0
Cash flows from investing activities:						
Capital expenditures	—	—	(14.7)	(19.0)	—	(33.7)
Acquisition of and equity investments in businesses, net of cash acquired	—	—	(22.2)	1.4	—	(20.8)
Proceeds from sale of equity investment	—	—	15.5	—	—	15.5
Other investing activities, net	—	—	—	2.9	—	2.9
Net cash used in investing activities	—	—	(21.4)	(14.7)	—	(36.1)
Cash flows from financing activities:						
Short-term borrowings, net	—	—	—	(1.3)	—	(1.3)
Borrowings from revolving facility	165.0	—	—	—	—	165.0
Issuance of term facility	700.0	—	—	—	—	700.0
Settlement of second amended credit facility	(856.3)	—	—	—	—	(856.3)
Payments of long-term debt	(23.5)	—	—	—	—	(23.5)
Debt repayments, net	(14.8)	—	—	(1.3)	—	(16.1)
Debt issuance costs	(2.9)	(0.1)	—	—	—	(3.0)
Net inter-company proceeds (payments)	50.3	(10.2)	8.2	(48.3)	—	—
Dividends paid	—	—	(206.4)	(213.5)	419.9	—
Dividends paid to shareholders	(45.6)	—	—	—	—	(45.6)
Repurchase of ordinary shares	(60.0)	—	—	—	—	(60.0)
Other financing activities, net	6.2	—	—	(0.2)	—	6.0
Net cash provided by (used in) financing activities	(66.8)	(10.3)	(198.2)	(263.3)	419.9	(118.7)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	7.3	—	7.3
Net increase (decrease) in cash and cash equivalents	0.6	—	11.7	10.2	—	22.5
Cash and cash equivalents - beginning of period	0.5	0.1	166.0	145.8	—	312.4
Cash and cash equivalents - end of period	$ 1.1	$ 0.1	$ 177.7	$ 156.0	$ —	$334.9

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed and Consolidated Statement of Cash Flows
For the nine months ended September 30, 2016

In millions	Allegion plc	Allegion US Holding	Other Subsidiary Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net cash provided by (used in) operating activities	$ (26.6)	$ 8.9	$ 361.6	$ 165.8	$ (331.3)	$ 178.4
Cash flows from investing activities:						
Capital expenditures	—	—	(8.1)	(18.3)	—	(26.4)
Acquisition of businesses, net of cash acquired	—	—	—	(31.4)	—	(31.4)
Proceeds from sales of marketable securities	—	—	—	14.1	—	14.1
Other investing activities, net	—	—	—	(5.6)	—	(5.6)
Net cash used in investing activities	—	—	(8.1)	(41.2)	—	(49.3)
Cash flows from financing activities:						
Debt repayments, net	(35.2)	0.2	—	(18.6)	—	(53.6)
Debt issuance costs	(0.3)	—	—	—	—	(0.3)
Net inter-company proceeds (payments)	115.9	(9.1)	(117.3)	10.5	—	—
Dividends (paid) received	—	—	(216.8)	(114.5)	331.3	—
Dividends paid to shareholders	(34.5)	—	—	—	—	(34.5)
Acquisition/divestiture of noncontrolling interests	—	—	—	(0.4)	—	(0.4)
Repurchase of ordinary shares	(30.0)	—	—	—	—	(30.0)
Other financing activities, net	8.4	—	—	(5.6)	—	2.8
Net cash provided by (used in) financing activities	24.3	(8.9)	(334.1)	(128.6)	331.3	(116.0)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1.7	—	1.7
Net increase (decrease) in cash and cash equivalents	(2.3)	—	19.4	(2.3)	—	14.8
Cash and cash equivalents - beginning of period	3.3	0.3	73.8	122.3	—	199.7
Cash and cash equivalents - end of period	$ 1.0	$ 0.3	$ 93.2	$ 120.0	$ —	$ 214.5

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Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations
The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Part I, Item 1A – Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016. The following section is qualified in its entirety by the more detailed information, including our condensed and consolidated financial statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organizational

Allegion plc and its consolidated subsidiaries ("Allegion," "we," "us" or the "Company") is a leading global provider of security products and solutions that keep people safe, secure and productive. We make the world safer as a company of experts, securing the places where people thrive and we create peace of mind by pioneering safety and security. We offer an extensive and versatile portfolio of mechanical and electronic security products across a range of market-leading brands. Our experts across the globe deliver high-quality security products, services and systems and we use our deep expertise to serve as trusted partners to end-users who seek customized solutions to their security needs. Our leading brands include CISA, Interflex, LCN, Schlage, SimonsVoss and Von Duprin.

Recent Developments

2017 and 2016 Acquisitions and Divestitures

On January 3, 2017, we acquired Republic Doors & Frames, LLC. On April 5, 2017, iDevices LLC, including our equity investment, was acquired by a third party. In 2016, we completed one business acquisition (Trelock GmbH).

2017 Dividends

Through September 30, 2017, we paid dividends of $0.48 per ordinary share to shareholders.

Share repurchases

Through September 30, 2017, we repurchased approximately 0.8 million shares for approximately $60.0 million.

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Results of Operations – Three months ended September 30

In millions, except per share amounts	2017	% of revenues	2016	% of revenues
Net revenues	$609.4		$581.1	
Cost of goods sold	335.5	55.1 %	317.6	54.7 %
Selling and administrative expenses	147.8	24.3 %	142.0	24.4 %
Operating income	126.1	20.7 %	121.5	20.9 %
Interest expense	17.8		15.6	
Loss on divestitures	—		84.4	
Other income, net	(3.7)		0.4	
Earnings before income taxes	112.0		21.1	
Provision for income taxes	21.9		19.1	
Net earnings	90.1		2.0	
Less: Net earnings attributable to noncontrolling interests	0.3		0.4	
Net earnings attributable to Allegion plc	$89.8		$1.6	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:				