

M · A · P

TO
GROWTH

2018 ANNUAL REPORT
& 2020 GROWTH INITIATIVE



RPM INTERNATIONAL INC.

SELECTED FINANCIAL DATA

(In thousands, except per share and percent data)

All financial data based on fiscal years ended May 31		2018 ¹	2017 ²
RESULTS FROM OPERATIONS	Net sales	\$ 5,321,643	\$ 4,958,175
	Income before income taxes	417,048	244,333
	Net income attributable to RPM International Inc. stockholders	337,770	181,823
PERFORMANCE MEASURES	Return on sales % ¹¹	6.3	3.7
	Return on total RPM International Inc. stockholders' equity % ¹¹	22.0	12.9
PER SHARE DATA	Basic earnings per common share attributable to RPM International Inc. stockholders	\$ 2.55	\$ 1.37
	Diluted earnings per common share attributable to RPM International Inc. stockholders	2.50	1.36
	Cash dividends declared per share	1.260	1.175
	Total RPM International Inc. stockholders' equity per share ¹¹	12.43	10.99
BALANCE SHEET HIGHLIGHTS	Total RPM International Inc. stockholders' equity	\$ 1,630,773	\$ 1,436,061
	Retained earnings	1,342,736	1,172,442
	Working capital	1,464,205	1,162,042
	Total assets	5,271,822	5,090,449
	Long-term debt	2,170,643	1,836,437
OTHER DATA	Cash flows from operating activities	\$ 390,383	\$ 386,127
	Depreciation and amortization	128,499	116,773
	Average shares outstanding	131,179	130,662

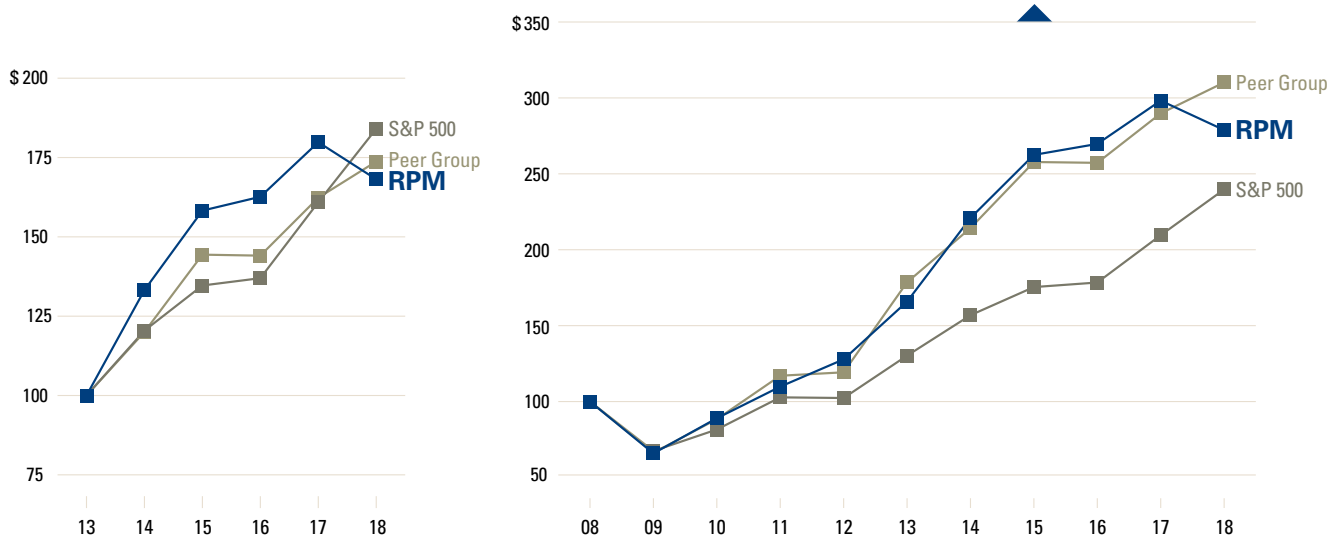
5-YEAR AND 10-YEAR COMPARISON OF CUMULATIVE TOTAL RETURN

(Among RPM International Inc., the S&P 500 Index and a Customized Peer Group)

RPM'S TOTAL RETURN HAS
OUTPERFORMED THE S&P 500 BY

16%

over the past 10 years

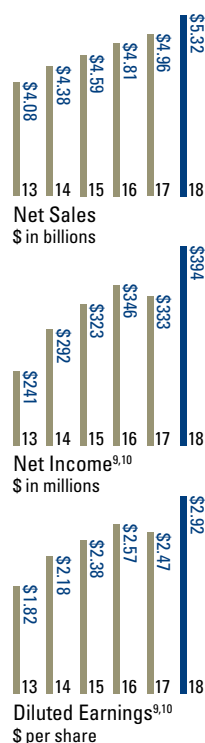


The graphs above compare the cumulative five- and ten-year total return provided shareholders on RPM International Inc.'s common stock relative to the cumulative total returns of the S&P 500 Index and a customized peer group of companies that includes: AkzoNobel N.V., Axalta Coating Systems Ltd., Ferro Corporation, GCP Applied Technologies Inc., H.B. Fuller Company, Masco Corporation, PPG Industries, Inc. and The Sherwin-Williams Company. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in RPM common stock, the peer group, and the index on 5/31/2013 and 5/31/2008, and their relative performance is tracked through 5/31/2018.

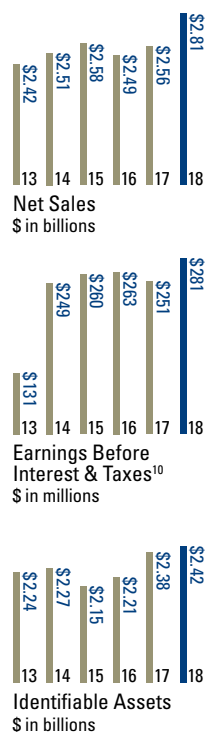
¹ Reflects the pretax impact of (i) \$4.2 million in charges related to the decision to exit Flowcrete China; (ii) \$17.5 million for restructuring expense incurred during the fourth quarter of fiscal 2018 (See Note B to the Consolidated Financial Statements); (iii) \$37.7 million for inventory-related charges associated with product line and SKU rationalization and related obsolete inventory identification at our Consumer Segment and inventory write-offs in connection with restructuring activities at our Industrial Segment (See Note A[10] to the Consolidated Financial Statements); (iv) \$1.5 million in charges related to professional fees incurred during the fourth quarter of fiscal 2018 in connection with the negotiation of a cooperation agreement, and (v) \$1.4 million of implementation costs associated with an ERP consolidation plan incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense, and (iii) goodwill and other intangible asset impairment charges of \$188.3 million related to our Kirker reporting unit (See Note C to the Consolidated Financial Statements). • ² Reflects the pretax impact of (i) \$12.3 million in charges related to Flowcrete's decision to exit the Middle East, (ii) \$15.0 million in severance expenses incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense, and (iii) goodwill and other intangible asset impairment charges of \$188.3 million related to our Kirker reporting unit (See Note C to the Consolidated Financial Statements). • ³ Reflects (i) the reconsolidation of Specialty Products Holding Corp. (SPHC) effective January 1, 2015 and (ii) adjustments related to the recognition of an ASC 740-30 tax liability for the potential repatriation of foreign earnings and related impact on net income attributable to noncontrolling interests. • ⁴ Reflects (i) revised cost estimates and exit costs on unprofitable contracts related to the industrial segment totaling \$11.0 million (\$8.4 million after-tax), (ii) the write-off of the company's various investments in Kemrock Industries and Exports Ltd. totaling \$78.6 million (\$75.0 million after-tax), (iii) the loss on the settlement between the Building Solutions Group and the GSA for \$65.1 million (\$46.1 million after-tax), (iv) the strategic repositioning of certain operations in Brazil for \$6.1 million (\$1.6 million benefit after-tax), and (v) restructuring expense for \$23.9 million (\$14.8 million after-tax). • ⁵ Reflects the loss recorded upon deconsolidation of SPHC on May 31, 2010. • ⁶ Excluding the impact of the loss recognized upon deconsolidation of SPHC and assuming that the deconsolidation of SPHC had occurred prior to fiscal 2010, pro-forma results for fiscal 2010 would have resulted in consolidated net sales of \$3.12 billion, income before income taxes of \$260.2 million, net income attributable to RPM International Inc. stockholders of \$162.9 million and diluted earnings per share ("EPS") of \$1.26. • ⁷ Reflects the impact of goodwill and other intangible asset impairment charge of \$15.5 million (\$15.3 million after-tax) in 2009. • ⁸ Reflects the impact of asbestos charges of \$288.1 million (\$185.1 million after-tax) in 2008. • ⁹ Fiscal 2013 excludes (i) revised cost estimates and exit costs on unprofitable contracts related to the industrial segment totaling \$11.0 million (\$8.4 million after-tax), (ii) the write-off of the company's various investments in Kemrock Industries and Exports Ltd. totaling \$78.6 million (\$75.0 million after-tax), (iii) the loss on the settlement between the Building Solutions Group and the GSA for \$65.1 million (\$46.1 million after-tax), (iv) the strategic repositioning of certain operations in Brazil for \$6.1 million (\$1.6 million benefit after tax), and (v) restructuring expense for \$23.9 million (\$14.8 million after tax); collectively, these items had a \$1.08 impact on diluted EPS. Fiscal 2015 excludes adjustments related to the recognition of an ASC 740-30 liability for the potential repatriation of foreign earnings and related after-tax impact on net income attributable to noncontrolling interests of \$83.5 million and an impact on diluted earnings per share of \$0.60. Fiscal 2016 excludes the reversal of contingent

2016	2015 ³	2014	2013 ⁴	2012	2011	2010 ^{5,6}	2009 ⁷	2008 ⁸
\$ 4,813,649	\$ 4,594,550	\$ 4,376,353	\$ 4,078,655	\$ 3,777,416	\$ 3,381,841	\$ 3,412,716	\$ 3,368,167	\$ 3,643,791
483,466	453,253	424,487	176,891	328,289	295,053	268,454	180,868	34,007
354,725	239,484	291,660	98,603	215,936	189,058	180,037	119,616	44,428
7.4	5.2	6.7	2.4	5.7	5.6	5.3	3.6	1.2
26.6	17.9	22.6	8.3	17.7	16.1	16.2	10.5	4.0
\$ 2.70	\$ 1.81	\$ 2.20	\$ 0.75	\$ 1.65	\$ 1.46	\$ 1.40	\$ 0.93	\$ 0.36
2.63	1.78	2.18	0.74	1.65	1.45	1.39	0.93	0.36
1.085	1.020	0.945	0.890	0.855	0.835	0.815	0.790	0.745
10.61	9.94	10.68	9.31	9.24	9.91	8.50	9.05	9.46
\$ 1,372,335	\$ 1,291,392	\$ 1,382,844	\$ 1,200,858	\$ 1,183,656	\$ 1,263,164	\$ 1,079,473	\$ 1,143,671	\$ 1,136,556
1,147,371	936,996	833,691	667,774	686,818	583,035	502,562	427,955	412,314
1,133,157	1,193,612	1,122,386	955,856	1,011,177	1,171,509	817,444	702,653	935,783
4,764,969	4,680,062	4,365,657	4,110,019	3,553,733	3,510,852	2,995,541	3,402,181	3,756,108
1,635,260	1,639,859	1,333,257	1,358,349	1,104,873	1,095,970	915,826	754,555	1,059,229
\$ 474,706	\$ 330,448	\$ 278,149	\$ 368,454	\$ 294,872	\$ 238,166	\$ 203,936	\$ 266,995	\$ 234,714
111,039	99,176	90,069	86,336	76,023	75,656	84,253	85,144	85,366
129,383	129,933	129,438	128,956	128,130	127,403	127,047	126,373	120,151

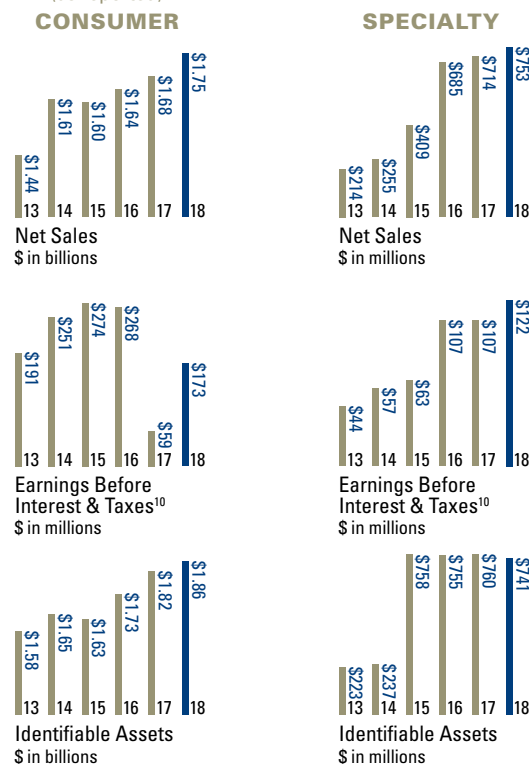
RPM (as adjusted)



INDUSTRIAL



SEGMENTS (as reported)



obligations for earnout targets that were not met at our Kirker reporting unit for \$14.5 million (\$9.2 million after-tax) with a \$0.06 impact on diluted EPS. Fiscal 2017 excludes (i) a charge of \$12.3 million related to the Flowcrete decision to exit the Middle East with a \$0.09 impact on diluted EPS; (ii) a pretax charge of \$188.3 million (\$129.0 million after-tax) of goodwill and intangible asset impairment losses related to our Kirker reporting unit with a \$0.94 impact on diluted EPS; and (iii) pretax impact of \$15.0 million (\$10.2 million after-tax) for severance charges incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense with a \$0.08 impact on diluted EPS. Fiscal 2018 excludes (i) charges of \$4.2 million related to the decision to exit Flowcrete China with a \$0.03 impact on diluted EPS; (ii) a pretax charge of \$17.5 million (\$12.1 million after-tax) for restructuring expense incurred during the fourth quarter of fiscal 2018 with a \$0.09 impact on diluted EPS (See Note B to the Consolidated Financial Statements); (iii) pretax charges of \$37.7 million (\$25.8 million after-tax) for inventory-related charges associated with product line and SKU rationalization and related obsolete inventory identification at our Consumer Segment and inventory write-offs in connection with restructuring activities at our Industrial Segment, with a \$0.19 impact on diluted EPS (See Note A[10] to the Consolidated Financial Statements); (iv) charges of \$1.5 million (\$1.0 million after-tax) related to professional fees incurred during the fourth quarter of fiscal 2018 in connection with the negotiation of a cooperation agreement, with a \$0.01 impact on diluted EPS; (v) charges of \$1.4 million (\$1.0 million after-tax) for implementation costs associated with an ERP consolidation plan incurred during the fourth quarter of fiscal 2018 by our Specialty Segment, with a \$0.01 impact on diluted EPS; and (vi) an adjustment to tax expense for \$12.4 million for U.S. tax reform and related guidance subsequently issued by the IRS, with a \$0.09 impact on diluted EPS. • ¹⁰ Earnings Before Interest & Taxes for business segments is reconciled to Income (Loss) Before Income Taxes on page 27 for each of the three years ended May 31, 2018. Further, we have provided Adjusted Net Income and Adjusted EPS in the table above as certain items are not necessarily representative of the core operations of our businesses and, accordingly, we have provided adjusted results that we believe are useful to investors in evaluating the core operations of our business and are used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. • ¹¹ Return on sales % is calculated as Net income (loss) attributable to RPM International Inc. stockholders divided by Net sales; Return on total RPM International Inc. stockholders' equity % is calculated as Net income (loss) attributable to RPM International Inc. stockholders divided by the average of the current and prior year Total RPM International Inc. stockholders' equity; and Total RPM International Inc. stockholders' equity per share is calculated as Total RPM International Inc. stockholders' equity divided by Average shares outstanding. • Acquisitions made by the company during the periods presented may impact comparability from year to year (See Note A[3] to the Consolidated Financial Statements). • Certain reclassifications have been made to prior-year amounts to conform to the current-year presentation. • See Notes to Consolidated Financial Statements.

Refer to the consolidated figures in the table above for as-reported data, as well as explanatory footnotes discussing the impact of one-time items.

CONTENTS

01 About RPM

02 Letter to Shareholders

03 Who We Are and Where We Are

04 MAP to Growth (Margin Acceleration Plan)

05 Where We're Going

07 Fiscal 2018 Financial Results

08 Fiscal 2018 Acquisitions

10 Vehicles for Value Creation: Our Growth Strategy

11 How We Create Sustained Value For All

12 Operating Segments: Highlights and Overview

12 Industrial Segment

14 Consumer Segment

16 Specialty Segment

18 Responsible Growth

18 Sustainability Initiatives

19 Social Engagements

20 Good Governance Practices

21 Financial Section

22 Management's Discussion and Analysis

35 Consolidated Financial Statements

40 Notes to Consolidated Financial Statements

72 Quarterly Stock Price and Dividend Information

73 Management's Report on Internal Control

74 Auditor's Reports

76 Stockholder Information

77 Directors and Officers

Selected Financial Data

See fold-out cover.

ABOUT THE COVER

A decorative compass rose adds to the aesthetics in a busy high school lobby. Stonhard celebrates nearly a century delivering durable and decorative floor solutions to both commercial and industrial environments.



GROWTH
STRATEGY



PROFIT MARGIN
EXPANSION



STRATEGIC
BALANCE



LONG-TERM
PERFORMANCE



DIVIDEND
RECORD

5

REASONS TO INVEST IN RPM

- 1 ▶ RPM's **growth strategy** includes internal initiatives and a robust acquisition program. Internal growth is generated by developing innovative products, expanding into new markets and winning market share. Acquisitions add successful companies that are leaders in their respective niche markets. Their growth is accelerated as part of RPM.
- 2 ▶ RPM is implementing a **Margin Acceleration Plan (MAP)**, which includes structural, leadership and operational initiatives that will free up internal resources to better serve customers and create greater value for shareholders. Read more on page 5.
- 3 ▶ RPM maintains a deliberate **strategic balance** among its consumer, industrial and specialty segments. This balance serves RPM and its shareholders well, particularly during challenging economic times when weakness in one segment will be offset by strength in the others.
- 4 ▶ The combination of stock price appreciation and a growing cash dividend provides superior, **long-term returns** to shareholders. Over the last 10 years, RPM's cumulative total return has outpaced the S&P 500 by 16%.
- 5 ▶ The hallmark of RPM is its tremendous **record of increasing its dividend** for 44 consecutive years. Fewer than 50 of the thousands of publicly traded U.S. companies can boast of a dividend track record equal to or better than RPM.

ABOUT RPM



RPM INTERNATIONAL INC.

A world leader in specialty coatings, sealants, building materials and related services.

From your home and workplace, to marquee structures and precious landmarks worldwide, RPM's brands are trusted by consumers and professionals alike to protect, improve and beautify. The company has a diverse portfolio with hundreds of brand-name products, many of which hold the leadership position in terms of market share and sales in the global markets they serve.



SEGMENTS
Industrial
Consumer
Specialty



EMPLOYEES
14,500 worldwide



STOCKHOLDERS
(percent of total shares)
Institutional: 81% Individual: 19%
593 Institutions 138,000 Individuals

RPM
LISTED
NYSE

STOCK LISTING
New York
Stock Exchange
Symbol: RPM



MANUFACTURING
145 manufacturing
facilities in
26 countries

SALES BY REGION

71%
NORTH AMERICA
\$3.8 billion

4%
SOUTH AMERICA
\$227 million



20%
EUROPE
\$1.0 billion

3%
ASIA/PACIFIC
\$178 million

2%
AFRICA/MIDDLE EAST
\$80 million

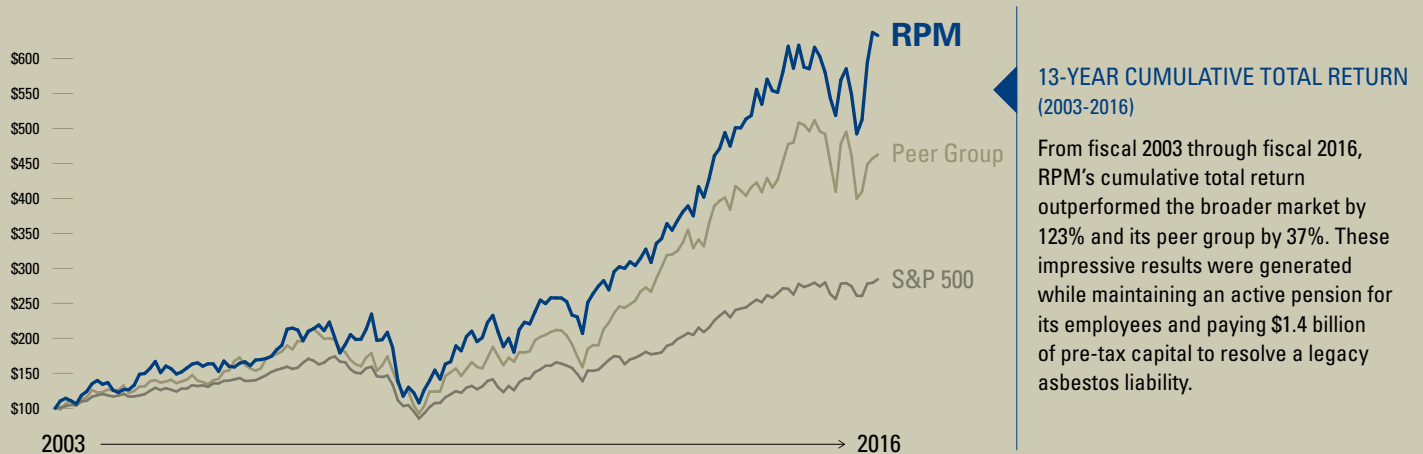


To the Shareholders, Associates and Customers of RPM:

Fiscal 2018 will prove to be a seminal year in RPM's seven-plus decades of consistent growth, success and superior long-term value creation. In the midst of slowing growth over the prior couple of years, and disappointing results for RPM in fiscal 2017, we engaged in discussions with our board and some of our large, long-term shareholders. The objective was to chart a course that would position RPM for continued growth and value creation over the coming decades.

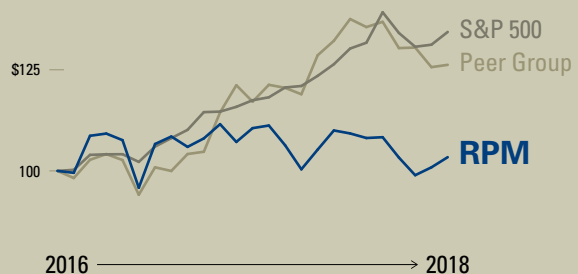
COMPARISON OF CUMULATIVE TOTAL RETURN

(Among RPM International Inc., the S&P 500 Index and a Customized Peer Group)



2-YEAR CUMULATIVE TOTAL RETURN (2016-2018)

Over the last two years, RPM's results have stalled due to several factors outlined on page 3. RPM is implementing a Margin Acceleration Plan (2020 MAP to Growth) that will position the company to resume its run of sustained growth and reward shareholders.



These graphs compare RPM's cumulative total return (stock price appreciation, plus reinvestment of dividends) to the S&P 500 Index and its peer group (listed on the fold-out cover). An investment of \$100 is assumed to have been made in each on 5/31/2003 and 5/31/2016 and their relative performance is tracked through 5/31/2016 and 5/31/2018, respectively.



WHO WE ARE

We began by taking an unfiltered look at who we are as a company. On a base level, we are a manufacturer and marketer of specialty coatings, sealants and construction materials. We are ranked as the fourth largest coatings company in the world by *Coatings World* magazine and number 528 on the Fortune 1000 list. Our products are brand leaders, as measured by market share and recognition. They are trusted to protect and beautify people's most important assets – from their homes and businesses, to iconic structures worldwide.

Beyond the surface, it was clear that what makes RPM unique is our growth-oriented, entrepreneurial operating philosophy. Customer-centric functions are maintained at the operating level, including sales, marketing, customer service, research and development, and technical support. This approach keeps us in close partnership with our customers, enables us to identify their needs, and allows us to quickly respond with innovative products and services that solve their problems. These key aspects of who we are will not change.

WHERE WE ARE

Over the long term, this entrepreneurial philosophy has served RPM and our shareholders well, as demonstrated by our track record of consistent sales and earnings growth and the ability to increase our cash dividend for 44 consecutive years. This is evident when you consider our total shareholder return (TSR), which takes into account stock price appreciation and reinvestment of dividends. Starting in fiscal 2003, when the current leadership team of RPM took the helm, through fiscal 2016, RPM's TSR outperformed the broader market by 123 percent and our competitive peer group by 37 percent (see chart on page 2).

This performance was generated while retaining an active pension plan for our employees, something few public companies still provide. In fact, just 5 percent of Fortune 500 companies still offer a traditional defined benefit plan to their newly hired employees. This is down from 50 percent in 1998. At the same time, we managed through the crushing pressure of the SPHC legacy asbestos liability that cost us and our shareholders

\$1.4 billion of pre-tax capital. This was a heavy load to carry, but we did so by maintaining our focus on growth. Our final payment to the SPHC trust was made in May 2018. Going forward, this frees up significant capital that we can invest in our businesses and return to shareholders.

We're very proud of this track record of growth and success. At the same time, we're well aware that our performance has not been up to par the last couple of years. After seven consecutive years of strong growth and stock price appreciation, our results began to stall in fiscal 2017. This was largely due to the accumulated impact of foreign exchange headwinds, global industrial market declines, and the uncharacteristically poor performance of our Synta and Kirker acquisitions. Additionally, we did not fully leverage our top-line growth to the bottom line during this period. The stock market has recognized this, resulting in a TSR that has lagged the S&P 500 and our peers over the last two years (see chart on page 2).

MAINTAIN
ENTREPRENEURIAL GROWTH CULTURE

- ✓ Responsive
- ✓ Flexible
- ✓ Innovative

INCREASE
OPERATIONAL EFFICIENCY

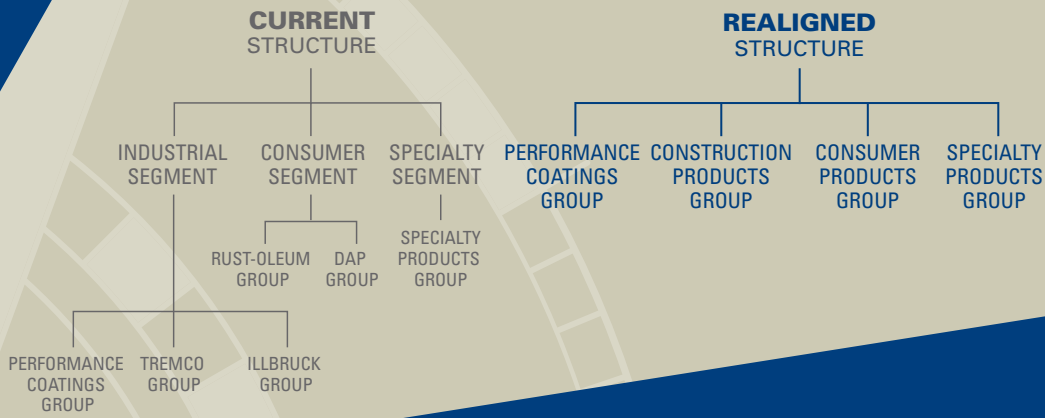
MULTIPLE ERP SYSTEMS REDUCED TO **4**

Manufacturing Excellence

G&A

STREAMLINE
OPERATING STRUCTURE & LEADERSHIP

4 PROVEN SEGMENT LEADERS



MARGIN ACCELERATION PLAN

The graphic above outlines the primary initiatives of our 2020 MAP to Growth (Margin Acceleration Plan), which we began to implement in fiscal 2018 and will continue to carry out through calendar 2020.

WHERE WE'RE GOING

Letter to shareholders
continued



The result of our discussions and related strategic analysis is our 2020 MAP to Growth (Margin Acceleration Plan) initiative. Through the implementation of the 2020 MAP to Growth, where appropriate, we will focus on scale to unlock more resources to better serve our customers, while creating greater value for our shareholders.

THE PRIMARY ELEMENTS OF THE 2020 MAP TO GROWTH INITIATIVE ARE TO:

Streamline Operating Structure & Leadership:

We will be realigning our businesses, which are currently organized under six operating groups (Performance Coatings, Tremco, Illbruck, Rust-Oleum, DAP and Specialty Products) within three reportable segments (Industrial, Consumer and Specialty). By the end of calendar 2020, the new structure will be composed of four segments (Performance Coatings, Construction Products, Consumer Products and Specialty Products). The four segments will be led by four proven and capable operating presidents who will report directly to me. This reorganization will enable us to better manage our assets and improve synergies across the enterprise.

Increase Operational Efficiency: Thus far, we have implemented expense reductions, closed two consumer manufacturing facilities, closed two industrial locations and restructured our global legal team. We are also in the process of consolidating IT systems and related administration to four segment centers of excellence from what, in the past, has been numerous different systems and many business profit and loss centers. As for our manufacturing facilities, we have historically left the management of these fixed assets to our individual operating companies. Going forward, we will manage them as

RPM assets and, in the process, we will institute manufacturing excellence and continuous improvement disciplines across the entire organization. Leading the charge in these efforts is Timothy Kinser, who was named RPM vice president of operations in April. Additionally, we will identify more opportunities to connect our various businesses so we can leverage their technologies and brands across our global network with greater impact.

Maintain Entrepreneurial Growth Culture: While we undertake these operating improvement initiatives, it is important to note that our past success was a result of RPM having the best and most consistent growth profile in our industry. Sustaining organic growth is the hardest thing to achieve in business. That is why companies that produce steady growth are rewarded by investors with high valuations. So, as we execute on the operating improvement initiatives in the 2020 MAP to Growth program, we will do so while maintaining the key elements of our growth-oriented, entrepreneurial culture. We will continue to keep customer-focused functions at the operating level, enabling us to remain responsive to customer needs, flexible to changing market conditions, innovative in product development, and passionate about competing and winning in the markets we serve.

Our goal is to position RPM to be a larger and more valuable business, while driving sustained growth for decades to come. Between now and the end of the 2020 calendar year, we will keep you up to date on the progress of our 2020 MAP to Growth initiative.

Operational Improvement Bolstered by New Directors and Committee

In order to bolster our plan for operational improvement, we have appointed two new independent directors to our board, Kirkland “Kirk” B. Andrews and John M. Ballbach, and formed an Operating Improvement Committee (OIC) of the board. Both Kirk and John are highly experienced executives, and we expect that they will add immediate value to the board and the OIC to the benefit of our shareholders.

Kirk brings strong portfolio and operational review and execution experience to the board. He currently is chief financial officer of NRG Energy, Inc., a Fortune 500 integrated power company. He leads all of NRG’s corporate financial functions, including treasury, financial planning, accounting, risk management, tax, insurance, supply chain and investor relations. He also plays an instrumental role in formulating and executing NRG’s capital allocation strategies and in financing the company’s repowering initiatives. Kirk has also helped lead NRG’s transformation plan, announced in 2017, which is targeting significant cost and operational enhancements across the company. He joined NRG in 2011 after a successful 15-year career in investment banking.

John is a seasoned chemicals and coatings industry executive. He was an independent director at Valspar from 2012 until the company’s sale in 2017. In addition, he is a former corporate officer of Valspar, having served as president and chief operating officer from 2002 to 2004 and in various senior management positions since 1990. He most recently served as an operating advisor with Clayton, Dubilier & Rice, a private equity investment firm, from 2014 to 2017. In connection with this role, he also served as chairman and director for Solenis, LLC, a specialty chemicals manufacturer and portfolio company of Clayton. From 2007 to 2012, John served as chairman of VWR International, LLC, a leading global laboratory supply and distribution company, and as president and CEO from 2005 to 2012.

The OIC will focus on operational and financial initiatives to create and enhance shareholder value. Certain initiatives will center around setting and achieving new margin targets and optimization of our balance sheet, including streamlining working capital and implementing new capital allocation guidelines and capital return plans. We have engaged AlixPartners, LLP, a leading outside management consulting firm, to work with the OIC on this review.

We expect to provide a comprehensive update on these efforts, which will work in conjunction with our 2020 MAP to Growth initiative, by no later than November 30, 2018.

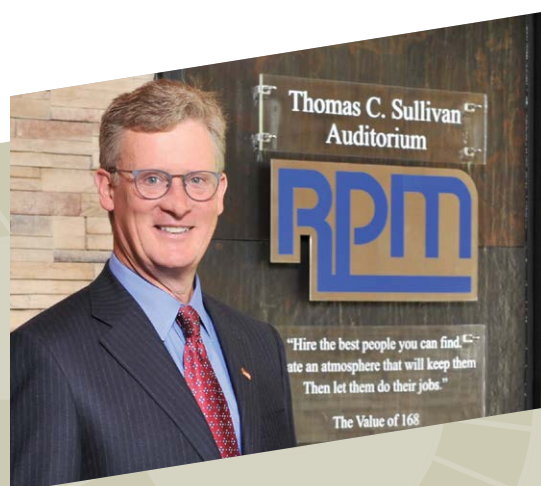
Changing of the Guard with Senior Leader Retirements

As a result of the more streamlined senior leadership structure that has developed from the 2020 MAP to Growth program, our President and Chief Operating Officer Ronald A. Rice decided to take early retirement from the company on July 6, 2018. Ron has been a key member of our leadership team for more than 20 years and played a vital role in overseeing our day-to-day operations and building our business. During his tenure as president and COO, he was instrumental in RPM increasing its annual revenue from \$3.6 billion in fiscal 2008 to \$5.3 billion in fiscal 2018.

In addition, David P. Reif retired as president of our Performance Coatings Group and Thomas E. Reed retired as president of the Rust-Oleum Group. Dave joined RPM through the acquisition of Stonhard in 1993, where he served as chief financial officer. Subsequently he served as chief financial officer of RPM, president of our StonCor Group of operating companies, and in June 2000 was appointed president and CEO of the Performance Coatings Group, which he led to tremendous top- and bottom-line growth. Tom joined Rust-Oleum in 1983 and became CEO and president in 2006. He was responsible for the day-to-day operations of all Rust-Oleum companies, leading the charge on the company’s commitment to customer intimacy and innovation. Through his leadership, Rust-Oleum developed into one of the world’s best-known and trusted consumer paint brands.

We are grateful to these three outstanding leaders for their contributions to RPM’s growth over the years and wish them all the best in their future endeavors.

As Dave and Tom depart, they are being succeeded by well-groomed executives. Assuring that we cultivate highly effective leaders of the future, we have promoted our vice president of public affairs, Randell McShepard, to the additional role of chief talent officer. In this position, he will spearhead senior leadership development opportunities companywide.



“As we execute on the operating improvement initiatives in the 2020 MAP to Growth program, we will do so while maintaining the key elements of our growth-oriented, entrepreneurial culture. We will continue to keep customer-focused functions at the operating level, enabling us to remain responsive to customer needs, flexible to changing market conditions, innovative in product development, and passionate about competing and winning in the markets we serve.”

– Frank C. Sullivan, Chairman and CEO, RPM International Inc.

FISCAL 2018 FINANCIAL RESULTS

Letter to shareholders
continued

Now that I've laid out where we're headed, I'd like to step back and share our results for our 2018 fiscal year ended May 31.

NET SALES
\$5.32b
2017: \$4.96b

NET INCOME
\$337.8m
2017: \$181.8m

DILUTED EPS
\$2.50
2017: \$1.36

Sales were strong across all three of our business segments and were well balanced between organic and acquisition growth. Our consolidated net sales increased 7.3 percent to \$5.32 billion in fiscal 2018. We were particularly pleased with this top-line performance in light of the winter weather that extended through nearly two-thirds of the fourth quarter and inhibited outdoor coatings projects, especially in our consumer segment. Contributing to sales were nine acquisitions made in fiscal 2017, as well as the positive effect of foreign currency, which had been a headwind the past three years. Cost reduction efforts, rigorous SG&A spending discipline and the implementation of price increases helped to offset higher raw material costs that weighed on gross profit margins. On a consolidated basis, net income increased 85.8 percent to \$337.8 million and diluted earnings per share were up 83.8 percent to \$2.50 from a year ago. Consolidated EBIT was \$501.2 million, up 53.1 percent from last year.

Fiscal 2018 included restructuring, inventory-related and other charges of \$62.2 million. Fiscal 2017 included a \$12.3 million charge for closing a Middle East facility, a severance charge of \$15.0 million, and a goodwill and an intangible asset impairment charge of \$188.3 million. Excluding these items, net income for the year increased 18.3 percent to \$394.2 million, diluted EPS increased 18.2 percent to \$2.92 and EBIT increased 3.8 percent to \$563.4 million.

Sales in our industrial segment improved 9.8 percent to \$2.81 billion in fiscal 2018 and were driven by solid performance in North America and most of our international markets, particularly Europe, while our Latin American businesses struggled. As anticipated, our companies serving the oil and gas industry saw steady growth over the course of the year as that market rebounded. We expect this positive trend to carry over into fiscal 2019. Industrial segment EBIT improved 11.9 percent to \$281.3 million. Margins were impacted by higher raw material costs, which we are offsetting with the implementation of price increases. In fiscal 2018, the segment reported restructuring and other nonrecurring charges of \$10.0 million, as well as fiscal 2017 charges of \$20.0 million to exit a Middle East business and for severance expenses. Excluding these charges, industrial segment EBIT increased 7.4 percent to \$291.3 million.

Consumer segment sales increased 4.4 percent in fiscal 2018 to \$1.75 billion. Driving this sales growth were last year's acquisitions of Touch 'N Foam in the U.S. and SPS in Europe. Organic sales, however, were hampered by extremely unfavorable weather conditions in North America, the segment's largest market, which resulted in sluggish consumer takeaway. Our retail partners reacted by reducing inventory, further compounding the problem. EBIT increased 192.3 percent to \$172.6 million from a year ago. The segment reported restructuring and inventory-related charges of \$47.3 million in fiscal 2018, as well as a goodwill and intangible impairment charge of \$188.3 million and a severance charge of \$4.3 million in fiscal 2017. Excluding these charges, EBIT was \$219.8 million versus \$251.6 million a year ago. Contributing to the decline in EBIT was an extremely fierce environment among our competitors and big box retailers that made it difficult to implement meaningful price increases to offset rising raw material costs. Despite these challenges, our consumer segment continues to win the ground war and take market share from competitors, as evidenced by Rust-Oleum's agreement with The Home Depot to exclusively carry Varathane Classic interior wood care products at nearly 2,000 stores nationwide. In hindsight, fiscal 2018 will be remembered as a challenging performance year for our consumer segment, but also a very important year strategically, in relationship to continuing market share gains and, related to the restructuring and product line rationalization that will enable the segment to better optimize manufacturing, focus on key products and improve working capital going forward.

Specialty segment sales in fiscal 2018 increased 5.5 percent to \$752.5 million. Top-line sales growth was driven by our restoration equipment business, which experienced a sales boost due to three hurricanes last fall, as well as solid performances by our powder coatings and wood finishes businesses. This helped to overcome lost sales from last year's closure of an unprofitable European business and a patent expiration at our edible coatings business. The segment generated very strong improvement in EBIT, up 14.0 percent to \$122.4 million, largely as a result of SG&A cost savings actions. The segment reported ERP implementation costs of \$1.4 million in fiscal 2018, as well as a fiscal 2017 severance charge of \$2.9 million. Excluding these charges, specialty segment EBIT increased 12.3 percent to \$123.8 million.



FISCAL 2018 ACQUISITIONS

COMPANY:	Ekspan Holdings Limited	Key Resin Company	Miracle Sealants Company	Whink Products
DATE ACQUIRED:	October 30, 2017	July 21, 2017	March 19, 2018	December 4, 2017
HEADQUARTERS:	Sheffield, United Kingdom	Batavia, Ohio	Arcadia, California	Eldora, Iowa
ACQUIRED BY:	USL Group	Euclid Group	Rust-Oleum Group	Rust-Oleum Group
ANNUAL SALES:	\$10 million	\$25 million	\$25 million	\$6 million
COMPANY DESCRIPTION:	Ekspan designs, manufactures and installs a wide range of motion control products and custom-engineered solutions for use on bridges, high-rise buildings, wind turbines and other major structures. Among its high-profile projects is the iconic London Tower Bridge.	Key Resin is a leading manufacturer of polymer flooring and coating systems for industrial, institutional and commercial applications. Its products include terrazzo and resinous flooring, wall coating systems, concrete repair materials and maintenance solutions. Key Resin sells directly to contractors and facility owners, primarily in the North American market.	Miracle Sealants manufactures professional-grade sealers, cleaners, polishes and related products for tile, natural stone and other masonry surfaces. A leading brand for more than 30 years, Miracle Sealants has broad national distribution in tile shops across the U.S., as well as big-box retailers such as The Home Depot, Lowe's and Menards.	Whink is a leading manufacturer of specialty cleaning products, including premium rust, carpet and laundry stain removers; cooktop, countertop and wood cleaners; mineral deposit removers; and drain and septic system treatments. It is the market share leader in the rust stain removal segment. Whink's products are sold through major retailers, home centers and grocery chains.





Letter to shareholders
continued

Strong Financial Position

We concluded fiscal 2018 with a very strong financial position that has us poised to continue making strategic acquisitions, investing in growth-oriented capital improvements and increasing our cash dividend to shareholders. For the 2018 fiscal year, cash flows from operations was \$390.4 million compared to \$386.1 million in fiscal 2017. Capital expenditures during fiscal 2018 of \$114.6 million compare to \$126.1 million over the same time in fiscal 2017. Total debt at the end of fiscal 2018 was \$2.17 billion compared to \$2.09 billion a year ago. RPM's net (of cash) debt-to-total-capitalization ratio was 54.2 percent compared to 54.8 percent at May 31, 2017. The company's total liquidity at May 31, 2018, including cash and long-term committed available credit, was \$1.0 billion.

Dividend Increased for 44th Consecutive Year

On October 5, 2017, our board of directors increased our cash dividend 6.7 percent to \$1.28 on an annualized basis. This was the 44th consecutive year we have increased our dividend to shareholders, a record few companies can match. In fact, only 41 other companies, besides RPM, have consecutively paid an increasing annual dividend for this period of time or longer, according to the 2018 edition of the *Mergent Handbook of Dividend Achievers*. Annually increasing our dividend is a key element in rewarding our long-term shareholders, and it is a practice we intend to continue.

Acquisitions Accelerate Growth

During the 2018 fiscal year and early in fiscal 2019, we completed acquisitions with combined annualized sales of more than \$100 million.

Key Resin Company is a manufacturer of polymer flooring and coating systems. It sells directly to contractors and facility owners, primarily in North America, enabling Key Resin to provide highly insightful and responsive customer service and technical

support. It expands our Euclid Group's flooring systems product offering and market share in North America, and positions Euclid as a significant player in terrazzo flooring.

Ekspan Holdings Limited provides movement control products and services for bridges and major structures. It broadens our USL company's product offerings to include bearings for large structural movement control. By leveraging USL's wide geographic footprint, there are substantial opportunities to increase Ekspan's sales beyond its established customer base, especially in international markets.

Miracle Sealants Company manufactures sealers, cleaners, polishes and related products primarily for tile and natural stone. A leading brand with professional installers for more than 30 years, the company has broad national distribution in tile shops across the U.S., as well as big box retailers such as The Home Depot, Lowe's and Menards. Among Miracle Sealants' leading products is 511 Impregnator, the industry standard in hard surface floor sealers. It adds another platform within Rust-Oleum's hard surface care product portfolio.

Whink Products is a specialty cleaners manufacturer that is the market share leader in the rust stain removal segment. It provides a broad range of specialty products, including premium rust, carpet and laundry stain removers; cooktop, countertop and wood cleaners; mineral deposit removers; and drain and septic system treatments. Among its leading brands are Rust Stain Remover and Rust Guard. In addition, early in fiscal 2019, we acquired the Mean Green branded line of consumer cleaners and degreasers, as well as the exclusive North American licensing for Roto-Rooter branded drain care products. The addition of the Whink, Mean Green and Roto-Rooter brands will accelerate our expansion into other indoor cleaning solutions, adding a breadth of offerings to Rust-Oleum's rapidly growing Krud Kutter program.

All of these businesses are good strategic fits within our portfolio of companies. We will leverage our global distribution, sales and marketing networks to accelerate their growth.

VEHICLES FOR VALUE CREATION

OUR GROWTH STRATEGY

RPM continues to **expand its global footprint** via acquisitions, joint ventures and partnerships between operating units. These initiatives generate increased sales and lead to market share gains.

STRATEGIC ACQUISITIONS



In keeping with its reputation of being “the best home for entrepreneurial companies” in the industry, RPM conducts a **strategic acquisition program** that creates shareholder value by attracting successful entrepreneurial companies and applying a disciplined approach to investing in their continued growth.

INTERNATIONAL EXPANSION



THE VALUE OF 168



NEW PRODUCT DEVELOPMENT



RPM promotes a **culture of collaboration** among its operating companies – a strategy that has resulted in increased market penetration, improved efficiencies in manufacturing and distribution, and shared technological resources.

CONNECTIONS CREATING VALUE



A major driving force behind its growth, RPM pioneers cutting-edge **product innovations** that are designed to penetrate new markets, drive incremental sales growth and solve problems for its customer base.

The Value of
168[®]

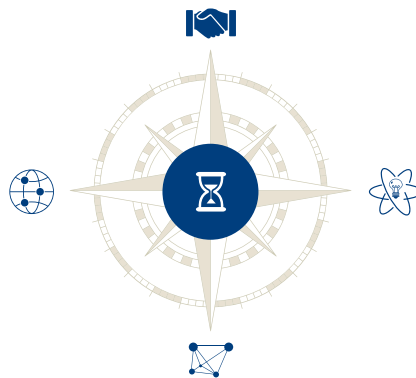
RPM’s culture of growth is largely guided by **The Value of 168**, a philosophy set forth by the company’s founder. The figure “168” represents the number of hours in a week and serves as a reminder that one is born with two great gifts: life and the time to do something with it. The Value of 168 signifies RPM’s enduring commitment to conduct business the right way – with honesty and integrity – on behalf of its employees, customers and shareholders.

HOW WE CREATE SUSTAINED VALUE FOR ALL

VALUES CREATE VALUE

RPM believes that values create value. By taking care of our employees, they will take care of our customers and that creates shareholder value.

VEHICLES FOR VALUE CREATION



SUSTAINED VALUE FOR ALL

Customers: Innovative, problem-solving products backed by extraordinary customer service and technical support.

Entrepreneurs: Capital, distribution, connections and expertise to grow their businesses and honor their legacies.

Associates: Exceptional benefits, opportunities for advancement, and a workplace of empowerment, opportunity and respect.

Shareholders: Superior long-term returns on their investments through stock appreciation and an increasing dividend.

Fiscal 2019 Outlook

Looking ahead to fiscal 2019, we expect the challenging raw material environment to continue, perpetuating the stress on gross profit margins. In order to offset this, all of our businesses are aggressively pursuing price increases. We typically experience a lag in achieving these increases of four to six months in our industrial and specialty businesses and nine to 12 months in our consumer businesses.

Our industrial segment should benefit from steady construction activity and a mostly stable international backdrop outside of Brazil. Additionally, our industrial coatings business should profit from the ongoing oil and gas market recovery. We expect industrial segment sales in fiscal 2019 to grow in the mid-single-digit range.

In our consumer segment, we enter fiscal 2019 with a leaner and more simplified organizational structure, along with an improved product line focus. With recent market share gains, a stepped-up advertising campaign to support new product placements and recent acquisitions, the consumer segment is well positioned for growth. We expect fiscal 2019 consumer segment sales to grow in the mid- to upper-single-digit range.

Turning to our specialty segment, we will annualize the patent expiration in our food coatings business at the end of our fiscal 2019 first quarter. We also see an extremely difficult year-over-year comparison for our Legend Brands restoration business, which experienced a bump in sales due to three hurricanes this fiscal year. Therefore, we expect specialty segment sales growth in fiscal 2019 to be in the low-single-digit range.

During fiscal 2019, we will adjust out restructuring and other nonrecurring charges to provide some clarity on a year-over-year comparison of our core business. We have committed to announce a comprehensive update of our 2020 MAP to Growth program prior to the end of November and have elected not to provide EPS guidance as we navigate through this transitional period.

Sustained Value for All

It is a challenging time to be a public company and manage the often-competing demands of Wall Street, employees, customers and society at large. RPM has been able to navigate these waters over the years to create sustained value for all of our stakeholders. For **entrepreneurs** who join RPM via acquisitions, we give them the resources to continue growing their businesses while honoring the legacy they established, often over multiple generations. For our **associates**, we provide exceptional benefits and a workplace of empowerment, opportunity and respect. By taking care of our people, we position them to best serve our **customers** with innovative products and services that solve their problems. Executing on the core elements of our strategy and unique culture has consistently delivered superior long-term results for our **shareholders**, as evidenced over time by an appreciating stock price and increasing cash dividend. As we endeavor to improve our operating performance, while maintaining our focus on growth, RPM stands as an example of a company that proudly creates value for all. Thank you for your continued investment in RPM.

Very truly yours,

Frank C. Sullivan
Chairman and Chief Executive Officer

August 30, 2018



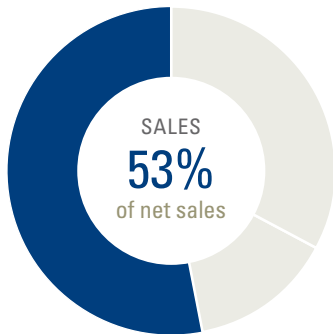
SALES
\$2.81b
 2017: \$2.56b

EBIT
\$281m
 2017: \$251m

INDUSTRIAL

SEGMENT

2018 HIGHLIGHTS AND OVERVIEW



Large geographic footprint, with sales in approximately 150 countries and territories.

PRODUCT CATEGORIES

- Construction Sealants & Chemicals
- Roofing Systems
- Flooring Systems
- Corrosion Control Coatings
- Fiberglass Reinforced Plastic Gratings
- Waterproofing Coatings & Sealants
- Concrete Admixtures & Repair Products
- Fireproofing Coatings

LEADING BRANDS

- **Tremco** and **illbruck** construction sealants, waterproofing systems, air barriers and firestopping systems
- **Tremco** roofing materials and services
- **Euco** admixtures and other products for the concrete and masonry industries
- **Stonhard**, **Flowcrete**, **API** and **Key Resin** flooring systems
- **Carboline** high-performance corrosion control and fireproofing coatings
- **Viapol** building materials and construction products
- **Universal Sealants** expansion joints and waterproofing solutions for bridge decks
- **Fibergrate** fiberglass reinforced plastic grating

tremco illbruck Transforms Warehouse into State-of-the-Art Mixing Plant

tremco illbruck recently expanded its technology center in Traunreut, Germany, by converting one of its warehouses into a new mixing plant for innovative hybrid sealants and adhesives. In addition, the company took measures to modernize the facility for enhanced R&D and application technology.

The most cutting-edge facility of its kind, it boasts a high degree of automation that has led to improved quality, faster production and even greater product diversity. As a result of this expansion, tremco illbruck has doubled its production volumes.

“The increasing demand for our system solutions, as well as our ambitious objectives as a company, requires us to continuously modernize our plants and expand their production capacity. Through an expansion of our German facilities in the ‘Bavarian Chemicals Triangle,’ we are driving sustained growth and proving once again that tremco illbruck is synonymous with innovative technology and solution-based product development.”

– Reiner Eisenhut, CEO and Managing Director, tremco illbruck Group GmbH

RPM Belgium and Tremco Partner to Create Competitive Advantage

RPM Belgium combined the benefits of urethane systems with methyl-methacrylate to develop its PUMA technology and create a competitive advantage in the marketplace. It collaborated with Tremco Commercial Sealants & Waterproofing to introduce the technology as Vulkem EWS to the North American coatings market. After finding success with the technology for traffic coatings, RPM Belgium has since rolled out products for waterproofing, such as TREMproof PUMA, and developed a qualified applicator training program.



Carboline Breaks Ground on New Fire-Protective Lab

Carboline breaks ground on a state-of-the-art, full-scale passive fire protection testing facility at its Research, Development & Innovation Center in St. Louis, Missouri. Slated for completion by the end of 2018, this new space will be the first manufacturer-owned, UL-approved fire testing facility in North America. It will allow Carboline to bring new fireproofing products to market more quickly and address new developments in the industry.



IKEA's Hong Kong Store Features Resin Flooring from Flowcrete

IKEA's fourth store in Hong Kong features high-performance resin flooring from Flowcrete Asia. The iconic furniture retailer chose Flowshield SL, a seamless epoxy system, for its aesthetics, durability and easy-to-clean finish. Covering more than 43,000 square feet, the flooring facilitates a functional, safe site for both staff and customers while creating an overall look and feel that reflects IKEA's global brand.



Industry-Leading Experts Collaborate to Deliver Structural Solutions for Iconic Bridge

In a collaborative partnership, USL BridgeCare, Ekspan and Pipeline & Drainage Systems combined their expertise to deliver high-performance structural waterproofing and protection solutions at the iconic Northern Spire Bridge in Sunderland, United Kingdom.



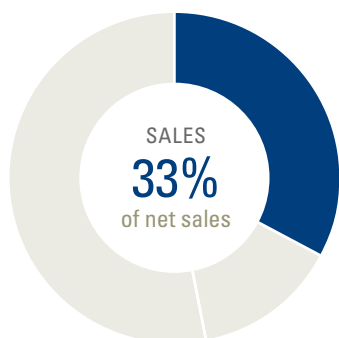
SALES
\$1.75b
 2017: \$1.68b

EBIT
\$173m
 2017: \$59m

CONSUMER

SEGMENT

2018 HIGHLIGHTS AND OVERVIEW



Sold primarily in North America, Australia, South Africa and the United Kingdom, with an increasing presence in Europe.

PRODUCT CATEGORIES

- Small-Project Paints & Coatings
- Primer-Sealers
- Specialty Paints
- Caulks & Sealants
- Hobby & Craft Products
- Wood Stains & Finishes
- Rust-Preventative Paints
- Wallcovering Preparation & Removal Products
- Garage & Basement Floor Coatings
- Deck & Driveway Coatings

LEADING BRANDS

- **Rust-Oleum** rust-preventative and small project paints; high-performance garage and basement floor, deck and concrete coatings; and specialty paints and coatings
- **DAP** caulks, sealants, adhesives, and patch and repair products
- **Zinsser** primer-sealers, wallcovering preparation and removal products, and mildew-resistant paints
- **Rust-Oleum, RockSolid, Varathane** and **Wolman** wood stains and finishes
- **Tor, Blackfriar** and **HiChem** specialty coatings
- **Testors** hobby products
- **Kirker** nail enamels and coatings components

Rust-Oleum Launches Varathane's New Classic Wood Care Product Line at The Home Depot

Rust-Oleum recently expanded its partnership with The Home Depot to exclusively launch Varathane's new Classic interior wood care products, which include wood stains, polyurethanes, spar varnish, wood putty, stain markers and fill sticks, as well as a full line of WATCO lacquers.

This new Classic product line joins Varathane's Premium brand at nearly 2,000 The Home Depot stores nationwide, further strengthening their long-term business partnership and providing a competitive advantage for the Varathane brand.

"We're excited and honored to partner with the largest home improvement retailer in the nation. We're also pleased that our Varathane brands, trusted by fine furniture makers, professional contractors and DIYers, are now available at all Home Depot stores."

– Bill Spaulding, President, Rust-Oleum North America

DAP Innovates with New DYNAFLEX ULTRA Exterior Sealant

DAP's DYNAFLEX ULTRA Advanced Exterior Sealant is the perfect solution for demanding window, door, siding and trim applications. Formulated with breakthrough WeatherMax Technology for all-weather protection, it won't fade, yellow, crack or break down over time. It's backed by a lifetime mold, mildew and algae resistance guarantee.



Rust-Oleum Presents Innovative Glitter Wall Paint and Foam Primer

Rust-Oleum introduces Foam Primer and Glitter Interior Wall Paint, two of its latest innovative products to hit the shelves. Perfect for crafting, wedding decorations, school projects and more, the primer seals foam surfaces to create a uniform coating that protects against damage from aerosol paints. The Glitter paint line transforms ordinary walls to create a decorative glitter finish with multi-dimensional shimmer. Formulated to dry smooth, it can be applied to most interior surfaces, including drywall, wood, metal, plastic and hardwood.



Rust-Oleum Partners with Tremco Roofing to Deliver LeakSeal Roof Repair

Rust-Oleum partnered with Tremco Roofing and Building Maintenance to introduce LeakSeal Roof Repair in Canada, an easy-to-use, rubberized protective utility coating designed to fill leaks and cracks on roofing surfaces. It provides a water-tight, flexible seal that prevents moisture penetration, rust and corrosion.



DAP Introduces New Platinum Patch Exterior Filler

DAP's new Platinum Patch Advanced Exterior Filler is formulated with WeatherMax Technology, providing complete all-weather protection. It also offers superior multi-material adhesion, creating a strong, durable bond that won't lose adhesion over time, making it ideal for demanding exterior jobs.



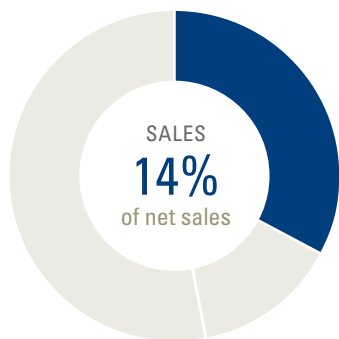
SALES
\$753m
 2017: \$714m

EBIT
\$122m
 2017: \$107m

SPECIALTY

SEGMENT

2018 HIGHLIGHTS AND OVERVIEW



Sold primarily in the United States, with a growing presence throughout Europe.

PRODUCT CATEGORIES

- Exterior Insulation & Finish Systems (EIFS)
- Fluorescent Pigments
- Powder Coatings
- Marine Coatings
- Wood Stains, Finishes & Treatments
- Restoration & Cleaning Solutions
- Edible Coatings

LEADING BRANDS

- **Dryvit** outsulation exterior cladding systems
- **Legend Brands** products for water and smoke damage restoration
- **Day-Glo, Dane** and **Radiant Color** fluorescent pigments
- **Pettit, Woolsey** and **Z-Spar** marine coatings
- **Tru-Core** lumber treatments
- **CCI, Guardian, Mohawk** and **Morrells** wood and furniture coatings, cleaners and protection products
- **TCl** powder coatings
- **Mantrose-Hauser** food and pharmaceutical coatings

Dryvit Products Featured on Iconic Portland Building

The Fair-Haired Dumbbell is composed of two six-story buildings with a combined 56,000 square feet of open office space. The two buildings are connected by skybridges on each floor – a unique feature that lends itself to the “dumbbell” moniker.

The project used Dryvit’s Outsulation Plus MD system for the building’s exterior envelope, which acted as a blank canvas for its funky, hand-painted mural. It also employed Dryvit’s new pre-coated and meshed Starter Boards, which had never been installed before in the Pacific Northwest. This one-of-a-kind structure is now recognized as one of Portland’s most iconic buildings.

“In this particularly unique project, our Outsulation Plus MD system was applied over the building’s exterior wall to create a seamless façade that displays brightly colored artwork. Our new Starter Board also proved to be a perfect solution for the canted angle of the building’s walls, which lacked any grooves on the elevations other than the floor-line expansion joints.”

– Mike Murphy, President and CEO, Dryvit Systems, Inc.

Legend Brands Introduces Game-Changing Extractor System for Large-Scale Flood Loss

Legend Brands introduces its innovative new Dri-Eaz HVE-LL Large Loss high-volume extractor system that is engineered for large-scale flood loss. A completely self-powered, turnkey system that can be forklifted into a trailer, truck, container or pod for fast transport to a job site, it can be ready to run in just 30 minutes or less.



Golty Professional Soccer Ball Features Day-Glo Fluorescent Pigments

Day-Glo’s high-performance fluorescent pigments were prominently showcased on a Golty professional soccer ball that was in play at Copa Colombia, an annual professional soccer championship.



Pettit Delivers Transformative Antifouling Racing Paint

Pettit introduces Black Widow, a cutting-edge, ultra-slick antifouling paint designed for high-performance racing craft like offshore powerboats or sailboats. Easily burnishable to a metallic “gun-metal” finish, it features powerful dual biocides that provide multi-season protection in all waters.

TCI Powder Coatings Opens Doors to New Product Development Laboratory

TCI Powder Coatings recently constructed a new, state-of-the-art product development laboratory in Americus, Georgia, designed and equipped to meet the growing demands of the industrial OEM powder coatings market. The product development team is focused on creating innovative product solutions that deliver premium performance and value to its customers.



RESPONSIBLE

GROWTH

CORPORATE SOCIAL RESPONSIBILITY



With great growth comes great responsibility. As RPM expands its reach, it's increasingly important to consider what kind of impact doing business has on the communities it serves. RPM believes that the well-being of a company's environment, employees and community contributes to its financial success. In fostering that belief, RPM is developing an overarching map for responsible growth to align its business strategy with societal needs.



SUSTAINABILITY INITIATIVES

At RPM, sustainability means providing the best possible products and services, while minimizing environmental impact. Operating companies take an entrepreneurial approach to sustainability, resulting in a range of innovative solutions for waste reduction, greener chemistry and energy efficiency. Here are just a few examples of how RPM and its operating companies proactively manage their environmental impact:

PRODUCTS

- Dryvit's Outsulation high-performance exterior insulation and finish systems (EIFS) can be installed directly over an existing façade, which reduces landfill and delivers superior insulation to enhance energy efficiency.
- Tremco Roofing offers vegetated, cool and photovoltaic roofing systems as an eco-friendly, cost-effective option for sustainable facility construction. It also promotes roof restoration rather than replacement through its AlphaGuard fluid-applied system, which extends a roof's life cycle by 10-20 years.
- Rust-Oleum's Krud Kutter water-based, biodegradable, non-toxic cleaning solutions are made from green formulations that are safer than many traditional products on the market and contain little to no VOCs.
- Structures damaged by water and fire can often avoid replacement and instead be renovated, thanks to Legend Brands' restoration equipment, accessories and chemicals.





PROCESSES

- **Packaging material and waste reduction:** Stonhard, the world's largest producer of polymer flooring, has moved from rigid metal pails to flexible pouches and cardboard boxes that cost less to produce and ship, require less storage space and are easily recycled. This unique packaging prevents more than 4.8 million one-gallon pails and quart cans from being dumped into landfills annually.
- **Sustainable innovation:** RPM businesses incorporate sustainability at the very forefront of their product innovation process, which includes the reduction and elimination of chemicals of concern, as well as the implementation of processes that reduce waste generation and energy consumption. For example, our Viapol plant switched from fossil fuels to biomass and reduced greenhouse gas emissions by 85 percent.
- **Water recycling:** Many of RPM's manufacturing facilities have implemented technologies that reduce water consumption by taking cooled water and running it through a chiller or heat exchanger to reuse in their processes. This results in significantly less water and energy use. In fact, one such project at the Rust-Oleum facility in Attleboro, Massachusetts, cut its water consumption by nearly 30 million gallons per year.

SOCIAL ENGAGEMENTS

RPM's commitment to advancing social development is deep-seated, from its corporate office and blockbuster brands, to its newest acquisitions. The RPM corporate office alone has donated nearly \$7 million to approximately 275 organizations and provided an estimated \$100,000 annually through in-kind donations over the past five years. RPM has nurtured a culture of giving while allowing its operating companies the autonomy to support the causes that are important to them. Below is a small sample of the social engagements RPM's operating companies have been involved in:

- Stonhard Group has been working as an exclusive partner with Intertrade Caribe in Puerto Rico for more than 40 years. When Hurricane Maria hit the island, many workers from Intertrade Caribe experienced destruction or heavy damage to their homes. In response to their urgent need for fuel and power, Stonhard was quick to send six 250-gallon fuel storage tanks, back-up generators and other supplies to assist in the rebuilding process.
- The DAP Championship, a Web.com golf tour finals event, has raised more than \$447,000 to support The LeBron James Family Foundation since its inception in 2016. The funds raised help the Foundation continue to provide resources, support and enriching experiences for the more than 1,200 Akron public school students and their families.



- Rust-Oleum believes that everyone within the community deserves the opportunity to achieve his or her potential. Through the Rust-Oleum Cares program, the company partners with local charities to change, restore and transform communities through volunteer opportunities, sponsorship, and monetary and in-kind donations.
- Legend Brands regularly makes significant contributions to its organizations of choice. Most recently, it donated professional cleaning equipment and services to clean three Ronald McDonald houses. A scholarship program has also been established to support students attending Western Washington University.
- Tremco Roofing engages its employees and their family members in service projects every holiday season. Since 2010, Tremco Roofing has partnered with eight pinnacle organizations within its community. Through this initiative, the organizations have benefited from approximately 2,500 volunteer hours and collectively saved \$57,000 in expenses.
- Dryvit Canada organized a Big Bike Ride that engaged employees in teamwork and philanthropy. Twenty-nine riders powered one massive bike through their community, raising more than \$24,000 to support heart and stroke research.

GOOD GOVERNANCE PRACTICES

At RPM, what is good for the company's employees is good for its businesses and shareholders. Operating under this belief, RPM has developed governance practices that build upon the success of its 14,500 employees worldwide and promote balanced decisions that keep the interest of outside investors at heart. With its leading code of conduct, commitment to transparency, independent board and generous benefits program, RPM fosters a culture of excellence, diversity and inclusivity.

Code of Conduct

The actions of RPM and its operating companies are guided by The Value of 168 and its inherent core principles: integrity, commitment, responsible entrepreneurship and moral courage. Operating under these values strengthens the foundation of RPM and positions it for future growth.

Transparency

Communicating RPM's financial performance is a cornerstone of its commitment to transparency. Operating company presidents and chief financial officers have supplied quarterly certifications of financial statements for more than a decade, and any decisions behind the numbers are always articulated in investor communications.

Board Independence

RPM strives to make sure that every stakeholder's interests are represented through a balanced board of trusted individuals. Since 1977, outside directors have comprised a majority of the board of directors, and only independent directors have served on the board's Audit and Compensation Committees. An independent board dilutes the concentration of power from company insiders alone, so decisions made at RPM consist of checks and balances to keep shareholder interests at the center. These best practices were implemented nearly three decades before becoming a New York Stock Exchange requirement, distinguishing RPM as a leader in good governance.

Employer of Choice

RPM's benefits package demonstrates a deep appreciation for its employees. It's one of the few Fortune 1000 companies that still has an active pension plan, 401(k) match and high-quality health insurance. The majority of RPM's companies also provide tuition reimbursement for college education. Additionally, RPM offers educational programs designed to develop the next generation of leadership.

COMMITTED TO OUR EMPLOYEES AND THEIR FUTURES

Leadership

Training

ACTIVE

Pension Plan

Only 5% of Fortune 500 companies still provide

401(k)

+ Generous Matching Program



RPM INTERNATIONAL INC.

Fiscal 2018
Annual Report

FINANCIAL SECTION CONTENTS

22	Management's Discussion and Analysis
35	Consolidated Financial Statements
40	Notes to Consolidated Financial Statements
72	Quarterly Stock Price and Dividend Information
73	Management's Report on Internal Control
74	Auditor's Reports
76	Stockholder Information

Trademarks appearing in this annual report:

Alex Plus® - AlphaGuard® - American Accents® - API™ - Aurora Pink® - B-I-N® - Biosolv® - Black Widow™ - Blackfriar™ - BotaniClean® - CCI™ - Carboline® - Chemspec® - Classic™ - Dane™ - DAP® - Day-Glo® - DIF™ - DRI-EAZ® - DryDex® - Dryvit® - Dymonic® - DYNAFLEX ULTRA™ - EKSPAN™ - Euclid™ - EUCCO® - Expanko® - Fibergate® - Flowcrete™ - Flowshield SL™ - G Guardian Protection Products, Inc.® - Glitter™ - Guardian™ - HiChem™ - ilbruck® - KRC Key Resin Company® - Kirker® - Krud-Kutter® - KWIK SEAL ULTRA® - LeakSeal® - Legend Brands® - Mantrose-Haeuser™ - Mean Green® - Miracle Sealants Company® - Mohawk® - Morrells™ - Nature Seal® - Otsulation® - Pettit™ - PlasticWood® - PLATINUM PATCH™ - PUMA™ - Radiant Color™ - RockSolid® - Rust Guard® - Rust-Oleum® - Rust Stain Remover™ - ShimmerStone® - Stonhard® - Stops Rust® - Super Diamond Clear™ - TCI® - Testors® - The Euclid Chemical Company® - The Value of 168® - TOR™ - Toxement™ - Tremco® - TREMproof® - Tru-Core® - TUF-STRAND™ - Universal® - Universal Sealants™ - USL BridgeCare™ - ValvTect® - Vandex® - Varathane® - VELO® - ViaFix™ - Viapol™ - VIVID® - Vulkem® - Watco® - WEATHER MAX Technology™ - Whink® - Woolsey® - Zinsser® - Z-Spar® - 511 H2O Plus® - 511 Impregnator®

NeverWet® is a registered trademark of Ross Nanotechnology LLC used under a license by subsidiary corporations of RPM International Inc. - WipeNew® is a registered trademark of Wipe New LLC used under a license by subsidiary corporations of RPM International Inc. - Wolman® is a registered trademark of Arch Wood Protection Inc. used under a license by subsidiary corporations of RPM International Inc. - Roto-Rooter® is a registered trademark of Roto-Rooter Corporation used under a license by subsidiary corporations of RPM International Inc.

Any marks appearing in this annual report that are not the trademarks of RPM International Inc. or its subsidiaries are the property of their respective owners.

Management's Discussion and Analysis of Financial Condition and Results of Operations

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements include all of our majority-owned subsidiaries. Investments in less-than-majority-owned joint ventures over which we have the ability to exercise significant influence are accounted for under the equity method. Preparation of our financial statements requires the use of estimates and assumptions that affect the reported amounts of our assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We continually evaluate these estimates, including those related to our allowances for doubtful accounts; inventories; allowances for recoverable taxes; uncertain tax positions; useful lives of property, plant and equipment; goodwill and other intangible assets; environmental, warranties and other contingent liabilities; income tax valuation allowances; pension plans; and the fair value of financial instruments. We base our estimates on historical experience, our most recent facts and other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of our assets and liabilities. Actual results, which are shaped by actual market conditions, may differ materially from our estimates.

We have identified below the accounting policies and estimates that are the most critical to our financial statements.

Revenue Recognition

Revenues are recognized when realized or realizable, and when earned. In general, this is when title and risk of loss pass to the customer. Further, revenues are realizable when we have persuasive evidence of a sales arrangement, the product has been shipped or the services have been provided to the customer, the sales price is fixed or determinable, and collectibility is reasonably assured. We reduce our revenues for estimated customer returns and allowances, certain rebates, sales incentives and promotions in the same period the related sales are recorded.

We also record revenues generated under long-term construction contracts, mainly in connection with the installation of specialized roofing and flooring systems, and related services. In general, we account for long-term construction contracts under the percentage-of-completion method, and therefore record contract revenues and related costs as our contracts progress. This method recognizes the economic results of contract performance on a timelier basis than does the completed-contract method; however, application of this method requires reasonably dependable estimates of progress toward completion, as well as other dependable estimates. When reasonably dependable estimates cannot be made, or if other factors make estimates doubtful, the completed-contract method is applied. Under the completed-contract method, billings and costs are accumulated in the balance sheet as the contract progresses, but no revenue is recognized until the contract is complete or substantially complete.

Translation of Foreign Currency Financial Statements and Foreign Currency Transactions

Our reporting currency is the U.S. dollar. However, the functional currency for each of our foreign subsidiaries is its principal operating currency. We translate the amounts included in our Consolidated Statements of Income from our foreign subsidiaries into U.S. dollars at weighted-average exchange rates, which we believe are representative of the actual exchange rates on the dates of the transactions. Our foreign subsidiaries' assets and liabilities are translated into U.S. dollars from local currency at the actual exchange rates as of the end of each reporting period, and we record the resulting foreign exchange translation adjustments in our Consolidated Balance Sheets as a component of accumulated other comprehensive income (loss). If the U.S. dollar strengthens, we reflect the resulting losses as a component of accumulated other comprehensive income (loss). Conversely, if the U.S. dollar weakens, foreign exchange translation gains result, which favorably impact accumulated other comprehensive income (loss). Translation adjustments may be included in net earnings in the event of a sale or liquidation of certain of our underlying foreign investments. If we determine that the functional currency of any of our foreign subsidiaries should be the U.S. dollar, our financial statements will be affected. Should this occur, we will adjust our reporting to appropriately account for any such changes.

As appropriate, we use permanently invested intercompany loans as a source of capital to reduce exposure to foreign currency fluctuations at our foreign subsidiaries. These loans, on a consolidated basis, are treated as being analogous to equity for accounting purposes. Therefore, foreign exchange gains or losses on these intercompany loans are recorded in accumulated other comprehensive income (loss).

Goodwill

We test our goodwill balances at least annually, or more frequently as impairment indicators arise, at the reporting unit level. Our annual impairment assessment date has been designated as the first day of our fourth fiscal quarter. Our reporting units have been identified at the component level, which is the operating segment level or one level below our operating segments.

We follow the Financial Accounting Standards Board ("FASB") guidance found in Accounting Standards Codification ("ASC") 350 that simplifies how an entity tests goodwill for impairment. It provides an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, and whether it is necessary to perform the two-step goodwill impairment test.

We assess qualitative factors in each of our reporting units that carry goodwill. Among other relevant events and circumstances that affect the fair value of our reporting units, we assess individual factors such as:

- a significant adverse change in legal factors or the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;
- a loss of key personnel; and
- a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of.

We assess these qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The traditional two-step quantitative process is required only if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount. However, we have an unconditional option to bypass a qualitative assessment and proceed directly to performing the traditional two-step quantitative analysis.

In applying the first step of the quantitative test, we compare the fair value of a reporting unit to its carrying value. Calculating the fair value of a reporting unit requires our use of estimates and assumptions. We use significant judgment in determining the most appropriate method to establish the fair value of a reporting unit. We estimate the fair value of a reporting unit by employing various valuation techniques, depending on the availability and reliability of comparable market value indicators, and employ methods and assumptions that include the application of third-party market value indicators and the computation of discounted future cash flows for a reporting unit's annual projected earnings before interest, taxes, depreciation and amortization ("EBITDA").

We evaluate discounted future cash flows for a reporting unit's projected EBITDA. Under this approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. If the fair value of the reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired. An indication that goodwill may be impaired results when the carrying value of the net assets of a reporting unit exceeds the fair value of the reporting unit. At that point, the second step of the impairment test is performed, which requires a fair value estimate of each tangible and intangible asset in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference.

In applying the discounted cash flow methodology, we rely on a number of factors, including future business plans, actual and forecasted operating results, and market data. The significant assumptions employed under this method include discount rates; revenue growth rates, including assumed terminal growth rates; and operating margins used to project future cash flows for a reporting unit. The discount rates utilized reflect market-based estimates of capital costs and discount rates adjusted for management's assessment of a market participant's view with respect to other risks associated with the projected cash flows of the individual reporting unit. Our estimates are based upon assumptions we believe to be reasonable, but which by nature are uncertain and unpredictable. We believe we incorporate ample sensitivity ranges into our analysis of goodwill impairment testing for a reporting unit, such that actual experience would need to be materially out of the range of expected assumptions in order for an impairment to remain undetected.

During the second quarter of fiscal 2017, we performed an interim impairment test for goodwill and, accordingly, we recorded a loss totaling \$188.3 million for the impairment of goodwill and intangibles at our Kirker reporting unit. Refer to Note C, "Goodwill and Other Intangible Assets," for further discussion.

Our required annual goodwill impairment analysis for fiscal 2018 and 2017, performed as of March 1st each year, did not result in any indicators of impairment. Should the future earnings and cash flows at our reporting units decline and/or discount rates increase, future impairment charges to goodwill and other intangible assets may be required.

Other Long-Lived Assets

We assess identifiable, amortizable intangibles and other long-lived assets for impairment whenever events or changes in facts and circumstances indicate the possibility that the carrying values of these assets may not be recoverable over their estimated remaining useful lives. Factors considered important in our assessment, which might trigger an impairment evaluation, include the following:

- significant under-performance relative to historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets;
- significant changes in the strategy for our overall business; and
- significant negative industry or economic trends.

Measuring a potential impairment of amortizable intangibles and other long-lived assets requires the use of various estimates and assumptions, including the determination of which cash flows are directly related to the assets being evaluated, the respective useful lives over which those cash flows will occur and potential residual values, if any. If we determine that the carrying values of these assets may not be recoverable based upon the existence of one or more of the above-described indicators or other factors, any impairment amounts would be measured based on the projected net cash flows expected from these assets, including any net cash flows related to eventual disposition activities. The determination of any impairment losses would be based on the best information available, including internal estimates of discounted cash flows; market participant assumptions; quoted market prices, when available; and independent appraisals, as appropriate, to determine fair values. Cash flow estimates would be based on our historical experience and our internal business plans, with appropriate discount rates applied.

Additionally, we test all indefinite-lived intangible assets for impairment at least annually during our fiscal fourth quarter. We follow the guidance provided by ASC 350 that simplifies how an entity tests indefinite-lived intangible assets for impairment. It provides an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. As described further in Note C, "Goodwill and Other Intangible Assets," we performed an interim impairment test for our Restore tradename during the third quarter of fiscal 2017, which resulted in a loss totaling \$4.9 million. Our required annual impairment tests of each of our indefinite-lived intangible assets performed during fiscal 2018 and 2017 did not result in any additional impairment loss.

Derivatives and Hedging

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures, from time to time, we enter into various derivative transactions. We use various types of derivative instruments, including forward contracts and swaps. We formally assess, designate and document, as a hedge of an underlying exposure, each qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess, both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures. The effective portion of the derivative's net gain or loss is initially reported as a component of accumulated other comprehensive income, and upon occurrence of the forecasted transaction, is subsequently reclassified to the line item in our Consolidated Statements of Income to which the hedged transaction relates.

We also use foreign currency forward contracts to hedge certain balance sheet exposures. These forward contracts are not designated as hedges for accounting purposes, and any net gain or loss associated with these derivatives is reported in other (income) expense on our Consolidated Statements of Income.

Income Taxes

Our provision for income taxes is calculated using the asset and liability method, which requires the recognition of deferred income taxes. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and certain changes in valuation allowances. We provide valuation allowances against deferred tax assets if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In determining the adequacy of valuation allowances, we consider cumulative and anticipated amounts of domestic and international earnings or losses of the appropriate character, anticipated amounts of foreign source income, as well as the anticipated taxable income resulting from the reversal of future taxable temporary differences. We intend to maintain any recorded valuation allowances until sufficient positive evidence (for example, cumulative positive foreign earnings or capital gain income) exists to support a reversal of the tax valuation allowances.

Further, at each interim reporting period, we estimate an effective income tax rate that is expected to be applicable for the full year. Significant judgment is involved regarding the application of global income tax laws and regulations and when projecting the jurisdictional mix of income. Additionally, interpretation of tax laws, court decisions or other guidance provided by taxing authorities influences our estimate of the effective income tax rates. As a result, our actual effective income tax rates and related income tax liabilities may differ materially from our estimated effective tax rates and related income tax liabilities. Any resulting differences are recorded in the period they become known.

Contingencies

We are party to various claims and lawsuits arising in the normal course of business. Although we cannot precisely predict the amount of any liability that may ultimately arise with respect to any of these matters, we record provisions when we consider the liability probable and estimable. Our provisions are based on historical experience and legal advice, reviewed quarterly and adjusted according to developments. In general, our accruals, including our accruals for environmental, warranty and tax liabilities, discussed further below, represent the best estimate of a range of probable losses. Estimating probable losses requires the analysis of multiple factors that often depend on judgments about potential actions by third parties, such as regulators, courts, and state and federal legislatures. Changes in the amounts of our loss provisions, which can be material, affect our Consolidated Statements of Income. To the extent there is a reasonable possibility that potential losses could exceed the amounts already accrued, we believe that the amount of any such additional loss would be immaterial to our results of operations, liquidity and consolidated financial position. We evaluate our accruals at the end of each quarter, or sometimes more frequently, based on available facts, and may revise our estimates in the future based on any new information that becomes available.

Our environmental-related accruals are similarly established and/or adjusted as more information becomes available upon which costs can be reasonably estimated. Actual costs may vary from these estimates because of the inherent uncertainties involved, including the identification of new sites and the development of new information about contamination. Certain sites are still being investigated; therefore, we have been unable to fully evaluate the ultimate costs for those sites. As a result, accruals have not been estimated for certain of these sites and costs may ultimately exceed existing estimated accruals for other sites. We have received indemnities for potential environmental issues from purchasers of certain of our properties and businesses and from sellers of some of the properties or businesses we have acquired. If the indemnifying party fails to, or becomes unable to, fulfill its obligations under those agreements, we may incur environmental costs in addition to any amounts accrued, which may have a material adverse effect on our financial condition, results of operations or cash flows.

We offer warranties on many of our products, as well as long-term warranty programs at certain of our businesses, and thus have established corresponding warranty liabilities. Warranty expense is impacted by variations in local construction practices, installation conditions, and geographic and climate differences. Although we believe that appropriate liabilities have been recorded for our warranty expense, actual results may differ materially from our estimates.

Additionally, our operations are subject to various federal, state, local and foreign tax laws and regulations that govern, among other things, taxes on worldwide income. The calculation of our income tax expense is based on the best information available, including the application of currently enacted income tax laws and regulations, and involves our significant judgment. The actual income tax liability for each jurisdiction in any year can ultimately be determined, in some instances, several years after the financial statements have been published.

We also maintain accruals for estimated income tax exposures for many different jurisdictions. Tax exposures are settled primarily through the resolution of audits within each tax jurisdiction or the closing of a statute of limitation. Tax exposures and actual income tax liabilities can also be affected by changes in applicable tax laws, retroactive tax law changes or other factors, which may cause us to believe revisions of past estimates are appropriate. Although we believe that appropriate liabilities have been recorded for our income tax expense and income tax exposures, actual results may differ materially from our estimates.

Allowance for Doubtful Accounts Receivable

An allowance for anticipated uncollectible trade receivable amounts is established using a combination of specifically identified accounts to be reserved and a reserve covering trends in collectibility. These estimates are based on an analysis of trends in collectibility and past experience, but are primarily made up of individual account balances identified as doubtful based on specific facts and conditions. Receivable losses are charged against the allowance when we confirm uncollectibility. Actual collections of trade receivables could differ from our estimates due to changes in future economic or industry conditions or specific customer's financial conditions.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined on a first-in, first-out (FIFO) basis and net realizable value being determined on the basis of replacement cost. Inventory costs include raw materials, labor and manufacturing overhead. We review the net realizable value of our inventory in detail on an on-going basis, with consideration given to various factors, which include our estimated reserves for excess, obsolete, slow-moving or distressed inventories. If actual market conditions differ from our projections, and our estimates prove to be inaccurate, write-downs of inventory values and adjustments to cost of sales may be required. Historically, our inventory reserves have approximated actual experience.

Marketable Securities

Marketable securities, included in other current and long-term assets, are composed of available-for-sale and trading securities and are reported at fair value. Realized gains and losses on sales of investments are recognized in net income on the specific identification basis. Changes in fair values of securities that are considered temporary are recorded as unrealized gains and losses, net of applicable taxes, in accumulated other comprehensive income (loss) within stockholders' equity. Other-than-temporary declines in market value from original cost are reflected in investment income, net in the period in which the unrealized losses are deemed other than temporary. In order to determine whether an other-than-temporary decline in market value has occurred, the duration of the decline in

value and our ability to hold the investment to recovery are considered in conjunction with an evaluation of the strength of the underlying collateral and the extent to which the investment's amortized cost or cost, as appropriate, exceeds its related market value.

Pension and Postretirement Plans

We sponsor qualified defined benefit pension plans and various other nonqualified postretirement plans. The qualified defined benefit pension plans are funded with trust assets invested in a diversified portfolio of debt and equity securities and other investments. Among other factors, changes in interest rates, investment returns and the market value of plan assets can (i) affect the level of plan funding, (ii) cause volatility in the net periodic pension cost, and (iii) increase our future contribution requirements. A significant decrease in investment returns or the market value of plan assets or a significant decrease in interest rates could increase our net periodic pension costs and adversely affect our results of operations. A significant increase in our contribution requirements with respect to our qualified defined benefit pension plans could have an adverse impact on our cash flow.

Changes in our key plan assumptions would impact net periodic benefit expense and the projected benefit obligation for our defined benefit and various postretirement benefit plans. Based upon May 31, 2018 information, the following tables reflect the impact of a 1% change in the key assumptions applied to our defined benefit pension plans in the U.S. and internationally:

	U.S.		International	
	1% Increase	1% Decrease	1% Increase	1% Decrease
<i>(In millions)</i>				
Discount Rate				
Increase (decrease) in expense in FY 2018	\$ (4.5)	\$ 5.5	\$ (1.4)	\$ 1.8
Increase (decrease) in obligation as of May 31, 2018	\$ (51.0)	\$ 60.7	\$ (27.5)	\$ 35.3
Expected Return on Plan Assets				
Increase (decrease) in expense in FY 2018	\$ (4.1)	\$ 4.1	\$ (1.9)	\$ 1.9
Increase (decrease) in obligation as of May 31, 2018	N/A	N/A	N/A	N/A
Compensation Increase				
Increase (decrease) in expense in FY 2018	\$ 5.4	\$ (4.8)	\$ 1.2	\$ (1.1)
Increase (decrease) in obligation as of May 31, 2018	\$ 26.4	\$ (23.6)	\$ 5.8	\$ (5.0)

Based upon May 31, 2018 information, the following table reflects the impact of a 1% change in the key assumptions applied to our various postretirement health care plans:

	U.S.		International	
	1% Increase	1% Decrease	1% Increase	1% Decrease
<i>(In millions)</i>				
Discount Rate				
Increase (decrease) in expense in FY 2018	\$ -	\$ -	\$ (0.5)	\$ 0.7
Increase (decrease) in obligation as of May 31, 2018	\$ (0.4)	\$ 0.5	\$ (5.5)	\$ 7.2
Healthcare Cost Trend Rate				
Increase (decrease) in expense in FY 2018	\$ -	\$ -	\$ 0.7	\$ (0.5)
Increase (decrease) in obligation as of May 31, 2018	\$ 0.2	\$ (0.2)	\$ 7.0	\$ (5.4)

BUSINESS SEGMENT INFORMATION

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings and roofing systems, sealants and adhesives. We manage our portfolio by organizing our businesses and product lines into three reportable segments: the industrial reportable segment, the specialty reportable segment and the consumer reportable segment. Within each reportable segment, we aggregate operating segments or product lines that consist of individual companies or groups of companies and product lines, which generally address common markets, share similar economic characteristics, utilize similar technologies and can share manufacturing or distribution capabilities. Our seven operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief operating decision maker in determining how to allocate the assets of the company and evaluate performance. These seven operating segments are each managed by an operating segment manager, who is responsible for the day-to-day operating decisions and performance evaluation of the operating segment's underlying businesses. We evaluate the profit performance of our segments primarily based on income before income taxes, but also look to earnings (loss) before interest and taxes ("EBIT") as a performance evaluation measure because interest expense is essentially related to acquisitions, as opposed to segment operations.

Our industrial reportable segment products are sold throughout North America and also account for the majority of our international sales. Our industrial product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The industrial reportable segment comprises three separate operating segments: Tremco Group, Tremco Illbruck Group and Performance Coatings Group. Products and services within this reportable segment include construction chemicals, roofing systems, weatherproofing and other sealants, and polymer flooring.

Our consumer reportable segment manufactures and markets professional use and do-it-yourself ("DIY") products for a variety of mainly consumer applications, including home improvement and personal leisure activities. Our consumer segment's major manufacturing and distribution operations are located primarily in North America, along with a few locations in Europe and other parts of the world. Our consumer reportable segment products are primarily sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops, cosmetic companies and through distributors. This reportable segment comprises three operating segments: Rust-Oleum Group, DAP Group and SPG-Consumer Group. Products within this reportable segment include specialty, hobby and professional paints; nail enamels; caulks; adhesives; silicone sealants; cleaners; floor sealers and wood stains.

Our specialty reportable segment products are sold throughout North America and a few international locations, primarily in Europe. Our specialty product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The specialty reportable segment is a single operating segment, which offers products that include industrial cleaners, restoration services equipment, colorants, exterior finishes, edible coatings and specialty glazes for pharmaceutical and food industries, and other specialty OEM coatings.

In addition to our three reportable segments, there is a category of certain business activities and expenses, referred to as corporate/other, that does not constitute an operating segment. This category includes our corporate headquarters and related administrative expenses, results of our captive insurance companies, gains or losses on the sales of certain assets, and other expenses not directly associated with any reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses and headquarters' property and equipment. These corporate and other assets and expenses reconcile reportable segment data to total consolidated income before income taxes, interest expense and earnings before interest and taxes.

We reflect income from our joint ventures on the equity method and receive royalties from our licensees.

The following table reflects the results of our reportable segments consistent with our management philosophy, and represents the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of product lines. Information for all periods presented has been recast to reflect the current-year change in the composition of our reportable segments.

SEGMENT INFORMATION

(In thousands)

Year Ended May 31,	2018	2017	2016
Net Sales			
Industrial	\$ 2,814,755	\$ 2,564,202	\$ 2,491,647
Consumer	1,754,339	1,680,384	1,637,438
Specialty	752,549	713,589	684,564
Total	\$ 5,321,643	\$ 4,958,175	\$ 4,813,649
Income Before Income Taxes ^(a)			
Industrial Segment			
Income Before Income Taxes ^(a)	\$ 270,792	\$ 243,335	\$ 257,180
Interest (Expense), Net ^(b)	(10,507)	(7,985)	(6,071)
EBIT ^(c)	\$ 281,299	\$ 251,320	\$ 263,251
Consumer Segment			
Income Before Income Taxes ^(a)	\$ 171,874	\$ 58,726	\$ 268,218
Interest Income (Expense), Net ^(b)	(713)	(323)	40
EBIT ^(c)	\$ 172,587	\$ 59,049	\$ 268,178
Specialty Segment			
Income Before Income Taxes ^(a)	\$ 123,307	\$ 107,904	\$ 107,546
Interest Income (Expense), Net ^(b)	876	526	814
EBIT ^(c)	\$ 122,431	\$ 107,378	\$ 106,732
Corporate/Other			
(Expense) Before Income Taxes ^(a)	\$ (148,925)	\$ (165,632)	\$ (149,478)
Interest (Expense), Net ^(b)	(73,761)	(75,188)	(76,101)
EBIT ^(c)	\$ (75,164)	\$ (90,444)	\$ (73,377)
Consolidated			
Income Before Income Taxes ^(a)	\$ 417,048	\$ 244,333	\$ 483,466
Interest (Expense), Net ^(b)	(84,105)	(82,970)	(81,318)
EBIT ^(c)	\$ 501,153	\$ 327,303	\$ 564,784

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by Generally Accepted Accounting Principles ("GAAP") in the U.S., to EBIT.

(b) Interest (expense), net includes the combination of interest expense and investment expense (income), net.

(c) EBIT is a non-GAAP measure, and is defined as earnings (loss) before interest and taxes. We evaluate the profit performance of our segments based on income before income taxes, but also look to EBIT as a performance evaluation measure because interest expense is essentially related to acquisitions, as opposed to segment operations. We believe EBIT is useful to investors for this purpose as well, using EBIT as a metric in their investment decisions. EBIT should not be considered an alternative to, or more meaningful than, income before income taxes as determined in accordance with GAAP, since EBIT omits the impact of interest in determining operating performance, which represents items necessary to our continued operations, given our level of indebtedness. Nonetheless, EBIT is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community, all of whom believe, and we concur, that this measure is critical to the capital markets' analysis of our segments' core operating performance. We also evaluate EBIT because it is clear that movements in EBIT impact our ability to attract financing. Our underwriters and bankers consistently require inclusion of this measure in offering memoranda in conjunction with any debt underwriting or bank financing. EBIT may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.

RESULTS OF OPERATIONS

Fiscal 2018 Compared with Fiscal 2017

Net Sales Consolidated net sales of \$5.32 billion for fiscal 2018 grew by approximately 7.3% from net sales of \$4.96 billion for fiscal 2017. Acquisitions added 3.6%, while organic sales, which include the impact of price and volume, improved by 2.0%. Consolidated net sales for fiscal 2018 also reflect a favorable foreign exchange impact of 1.7%.

Industrial segment net sales for fiscal 2018 grew by 9.8% to \$2.81 billion, from net sales of \$2.56 billion during fiscal 2017. The improvement was primarily due to organic growth of 4.4% during fiscal 2018 resulting from improved performance by our roofing and flooring businesses. This performance was slightly offset by a continued downturn in our businesses, which continue to be impacted by recession and political unrest in Brazil, as well as overall flat performance for our companies serving oil and gas markets. Recent acquisitions contributed 3.0% to net sales during fiscal 2018. Favorable foreign exchange impacted net sales by 2.4% during fiscal 2018.

Consumer segment net sales for fiscal 2018 grew by 4.4% to \$1.75 billion, primarily due to growth in net sales from recent acquisitions of 5.2%. This segment had a 1.7% decline in organic sales during fiscal 2018 versus fiscal 2017, due to poor spring weather as well as the timing of shipments, inventory adjustments and softer consumer takeaway at our larger retail customers, which continued to impact this segment throughout fiscal 2018. Slightly favorable foreign currency impacted net sales in the consumer segment by 0.9% during fiscal 2018 versus fiscal 2017.

Specialty segment net sales for fiscal 2018 grew by 5.5% to \$752.5 million. Recent acquisitions provided 2.6% of the growth in net sales, while organic growth provided 2.0% during fiscal 2018, in spite of the loss of sales associated with the fiscal 2017 closure of an unprofitable European manufacturing facility and reduced revenue associated with a patent expiration. Organic growth in net sales was driven by our businesses serving the water damage restoration and equipment markets, as well as increases in specialty OEM industrial coatings. Foreign currency had a slightly favorable impact on specialty segment net sales during fiscal 2018 by 0.9%.

Gross Profit Margin Our consolidated gross profit margin of 41.0% of net sales for fiscal 2018 compares to a consolidated gross profit margin of 43.7% for the comparable period a year ago. This gross profit decline of approximately 2.7% of net sales primarily reflects current-year margins that were burdened by the impact of overall higher raw material costs for approximately 150 basis points (“bps”). Additionally, in relation to our restructuring initiatives undertaken during the fourth quarter of fiscal 2018, as further described in Note B, “Restructuring,” inventory-related charges totaling 70 bps impacted the current-year gross profit margin, which included product line and SKU rationalization and related obsolete inventory identification at our consumer segment and inventory write-offs in connection with restructuring activities at our industrial segment. The remainder of the decline in gross profit margin resulted from an unfavorable mix of product sold this year versus last year. We anticipate that rising raw material prices will continue to trend upward due to higher petrochemical costs and rising global demand.

Selling, General and Administrative (“SG&A”) Expense Our consolidated SG&A expense increased by approximately \$19.6 million during fiscal 2018 versus fiscal 2017, but improved to 31.3% of net sales for fiscal 2018 from 33.1% of net sales for fiscal 2017, resulting primarily from the 7.3% increase in net sales during fiscal 2018, combined with tighter cost controls during fiscal 2018 and the benefit from severance actions taken during fiscal 2017 across each of our segments. During fiscal 2017, we made a decision to exit our Flowcrete polymer flooring business located in the Middle East and, in connection with that decision, we performed an additional review of the collectibility of accounts receivable, which resulted in a loss of \$11.4 million for increased bad debt reserves during fiscal 2017. During fiscal 2018, we made a decision to exit our Flowcrete business located in China and, in connection with that decision, we incurred a loss of \$4.2 million. Also during fiscal 2018, we incurred approximately \$1.5 million of professional fees in connection with the negotiation of an activist shareholder cooperation agreement. Additional SG&A expense incurred from companies acquired during the last 12 months approximated \$43.6 million during fiscal 2018. There was also higher distribution and commission expense on higher sales volume during fiscal 2018 versus last year, which was partially offset by lower professional services and bad debt expense. Lastly, warranty expense for fiscal 2018 decreased by approximately \$5.9 million from the amount recorded during fiscal 2017, and it is typical that warranty expense will fluctuate from period to period.

Our industrial segment SG&A was approximately \$37.7 million higher for fiscal 2018 versus fiscal 2017, due to higher distribution and commission expense, \$5.3 million of additional unfavorable transactional foreign exchange expense and recent acquisitions, which increased SG&A expense in this segment by approximately \$21.8 million. SG&A decreased as a percentage of net sales, which reflects the industrial segment’s solid 9.8% growth in net sales combined with overall tighter cost controls during fiscal 2018, reduced warranty and bad debt expense, and the benefit from severance actions taken during fiscal 2017. We will continue to focus on improving operating leverage throughout the industrial segment. As previously discussed, in connection with the decision to exit the Flowcrete China and Flowcrete Middle East businesses, we incurred losses of \$4.2 million and \$11.4 million during fiscal 2018 and 2017, respectively.

Our consumer segment SG&A increased by approximately \$7.0 million during fiscal 2018 versus fiscal 2017, due to recent acquisitions and higher advertising and promotional expenses, which increased SG&A expense in this segment by approximately \$19.0 million. SG&A decreased as a percentage of net sales, reflecting overall tighter cost controls during fiscal 2018 and the benefit from severance actions taken during fiscal 2017.

Our specialty segment SG&A was approximately \$7.6 million lower during fiscal 2018 versus fiscal 2017, and decreased as a percentage of net sales, which reflects this segment’s 5.5% growth in net sales combined with overall tighter cost controls during fiscal 2018 and the benefit from severance actions taken during fiscal 2017. This segment also benefited from lower SG&A in connection with the fiscal 2017 closure of an unprofitable European manufacturing facility. During fiscal 2018, recent acquisitions increased SG&A expense in this segment by approximately \$2.7 million.

SG&A expenses in our corporate/other category of \$73.0 million during fiscal 2018 decreased by \$17.4 million from \$90.4 million recorded during fiscal 2017, resulting primarily from lower incentive compensation and pension expense, as well as lower legal and acquisition-related professional fees.

We recorded total net periodic pension and postretirement benefit costs of \$43.4 million and \$59.1 million for fiscal 2018 and 2017, respectively. The \$15.7 million decrease in pension expense resulted from an approximate \$8.0 million decline in net actuarial losses recognized during fiscal 2018 versus fiscal 2017, principally from a change in estimate for lump sum valuations, which were updated to incorporate future expectations of interest rates. There was also a higher expected return on increased plan assets during fiscal 2018 versus fiscal 2017 for approximately \$8.5 million, which was partially offset by higher service costs of \$1.0 million during fiscal 2018.

We expect that pension and postretirement expenses will fluctuate on a year-to-year basis, depending primarily upon the investment performance of plan assets and potential changes in interest rates, which may have a material impact on our consolidated financial results in the future. A decrease of 1% in the discount rate or the expected return on plan assets assumptions would result in \$8.0 million and \$6.0 million higher expense, respectively. The assumptions and estimates used to determine the discount rate and expected return on plan assets are more fully described in Note N, “Pension Plans,” and Note O, “Postretirement Benefits,” to our Consolidated Financial Statements. Further discussion and analysis of the sensitivity surrounding our most critical assumptions under our pension and postretirement plans is discussed on page 25 of this report under, “Critical Accounting Policies and Estimates — Pension and Postretirement Plans.”

Restructuring Expense As described in Note B, “Restructuring,” to the Consolidated Financial Statements, during the fourth quarter of fiscal 2018, we recorded restructuring charges of \$17.5 million, which were the result of our implementation of the first phase of a multi-year restructuring plan, the 2020 Margin Acceleration Plan (“2020 MAP to Growth”), which initially focused upon strategic shifts in operations at our consumer and industrial segments. These charges were associated with the closure of certain facilities as well as the elimination of duplicative headcount and infrastructure associated with certain of our businesses. For additional information, refer to Note B to the Consolidated Financial Statements.

Goodwill and Other Intangible Asset Impairments As described in Note C, “Goodwill and Other Intangible Assets,” to the Consolidated Financial Statements, we recorded impairment charges related to a reduction of the carrying value of goodwill and other intangible assets totaling \$193.2 million during fiscal 2017. For additional information, refer to Note C to the Consolidated Financial Statements.

Interest Expense Interest expense was \$104.5 million for fiscal 2018 versus \$97.0 million for fiscal 2017. Higher average borrowings, related to recent acquisitions, increased interest expense during fiscal 2018 by approximately \$3.6 million versus fiscal 2017. Excluding acquisition-related borrowings, which carried lower average interest financing costs, higher

average borrowings year-over-year increased interest expense by approximately \$4.0 million during fiscal 2018 compared with fiscal 2017.

Investment (Income), Net Net investment income of approximately \$20.4 million for fiscal 2018 compares to net investment income of \$14.0 million during fiscal 2017. Dividend and interest income totaled \$8.7 million and \$6.2 million for fiscal 2018 and 2017, respectively. Net realized gains on the sales of investments totaled \$11.7 million during fiscal 2018, while those gains were \$8.2 million during fiscal 2017. Impairments recognized on securities that management has determined are other-than-temporary declines in value approximated \$0.4 million during fiscal 2017, while there were no such losses for fiscal 2018.

Income Before Income Taxes ("IBT") Our consolidated pretax income for fiscal 2018 of \$417.0 million compares with pretax income of \$244.3 million for fiscal 2017.

Our industrial segment had pretax income of \$270.8 million, or 9.6% of net sales, for fiscal 2018, versus pretax income of \$243.3 million, or 9.5% of net sales, for fiscal 2017. Our industrial segment results reflect the impact of 9.8% growth in net sales during fiscal 2018, offset primarily by the impact from higher raw material costs, distribution expense and disappointing results in Latin America. Our consumer segment pretax income approximated \$171.9 million, or 9.8% of net sales for fiscal 2018, compared to a pretax income for fiscal 2017 of \$58.7 million. During fiscal 2017, this segment recorded goodwill and other intangible asset impairment losses of \$193.2 million. Our specialty segment had pretax income of \$123.3 million, or 16.4% of net sales for fiscal 2018, versus pretax income of \$107.9 million, or 15.1% of net sales, for fiscal 2017, reflecting leverage on 5.5% growth in net sales during fiscal 2018, combined with the benefit from the closure of an unprofitable European manufacturing facility and severance actions taken during fiscal 2017. As previously reported, an edible coatings patent expired in the U.S. during August 2017 and, as a result, the unfavorable impact of the patent expiration on fiscal 2018 pretax income approximated \$8.0 million. The impact was less than anticipated due to higher customer retention.

Income Tax Rate On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"). The income tax effects of changes in tax laws are recognized in the period when enacted. The Act provides for numerous significant tax law changes and modifications with varying effective dates. Provisions of the Act that impact fiscal 2018 include reducing the corporate income tax rate from 35% to 21%, creating a territorial tax system (with a one-time mandatory transition tax on unremitted earnings of foreign subsidiaries), and a provision allowing for immediate capital expensing of certain qualified property. The corporate tax rate reduction was effective for RPM as of January 1, 2018 and, accordingly, reduced our current fiscal year federal statutory rate to a blended rate of approximately 29.2%.

Subsequent to the enactment of the Act, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act's enactment date for companies to complete the applicable accounting under ASC 740. In accordance with SAB 118 and based on the information available as of May 31, 2018, we recorded a net provisional income tax expense of \$7.3 million as a result of the Act being enacted during this fiscal year. The net provisional income tax expense is comprised of a benefit of \$15.7 million related to the provisional remeasurement of our U.S. deferred tax assets and liabilities at the reduced U.S. corporate tax rates, a provisional expense of \$67.9 million for the transition tax on unremitted earnings from foreign subsidiaries, and a provisional benefit of \$44.9 million for the partial reversal of

previously recorded deferred tax liability for the estimated tax cost associated with unremitted foreign earnings not considered indefinitely reinvested.

The effective income tax rate was 18.7% for fiscal 2018 compared to an effective income tax rate of 24.4% for fiscal 2017. The reduction in the effective tax rate is primarily attributable to the U.S. statutory income tax rate reduction included in the Act, a reduction to our deferred tax liability for foreign unremitted earnings, and the reversal of valuation allowances in fiscal 2018 associated with capital loss carryforwards. The year-over-year reduction in our effective income tax rate was partially offset by a decrease in excess tax benefits associated with equity compensation for this fiscal year, as well as for the provisional expense recorded in fiscal 2018 for the transition tax on previously deferred foreign earnings. Certain of these favorable adjustments are non-recurring and, as a result, we expect the effective income tax rate to increase in fiscal 2019.

Refer to Note H, "Income Taxes," to the Consolidated Financial Statements for additional disclosures and discussion regarding the Act.

Net Income Net income of \$339.3 million for fiscal 2018 compares to net income of \$184.7 million for fiscal 2017. Net income attributable to noncontrolling interests approximated \$1.5 million and \$2.9 million for fiscal 2018 and 2017, respectively. Net income attributable to RPM International Inc. stockholders for fiscal 2018 was \$337.8 million, or 6.3% of consolidated net sales, which compares to net income of \$181.8 million, or 3.7% of consolidated net sales for fiscal 2017.

Diluted earnings per share of common stock for fiscal 2018 of \$2.50 compares with diluted earnings per share of common stock of \$1.36 for fiscal 2017.

Fiscal 2017 Compared with Fiscal 2016

Net Sales Consolidated net sales of \$4.96 billion for fiscal 2017 grew by approximately 3.0% from net sales of \$4.81 billion for fiscal 2016. Organic sales improved 1.6%, while acquisitions added 3.1%. Consolidated net sales for fiscal 2017 were offset by an unfavorable foreign exchange impact of 1.7%, primarily due to the devaluation of the British Pound.

Industrial segment net sales grew by 2.9% to \$2.56 billion during fiscal 2017 versus net sales of \$2.49 billion during fiscal 2016. Growth in this segment was primarily the result of acquisitions completed during fiscal 2017, which contributed 2.9% to net sales. Organic growth in sales was 2.0%, which was entirely offset by unfavorable foreign exchange, which impacted net sales by 2.0% during fiscal 2017.

Specialty segment net sales for fiscal 2017 grew by 4.2% to \$713.6 million, from \$684.6 million during fiscal 2016, primarily due to acquisition growth of 3.1% and organic growth of 2.8%. Foreign currency negatively impacted specialty segment net sales for fiscal 2017 by 1.7%.

Consumer segment net sales for fiscal 2017 grew by 2.6% to \$1.68 billion, from \$1.64 billion during fiscal 2016, due to acquisition growth of 3.4% and organic growth of 0.6%. Unfavorable foreign currency impacted net sales in the consumer segment by 1.4% during fiscal 2017 versus the same period a year ago.

Gross Profit Margin Our consolidated gross profit margin improved slightly to 43.7% of net sales for fiscal 2017 from a consolidated gross profit margin of 43.4% for fiscal 2016. Items that favorably impacted our fiscal 2017 gross profit margin versus fiscal 2016 included overall lower manufacturing costs for 0.3% and an approximate impact of 0.4% from price increases recently implemented, particularly in certain international markets where margins had been unfavorably impacted by

the strengthening U.S. dollar. Items that unfavorably impacted our fiscal 2017 gross profit margin versus fiscal 2016 included the impact of fiscal 2017 acquisitions and associated inventory step-up expense for 0.3%, with the remaining 0.1% impact resulting from unfavorable foreign exchange.

SG&A Expense Our consolidated SG&A expense increased by approximately \$122.6 million during fiscal 2017 versus fiscal 2016, and increased to 33.1% of net sales from 31.6% of net sales for fiscal 2016. The main source of the increase was the number of companies acquired during fiscal 2017, which added approximately \$36.2 million to SG&A expense. During the second quarter of fiscal 2017, we made the decision to exit the Flowcrete polymer flooring business located in the Middle East. In connection with the decision to exit that business, we determined it was appropriate to reassess the collectibility of accounts receivable and, accordingly, we incurred a loss of \$11.4 million for increased bad debt reserves. We also incurred higher severance expense versus fiscal 2016 for approximately \$23.1 million, which includes \$3.6 million in relation to the closing of a European manufacturing facility. Additionally, during fiscal 2017, SG&A increased due to higher compensation, commissions, distribution expense and professional services expense. Warranty expense for the year ended May 31, 2017 increased by approximately \$4.2 million from the amount recorded during fiscal 2016, and it is typical that warranty expense will fluctuate from period to period. Partially offsetting those increased expenses was the impact of approximately \$0.3 million of unfavorable transactional foreign exchange during fiscal 2017 versus approximately \$7.5 million of expense during fiscal 2016. Additionally, SG&A expense during fiscal 2016 was reduced by a \$14.5 million reversal of a contingent consideration obligation.

Our industrial segment SG&A increased by approximately \$43.8 million for fiscal 2017 versus fiscal 2016, and increased as a percentage of net sales as well. Acquisitions completed during fiscal 2017 increased SG&A expense in this segment by approximately \$19.5 million. During the second quarter of fiscal 2017, we made the decision to exit the Flowcrete polymer flooring business located in the Middle East. In connection with the decision to exit that business, we reassessed the collectibility of accounts receivable and, accordingly, we incurred a loss of \$11.4 million for increased bad debt reserves. Additionally, during fiscal 2017, there were increases in compensation, professional services expense and warranty expense. We incurred approximately \$16.1 million of higher severance expense during fiscal 2017 versus fiscal 2016. Partially offsetting these increased expenses was the impact of approximately \$0.9 million of favorable transactional foreign exchange during fiscal 2017 versus the unfavorable impact of \$3.0 million during fiscal 2016.

Our specialty segment SG&A was approximately \$7.7 million higher during fiscal 2017 versus fiscal 2016, and was slightly lower as a percentage of net sales. Reflected in the increased expense was higher employee compensation and benefits expense versus fiscal 2016, partially offset by a favorable impact from translational foreign exchange. Acquisitions completed during fiscal 2017 increased SG&A expense in this segment by approximately \$5.6 million. Additionally, we incurred severance expense for approximately \$3.6 million in relation to the closing of a European manufacturing facility.

Our consumer segment SG&A increased by approximately \$54.0 million during fiscal 2017 versus fiscal 2016, and was higher as a percentage of net sales, reflecting higher distribution expense. Acquisitions completed during fiscal 2017 increased SG&A expense in this segment by approximately \$11.1 million. Additionally, during fiscal 2017, there was higher compensation and employee benefits expense, higher freight expense, as well as increased professional services expense, some of which related to acquisitions, versus fiscal 2016. Additionally,

severance expense was approximately \$5.0 million higher in fiscal 2017 versus fiscal 2016. Lastly, SG&A expense during fiscal 2016 was reduced by a \$14.5 million reversal of a contingent consideration obligation.

SG&A expenses in our corporate/other category of \$90.4 million during fiscal 2017 increased by \$17.0 million from \$73.4 million recorded during fiscal 2016, resulting principally from higher pension expense and acquisition costs incurred during fiscal 2017 versus fiscal 2016.

We recorded total net periodic pension and postretirement benefit costs of \$59.1 million and \$47.6 million for fiscal 2017 and 2016, respectively. The \$11.5 million increase in pension expense resulted from higher service and interest cost of \$3.7 million during fiscal 2017 versus fiscal 2016. Additionally, there was an unfavorable impact of approximately \$5.8 million and \$0.8 million resulting from larger actuarial losses and plan settlements, respectively, recognized during fiscal 2017 versus fiscal 2016. Lastly, during fiscal 2017, the expected return on plan assets was approximately \$1.2 million lower than during fiscal 2016.

Goodwill and Other Intangible Asset Impairments As described in Note C, "Goodwill and Other Intangible Assets," to the consolidated financial statements, we recorded impairment charges related to a reduction of the carrying value of goodwill and other intangible assets totaling \$193.2 million during the year ended May 31, 2017. For additional information, refer to Note C to the Consolidated Financial Statements and the Critical Accounting Policies discussed herein.

Interest Expense Interest expense was \$97.0 million for fiscal 2017 versus \$91.7 million for fiscal 2016. Higher average borrowings, related to acquisitions completed during fiscal 2017, increased interest expense during fiscal 2017 by approximately \$3.2 million versus fiscal 2016. Excluding acquisition-related borrowings, lower average borrowings year-over-year decreased interest expense by approximately \$5.0 million. Higher interest rates, which averaged 4.27% overall for fiscal 2017 compared with 4.11% for fiscal 2016, increased interest expense by approximately \$7.1 million during fiscal 2017 versus fiscal 2016.

Investment (Income), Net Net investment income of approximately \$14.0 million for fiscal 2017 compares to net investment income of \$10.4 million during fiscal 2016. Dividend and interest income totaled \$6.2 million and \$7.7 million for fiscal 2017 and 2016, respectively. Net realized gains on the sales of investments totaled \$8.2 million during fiscal 2017, while those gains were \$6.5 million during fiscal 2016. Impairments recognized on securities that management has determined are other-than-temporary declines in value approximated \$0.4 million and \$3.8 million during fiscal 2017 and 2016, respectively.

Other Expense (Income), Net Other expense of \$1.7 million for fiscal 2017 compared with other income of \$1.3 million for fiscal 2016. Other expense (income), net includes net royalty expense of approximately \$2.7 million for fiscal 2017, while fiscal 2016 net royalty expense was \$2.0 million. Also included in this balance is our equity in earnings of unconsolidated affiliates totaling approximately \$1.0 million and \$2.1 million for fiscal 2017 and 2016, respectively. Additionally, during the fourth quarter of fiscal 2016, we incurred a legal settlement charge of approximately \$9.3 million, which was in relation to certain deck coating products. Lastly, during fiscal 2016 we acquired the remaining 51% interest in our Chinese joint venture, Carboline Dalian Paint Production Co., Ltd. ("Carboline Dalian"), which increased our ownership to 100%. During the fourth quarter of fiscal 2016, we retained an independent, third-party valuation firm to assist us in determining the fair value of Carboline Dalian and, as proscribed by ASC 805, we recorded a remeasurement gain for approximately \$8.0 million during fiscal 2016.

IBT Our consolidated pretax income for fiscal 2017 of \$244.3 million compares with \$483.5 million for fiscal 2016.

Our industrial segment had pretax income of \$243.3 million, or 9.5% of net sales, for fiscal 2017, versus pretax income of \$257.2 million, or 10.3% of net sales, for fiscal 2016. Our specialty segment had pretax income of \$107.9 million, or 15.1% of net sales, for fiscal 2017, versus pretax income of \$107.5 million, or 15.7% of net sales, for fiscal 2016. During the first half of fiscal 2018, an edible coatings patent expired in the U.S. and, as a result, we anticipated the impact of the patent expiration on fiscal 2018 IBT to approximate at least \$10.0 million. Our consumer segment pretax income of \$58.7 million for fiscal 2017 compares with fiscal 2016 pretax income of \$268.2 million, primarily as a result of fiscal 2017 goodwill and other intangible asset impairment charges totaling \$193.2 million, as discussed previously.

Income Tax Rate The effective income tax rate was 24.4% for fiscal 2017 compared to an effective income tax rate of 26.1% for fiscal 2016. The decrease in the effective income tax rate is primarily due to a discrete benefit resulting from the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" in the first quarter of fiscal 2017. This benefit was partially offset by a decrease in the domestic manufacturing deduction and the unfavorable impact due to increases in valuation allowances, as compared to fiscal 2016.

Net Income Net income of \$184.7 million for the year ended May 31, 2017 compares to net income of \$357.5 million for the year ended May 31, 2016. During fiscal 2017 and 2016, we had net income attributable to noncontrolling interests of \$2.9 million and \$2.7 million, respectively. Net income attributable to RPM International Inc. stockholders for fiscal 2017 was \$181.8 million, or 3.7% of consolidated net sales, which compared to net income of \$354.7 million, or 7.4% of consolidated net sales for fiscal 2016.

Diluted earnings per share of common stock for the year ended May 31, 2017 of \$1.36 compares with diluted earnings per share of common stock of \$2.63 for year ended May 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Fiscal 2018 Compared with Fiscal 2017

Approximately \$390.4 million of cash was provided by operating activities during fiscal 2018, compared with \$386.1 million of cash provided by operating activities during fiscal 2017.

The net change in cash from operations includes the change in net income, which increased by \$154.6 million during fiscal 2018 versus fiscal 2017. During fiscal 2018, we recorded \$17.5 million of restructuring expense, \$36.5 million in charges related to product line and SKU rationalization and related obsolete inventory at our consumer segment and \$1.2 million of inventory charges related to restructuring activities at our industrial segment. Also during fiscal 2018, we incurred a loss of \$4.2 million in connection with the decision to exit Flowcrete China. During fiscal 2017, we recorded goodwill and other intangible asset impairment charges of \$193.2 million, \$12.3 million in charges related to the decision to exit the Flowcrete Middle East polymer flooring business and \$4.2 million in charges related to the closure of a European manufacturing facility. Changes in working capital accounts and all other accruals provided approximately \$62.6 million more cash flow during fiscal 2018 versus fiscal 2017.

The change in accounts receivable during fiscal 2018 used approximately \$100.5 million more cash than fiscal 2017. Days sales outstanding ("DSO") at May 31, 2018 increased to 60.8 days from 56.6 days at May 31, 2017, reflecting the change in mix toward our industrial segment.

During fiscal 2018, we spent approximately \$36.6 million less cash for inventory compared to our spending during fiscal 2017. This resulted from the combination of timing of purchases by retail customers and a strategic redirection at certain businesses in our consumer segment, which resulted in product rationalization. Days inventory outstanding ("DIO") at May 31, 2018 decreased to 79.9 days from 85.5 days at May 31, 2017.

The change in accounts payable during fiscal 2018 provided approximately \$35.4 million more cash than during fiscal 2017, resulting principally from the timing of certain payments. Other accruals and prepaids, including those for other short-term and long-term items and changes in accrued loss reserves, provided \$92.2 million more cash during fiscal 2018 versus fiscal 2017, primarily from the higher pension contributions during fiscal 2017 and the timing of upfront funds used for certain customer contracts.

Fiscal 2017 Compared with Fiscal 2016

Approximately \$386.1 million of cash was provided by operating activities during fiscal 2017, compared with \$474.7 million during fiscal 2016.

The net change in cash from operations includes the change in net income, which decreased by \$172.8 million during fiscal 2017 versus fiscal 2016. Current-year net income included the goodwill and other intangible asset impairment charges of \$193.2 million (\$132.2 million after tax), as well as \$12.3 million in charges related to the decision to exit the Flowcrete polymer flooring business in the Middle East and \$4.2 million in charges related to the closure of a European manufacturing facility. Changes in working capital accounts and all other accruals used approximately \$147.1 million more cash flow during fiscal 2017 versus fiscal 2016.

The change in accounts receivable during fiscal 2017 used approximately \$18.9 million less cash than during fiscal 2016. DSO at May 31, 2017 decreased to 56.6 days from 57.7 days at May 31, 2016.

During fiscal 2017, we spent approximately \$53.0 million more cash for inventory purchases compared to our spending during fiscal 2016. This resulted from the combination of timing of purchases by retail customers, the building of additional inventory to service customers' needs and also geographic expansion. DIO at May 31, 2017 increased to 85.5 days from 79.2 days at May 31, 2016.

The change in accounts payable during fiscal 2017 provided approximately \$22.2 million more cash than fiscal 2016, resulting principally from the timing of certain payments. Accrued compensation and benefits used approximately \$22.3 million more cash during fiscal 2017 versus fiscal 2016, due to higher bonus payouts made during fiscal 2017 versus fiscal 2016. Other accruals and prepaids, including those for other short-term and long-term items and changes in accrued loss reserves, used \$101.8 million more cash during fiscal 2017 versus fiscal 2016, primarily from the timing of pension plan contributions and upfront funds used for long-term customer contracts.

Cash provided from operations, along with the use of available credit lines, as required, remain our primary sources of liquidity.

Investing Activities

Capital expenditures, other than for ordinary repairs and replacements, are made to accommodate our continued growth to achieve production and distribution efficiencies, expand capacity, introduce new technology, improve environmental health and safety capabilities, improve information systems and enhance our administration capabilities. During fiscal 2018, we paid \$112.4 million for acquisitions, net of cash acquired, versus \$254.2 million during fiscal 2017 and \$52.0 million during fiscal 2016. Capital expenditures of \$114.6 million during fiscal

2018 compared with depreciation of \$82.0 million. During fiscal 2017, capital expenditures of \$126.1 million compared with depreciation of \$71.9 million. During fiscal 2016, capital expenditures of \$117.2 million compared with depreciation of \$66.7 million. During fiscal 2017, we increased our production capacity in our consumer segment, specifically with regard to our DAP operating segment, to meet our needs based on anticipated growth rates. During fiscal 2018, we adjusted our capital spending downward slightly from fiscal 2017, and continued our efforts to more aggressively invest in our internal growth initiatives, especially in overseas markets. We anticipate that additional shifts at our production facilities, coupled with the capacity added through ongoing acquisition activity and our planned increase in future capital spending levels, will enable us to meet increased demand into fiscal 2019 and beyond.

Our captive insurance companies invest their excess cash in marketable securities in the ordinary course of conducting their operations, and this activity will continue. Differences in the amounts related to these activities on a year-over-year basis are primarily attributable to differences in the timing and performance of their investments balanced against amounts required to satisfy claims. At May 31, 2018, the fair value of our investments in marketable securities totaled \$168.1 million, of which investments with a fair value of \$106.3 million were in an unrealized loss position. At May 31, 2017, the fair value of our investments in marketable securities totaled \$164.5 million, of which investments with a fair value of \$60.0 million were in an unrealized loss position. The fair value of our portfolio of marketable securities is based on quoted market prices for identical, or similar, instruments in active or non-active markets or model-derived-valuations with observable inputs. We have no marketable securities whose fair value is subject to unobservable inputs. Total pretax unrealized losses recorded in accumulated other comprehensive income at May 31, 2018 and May 31, 2017 were \$4.5 million and \$3.5 million, respectively.

We regularly review our marketable securities in unrealized loss positions in order to determine whether or not we have the ability and intent to hold these investments. That determination is based upon the severity and duration of the decline, in addition to our evaluation of the cash flow requirements of our businesses. Unrealized losses at May 31, 2018 were generally related to the normal volatility in valuations over the past several months for a portion of our portfolio of investments in marketable securities. The unrealized losses generally relate to investments whose fair values at May 31, 2018 were less than 15% below their original cost or that have been in a loss position for less than six consecutive months. From time to time, we may experience significant volatility in general economic and market conditions. If we were to experience unrealized losses that were to continue for longer periods of time, or arise to more significant levels of unrealized losses within our portfolio of investments in marketable securities in the future, we may recognize additional other-than-temporary impairment losses. Such potential losses could have a material impact on our results of operations in any given reporting period. As such, we continue to closely evaluate the status of our investments and our ability and intent to hold these investments.

As of May 31, 2018, approximately \$214.1 million of our consolidated cash and cash equivalents were held at various foreign subsidiaries, compared with approximately \$278.8 million as of May 31, 2017. Undistributed earnings held at our foreign subsidiaries that are considered permanently reinvested will be used, for instance, to expand operations organically or for acquisitions in foreign jurisdictions. Further, our operations in the U.S. generate sufficient cash flow to satisfy U.S. operating requirements. Refer to Note H, "Income Taxes," to the Consolidated Financial Statements for additional information regarding unremitted foreign earnings.

Financing Activities

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at \$1.01 billion at May 31, 2018, compared with \$1.15 billion at May 31, 2017. Our debt-to-capital ratio was 57.1% at May 31, 2018, compared with 59.3% at May 31, 2017.

4.250% Notes due 2048

On December 20, 2017, we closed an offering for \$300.0 million aggregate principal amount of 4.250% Notes due 2048 (the "2048 Notes"). The proceeds from the 2048 Notes were used to repay \$250.0 million in principal amount of unsecured 6.50% senior notes due February 15, 2018, and for general corporate purposes. Interest on the 2048 Notes accrues from December 20, 2017 and is payable semiannually in arrears on January 15th and July 15th of each year, beginning July 15, 2018, at a rate of 4.250% per year. The 2048 Notes mature on January 15, 2048. The indenture governing this indebtedness includes cross-acceleration provisions. Under certain circumstances, where an event of default under our other instruments results in acceleration of the indebtedness under such instruments, holders of the indebtedness under the indenture are entitled to declare amounts outstanding immediately due and payable.

5.250% Notes due 2045 and 3.750% Notes due 2027

On March 2, 2017, we issued \$50.0 million aggregate principal amount of 5.250% Notes due 2045 (the "2045 Notes") and \$400.0 million aggregate principal amount of 3.750% Notes due 2027 (the "2027 Notes"). The 2045 Notes are a further issuance of the \$250 million aggregate principal amount of 5.250% Notes due 2045 initially issued by us on May 29, 2015. Interest on the 2045 Notes is payable semiannually in arrears on June 1st and December 1st of each year at a rate of 5.250% per year. The 2045 Notes mature on June 1, 2045. Interest on the 2027 Notes is payable semiannually in arrears on March 15th and September 15th of each year, at a rate of 3.750% per year. The 2027 Notes mature on March 15, 2027. The indenture governing this indebtedness includes cross-acceleration provisions. Under certain circumstances, where an event of default under our other instruments results in acceleration of the indebtedness under such instruments, holders of the indebtedness under the indenture are entitled to declare amounts outstanding immediately due and payable.

Revolving Credit Agreement

During fiscal 2015, we entered into an \$800.0 million unsecured syndicated revolving credit facility (the "Revolving Credit Facility"), which expires on December 5, 2019. The Revolving Credit Facility includes sublimits for the issuance of swingline loans, which are comparatively short-term loans used for working capital purposes and letters of credit. The aggregate maximum principal amount of the commitments under the Revolving Credit Facility may be expanded upon our request, subject to certain conditions, up to \$1.0 billion. The Revolving Credit Facility is available to refinance existing indebtedness, to finance working capital and capital expenditures, to satisfy all or a portion of our obligations relating to the plan of reorganization for our SPHC subsidiary, and for general corporate purposes.

The Revolving Credit Facility requires us to comply with various customary affirmative and negative covenants, including a leverage covenant and interest coverage ratio, which are calculated in accordance with the terms as defined by the credit agreement. Under the terms of the leverage covenant, we may not permit our consolidated indebtedness as of any fiscal quarter end to exceed 65% of the sum of such indebtedness and our consolidated shareholders' equity on such date. The minimum required consolidated interest coverage ratio for EBITDA to interest expense is 3.50 to 1. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended using an EBITDA as defined in the credit agreement.

As of May 31, 2018, we were in compliance with all financial covenants contained in our Revolving Credit Facility, including the leverage and interest coverage ratio covenants. At that date, our leverage ratio was 56.9%, while our interest coverage ratio was 7.4 to 1. Our available liquidity under our Revolving Credit Facility stood at \$562.4 million at May 31, 2018.

Our access to funds under our Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the Revolving Credit Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

As previously reported, during fiscal 2015, a plan of reorganization was confirmed (the "Bankruptcy Plan") and, effective as of December 23, 2014, Bondex, SPHC, Republic and NMBFiL emerged from bankruptcy. Accordingly, trusts were established under Section 524(g) of the United States Bankruptcy Code (together, the "Trust") and were funded with first installments. Borrowings under our Revolving Credit Facility were used to fund the initial trust payment of \$450 million, which is classified as long-term debt in our Consolidated Balance Sheets. The Trust was funded with \$450 million in cash and a promissory note, bearing no interest and maturing on or before December 23, 2018 (the "Bankruptcy Note"). We prepaid the remaining trust payment for \$123.6 million in May 2018 and, therefore, there are no remaining outstanding trust payments as of May 31, 2018.

All of our past contributions to the Trust are deductible for U.S. income tax purposes.

Accounts Receivable Securitization Program

On May 9, 2017, we entered into a three-year, \$200.0 million accounts receivable securitization facility (the "AR Program"). The maximum availability under the AR Program is \$200.0 million. Availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and, therefore, at certain times, we may not be able to fully access the \$200.0 million of funding available under the AR Program.

As of May 31, 2018, there was no outstanding balance under the AR Program, which compares with the maximum availability on that date of \$200.0 million. The interest rate under the Purchase Agreement is based on the Alternate Base Rate, LIBOR Market Index Rate, one-month LIBOR or LIBOR for a specified tranche period, as selected by us, plus in each case, a margin of 0.70%. In addition, we are obligated to pay a monthly unused commitment fee based on the daily amount of unused commitments under the Agreement, which ranges from 0.30% to 0.50% based on

usage. The AR Program contains various customary affirmative and negative covenants, as well as customary default and termination provisions.

Our failure to comply with the covenants described above and other covenants contained in the Revolving Credit Facility could result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Revolving Credit Facility to be due and payable immediately. The instruments governing our other outstanding indebtedness generally include cross-default provisions that provide that, under certain circumstances, an event of default that results in acceleration of our indebtedness under the Revolving Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

2.25% Convertible Senior Notes due 2020

On December 9, 2013, we issued \$205 million of 2.25% Convertible Senior Notes due 2020 (the "Convertible Notes"). We pay interest on the Convertible Notes semi-annually on June 15th and December 15th of each year.

The Convertible Notes will be convertible under certain circumstances and during certain periods at an initial conversion rate of 18.8905 shares of RPM common stock per \$1,000 principal amount of notes (representing an initial conversion price of approximately \$52.94 per share of common stock), subject to adjustment in certain circumstances. In April 2018, we declared a dividend in excess of \$0.24 per share and, consequently, the adjusted conversion rate at May 31, 2018 was 19.159777. The initial conversion price represents a conversion premium of approximately 37% over the last reported sale price of RPM common stock of \$38.64 on December 3, 2013. Prior to June 15, 2020, the Convertible Notes may be converted only upon specified events and, thereafter, at any time. Upon conversion, the Convertible Notes may be settled, at RPM's election, in cash, shares of RPM common stock, or a combination of cash and shares of RPM common stock.

We account for the liability and equity components of the Convertible Notes separately, and in a manner that will reflect our nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The effective interest rate on the liability component is 3.92%. Contractual interest was \$4.6 million for both fiscal 2018 and 2017, and amortization of the debt discount was \$3.0 million and \$2.9 million for fiscal 2018 and 2017, respectively. At May 31, 2018, the remaining period over which the debt discount will be amortized was 2.5 years, the unamortized debt discount was \$8.1 million, and the carrying amount of the equity component was \$20.7 million.

The following table summarizes our financial obligations and their expected maturities at May 31, 2018, and the effect such obligations are expected to have on our liquidity and cash flow in the periods indicated.

Contractual Obligations

(In thousands)	Total Contractual Payment Stream	Payments Due In			
		2019	2020-21	2022-23	After 2023
Long-term debt obligations	\$ 2,174,144	\$ 3,501	\$ 884,079	\$ 295,596	\$ 990,968
Capital lease obligations	911	227	288	163	233
Operating lease obligations	209,632	57,019	66,667	33,708	52,238
Other long-term liabilities ⁽¹⁾ :					
Interest payments on long-term debt obligations	1,052,771	86,415	130,706	102,525	733,125
Contributions to pension and postretirement plans ⁽²⁾	387,800	10,600	23,500	139,700	214,000
Total	\$ 3,825,258	\$ 157,762	\$ 1,105,240	\$ 571,692	\$ 1,990,564

(1) Excluded from other long-term liabilities are our gross long-term liabilities for unrecognized tax benefits, which totaled \$17.4 million at May 31, 2018. Currently, we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities related to these liabilities.

(2) These amounts represent our estimated cash contributions to be made in the periods indicated for our pension and postretirement plans, assuming no actuarial gains or losses, assumption changes or plan changes occur in any period. The projection results assume the required minimum contribution will be contributed.

The U.S. dollar fluctuated throughout the year, and was stronger against other major currencies where we conduct operations at the fiscal year end versus the previous year end, causing an favorable change in the accumulated other comprehensive income (loss) (refer to Note K to the Consolidated Financial Statements) component of stockholders' equity of \$8.4 million this year versus an unfavorable change of \$(17.2) million last year. The change in fiscal 2018 was in addition to favorable net changes of \$9.2 million related to adjustments required for minimum pension and other postretirement liabilities and unfavorable changes of \$(1.3) million related to unrealized gains on securities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financings, other than the minimum operating lease commitments included in the above Contractual Obligations table and further described in Note M, "Leases," to the Consolidated Financial Statements. We have no subsidiaries that are not included in our financial statements, nor do we have any interests in, or relationships with, any special purpose entities that are not reflected in our financial statements.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and foreign currency exchange rates because we fund our operations through long- and short-term borrowings and denominate our business transactions in a variety of foreign currencies. We utilize a sensitivity analysis to measure the potential loss in earnings based on a hypothetical 1% increase in interest rates and a 10% change in foreign currency rates. A summary of our primary market risk exposures follows.

Interest Rate Risk

Our primary interest rate risk exposure results from our floating rate debt, including various revolving and other lines of credit (refer to Note G, "Borrowings," to the Consolidated Financial Statements). At May 31, 2018, approximately 15.7% of our debt was subject to floating interest rates.

If interest rates were to increase 100 bps from May 31, 2018 and, assuming no changes in debt from the May 31, 2018 levels, the additional annual interest expense would amount to approximately \$3.4 million on a pretax basis. A similar increase in interest rates in fiscal 2017 would have resulted in approximately \$2.0 million in additional interest expense.

All derivative instruments are recognized on the balance sheet and measured at fair value. Changes in the fair values of derivative instruments that do not qualify as hedges and/or any ineffective portion of hedges are recognized as a gain or loss in our Consolidated Statement of Income in the current period. Changes in the fair value of derivative instruments used effectively as fair value hedges are recognized in earnings, along with the change in the value of the hedged item. Such derivative transactions are accounted for in accordance with ASC 815, "Derivatives and Hedging." We do not hold or issue derivative instruments for speculative purposes. Refer to Note F, "Derivatives and Hedging," for additional information.

Foreign Currency Risk

Our foreign sales and results of operations are subject to the impact of foreign currency fluctuations (refer to Note A, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements). Because our Consolidated Financial Statements are presented in U.S. dollars, increases or decreases in the value of the U.S. dollar relative to other currencies in which we transact business could materially adversely affect our net revenues, net income and the carrying values of our assets located outside the U.S. Global economic uncertainty continues to exist. Strengthening of the U.S. dollar relative to other currencies may adversely affect our operating results. However, our foreign debt is denominated in the respective foreign currency, thereby eliminating any related translation impact on earnings.

If the U.S. dollar were to strengthen, our foreign results of operations would be unfavorably impacted, but the effect is not expected to be material. A 10% change in foreign currency exchange rates would not have resulted in a material impact to net income for the years ended May 31, 2018 and 2017. We do not currently use financial derivative instruments for trading purposes, nor do we engage in foreign currency, commodity or interest rate speculation.

FORWARD-LOOKING STATEMENTS

The foregoing discussion includes forward-looking statements relating to our business. These forward-looking statements, or other statements made by us, are made based on our expectations and beliefs concerning future events impacting us and are subject to uncertainties and factors (including those specified below), which are difficult to predict and, in many instances, are beyond our control. As a result, our actual results could differ materially from those expressed in or implied by any such forward-looking statements. These uncertainties and factors include (a) global markets and general economic conditions, including uncertainties surrounding the volatility in financial markets, the availability of capital and the effect of changes in interest rates, and the viability of banks and other financial institutions; (b) the prices, supply and capacity of raw materials, including assorted pigments, resins, solvents, and other natural gas- and oil-based materials; packaging, including plastic containers; and transportation services, including fuel surcharges; (c) continued growth in demand for our products; (d) legal, environmental and litigation risks inherent in our construction and chemicals businesses and risks related to the adequacy of our insurance coverage for such matters; (e) the effect of changes in interest rates; (f) the effect of fluctuations in currency exchange rates upon our foreign operations; (g) the effect of non-currency risks of investing in and conducting operations in foreign countries, including those relating to domestic and international political, social, economic and regulatory factors; (h) risks and uncertainties associated with our ongoing acquisition and divestiture activities; (i) risks related to the adequacy of our contingent liability reserves; and (j) other risks detailed in our filings with the Securities and Exchange Commission, including the risk factors set forth in our Annual Report on Form 10-K for the year ended May 31, 2018, as the same may be updated from time to time. We do not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the filing date of this document.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

May 31,	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 244,422	\$ 350,497
Trade accounts receivable (less allowances of \$46,344 and \$44,138, respectively)	1,113,818	995,330
Inventories	834,461	788,197
Prepaid expenses and other current assets	278,230	263,412
Total current assets	2,470,931	2,397,436
Property, Plant and Equipment, at Cost	1,575,875	1,484,579
Allowance for depreciation	(795,569)	(741,893)
Property, plant and equipment, net	780,306	742,686
Other Assets		
Goodwill	1,192,174	1,143,913
Other intangible assets, net of amortization	584,272	573,092
Deferred income taxes	21,897	19,793
Other	222,242	213,529
Total other assets	2,020,585	1,950,327
Total Assets	\$ 5,271,822	\$ 5,090,449
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 592,281	\$ 534,718
Current portion of long-term debt	3,501	253,645
Accrued compensation and benefits	177,106	181,084
Accrued losses	22,132	31,735
Other accrued liabilities	211,706	234,212
Total current liabilities	1,006,726	1,235,394
Long-Term Liabilities		
Long-term debt, less current maturities	2,170,643	1,836,437
Other long-term liabilities	356,892	482,491
Deferred income taxes	104,023	97,427
Total long-term liabilities	2,631,558	2,416,355
Commitments and contingencies (Note P)		
Stockholders' Equity		
Preferred stock, par value \$0.01; authorized 50,000 shares; none issued		
Common stock, par value \$0.01; authorized 300,000 shares; issued 141,716 and outstanding 133,647 as of May 2018; issued 141,242 and outstanding 133,563 as of May 2017	1,336	1,336
Paid-in capital	982,067	954,491
Treasury stock, at cost	(236,318)	(218,222)
Accumulated other comprehensive (loss)	(459,048)	(473,986)
Retained earnings	1,342,736	1,172,442
Total RPM International Inc. stockholders' equity	1,630,773	1,436,061
Noncontrolling Interest	2,765	2,639
Total equity	1,633,538	1,438,700
Total Liabilities and Stockholders' Equity	\$ 5,271,822	\$ 5,090,449

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

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

Year Ended May 31,	2018	2017	2016
Net Sales	\$ 5,321,643	\$ 4,958,175	\$ 4,813,649
Cost of Sales	3,140,431	2,792,487	2,726,601
Gross Profit	2,181,212	2,165,688	2,087,048
Selling, General and Administrative Expenses	1,663,143	1,643,520	1,520,977
Restructuring Expense	17,514	-	-
Goodwill and Other Intangible Asset Impairments	-	193,198	-
Interest Expense	104,547	96,954	91,683
Investment (Income), Net	(20,442)	(13,984)	(10,365)
Other (Income) Expense, Net	(598)	1,667	1,287
Income Before Income Taxes	417,048	244,333	483,466
Provision for Income Taxes	77,791	59,662	126,008
Net Income	339,257	184,671	357,458
Less: Net Income Attributable to Noncontrolling Interests	1,487	2,848	2,733
Net Income Attributable to RPM International Inc. Stockholders	\$ 337,770	\$ 181,823	\$ 354,725
Average Number of Shares of Common Stock Outstanding:			
Basic	131,179	130,662	129,383
Diluted	137,171	135,165	136,716
Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders:			
Basic	\$ 2.55	\$ 1.37	\$ 2.70
Diluted	\$ 2.50	\$ 1.36	\$ 2.63
Cash Dividends Declared per Share of Common Stock	\$ 1.260	\$ 1.175	\$ 1.085

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

Year Ended May 31,	2018	2017	2016
Net Income	\$ 339,257	\$ 184,671	\$ 357,458
Other Comprehensive Income, Before Tax:			
Foreign Currency Translation Adjustments	10,857	(20,402)	(65,607)
Pension and Other Postretirement Benefit Liabilities			
Net (Loss) Gain Arising During the Period	(3,489)	38,679	(83,770)
Prior Service Cost Arising During the Period	61	196	349
Less: Amortization of Prior Service Cost Included in Net Periodic Pension Cost	(121)	(41)	(6)
Less: Amortization of Net Loss and Settlement Recognition	16,738	25,444	18,898
Effect of Exchange Rates on Amounts Included for Pensions	(1,814)	1,986	2,009
Pension and Other Postretirement Benefit Liability Adjustments	11,375	66,264	(62,520)
Unrealized Gains on Available-For-Sale Securities			
Unrealized Holding (Losses) Gains During the Period	(1,459)	8,250	(9,049)
Less: Reclassification Adjustments for (Gains) Included in Net Income	(1,835)	(2,248)	(2,793)
Unrealized (Loss) Gain on Securities	(3,294)	6,002	(11,842)
Unrealized (Loss) Gain on Derivatives	(359)	16	-
Other Comprehensive Income (Loss), Before Tax	18,579	51,880	(139,969)
Income Tax (Benefit) Expense Related to Components of Other Comprehensive Income	(3,773)	(23,863)	32,030
Other Comprehensive Income (Loss), After Tax	14,806	28,017	(107,939)
Comprehensive Income	354,063	212,688	249,519
Less: Comprehensive Income Attributable to Noncontrolling Interests	1,354	2,804	2,706
Comprehensive Income Attributable to RPM International Inc. Stockholders	\$ 352,709	\$ 209,884	\$ 246,813

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

CONSOLIDATED STATEMENTS OF CASH FLOWS*(In thousands)*

Year Ended May 31,	2018	2017	2016
Cash Flows From Operating Activities:			
Net income	\$ 339,257	\$ 184,671	\$ 357,458
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	81,976	71,870	66,732
Amortization	46,523	44,903	44,307
Restructuring	17,514		
Goodwill, intangible and other asset impairments		193,198	4,471
Adjustments to contingent consideration obligations	3,400	3,000	(14,500)
Other-than-temporary impairments on marketable securities		420	3,811
Deferred income taxes	(10,690)	24,049	9,399
Stock-based compensation expense	25,440	32,541	31,287
Other non-cash interest expense	6,187	9,986	9,750
Gain on remeasurement of joint venture ownership			(7,972)
Realized (gains) on sales of marketable securities	(10,076)	(8,174)	(6,457)
Other	(1,141)	280	(15)
Changes in assets and liabilities, net of effect from purchases and sales of businesses:			
(Increase) in receivables	(106,179)	(5,690)	(24,582)
(Increase) in inventory	(34,102)	(70,726)	(17,733)
Decrease (increase) in prepaid expenses and other current and long-term assets	3,348	(38,130)	(25,617)
Increase (decrease) in accounts payable	51,641	16,247	(5,958)
(Decrease) increase in accrued compensation and benefits	(5,010)	(4,577)	17,681
(Decrease) increase in accrued loss reserves	(10,387)	(3,422)	13,514
(Decrease) increase in other accrued liabilities	(6,612)	(64,322)	8,011
Other	(706)	3	11,119
Cash Provided By Operating Activities	390,383	386,127	474,706
Cash Flows From Investing Activities:			
Capital expenditures	(114,619)	(126,109)	(117,183)
Acquisition of businesses, net of cash acquired	(112,442)	(254,200)	(51,992)
Purchase of marketable securities	(181,953)	(38,062)	(32,280)
Proceeds from sales of marketable securities	138,803	76,588	32,631
Proceeds from sales of assets and businesses			866
Other	9,018	2,118	2,092
Cash (Used For) Investing Activities	(261,193)	(339,665)	(165,866)
Cash Flows From Financing Activities:			
Additions to long-term and short-term debt	351,082	597,633	142,130
Reductions of long-term and short-term debt	(276,406)	(154,348)	(147,155)
Cash dividends	(167,476)	(156,752)	(144,350)
Shares of common stock repurchased and returned for taxes	(17,152)	(21,948)	(71,346)
Payments of acquisition-related contingent consideration	(3,945)	(4,284)	(2,088)
Exercise of stock options and awards, including tax benefit			18,540
Payments for 524(g) trust	(123,567)	(221,638)	
Other	(1,912)	(2,692)	(1,836)
Cash (Used For) Provided By Financing Activities	(239,376)	35,971	(206,105)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,111	2,912	(12,294)
Net Change in Cash and Cash Equivalents	(106,075)	85,345	90,441
Cash and Cash Equivalents at Beginning of Period	350,497	265,152	174,711
Cash and Cash Equivalents at End of Period	\$ 244,422	\$ 350,497	\$ 265,152
Supplemental Disclosures of Cash Flows Information:			
Cash paid during the year for:			
Interest	\$ 97,295	\$ 78,685	\$ 73,087
Income taxes	\$ 83,460	\$ 71,236	\$ 63,208

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Paid-In Capital
	Number of Shares	Par/Stated Value	
Balance at June 1, 2015	133,203	\$ 1,332	\$ 872,127
Net income	-	-	-
Other comprehensive income	-	-	-
Dividends paid	-	-	-
Other noncontrolling interest activity	-	-	-
Shares repurchased	(800)	(8)	8
Stock option exercises	-	-	18,540
Stock compensation expense, shares granted less shares returned for taxes	541	5	31,281
Balance at May 31, 2016	132,944	1,329	921,956
Net income	-	-	-
Other comprehensive income	-	-	-
Dividends paid	-	-	-
Other noncontrolling interest activity	-	-	-
Stock compensation expense, shares granted less shares returned for taxes	619	7	32,535
Balance at May 31, 2017	133,563	1,336	954,491
Net income	-	-	-
Other comprehensive income	-	-	-
Dividends paid	-	-	-
Other noncontrolling interest activity	-	-	-
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	84	-	27,576
Balance at May 31, 2018	133,647	\$ 1,336	\$ 982,067

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

Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total RPM International Inc. Equity	Noncontrolling Interests	Total Equity
\$ (124,928)	\$ (394,135)	\$ 936,996	\$ 1,291,392	\$ 2,073	\$ 1,293,465
-	-	354,725	354,725	2,733	357,458
-	(107,912)	-	(107,912)	(27)	(107,939)
-	-	(144,350)	(144,350)	-	(144,350)
(35,098)	-	-	(35,098)	(2,366)	(2,366)
-	-	-	18,540	-	18,540
(36,248)	-	-	(4,962)	-	(4,962)
(196,274)	(502,047)	1,147,371	1,372,335	2,413	1,374,748
-	-	181,823	181,823	2,848	184,671
-	28,061	-	28,061	(44)	28,017
-	-	(156,752)	(156,752)	-	(156,752)
-	-	-	-	(2,578)	(2,578)
(21,948)	-	-	10,594	-	10,594
(218,222)	(473,986)	1,172,442	1,436,061	2,639	1,438,700
-	-	337,770	337,770	1,487	339,257
-	14,938	-	14,938	(132)	14,806
-	-	(167,476)	(167,476)	-	(167,476)
-	-	-	-	(1,229)	(1,229)
(18,096)	-	-	9,480	-	9,480
\$ (236,318)	\$ (459,048)	\$ 1,342,736	\$ 1,630,773	\$ 2,765	\$ 1,633,538

Notes to Consolidated Financial Statements

May 31, 2018, 2017, 2016

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Consolidation, Noncontrolling Interests and Basis of Presentation

Our financial statements include all of our majority-owned subsidiaries. We account for our investments in less-than-majority-owned joint ventures, for which we have the ability to exercise significant influence, under the equity method. Effects of transactions between related companies are eliminated in consolidation.

Noncontrolling interests are presented in our Consolidated Financial Statements as if parent company investors (controlling interests) and other minority investors (noncontrolling interests) in partially owned subsidiaries have similar economic interests in a single entity. As a result, investments in noncontrolling interests are reported as equity in our Consolidated Financial Statements. Additionally, our Consolidated Financial Statements include 100% of a controlled subsidiary's earnings, rather than only our share. Transactions between the parent company and noncontrolling interests are reported in equity as transactions between stockholders, provided that these transactions do not create a change in control.

Our business is dependent on external weather factors. Historically, we have experienced strong sales and net income in our first, second and fourth fiscal quarters comprising the three-month periods ending August 31, November 30 and May 31, respectively, with weaker performance in our third fiscal quarter (December through February).

2) Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3) Acquisitions/Divestitures

We account for business combinations and asset acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the acquisition date.

Subsequent to the end of the current fiscal year, on July 11, 2018, we acquired the stock of Kemtile Limited, which is a hygienic flooring solutions provider for the U.K. food and beverage industry, and is headquartered in the U.K. This fiscal 2019 acquisition will report through our industrial reportable segment.

During the fiscal year ended May 31, 2018, we completed a total of seven acquisitions among our three reportable segments. During fiscal 2018, our industrial reportable segment completed three acquisitions, which include the following: a manufacturer of high-performance spray applied polyurea waterproofing systems, as well as a range of polymer flooring systems located in Norway; a manufacturer and marketer of terrazzo and resinous flooring, wall coating systems and other concrete repair and maintenance materials headquartered in Batavia, Ohio; and a manufacturer and installer of a range of specialty bridge bearings and expansion joints, as well as custom engineered solutions for bridges, wind turbines and other structures located in the U.K. Within our consumer reportable segment, we acquired a manufacturer of sealers, cleaners, polishes and related products primarily for tile and natural stone based in Arcadia, California; and a manufacturer and marketer of specialty cleaners for rust stain removal based in Eldora, Iowa. Lastly, we acquired the assets of a manufacturer of adjuvants, which are used to enhance the productivity of herbicides for farming and forest protection programs located in Australia; and the assets of a distributor of high-performance wood finishes located in the U.K., both of which report through our specialty reportable segment.

During the fiscal year ended May 31, 2017, we completed acquisitions within each of our three reportable segments. Two of the fiscal 2017 acquisitions report through our consumer reportable segment, which include the following: the foam division of a corporation based in St. Louis, Missouri, which sells consumer polyurethane foam in the consumer do-it-yourself market as well as the professional industrial market; and a decorative and specialty coatings company located in the Netherlands. There were also several acquisitions during fiscal 2017 that report through our industrial reportable segment, which include the following: a manufacturer of commercial waterproofing products based in Australia; a specialist civil engineering and construction organization focusing on bridges, roads and major structures based in Mount Airy, North Carolina; a manufacturer of specialty high-performance coatings serving the global oil and gas pipeline market headquartered in Langley, British Columbia, Canada; a manufacturer of foam tapes used in construction and industrial applications based in the U.K.; a company based in Richmond, Missouri, which manufactures resins, intermediates, hardeners and curing agents for use in epoxy and polyurethane materials; and a manufacturer of specialty chemicals and equipment for infrastructure construction and repair headquartered in Conyers, Georgia. Lastly, we acquired a product line that reports through our specialty reportable segment, which was a manufacturer of professional equipment and chemicals for cleaning and restoring carpet, upholstery and hard flooring surfaces based in Chandler, Arizona.

The purchase price for each acquisition has been allocated to the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. While the valuations of consideration transferred and total assets acquired and liabilities assumed are substantially complete, the primary areas that remain preliminary relate to the fair values of other current assets and deferred income taxes for acquisitions completed during fiscal 2018. Acquisitions are aggregated by year of purchase in the following table:

<i>(In thousands)</i>	Fiscal 2018 Acquisitions		Fiscal 2017 Acquisitions	
	Weighted-Average Intangible Asset Amortization Life (In Years)	Total	Weighted-Average Intangible Asset Amortization Life (In Years)	Total
Current assets		\$ 28,939		\$ 78,565
Property, plant and equipment		10,875		59,630
Goodwill	N/A	43,656	N/A	75,361
Tradenames - indefinite lives	N/A	15,096	N/A	12,251
Other intangible assets	12	36,450	14	83,447
Other long-term assets		81		460
Total Assets Acquired		\$ 135,097		\$ 309,714
Liabilities assumed		(19,369)		(51,344)
Net Assets Acquired		\$ 115,728⁽¹⁾		\$ 258,370⁽²⁾

(1) Figure includes cash acquired of \$3.3 million.

(2) Figure includes cash acquired of \$4.2 million.

Our Consolidated Financial Statements reflect the results of operations of acquired businesses as of their respective dates of acquisition. Pro-forma results of operations for the years ended May 31, 2018 and 2017 were not materially different from reported results and, consequently, are not presented.

4) Foreign Currency

The functional currency for each of our foreign subsidiaries is its principal operating currency. Accordingly, for the periods presented, assets and liabilities have been translated using exchange rates at year end, while income and expense for the periods have been translated using a weighted-average exchange rate.

The resulting translation adjustments have been recorded in accumulated other comprehensive income (loss), a component of stockholders' equity, and will be included in net earnings only upon the sale or liquidation of the underlying foreign investment, neither of which is contemplated at this time. Transaction gains and losses increased during the last three fiscal years due to the strengthening of the U.S. dollar, resulting in net transactional foreign exchange losses for fiscal 2018, 2017 and 2016 of approximately \$12.3 million, \$6.4 million and \$24.4 million, respectively.

5) Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. We do not believe we are exposed to any significant credit risk on cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate fair value.

6) Property, Plant & Equipment

May 31,	2018	2017
<i>(In thousands)</i>		
Land	\$ 85,007	\$ 82,184
Buildings and leasehold improvements	445,017	427,304
Machinery and equipment	1,045,851	975,091
Total property, plant and equipment, at cost	1,575,875	1,484,579
Less: allowance for depreciation and amortization	795,569	741,893
Property, plant and equipment, net	\$ 780,306	\$ 742,686

We review long-lived assets for impairment when circumstances indicate that the carrying values of these assets may not be recoverable. For assets that are to be held and used, an impairment charge is recognized when the estimated undiscounted future cash flows associated with the asset or group of assets are less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded for the difference between the carrying value and the fair value. Fair values are determined based on quoted market values, discounted cash flows, internal appraisals or external appraisals, as applicable. Assets to be disposed of are carried at the lower of their carrying value or estimated net realizable value.

Depreciation is computed primarily using the straight-line method over the following ranges of useful lives:

Land improvements	1 to 50 years
Buildings and improvements	1 to 50 years
Machinery and equipment	1 to 30 years

Total depreciation expense for each fiscal period includes the charges to income that result from the amortization of assets recorded under capital leases.

7) Revenue Recognition

Revenues are recognized when realized or realizable, and when earned. In general, this is when title and risk of loss pass to the customer. Further, revenues are realizable when we have persuasive evidence of a sales arrangement, the product has been shipped or the services have been provided to the customer, the sales price is fixed or determinable, and collectibility is reasonably assured. We reduce our revenues for estimated customer returns and allowances, certain rebates, sales incentives, and promotions in the same period the related sales are recorded.

We also record revenues generated under long-term construction contracts, mainly in connection with the installation of specialized roofing and flooring systems, and related services. Certain long-term construction contracts are accounted for under the percentage-of-completion method, and therefore we record contract revenues and related costs as our contracts progress. This method recognizes the economic results of contract performance on a timelier basis than does the completed-contract method; however, application of this method requires reasonably dependable estimates of progress toward completion, as well as other dependable estimates. When reasonably dependable estimates cannot be made, or if other factors make estimates doubtful, the completed-contract method is applied. Under the completed-contract method, billings and costs are accumulated on the balance sheet as the contract progresses, but no revenue is recognized until the contract is complete or substantially complete. Refer to Note A(19) for further information regarding the new revenue recognition standard.

8) Shipping Costs

Shipping costs paid to third-party shippers for transporting products to customers are included in SG&A expenses. For the years ended May 31, 2018, 2017 and 2016, shipping costs were \$164.7 million, \$148.9 million and \$145.3 million, respectively.

9) Allowance for Doubtful Accounts Receivable

An allowance for anticipated uncollectible trade receivable amounts is established using a combination of specifically identified accounts to be reserved and a reserve covering trends in collectibility. These estimates are based on an analysis of trends in collectibility and past experience, but are primarily made up of individual account balances identified as doubtful based on specific facts and conditions. Receivable losses are charged against the allowance when we confirm uncollectibility. Actual collections of trade receivables could differ from our estimates due to changes in future economic or industry conditions or specific customer's financial conditions. For the periods ended May 31, 2018, 2017 and 2016, bad debt expense approximated \$9.1 million, \$16.0 million and \$8.7 million, respectively. The increase in bad debt expense during fiscal 2017 was primarily the result of our reassessment of the collectibility of accounts receivable, particularly in emerging markets.

10) Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined on a first-in, first-out (FIFO) basis and net realizable value being determined on the basis of replacement cost. Inventory costs include raw materials, labor and manufacturing overhead. We review the net realizable value of our inventory in detail on an on-going basis, with consideration given to various factors, which include our estimated reserves for excess, obsolete, slow-moving or distressed inventories. If actual market conditions differ from our projections, and our estimates prove to be inaccurate, write-downs of inventory values and adjustments to cost of sales may be required. Historically, our inventory reserves have approximated actual experience. During fiscal 2018, our consumer reportable segment businesses were impacted by tighter inventory

management at many of their top customers and, starting in mid-April, we made the determination to consolidate several divisions within certain consumer segment businesses, close two manufacturing facilities and eliminate approximately 154 positions. These actions were taken by new leadership in place at our Rust-Oleum business in order to streamline processes, reduce overhead, improve margins and reduce working capital. In relation to these initiatives, our consumer segment recognized \$36.5 million of charges related to product line and SKU rationalization and related obsolete inventory identification during the fourth quarter of fiscal 2018. Additionally, during the fourth quarter of fiscal 2018, we incurred \$1.2 million in inventory write-offs in connection with restructuring activities at our industrial reportable segment.

Inventories were composed of the following major classes:

May 31,	2018	2017
<i>(In thousands)</i>		
Raw material and supplies	\$ 288,201	\$ 248,426
Finished goods	546,260	539,771
Total Inventory	\$ 834,461	\$ 788,197

11) Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with the provisions of ASC 350 and account for business combinations using the acquisition method of accounting and, accordingly, the assets and liabilities of the entities acquired are recorded at their estimated fair values at the acquisition date. Goodwill represents the excess of the purchase price paid over the fair value of net assets acquired, including the amount assigned to identifiable intangible assets.

We performed the required annual goodwill impairment assessments as of the first day of our fourth fiscal quarter at the reporting unit level. Our reporting units have been identified at the component level, which is the operating segment level or one level below. First, we assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The traditional two-step quantitative process is required only if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount. However, we have an unconditional option to bypass a qualitative assessment and proceed directly to performing the traditional two-step quantitative analysis. We applied both the qualitative and traditional two-step quantitative processes during our annual goodwill impairment assessment performed during the fourth quarters of fiscal 2018, 2017 and 2016.

The traditional two-step quantitative goodwill impairment assessment involves estimating the fair value of a reporting unit and comparing it with its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, additional steps are followed to determine and recognize, if appropriate, an impairment loss. Calculating the fair value of the reporting units requires our significant use of estimates and assumptions. We estimate the fair values of our reporting units by applying a combination of third-party market-value indicators, when observable market data is available, and discounted future cash flows to each of our reporting unit's projected EBITDA. In applying this methodology, we rely on a number of factors, including actual and forecasted operating results and market data.

As a result of the annual impairment assessments performed for fiscal 2018 and 2016, there were no goodwill impairments, including no reporting units that were at risk of failing step one of the traditional two-step quantitative analysis, except for our Kirker reporting unit, which had an estimated fair value that exceeded its carrying value by approximately 8% at May 31, 2016.

As described further in Note C, "Goodwill and Other Intangible Assets," during the second quarter of fiscal 2017, we recorded a loss totaling \$188.3 million for the impairment of goodwill and intangibles at our Kirker reporting unit. After recording the goodwill impairment loss, no goodwill remained at the Kirker reporting unit at November 30, 2016. After performing the required annual impairment assessments during the fourth quarter of fiscal 2017, there were no additional goodwill impairments, including no other reporting units that were at risk of failing step one of the traditional two-step quantitative analysis.

Additionally, we test all indefinite-lived intangible assets for impairment annually. We perform the required annual impairment assessments as of the first day of our fourth fiscal quarter. We may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount before applying traditional quantitative tests. We applied both qualitative and quantitative processes during our annual indefinite-lived intangible asset impairment assessments performed during the fourth quarters of fiscal 2018, 2017 and 2016.

The annual impairment assessment involves estimating the fair value of each indefinite-lived asset and comparing it with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, we record an impairment loss equal to the difference. Calculating the fair value of the indefinite-lived assets requires our significant use of estimates and assumptions. We estimate the fair values of our intangible assets by applying a relief-from-royalty calculation, which includes discounted future cash flows related to each of our intangible asset's projected revenues. In applying this methodology, we rely on a number of factors, including actual and forecasted revenues and market data. As a result of the assessments performed for fiscal 2018 and 2016, there were no impairments. Results of intangible asset impairment assessments performed during fiscal 2017 are outlined below.

As further described in Note C, "Goodwill and Other Intangible Assets," during the quarter ended February 28, 2017, we recorded a loss totaling \$4.9 million for the impairment of the Restore tradename. After performing the required annual assessments of indefinite-lived intangible assets during the fourth quarter of fiscal 2017, there were no additional impairments.

Should the future earnings and cash flows at our reporting units decline and/or discount rates increase, future impairment charges to goodwill and other intangible assets may be required.

12) Advertising Costs

Advertising costs are charged to operations when incurred and are included in SG&A expenses. For the years ended May 31, 2018, 2017 and 2016, advertising costs were \$58.0 million, \$52.3 million and \$49.7 million, respectively.

13) Research and Development

Research and development costs are charged to operations when incurred and are included in SG&A expenses. The amounts charged to expense for the years ended May 31, 2018, 2017 and 2016 were \$69.7 million, \$64.9 million and \$61.5 million, respectively.

14) Stock-Based Compensation

Stock-based compensation represents the cost related to stock-based awards granted to our employees and directors, which may include restricted stock and stock appreciation rights ("SARs"). We measure stock-based compensation cost at the date of grant, based on the estimated fair value of the award. We recognize the cost as expense on a straight-line basis (net of estimated forfeitures) over the related vesting period. Refer to Note J, "Stock-Based Compensation," for further information.

15) Investment (Income), Net

Investment (income), net, consists of the following components:

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Interest (income)	\$ (5,003)	\$ (4,620)	\$ (5,975)
(Gain) on sale of marketable securities	(11,704)	(8,174)	(6,457)
Other-than-temporary impairment on securities		420	3,811
Dividend (income)	(3,735)	(1,610)	(1,744)
Investment (income), net	\$ (20,442)	\$ (13,984)	\$ (10,365)

16) Other Expense (Income), Net

Other expense (income), net, consists of the following components:

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Royalty expense (income), net	\$ 404	\$ 2,680	\$ 2,039
Loss on litigation settlement			9,300
(Gain) on remeasurement of joint venture ownership			(7,972)
(Income) loss related to unconsolidated equity affiliates	(1,002)	(1,013)	(2,080)
Other expense (income), net	\$ (598)	\$ 1,667	\$ 1,287

Loss on Litigation Settlement

A consolidated class-action complaint against Rust-Oleum Corporation ("Rust-Oleum") sought to have a class certified and alleged breach of warranty, breach of contract and other claims regarding certain deck coating products of Rust-Oleum. In May 2016, the parties executed a term sheet outlining the agreed-upon terms of settlement. During fiscal 2017, the court granted final approval of the settlement, and Rust-Oleum deposited \$9.3 million into a settlement fund in satisfaction of the claims.

Gain on Remeasurement of Joint Venture Ownership

In May 2016, we acquired the remaining 51% interest in our Chinese joint venture, Carboline Dalian Paint Production Co., Ltd. ("Carboline Dalian"), which increased our ownership to 100%. Based on the step up from our 49% to a 100% interest in Carboline Dalian, we recorded a remeasurement gain for approximately \$8.0 million during fiscal 2016.

17) Income Taxes

The provision for income taxes is calculated using the asset and liability method. Under the asset and liability method, deferred income taxes are recognized for the tax effect of temporary differences between the financial statement carrying amount of assets and liabilities and the amounts used for income tax purposes and for certain changes in valuation allowances. Valuation allowances are recorded to reduce certain deferred tax assets when, in our estimation, it is more likely than not that a tax benefit will not be realized.

18) Earnings Per Share of Common Stock

Earnings per share (EPS) is computed using the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends and dividend equivalents and their respective participation rights in undistributed earnings. Our unvested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. Basic EPS of common stock is computed by dividing net income by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS of common stock is computed on the basis of the weighted-average number of shares of common stock, plus the effect of dilutive potential shares of common stock outstanding during the period using the treasury stock method. Dilutive potential shares of common stock include outstanding SARS, restricted stock awards and convertible notes. See Note L, "Earnings Per Share of Common Stock," for additional information.

19) Other Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which establishes a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. The new standard prescribes a five-step model for recognizing revenue, which will require significant judgment in its application. This revised guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. The new standard also requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

We will adopt the new revenue recognition standard as of June 1, 2018 using the modified retrospective method upon transition. We have established our accounting policy, trained our business units, completed certain enhancements to key information systems and finalized our internal controls under the new standard. As a result of our adoption procedures, we determined that revenue recognition for our broad portfolio of products and services will remain largely unchanged. Accordingly, our adoption of the new standard will not have a material impact on our overall Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which increases lease transparency and comparability among organizations. Under the new standard, lessees will be required to recognize all assets and liabilities arising from leases on the balance sheet, with the exception of leases with a term of 12 months or less, which permits a lessee to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. In March 2018, the FASB approved an alternative transition method to the modified retrospective approach, which eliminates the requirement to restate prior period financial statements and requires the cumulative effect of the retrospective allocation to be recorded as an adjustment to the opening balance of retained earnings at the date of adoption.

We are currently evaluating which transition method we will adopt on June 1, 2019 and the impact this guidance will have on our Consolidated Financial Statements. At a minimum, total assets and total liabilities will increase in the period the ASU is adopted. At May 31, 2018, our total undiscounted future minimum payments outstanding for operating lease obligations approximated \$209.6 million.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which makes a number of changes meant to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. Upon adoption, entities must apply the guidance retrospectively to all periods presented. We are currently evaluating the impact this guidance will have on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations: Clarifying the Definition of a Business," with the objective of adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions (disposals) of assets or of businesses. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We are currently reviewing the impact this revised guidance will have on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," to eliminate step two from the goodwill impairment test in order to simplify the subsequent measurement of goodwill. The guidance is effective for fiscal years beginning after December 15, 2019. Early application is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Adoption of this guidance is not expected to have a material impact on our Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which 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 income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently reviewing the impact this guidance will have on our Consolidated Financial Statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," which simplifies hedge accounting through changes to both designation and measurement requirements. For hedges that qualify as highly effective, the new standard eliminates the requirement to separately measure and record hedge ineffectiveness, resulting in better alignment between the presentation of the effects of the hedging instrument and the hedged item in the financial statements. ASU No. 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of the update. Our early adoption of this pronouncement during fiscal 2018 did not have a material impact on our Consolidated Financial Statements. Refer to Note F, "Derivatives and Hedging," for further information.

NOTE B — RESTRUCTURING

We record restructuring charges associated with management-approved restructuring plans to either reorganize one or more of our business segments, or to remove duplicative headcount and infrastructure associated with our businesses. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, and contract cancellation costs. Restructuring charges are recorded based upon planned employee termination dates and site closure and consolidation plans. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. We record the short-term portion of our restructuring liability in Other Accrued Liabilities and the long-term portion, if any, in Other Long-Term Liabilities in our Consolidated Balance Sheets.

2020 MAP to Growth – Fiscal 2018 Phases

In May 2018, we approved and implemented the first phases of a multi-year restructuring plan, the 2020 Margin Acceleration Plan (“2020 MAP to Growth”). The first phases of our plan were focused within the consumer and industrial segments. The restructuring plan within the consumer segment, led by new senior leadership, is designed to improve margins by simplifying business processes, reducing inventory categories

and rationalizing SKUs, reducing headcount and working capital, and improving operating efficiency. This restructuring plan allows us to streamline management and focus our attention on faster growing and better performing brands and products within the consumer segment businesses. Payments associated with this initial phase of restructuring activities are expected to be completed during the first seven months of fiscal 2019.

The restructuring plan within the industrial segment is designed to simplify processes, reduce headcount, eliminate underperforming businesses, and deliver better results for customers, employees and stockholders. Payments related to this initial phase of restructuring activities are expected to be completed during the first five months of fiscal 2019.

In addition to the two segment-specific restructuring activities outlined above, we adopted a restructuring plan for the legal function to streamline litigation management. Payments related to this initial phase of restructuring activities are expected to be completed during the first four months of fiscal 2019.

In connection with the 2020 MAP to Growth plan, we are currently in the midst of finalizing a broader, comprehensive, company-wide restructuring plan that is expected to be formalized within the first half of fiscal 2019 and is anticipated to be completed by the end of calendar 2020.

A summary of the charges recorded in connection with restructuring by reportable segment during fiscal 2018 is as follows:

	Fiscal Year Ended May 31, 2018		
	Current Year Charges	Cumulative Costs to Date	Total Expected Costs
<i>(In thousands)</i>			
Consumer Segment:			
Severance and benefit costs ^(a)	\$ 5,652	\$ 5,652	\$ 10,552
Facility closure and other related costs	5,139	5,139	7,439
Total Charges	\$ 10,791	\$ 10,791	\$ 17,991
Industrial Segment:			
Severance and benefit costs ^(b)	\$ 2,169	\$ 2,169	\$ 14,251
Facility closure and other related costs	1,045	1,045	12,859
Other asset write-offs	1,373	1,373	10,499
Total Charges	\$ 4,587	\$ 4,587	\$ 37,609
Corporate/Other Segment:			
Severance and benefit costs ^(c)	\$ 2,136	\$ 2,136	\$ 10,329
Total Charges	\$ 2,136	\$ 2,136	\$ 10,329

a) Includes current year charges of \$5.5 million associated with the elimination of 154 positions at the operating company and \$0.2 million related to allocated charges associated with the elimination of one position within the legal function.

b) Includes current year charges of \$1.5 million associated with the elimination of 24 positions at the operating company and \$0.7 million related to allocated charges associated with the elimination of four positions within the legal function.

c) Reflects current year charges related to the accelerated vesting of equity awards for a consumer segment executive in connection with the aforementioned restructuring activities.

A summary of the activity in the restructuring reserves related to the 2020 MAP to Growth plan is as follows:

	Severance and Benefits Costs	Facility Closure and Other Related Costs	Other Asset Write-Offs	Total
<i>(In thousands)</i>				
Balance at June 1, 2017	\$ -	\$ -	\$ -	\$ -
Additions charged to expense	9,957	6,184	1,373	17,514
Balance at May 31, 2018	\$ 9,957	\$ 6,184	\$ 1,373	\$ 17,514
Total Expected Costs	\$ 41,878	\$ 22,203	\$ 10,499	\$ 74,580

In connection with the 2020 MAP to Growth plan, during the fourth quarter of fiscal 2018, we incurred approximately \$36.5 million of inventory-related charges at our consumer segment and approximately \$1.2 million at our industrial segment, all of which were recorded in cost of sales in our Consolidated Statements of Income. These inventory charges were the result of product line and SKU rationalization that was initiated in the fourth quarter of fiscal 2018 by new leadership within the consumer segment. Refer to Note A(10) for additional information. Additionally, while our specialty reportable segment did not incur any restructuring charges during fiscal 2018, we currently expect to incur approximately \$8.7 million in costs in this segment in relation to the 2020 MAP to Growth plan, which are included in the total expected costs presented in the table above.

NOTE C — GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill, by reportable segment, for the years ended May 31, 2018 and 2017, are as follows:

<i>(In thousands)</i>	Industrial Segment	Specialty Segment	Consumer Segment	Total
Balance as of June 1, 2016	\$ 475,409	\$ 171,714	\$ 572,507	\$ 1,219,630
Acquisitions	41,268	3,273	30,820	75,361
Impairments			(141,394)	(141,394)
Translation adjustments	(342)	(1,009)	(8,333)	(9,684)
Balance as of May 31, 2017	516,335	173,978	453,600	1,143,913
Acquisitions	19,736	2,643	21,277	43,656
Translation adjustments	1,247	517	2,841	4,605
Balance as of May 31, 2018	\$ 537,318	\$ 177,138	\$ 477,718	\$ 1,192,174

Total accumulated impairment losses were \$156.3 million and \$14.9 million at May 31, 2017 and 2016. Of the accumulated balance, \$141.4 million was recorded during the fiscal year ended May 31, 2017 by our consumer segment, and \$14.9 million was recorded during the fiscal year ended May 31, 2009 by our industrial reportable segment. There were no impairment losses recorded during fiscal 2018.

Other intangible assets consist of the following major classes:

<i>(In thousands)</i>	Amortization Period (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Other Intangible Assets
As of May 31, 2018				
Amortized intangible assets				
Formulae	10 to 33	\$ 221,812	\$ (140,160)	\$ 81,652
Customer-related intangibles	5 to 33	369,687	(147,831)	221,856
Trademarks/names	5 to 40	36,671	(17,998)	18,673
Other	2 to 30	37,589	(24,946)	12,643
Total Amortized Intangibles		665,759	(330,935)	334,824
Indefinite-lived intangible assets				
Trademarks/names		249,448		249,448
Total Other Intangible Assets		\$ 915,207	\$ (330,935)	\$ 584,272
As of May 31, 2017				
Amortized intangible assets				
Formulae	5 to 33	\$ 214,677	\$ (128,825)	\$ 85,852
Customer-related intangibles	5 to 33	339,892	(122,772)	217,120
Trademarks/names	5 to 40	36,461	(15,480)	20,981
Other	2 to 20	37,545	(21,288)	16,257
Total Amortized Intangibles		628,575	(288,365)	340,210
Indefinite-lived intangible assets				
Trademarks/names		232,882		232,882
Total Other Intangible Assets		\$ 861,457	\$ (288,365)	\$ 573,092

The aggregate intangible asset amortization expense for the fiscal years ended May 31, 2018, 2017 and 2016 was \$43.2 million, \$41.9 million and \$40.5 million, respectively. For the next five fiscal years, we estimate annual intangible asset amortization expense related to our existing intangible assets to approximate the following: 2019 — \$41.5 million, 2020 — \$39.1 million, 2021 — \$36.1 million, 2022 — \$34.8 million and 2023 — \$31.8 million.

The gross amount of other intangible asset accumulated impairment losses at May 31, 2016 totaled \$0.6 million, all of which was recorded during the fiscal year ended May 31, 2009 by our industrial reportable segment. For the year ended May 31, 2017, we recorded other intangible asset impairment losses of approximately \$53.0 million, all of which was recorded by our consumer reportable segment, and included impairment losses on formulas for approximately \$15.5 million, customer-related intangibles for approximately \$30.4 million, indefinite tradenames for approximately \$6.9 million and other intangibles for approximately \$0.2 million. There were no impairment losses recorded during fiscal 2018.

As previously reported, we had monitored the performance of our Kirker nail enamel business throughout fiscal 2016. During the third quarter of fiscal 2016, we reported that performance

shortfalls for Kirker were attributable to a delay in new business. We performed our annual goodwill impairment analysis during the fourth quarter of fiscal 2016, which resulted in an excess of fair value over carrying value of 8% for our Kirker reporting unit. During our first quarter ended August 31, 2016, we reported that while Kirker's first-quarter results were below the comparable prior year period, their performance was in line with expectations, and our assessment of the Kirker business did not indicate the presence of any goodwill impairment triggering events.

During the second quarter of fiscal 2017, we identified certain factors that we considered important in assessing the requirement to perform an interim impairment evaluation for our Kirker reporting unit. First, Kirker's operating results for the second quarter of fiscal 2017 were significantly below historical and expected operating results and downward adjustments were made regarding our expectations for Kirker's performance at that time. During the second quarter of fiscal 2017, Kirker experienced market share losses at several key customers, including the loss of its largest customer, which accounted for over 15% of Kirker's fiscal 2016 sales. In addition, some problematic customer relationship issues surfaced during that time, which resulted in a personnel change in a key leadership position at Kirker. After considering the totality of these recent

events, we determined that an interim step-one goodwill impairment assessment was required, as well as an impairment assessment for our intangible and other long-lived assets. Our testing resulted in the preliminary impairment charges reflected above for goodwill and other intangible assets.

Our goodwill impairment assessment included estimating the fair value of our Kirker reporting unit and comparing it with its carrying amount at November 30, 2016. Since the carrying amount of Kirker exceeded its fair value, additional steps were required to determine and recognize a preliminary impairment loss. Calculating the fair value of a reporting unit requires our significant use of estimates and assumptions, which are generally considered Level 3 inputs based on our review of the fair value hierarchy. We estimated the fair value of our Kirker reporting unit by applying a discounted future cash flow calculation to Kirker's projected EBITDA. In applying this methodology, we relied on a number of factors, including actual and forecasted operating results and market data for the nail enamel industry. In the terminal year, we assumed a long-term earnings growth rate of 3.0%, that we believed was appropriate given the industry specific expectations at that time. As of the valuation date, we utilized a weighted-average cost of capital of 8.0%, which we believed was appropriate as it reflected the relative risk, the time value of money, and was consistent with Kirker's peer group. After recording the goodwill impairment charge of \$140.5 million, no goodwill remained on the Kirker balance sheets as of November 30, 2016.

Our other intangible asset impairment assessment involved estimating the fair value of each of Kirker's amortizable intangibles and other long-lived assets, as well as the indefinite-lived tradename asset, and comparing it with its carrying amount. Measuring a potential impairment of amortizable intangibles and other long-lived assets requires the use of various estimates and assumptions, including the determination of which cash flows are directly related to the assets being evaluated, the respective useful lives over which those cash flows will occur and potential residual values, if any. As the results of our testing indicated that the carrying values of certain of these assets would not be recoverable, we recorded other intangible asset impairments of approximately \$46.0 million during the fiscal year ended May 31, 2017.

Calculating the fair value of the Kirker indefinite-lived tradename required our significant use of estimates and assumptions. We estimated the fair value of Kirker's indefinite-lived tradename by applying a relief-from-royalty calculation, which included discounted future cash flows related to its projected revenues. In applying this methodology, we relied on a number of factors, including actual and forecasted revenues and market data for the nail enamel industry. As the carrying amount of the

tradename exceeded its fair value, we recorded an impairment loss of approximately \$2.1 million during the fiscal year ended May 31, 2017.

Certain assets and liabilities are subject to nonrecurring fair value measurements, which typically are remeasured at fair value as a result of impairment charges. As a result of the impairment testing described above, the fair value of Kirker's identifiable intangible assets and indefinite-lived tradename were recalculated, and the resulting fair value approximated \$5.8 million. Based upon our review of the fair value hierarchy, the inputs used in these fair value measurements were considered Level 3 inputs.

During the third quarter of fiscal 2017, we identified certain factors that we considered important in assessing the requirement to perform an interim impairment evaluation for our Restore indefinite tradename asset. First, sales of our Restore product line during the third quarter of fiscal 2017 were below historical and expected operating results and significant downward adjustments were made to sales projections for Restore products. Also at that time, we became aware that it was highly likely that Restore's largest customer would discontinue sales of the Restore product line in its retail stores, which was evidenced by this customer's significant reduction in future orders based on its historical order pattern. We determined that this was significant to consider for the purposes of impairment testing, as sales of Restore products to this customer accounted for over 60% of total sales of Restore products for fiscal 2016. After considering the magnitude of the loss in sales volume from this key customer, we determined that it was necessary to perform an interim assessment for the other intangible assets and indefinite-lived tradename related to the Restore product line.

Our impairment assessment involved estimating the fair value of the indefinite-lived tradename and comparing it with its carrying amount. Calculating the fair value of the Restore indefinite-lived tradename required our significant use of estimates and assumptions. We estimated the fair value of the Restore indefinite-lived tradename by applying a relief-from-royalty calculation, which included discounted future cash flows related to its projected revenues. In applying this methodology, we relied on a number of factors, including actual and forecasted revenues for sales of the Restore product line. As the carrying amount of the tradename exceeded its fair value, we recorded an impairment charge of \$4.9 million during the fiscal year ended May 31, 2017. Additionally, a further assessment of the remaining useful life of the Restore tradename was performed, which resulted in a change to its remaining economic useful life, from an indefinite-life to a 10-year amortizable life.

NOTE D — MARKETABLE SECURITIES

The following tables summarize marketable securities held at May 31, 2018 and 2017 by asset type:

	Available-For-Sale Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Net Carrying Amount)
<i>(In thousands)</i>				
May 31, 2018				
Equity securities:				
Mutual funds - foreign	\$ 46,123	\$ 1,839	\$ (1,197)	\$ 46,765
Mutual funds - domestic	99,833	727	(2,770)	97,790
Total equity securities	145,956	2,566	(3,967)	144,555
Fixed maturity:				
U.S. treasury and other government	23,562	39	(552)	23,049
Corporate bonds	432	43	(8)	467
Total fixed maturity securities	23,994	82	(560)	23,516
Total	\$ 169,950	\$ 2,648	\$ (4,527)	\$ 168,071

	Available-For-Sale Securities			Fair Value (Net Carrying Amount)
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<i>(In thousands)</i>				
May 31, 2017				
Equity securities:				
Stocks - domestic	\$ 2,391	\$ 76	\$ -	\$ 2,467
Mutual funds - foreign	35,169	2,470	(204)	37,435
Mutual funds - domestic	102,671	2,084	(3,118)	101,637
Total equity securities	140,231	4,630	(3,322)	141,539
Fixed maturity:				
U.S. treasury and other government	22,176	120	(177)	22,119
Corporate bonds	706	97	(6)	797
Total fixed maturity securities	22,882	217	(183)	22,916
Total	\$ 163,113	\$ 4,847	\$ (3,505)	\$ 164,455

Marketable securities, included in other current and long-term assets totaling \$97.4 million and \$70.7 million at May 31, 2018, respectively, and included in other current and long-term assets totaling \$89.5 million and \$75.0 million at May 31, 2017, respectively, are composed of available-for-sale securities and are reported at fair value. We carry a portion of our marketable securities portfolio in long-term assets since they are generally held for the settlement of our general and product liability insurance claims processed through our wholly owned captive insurance subsidiaries.

Marketable securities are composed of available-for-sale securities and are reported at fair value. Realized gains and losses on sales of investments are recognized in net income on the specific identification basis. Changes in the fair values of securities that are considered temporary are recorded as unrealized gains and losses, net of applicable taxes, in accumulated other comprehensive income (loss) within stockholders' equity. Other-than-temporary declines in market value from original cost are reflected in investment income, net in the period in which the unrealized losses are deemed other than temporary. In order to determine whether other-than-temporary declines in market value have occurred, the duration of the decline in value and our ability to hold the investment are

considered in conjunction with an evaluation of the strength of the underlying collateral and the extent to which the investment's amortized cost or cost, as appropriate, exceeds its related market value. During May 2017, we made the decision to shift a portion of our investments away from active equity portfolio management and into index funds and, from time to time, we may make additional changes to our investment portfolio and its management. In addition to the \$168.1 million in available-for-sale securities presented in the table above, as of May 31, 2018, we held approximately \$9.9 million in trading securities in relation to our deferred compensation plan. At May 31, 2017, the fair value of trading securities approximated \$7.8 million.

Gross gains realized on sales of investments were \$11.9 million, \$12.6 million and \$6.9 million for the years ended May 31, 2018, 2017 and 2016, respectively. During fiscal 2018, 2017 and 2016, we recognized gross realized losses on sales of investments of \$1.8 million, \$4.4 million and \$0.4 million, respectively. During fiscal 2017 and 2016, we recognized losses of approximately \$0.4 million and \$3.8 million, respectively, for securities deemed to have other-than-temporary impairments. During fiscal 2018, there were no such losses. These amounts are included in investment (income), net in the Consolidated Statements of Income.

Summarized below are the available-for-sale securities we held at May 31, 2018 and May 31, 2017 that were in an unrealized loss position and that were included in accumulated other comprehensive income (loss), aggregated by the length of time the investments had been in that position:

	May 31, 2018		May 31, 2017	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(In thousands)</i>				
Total investments with unrealized losses	\$ 106,253	\$ (4,527)	\$ 59,987	\$ (3,505)
Unrealized losses with a loss position for less than 12 months	68,376	(1,570)	40,854	(2,983)
Unrealized losses with a loss position for more than 12 months	37,877	(2,957)	19,133	(522)

We have reviewed all of the securities included in the table above and have concluded that we have the ability and intent to hold these investments until their cost can be recovered, based upon the severity and duration of the decline. Therefore, we did not recognize any other-than-temporary impairment losses on these investments. The unrealized losses generally relate to investments whose fair values at May 31, 2018 were less than 15% below their original cost. From time to time, we may experience significant volatility in general economic and market conditions. If we were to experience unrealized losses that were to continue for longer periods of time, or arise to more significant levels of unrealized losses within our portfolio of investments in marketable securities in the future, we may recognize additional other-than-temporary impairment losses. Such potential losses could have a material impact on our results of operations in any given reporting period. As such, we continue to closely evaluate the status of our investments and our ability and intent to hold these investments.

The net carrying values of debt securities at May 31, 2018, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

<i>(In thousands)</i>	Amortized Cost	Fair Value
Due:		
Less than one year	\$ 7,374	\$ 7,275
One year through five years	12,520	12,244
Six years through ten years	3,024	2,883
After ten years	1,076	1,114
	\$ 23,994	\$ 23,516

NOTE E — FAIR VALUE MEASUREMENTS

Financial instruments recorded in the balance sheet include cash and cash equivalents, trade accounts receivable, marketable securities, notes and accounts payable, and debt.

An allowance for anticipated uncollectible trade receivable amounts is established using a combination of specifically identified accounts to be reserved, and a reserve covering trends in collectibility. These estimates are based on an analysis of trends in collectibility and past experience, but are primarily made up of individual account balances identified as doubtful based on specific facts and conditions. Receivable losses are charged against the allowance when we confirm uncollectibility.

All derivative instruments are recognized in our Consolidated Balance Sheets and measured at fair value. Changes in the fair values of derivative instruments that do not qualify as hedges and/or any ineffective portion of hedges are recognized as a gain or (loss) in our Consolidated Statements of Income in the current period. Changes in the fair value of derivative instruments used effectively as cash flow hedges are recognized

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

<i>(In thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2018
U.S. Treasury and other government	\$ -	\$ 23,049	\$ -	\$ 23,049
Corporate bonds		467		467
Mutual funds - foreign		47,410		47,410
Mutual funds - domestic		107,017		107,017
Contingent consideration			(17,998)	(17,998)
Total	\$ -	\$ 177,943	\$ (17,998)	\$ 159,945

<i>(In thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2017
U.S. Treasury and other government	\$ -	\$ 22,119	\$ -	\$ 22,119
Corporate bonds		797		797
Stocks - domestic	2,467			2,467
Mutual funds - foreign		37,435		37,435
Mutual funds - domestic		101,637		101,637
Contingent consideration			(17,979)	(17,979)
Total	\$ 2,467	\$ 161,988	\$ (17,979)	\$ 146,476

Our marketable securities are primarily composed of available-for-sale securities, and are valued using a market approach. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded and other characteristics particular to the transaction. For most of our financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

The contingent consideration represents the estimated fair value of the additional variable cash consideration payable in connection with recent acquisitions that is contingent upon the achievement of certain performance milestones. We estimated the fair value using expected future cash flows over the period in which the obligation is expected to be settled, and

in other comprehensive income (loss), along with the change in the value of the hedged item. We do not hold or issue derivative instruments for speculative purposes.

The valuation techniques utilized for establishing the fair values of assets and liabilities are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect management's market assumptions. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value, as follows:

Level 1 Inputs — Quoted prices for identical instruments in active markets.

Level 2 Inputs — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs — Instruments with primarily unobservable value drivers.

applied a discount rate that appropriately captures a market participant's view of the risk associated with the obligation, which are considered to be Level 3 inputs. During fiscal 2018, we paid approximately \$3.9 million for settlements of contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during the current period, and we increased our accrual by \$3.4 million related to acquisitions completed during the current period and \$0.5 million related to fair value adjustments. During fiscal 2017, we accrued approximately \$7.4 million for additional contingent payments related to fiscal 2017 acquisitions, which included the estimated amount for the mandatory purchase of a step-acquisition, and \$3.0 million for fair value adjustments to existing accruals. Additionally during fiscal 2017, we paid approximately \$4.2 million for settlements of contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during fiscal 2017. These amounts are reported in payments of acquisition-related contingent consideration in the Consolidated Statements of Cash Flows.

The carrying value of our current financial instruments, which include cash and cash equivalents, marketable securities, trade accounts receivable, accounts payable and short-term debt, approximates fair value because of the short-term maturity of these financial instruments. At May 31, 2018 and 2017, the fair value of our long-term debt was estimated using active market quotes, based on our current incremental borrowing rates for similar types of borrowing arrangements, which are considered to be Level 2 inputs. Based on the analysis performed, the fair value and the carrying value of our financial instruments and long-term debt as of May 31, 2018 and 2017 are as follows:

	At May 31, 2018	
<i>(In thousands)</i>	Carrying Value	Fair Value
Cash and cash equivalents	\$ 244,422	\$ 244,422
Marketable equity securities	144,555	144,555
Marketable debt securities	23,516	23,516
Long-term debt, including current portion	2,174,144	2,215,458

	At May 31, 2017	
<i>(In thousands)</i>	Carrying Value	Fair Value
Cash and cash equivalents	\$ 350,497	\$ 350,497
Marketable equity securities	141,539	141,539
Marketable debt securities	22,916	22,916
Long-term debt, including current portion	2,090,082	2,243,167

NOTE F — DERIVATIVES AND HEDGING

Derivative Instruments and Hedging Activities

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures, from time to time, we enter into various derivative transactions. We use various types of derivative instruments, including forward contracts and swaps. We formally assess, designate and document, as a hedge of an underlying exposure, each qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess, both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures.

Net Investment Hedge

In October 2017, as a means of mitigating the impact of currency fluctuations on our Euro investments in foreign entities, we executed a fair value hedge and two cross currency swaps, in which we will pay variable rate interest in Euros and receive fixed-rate interest in U.S. dollars with a combined notional

amount of approximately €85.25 million (\$100 million U.S. dollar equivalent), and which have a maturity date of November 2022. This effectively converts a portion of our U.S. dollar denominated fixed-rate debt to Euro denominated variable rate debt. The fair value hedge is recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge are recognized in interest expense in our Consolidated Statements of Income. We designated the swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. The changes in fair value of the derivative instruments that are designated and qualify as hedges of net investments in foreign operations are recognized in accumulated other comprehensive income (“AOCI”) to offset the changes in the values of the net investments being hedged. Amounts released from AOCI and reclassified into interest expense did not have a material impact on our Consolidated Financial Statements for any period presented.

Derivatives Designated as Cash Flow Hedging Instruments

We have designated certain forward contracts as hedging instruments pursuant to ASC No. 815 (“ASC 815”), “Derivatives and Hedging.” Changes in the fair value of these highly effective hedges are recorded as a component of AOCI. During the period in which a forecasted transaction affects earnings, amounts previously recorded as a component of AOCI are reclassified into earnings as a component of cost of sales. Amounts released from AOCI and reclassified into earnings did not have a material impact on our Consolidated Financial Statements for any period presented. As of May 31, 2018 and May 31, 2017, the notional amount of the forward contracts held to sell international currencies was \$8.7 million and \$9.8 million, respectively.

Derivatives Not Designated as Hedges

At May 31, 2018, we held four foreign currency forward contracts designed to reduce our exposure to changes in the cash flows of intercompany foreign-currency-denominated loans related to changes in foreign currency exchange rates by fixing the functional currency cash flows. These contracts have not been designated as hedges; therefore, the changes in fair value of these derivatives are recognized in earnings as a component of other (income) expense. Amounts recognized in earnings did not have a material impact on our Consolidated Financial Statements for any period presented. As of May 31, 2018 and May 31, 2017, the notional amounts of the forward contracts held to purchase foreign currencies was \$147.4 million and \$49.4 million, respectively.

Disclosure About Derivative Instruments

All of our derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. We determine the fair value of our derivatives based on valuation methods, which project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, foreign currency rates, as well as future and basis point spreads, as applicable.

The fair values of qualifying and non-qualifying instruments used in hedging transactions as of May 31, 2018 and May 31, 2017 are as follows:

(In thousands)

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	
		May 31, 2018	May 31, 2017
Assets:			
Foreign Currency Exchange (Cash Flow)	Other Current Assets	133	15
Cross Currency Swap (Net Investment)	Other Current Assets	2,580	-
Cross Currency Swap (Net Investment)	Other Assets (Long-Term)	1,986	-
Liabilities:			
Interest Rate Swap (Fair Value)	Other Accrued Liabilities	441	-
Cross Currency Swap (Net Investment)	Other Long-Term Liabilities	5,293	-
Interest Rate Swap (Fair Value)	Other Long-Term Liabilities	2,634	-

(In thousands)

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value	
		May 31, 2018	May 31, 2017
Assets:			
Foreign Currency Exchange	Other Current Assets	7	24
Liabilities:			
Foreign Currency Exchange	Other Accrued Liabilities	2,985	-

NOTE G — BORROWINGS

A description of long-term debt follows:

May 31,	2018	2017
<i>(In thousands)</i>		
Revolving credit facility with a syndicate of banks, through December 5, 2019 ⁽¹⁾	\$ 235,774	\$ 198,280
Unsecured 6.50% senior notes due February 14, 2018 ⁽²⁾		249,555
Unsecured 6.125% senior notes due October 15, 2019 ⁽³⁾	451,658	452,778
Unsecured \$205,000 face value at maturity 2.25% senior convertible notes due December 15, 2020	196,865	193,260
Unsecured 3.45% senior notes due November 15, 2022	295,596	298,370
Unsecured 5.25% notes due June 1, 2045 ⁽⁴⁾	298,514	298,433
Unsecured 3.75% notes due March 15, 2027 ⁽⁵⁾	396,110	395,638
Unsecured 4.25% notes due January 15, 2048 ⁽⁶⁾	296,344	
Other obligations, including capital leases and unsecured notes payable at various rates of interest due in installments through 2021	3,283	3,768
	2,174,144	2,090,082
Less: current portion	3,501	253,645
Total Long-Term Debt, Less Current Maturities	\$ 2,170,643	\$ 1,836,437

(1) Interest was tied to AUD LIBOR at May 31, 2018, and averaged 2.925% for AUD denominated debt (\$23,309) and 0.675% on EUR denominated debt (\$213,708). Interest was tied to AUD LIBOR at May 31, 2017, and averaged 2.705% for AUD denominated debt (\$17,311), 1.075% on EUR denominated debt (\$183,012). At May 31, 2018 and 2017, the revolving credit facility is adjusted for debt issuance costs, net of amortization, for approximately \$1.2 million and \$2.0 million, respectively.

(2) The \$250.0 million aggregate principal amount of the notes due 2018 is adjusted for the amortization of the original issue discount, which approximated \$0.3 million at May 31, 2017. The original issue discount effectively reduced the ultimate proceeds from the financing. The effective interest rate on the notes, including the amortization of the discount, was 6.704%. At May 31, 2017, the notes were adjusted for debt issuance costs, net of amortization, for approximately \$0.2 million. The notes were redeemed on February 14, 2018.

(3) Includes the combination of the October 2009 initial issuance of \$300.0 million aggregate principal amount and the May 2011 issuance of an additional \$150.0 million aggregate principal amount of these notes. The \$300.0 million aggregate principal amount of the notes due 2019 from the initial issuance is adjusted for the amortization of the original issue discount, which approximated \$0.1 million at May 31, 2017. The original issue discount effectively reduced the ultimate proceeds from the October 2009 financing. The effective interest rate on the notes issued in October 2009, including the amortization of the discount, is 6.139%. The additional \$150.0 million aggregate principal amount of the notes due 2019 issued in May 2011 is adjusted for the unamortized premium received at issuance, which approximated \$2.3 million and \$3.9 million at May 31, 2018 and 2017, respectively. The premium effectively increased the proceeds from the financing. The effective interest rate on the \$150.0 million notes issued in May 2011 is 4.934%. At May 31, 2018 and 2017, the notes are adjusted for debt issuance costs, net of amortization, for approximately \$0.6 million and \$1.1 million, respectively.

(4) The \$250.0 million face amount of the notes due 2045 is adjusted for the amortization of the original issue discount, which approximated \$1.4 million and \$1.5 million at May 31, 2018 and 2017, respectively. The original issue discount effectively reduced the ultimate proceeds from the financing. The effective interest rate on the notes, including the amortization of the discount, is 5.29%. In March 2017, as a further issuance of the 5.25% notes due 2045, we closed an offering of \$50.0 million aggregate principal, which is adjusted for the unamortized premium received at issuance, which approximated \$3.0 million and \$3.1 million at May 31, 2018 and 2017, respectively. The premium effectively increased the proceeds from the financing. The effective interest rate on the \$50.0 million notes issued March 2017 is 4.839%. At May 31, 2018 and 2017, the notes are adjusted for debt issuance costs, net of amortization, for approximately \$3.1 million and \$3.2 million, respectively.

(5) The \$400.0 million face amount of the notes due 2027 is adjusted for the amortization of the original issue discount, which approximated \$0.5 million at May 31, 2018 and 2017. The original issue discount effectively reduced the ultimate proceeds from the financing. The effective interest rate on the notes, including the amortization of the discount, is 3.767%. At May 31, 2018 and 2017, the notes are adjusted for debt issuance costs, net of amortization, for approximately \$3.4 million and \$3.8 million, respectively.

(6) The \$300.0 million face amount of the notes due 2048 is adjusted for the debt issuance cost, net of amortization, which approximated \$3.6 million at May 31, 2018. The effective interest rate on the notes is 4.25%.

The aggregate maturities of long-term debt for the five years subsequent to May 31, 2018 are as follows: 2019 — \$3.5 million; 2020 — \$689.3 million; 2021 — \$196.9 million; 2022 — none; 2023 — \$296.9 million and thereafter \$1,011.1 million. Additionally, at May 31, 2018, we had unused lines of credit totaling \$762.4 million.

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at \$1.01 billion at May 31, 2018. Our debt-to-capital ratio was 57.1% at May 31, 2018, compared with 59.3% at May 31, 2017.

4.250% Notes due 2048

On December 20, 2017, we closed an offering for \$300.0 million aggregate principal amount of 4.250% Notes due 2048 (the “2048 Notes”). The proceeds from the 2048 Notes were used to repay \$250.0 million in principal amount of unsecured 6.50% senior notes due February 15, 2018, and for general corporate purposes. Interest on the 2048 Notes accrues from December 20, 2017 and is payable semiannually in arrears on January 15th and July 15th of each year, beginning July 15, 2018, at a rate of 4.250% per year. The 2048 Notes mature on January 15, 2048. The indenture governing this indebtedness includes cross-acceleration provisions. Under certain circumstances, where an event of default under our other instruments results in acceleration of the indebtedness under such instruments, holders of the indebtedness under the indenture are entitled to declare amounts outstanding immediately due and payable.

5.250% Notes due 2045 and 3.750% Notes due 2027

On March 2, 2017, we issued \$50.0 million aggregate principal amount of 5.250% Notes due 2045 (the “2045 Notes”) and \$400.0 million aggregate principal amount of 3.750% Notes due 2027 (the “2027 Notes”). The 2045 Notes are a further issuance of the \$250 million aggregate principal amount of 5.250% Notes due 2045 initially issued by us on May 29, 2015. Interest on the 2045 Notes is payable semiannually in arrears on June 1st and December 1st of each year at a rate of 5.250% per year. The 2045 Notes mature on June 1, 2045. Interest on the 2027 Notes is payable semiannually in arrears on March 15th and September 15th of each year, at a rate of 3.750% per year. The 2027 Notes mature on March 15, 2027. The indenture governing this indebtedness includes cross-acceleration provisions. Under certain circumstances, where an event of default under our other instruments results in acceleration of the indebtedness under such instruments, holders of the indebtedness under the indenture are entitled to declare amounts outstanding immediately due and payable.

Revolving Credit Agreement

During fiscal 2015, we entered into an \$800.0 million unsecured syndicated revolving credit facility (the “Revolving Credit Facility”), which expires on December 5, 2019. The Revolving Credit Facility includes sublimits for the issuance of swingline loans, which are comparatively short-term loans used for working capital purposes and letters of credit. The aggregate maximum principal amount of the commitments under the Revolving Credit Facility may be expanded upon our request, subject to certain conditions, up to \$1.0 billion. The Revolving Credit Facility is available to refinance existing indebtedness, to finance working capital and capital expenditures, to satisfy all or a portion of our obligations relating to the plan of reorganization for our SPHC subsidiary, and for general corporate purposes.

The Revolving Credit Facility requires us to comply with various customary affirmative and negative covenants, including a leverage covenant and interest coverage ratio, which are calculated in accordance with the terms as defined by the credit agreement. Under the terms of the leverage covenant, we may not permit our consolidated indebtedness as of any fiscal quarter end to exceed 65% of the sum of such indebtedness and our consolidated shareholders’ equity on such date. The minimum required consolidated interest coverage ratio for EBITDA to interest expense is 3.50 to 1. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended using an EBITDA as defined in the credit agreement.

As of May 31, 2018, we were in compliance with all financial covenants contained in our Revolving Credit Facility, including the leverage and interest coverage ratio covenants. At that date, our leverage ratio was 56.9%, while our interest coverage ratio was 7.4 to 1. Our available liquidity under our Revolving Credit Facility stood at \$562.4 million at May 31, 2018.

Our access to funds under our Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the Revolving Credit Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

As previously reported, during fiscal 2015, a plan of reorganization was confirmed (the “Bankruptcy Plan”) and, effective as of December 23, 2014, Bondex, SPHC, Republic and NMBFiL emerged from bankruptcy. Accordingly, trusts were established under Section 524(g) of the United States Bankruptcy Code (together, the “Trust”) and were funded with first installments. Borrowings under our Revolving Credit Facility were used to fund the initial trust payment of \$450 million, which is classified as long-term debt in our Consolidated Balance Sheets. The Trust was funded with \$450 million in cash and a promissory note, bearing no interest and maturing on or before December 23, 2018 (the “Bankruptcy Note”). We prepaid the remaining trust payment for \$123.6 million in May 2018 and, therefore, there are no remaining outstanding trust payments as of May 31, 2018.

All of our past contributions to the Trust are deductible for U.S. income tax purposes.

Accounts Receivable Securitization Program

On May 9, 2017, we entered into a three-year, \$200.0 million accounts receivable securitization facility (the “AR Program”). The maximum availability under the AR Program is \$200.0 million. Availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and, therefore, at certain times, we may not be able to fully access the \$200.0 million of funding available under the AR Program.

As of May 31, 2018, there was no outstanding balance under the AR Program, which compares with the maximum availability on that date of \$200.0 million. The interest rate under the Purchase Agreement is based on the Alternate Base Rate, LIBOR Market Index Rate, one-month LIBOR or LIBOR for a specified tranche period, as selected by us, plus in each case, a margin of 0.70%. In addition, we are obligated to pay a monthly unused commitment fee based on the daily amount of unused commitments under the Agreement, which ranges from 0.30% to 0.50% based on usage. The AR Program contains various customary affirmative and negative covenants and also contains customary default and termination provisions.

Our failure to comply with the covenants described above and other covenants contained in the Revolving Credit Facility could result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Revolving Credit Facility to be due and payable. The instruments governing our other outstanding indebtedness generally include cross-default provisions that provide that, under certain circumstances, an event of default that results in acceleration of our indebtedness under the Revolving Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

2.25% Convertible Senior Notes due 2020

On December 9, 2013, we issued \$205 million of 2.25% Convertible Senior Notes due 2020 (the "Convertible Notes"). We pay interest on the Convertible Notes semi-annually on June 15th and December 15th of each year.

The Convertible Notes will be convertible under certain circumstances and during certain periods at an initial conversion rate of 18.8905 shares of RPM common stock per \$1,000 principal amount of notes (representing an initial conversion price of approximately \$52.94 per share of common stock), subject to adjustment in certain circumstances. In April 2018, we declared a dividend in excess of \$0.24 per share and, consequently, the adjusted conversion rate at May 31, 2018 was 19.159777. The initial conversion price represents a conversion premium of approximately 37% over the last reported sale price of RPM common stock of \$38.64 on December 3, 2013. Prior to June 15, 2020, the Convertible Notes may be converted only upon specified events, and, thereafter, at any time. Upon conversion, the Convertible Notes may be settled, at RPM's election, in cash, shares of RPM common stock, or a combination of cash and shares of RPM common stock.

We account for the liability and equity components of the Convertible Notes separately, and in a manner that will reflect our nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The effective interest rate on the liability component is 3.92%. Contractual interest was \$4.6 million for both fiscal 2018 and 2017, and amortization of the debt discount was \$3.0 million and \$2.9 million for fiscal 2018 and 2017, respectively. At May 31, 2018, the remaining period over which the debt discount will be amortized was 2.5 years, the unamortized debt discount was \$8.1 million, and the carrying amount of the equity component was \$20.7 million.

NOTE H — INCOME TAXES

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Act"). The income tax effects of changes in tax laws are recognized in the period when enacted. The Act provides for numerous significant tax law changes and modifications with varying effective dates. Generally, the more significant provisions of the Act that impacted us for the year ended May 31, 2018 include the reduction in the U.S. corporate income tax rate from 35% to 21%, the creation of a territorial tax system (with a one-time mandatory tax on previously unremitted foreign earnings) and allowing for immediate capital expensing of certain qualified property. The corporate tax rate reduction was effective for RPM as of January 1, 2018 and, accordingly, reduced our current fiscal year federal statutory tax rate to a blended rate of approximately 29.2%.

Subsequent to the enactment of the Act, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act's enactment date for companies to complete the applicable accounting under ASC 740. In accordance with SAB 118 and because all detailed information was not available to complete the necessary calculations as of May 31, 2018, we recorded a net provisional income tax expense of \$7.3 million as a result of the Act being enacted during this fiscal year. The net provisional income tax expense is comprised of a benefit of \$15.7 million related to the provisional re-measurement of our U.S. deferred tax assets and liabilities at the reduced U.S. corporate tax rates, a provisional expense of \$67.9 million for the transition tax on unremitted earnings from foreign subsidiaries, and a provisional benefit of \$44.9 million for the partial reversal of a previously recorded deferred tax liability recorded for the estimated tax cost associated with unremitted foreign earnings not considered indefinitely reinvested.

The net provisional income tax expense of \$7.3 million is based on estimates as of May 31, 2018 and includes estimates of certain U.S. and foreign tax attributes and tax adjustments that will not be finalized until our fiscal 2018 U.S. and foreign income tax returns are finalized. Further, we expect additional guidance and/or interpretations of the Act to be issued. Any further technical or administrative releases related to the Act, as well as potential updates to our interpretations of the Act, may impact the net provisional income tax expense currently recorded. Any adjustments to the net provisional income tax expense will be recorded in future periods.

As a result of the change to U.S. taxation of unremitted foreign earnings under the Act, we are in the process of evaluating our indefinite reinvestment assertions with respect to unremitted foreign earnings. The above noted provisional deferred tax liability adjustment of \$44.9 million includes our preliminary estimate, as of May 31, 2018, of our position with respect to foreign earnings not considered to be indefinitely reinvested.

Certain provisions of the Act will first impact us starting in our fiscal 2019 year. These provisions include, but are not limited to, the base erosion anti-abuse tax, the provision designed to tax global intangible low-taxed income, limitations on the deductibility of certain executive compensation and the repeal of the domestic production activities deduction. We are evaluating the impact of these provisions on future fiscal years.

For the year ended May 31, 2018, the provision for income taxes is calculated in accordance with ASC 740, which requires the recognition of deferred income taxes using the asset and liability method.

Income (loss) before income taxes as shown in the Consolidated Statements of Income is summarized below for the periods indicated.

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
United States	\$ 228,976	\$ 133,356	\$ 310,695
Foreign	188,072	110,977	172,771
Income Before Income Taxes	\$ 417,048	\$ 244,333	\$ 483,466

Provision (benefit) for income taxes consists of the following for the periods indicated:

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Current:			
U.S. federal	\$ 27,206	\$ 3,024	\$ 75,200
State and local	8,617	5,115	6,230
Foreign	52,658	27,474	35,179
Total Current	88,481	35,613	116,609
Deferred:			
U.S. federal	(8,054)	15,553	17,625
State and local	4,832	1,928	1,907
Foreign	(7,468)	6,568	(10,133)
Total Deferred	(10,690)	24,049	9,399
Provision for Income Taxes	\$ 77,791	\$ 59,662	\$ 126,008

The significant components of deferred income tax assets and liabilities as of May 31, 2018 and 2017 were as follows:

<i>(In thousands)</i>	2018	2017
Deferred income tax assets related to:		
Inventories	\$ 12,491	\$ 14,207
Allowance for losses	5,349	9,148
Bankruptcy note liability	-	37,850
Accrued compensation and benefits	14,812	26,277
Accrued other expenses	14,427	21,935
Other long-term liabilities	15,921	19,947
Net operating loss and credit carryforwards	52,687	89,977
Net unrealized loss on securities	10,236	24,300
Pension and other postretirement benefits	39,863	68,352
Total Deferred Income Tax Assets	165,786	311,993
Less: valuation allowances	(51,540)	(63,686)
Net Deferred Income Tax Assets	114,246	248,307
Deferred income tax (liabilities) related to:		
Depreciation	(62,202)	(81,965)
Amortization of intangibles	(114,284)	(149,546)
Unremitted foreign earnings	(19,886)	(94,430)
Total Deferred Income Tax (Liabilities)	(196,372)	(325,941)
Deferred Income Tax Assets (Liabilities), Net	\$ (82,126)	\$ (77,634)

At May 31, 2018, we had U.S. capital loss carryforwards of approximately \$43.4 million, which, if not used by the end of our fiscal 2022 year, expire. Additionally, at May 31, 2018, we had approximately \$2.2 million of tax benefit associated with state net operating loss carryforwards and state tax credit carryforwards of \$2.2 million, both of which expire at various dates beginning in 2019. Also, as of May 31, 2018, we had foreign net operating loss carryforwards of approximately \$166.5 million, of which approximately \$25.5 million will expire at various dates beginning in 2019 and approximately \$141.0 million that have an indefinite carryforward period. Additionally, as of May 31, 2018, we had foreign capital loss carryforwards of approximately \$21.5 million that can be carried forward indefinitely.

When evaluating the realizability of deferred income tax assets, we consider, among other items, whether a jurisdiction has experienced cumulative pretax losses and whether a jurisdiction will generate the appropriate character of income to recognize a deferred income tax asset. More specifically, if a jurisdiction experiences cumulative pretax losses for a period of three years, including the current fiscal year, or if a jurisdiction does not have sufficient income of the appropriate character in the relevant carryback or projected carryforward periods, we generally conclude that it is more likely than not that the respective deferred tax asset will not be realized unless factors such as expected operational changes, availability of prudent and feasible tax planning strategies, reversal of taxable temporary differences or other information exists that would lead us to conclude otherwise. If, after we have evaluated these factors, the deferred income tax assets are not expected to be realized within the carryforward or carryback periods allowed for that jurisdiction, we would conclude that a valuation allowance is required.

Total valuation allowances of approximately \$51.5 million and \$63.7 million have been recorded as of May 31, 2018 and 2017, respectively. These recorded valuation allowances relate to foreign and U.S. capital loss carryforwards, certain foreign net operating losses and net foreign deferred tax assets. The year-over-year change in valuation allowances of \$12.2 million

is comprised of reductions of approximately \$7.4 million and \$6.5 million related to the utilization of capital loss carryforwards and the impact of the corporate tax rate reduction included in the Act, respectively, partially offset by additions to valuation allowances for other foreign deferred tax assets.

The following table reconciles income tax expense (benefit) computed by applying the U.S. statutory federal income tax rate against income (loss) before income taxes to the provision (benefit) for income taxes:

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Income tax expense at the U.S. statutory federal income tax rate	\$ 121,812	\$ 85,517	\$ 169,213
Impact of foreign operations	(16,276)	(20,156)	(29,969)
State and local income taxes, net	9,520	4,734	4,310
Domestic manufacturing deduction	(4,839)	(2,537)	(8,030)
Nondeductible business expense	2,473	2,394	2,224
Valuation allowance	(5,235)	933	(3,357)
Deferred tax liability for unremitted foreign earnings	(77,970)	(621)	(3,712)
Non-taxable gain from joint venture	-	-	(2,790)
Other	737	1,476	(1,881)
Equity-based compensation	(4,652)	(12,078)	
Transition tax liability	67,899		
Remeasurement of U.S. deferred income taxes	(15,678)		
Provision for Income Tax Expense	\$ 77,791	\$ 59,662	\$ 126,008
Effective Income Tax Rate	18.7%	24.4%	26.1%

Uncertain income tax positions are accounted for in accordance with ASC 740. The following table summarizes the activity related to unrecognized tax benefits:

<i>(In millions)</i>	2018	2017	2016
Balance at June 1	\$13.2	\$13.7	\$12.9
Additions based on tax positions related to current year	5.1	0.2	0.3
Additions for tax positions of prior years	-	2.9	2.6
Reductions for tax positions of prior years	(4.5)	(3.2)	(1.4)
Foreign currency translation	0.3	(0.4)	(0.7)
Balance at May 31	\$14.1	\$13.2	\$13.7

The total amount of unrecognized tax benefits that would impact the effective tax rate, if recognized, was \$13.6 million at May 31, 2018, \$4.6 million at May 31, 2017 and \$2.5 million at May 31, 2016.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense. At May 31, 2018, 2017 and 2016, the accrual for interest and penalties was \$2.8 million, \$3.1 million and \$2.8 million, respectively. Unrecognized tax benefits, including interest and penalties, have been classified as other long-term liabilities unless expected to be paid in one year.

We, or our subsidiaries, file income tax returns in the U.S. and in various state, local and foreign jurisdictions. The Internal Revenue Service has substantially completed an examination of our 2015 federal income tax return and the statutory audit period has expired for all years through 2013. The 2015 examination has thus far resulted in an inconsequential reduction to our 2015 federal income tax liability, and no further proposed adjustments are expected. Further, with limited exceptions, we, or our subsidiaries, are generally subject to state and local or non-U.S. income tax examinations by tax authorities for the fiscal years 2011 through 2017.

We are currently under examination, or have been notified of an upcoming tax examination, for various non-U.S. and domestic state and local jurisdictions. Although it is possible that certain tax examinations could be resolved during the next 12 months, the timing and outcomes are uncertain.

At May 31, 2017, we determined that it was possible that we could repatriate approximately \$324.1 million of unremitted foreign earnings in the foreseeable future. Accordingly, as of May 31, 2017, we recorded a deferred income tax liability of \$94.4 million, which represented our estimate of the U.S. income and foreign withholding tax associated with the \$324.1 million of unremitted foreign earnings not considered permanently reinvested. As of May 31, 2018, we have provisionally identified \$549.8 million of unremitted foreign earnings that are not considered indefinitely reinvested, which may be repatriated. The corresponding deferred tax liability related to unremitted foreign earnings has been reduced from \$94.4 million to \$19.9 million. The reduction to the deferred tax liability was recorded as a \$78.0 million benefit through income tax expense and a \$3.5 million charge to Other Comprehensive Income. As noted above, with the change in U.S. taxation of foreign earnings, we are evaluating our position with respect to permanent reinvestment of foreign earnings based on various factors, including future liquidity needs, our global capital structure and the foreign tax implications of future earnings repatriations.

We have not provided for U.S. income taxes or foreign withholding taxes on the remaining \$1.1 billion of foreign unremitted earnings because such earnings have been retained and reinvested by the foreign subsidiaries as of May 31, 2018. Accordingly, no provision has been made for U.S. income taxes or foreign withholding taxes, which may become payable if the remaining unremitted earnings of foreign subsidiaries were distributed to the U.S. Due to the uncertainties and complexities involved in the various options for repatriation of foreign earnings, it is not practical to calculate the deferred taxes associated with the remaining foreign earnings.

NOTE I — COMMON STOCK

On January 8, 2008, we announced our authorization of a stock repurchase program under which we may repurchase shares of RPM International Inc. common stock at management's discretion for general corporate purposes. Our current intent is to limit our repurchases to approximately one to two million shares per year, which would include amounts required to offset dilution created by stock issued in connection with our equity-based compensation plans and other repurchases. As a result of this authorization, we may repurchase shares from time to time in the open market or in private transactions at various times and in amounts and for prices that our management deems appropriate, subject to insider trading rules and other securities law restrictions. The timing of our purchases will depend upon prevailing market conditions, alternative uses of capital and other factors. We may limit or terminate the repurchase program at any time. During the fiscal years ended May 31, 2018 and 2017, we did not repurchase any shares of our common stock under this program. During the fiscal year ended May 31, 2016, we repurchased 800,000 shares of our common stock at a cost of approximately \$35.1 million, or an average cost of \$43.88 per share, under this program.

The following table represents total stock-based compensation expense included in our Consolidated Statements of Income:

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Stock-based compensation expense, included in SG&A	\$ 25,440	\$ 32,541	\$ 31,287
Stock-based compensation expense, included in restructuring expense	2,136	-	-
Total stock-based compensation cost	27,576	32,541	31,287
Income tax (benefit)	(7,178)	(10,159)	(9,184)
Total stock-based compensation cost, net of tax	\$ 20,398	\$ 22,382	\$ 22,103

SARs

SARs are awards that allow our employees to receive shares of our common stock at a fixed price. We grant SARs at an exercise price equal to the stock price on the date of the grant. The fair value of SARs granted is estimated as of the date of grant using a Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of options granted is derived from the input of the option-pricing model and represents the period of time that options granted are expected to be outstanding. Expected volatility rates are based on historical volatility of shares of our common stock.

NOTE J — STOCK-BASED COMPENSATION

Stock-based compensation represents the cost related to stock-based awards granted to our employees and directors; these awards include restricted stock, restricted stock units and SARs. We grant stock-based incentive awards to our employees and/or our directors under various share-based compensation plans. Plans that are active or provide for stock option grants or share-based payment awards include the Amended and Restated 2004 Omnibus Equity and Incentive Plan (the "2004 Omnibus Plan") and the 2014 Omnibus Equity and Incentive Plan (the "2014 Omnibus Plan"), which includes provisions for grants of restricted stock, restricted stock units, performance stock, performance stock units and SARs. Other plans, which provide for restricted stock grants only, include the 2003 Restricted Stock Plan for Directors (the "2003 Plan") and the 2007 Restricted Stock Plan (the "2007 Plan").

We measure stock-based compensation cost at the date of grant, based on the estimated fair value of the award. We recognize the cost as expense on a straight-line basis (net of estimated forfeitures) over the related vesting period.

The following is a summary of our weighted-average assumptions related to SARs grants made during the last three fiscal years:

Year Ended May 31,	2018	2017	2016
Risk-free interest rate	2.2%	1.5%	2.2%
Expected life of option	7.0 yrs	7.0 yrs	7.0 yrs
Expected dividend yield	2.2%	2.2%	2.2%
Expected volatility rate	26.2%	25.7%	25.6%

The 2014 Omnibus Plan was approved by our stockholders on October 9, 2014. The 2014 Omnibus Plan provides us with the flexibility to grant a wide variety of stock and stock-based awards, as well as dollar-denominated performance-based awards, and is intended to be the primary stock-based award program for covered employees. This plan replaces the 2004 Omnibus Plan, which expired under its own terms on October 7, 2014. A wide variety of stock and stock-based awards, as well as dollar-denominated performance-based awards, may be granted under these plans. SARs are issued at fair value at the date of grant, have up to ten-year terms and have graded-vesting terms over four years. Compensation cost for these awards is recognized on a straight-line basis over the related vesting period. Currently all SARs outstanding are to be settled with stock. As of May 31, 2018, there were 3,207,500 SARs outstanding.

The following table summarizes option and share-based payment activity (including SARs) under these plans during the fiscal year ended May 31, 2018:

Share-Based Payments	2018	
	Weighted Average Exercise Price	Number of Shares Under Option
<i>(Shares in thousands)</i>		
Balance at June 1, 2017	\$ 38.77	3,055
Options granted	55.19	540
Options exercised	23.65	(388)
Balance at May 31, 2018	43.36	<u>3,207</u>
Exercisable at May 31, 2018	\$ 37.74	<u>1,865</u>

SARs	2018	2017	2016
<i>(In millions, except per share amounts)</i>			
Weighted-average grant-date fair value per SAR	\$ 12.90	\$ 10.90	\$ 10.73
Intrinsic value of options exercised	\$ 11.10	\$ 26.50	\$ 22.30
Tax benefit from options exercised	\$ 3.40	\$ 9.70	\$ 8.10
Fair value of SARs vested	\$ 6.50	\$ 4.60	\$ 4.00

At May 31, 2018, the aggregate intrinsic value and weighted-average remaining contractual life of options outstanding was \$23.6 million and 6.5 years, respectively, while the aggregate intrinsic value and weighted-average remaining contractual life of options exercisable was \$22.4 million and 5.3 years, respectively.

At May 31, 2018, the total unamortized stock-based compensation expense related to SARs that were previously granted was \$10.2 million, which is expected to be recognized over 3.25 years. We anticipate that approximately 1.3 million shares at a weighted-average exercise price of \$51.17 and a weighted-average remaining contractual term of 8.1 years will ultimately vest under these plans.

Restricted Stock Plans

We also grant stock-based awards, which may be made in the form of restricted stock, restricted stock units, performance stock and performance stock units. These awards are granted to eligible employees or directors, and entitle the holder to shares of our common stock as the award vests. The fair value of the awards is determined and fixed based on the stock price at the date of grant. A description of our restricted stock plans follows.

Under the 2004 Omnibus Plan, a total of 12,000,000 shares of our common stock were subject to awards. Of the 12,000,000 shares of common stock issuable under the 2004 Omnibus Plan, up to 6,000,000 shares were subject to "full-value" awards such as restricted stock, restricted stock unit, performance stock and performance stock unit awards.

Under the 2014 Omnibus Plan, a total of 6,000,000 shares of our common stock may be subject to awards. Of those issuable shares, up to 3,000,000 shares of common stock may be subject to "full-value" awards similar to those issued under the 2014 Omnibus Plan.

The following table summarizes the share-based performance-earned restricted stock ("PERS") activity during the fiscal year ended May 31, 2018:

<i>(Shares in thousands)</i>	Weighted-Average Grant-Date Fair Value		2018
Balance at June 1, 2017	\$ 47.02		1,414
Shares granted	52.26		201
Shares forfeited	48.39		(28)
Shares vested	45.13		(540)
Balance at May 31, 2018	\$ 48.97		<u>1,047</u>

The weighted-average grant-date fair value was \$52.26, \$50.84 and \$45.79 for the fiscal years ended May 31, 2018, 2017 and 2016, respectively. The restricted stock cliff vest after three years. Nonvested restricted shares of common stock under the 2004 Omnibus Plan are eligible for dividend payments. At May 31, 2018, remaining unamortized deferred compensation expense totaled \$16.4 million, all of which is associated with the 2014 Plan. The remaining amount is being amortized over the applicable vesting period for each participant.

On July 31, 2015, our Compensation Committee approved contingent awards of PCRS, (the "2015 PCRS"), for certain executives. During July 2015, 329,000 shares were granted at a weighted-average grant-date price of \$46.87. The awards are contingent upon the level of attainment of performance goals for the three-year performance period from June 1, 2015 ending May 31, 2018. Vesting of 67% of the 2015 PCRS relates to an increase in EBIT for the period, and vesting of the remaining 33% relates to an increase in EBIT margin for the period. Compensation cost for these awards has been recognized on a straight-line basis over the related performance period, with consideration given to the probability of attaining the performance goals. Although there were 301,000 2015 PCRS shares outstanding as of May 31, 2018, the contingent performance goals were not met and, therefore, these awards will not vest. There is no unamortized stock-based compensation expense related to these awards as of May 31, 2018.

The 2003 Plan was approved on October 10, 2003 by our stockholders, and was established primarily for the purpose of recruiting and retaining directors, and to align the interests of directors with the interests of our stockholders. Only directors who are not our employees are eligible to participate. Under the 2003 Plan, up to 500,000 shares of our common stock may be awarded, with awards cliff vesting over a three-year period. The following table summarizes the share-based activity under the 2003 Plan during fiscal 2018:

<i>(Shares in thousands)</i>	Weighted-Average Grant-Date Fair Value	2018
Balance at June 1, 2017	\$ 45.92	70
Shares granted to directors	51.63	24
Shares vested	44.41	(27)
Balance at May 31, 2018	\$ 48.56	67

The weighted-average grant-date fair value was \$51.63, \$50.61 and \$43.71 for the fiscal years ended May 31, 2018, 2017 and 2016, respectively. Unamortized deferred compensation expense relating to restricted stock grants for directors of \$1.6 million at May 31, 2018, is being amortized over the applicable remaining vesting period for each director. Nonvested restricted shares of common stock under the 2003 Plan are eligible for dividend payments. As of May 31, 2018, there were 53,700 shares available for future grant.

During fiscal 2018, a total of 36,984 shares were awarded under the 2014 Omnibus Plan to certain employees as supplemental retirement benefits, generally subject to forfeiture. The shares vest upon the latter of attainment of age 55 and the fifth anniversary of the May 31st immediately preceding the date of the grant. The following table sets forth such awards for the year ended May 31, 2018:

<i>(Shares in thousands)</i>	Weighted-Average Grant-Date Fair Value	2018
Balance at June 1, 2017	\$ 25.04	802
Shares granted	55.19	37
Shares forfeited	24.79	(11)
Shares exercised	26.22	(126)
Balance at May 31, 2018	\$ 26.42	702

The weighted-average grant-date fair value was \$55.19, \$50.99 and \$46.63 for the fiscal years ended May 31, 2018, 2017 and 2016, respectively. As of May 31, 2018, no shares remain available for future grant under the 2007 Plan, and future issuances of shares as supplemental retirement benefits are intended to be made under the 2014 Omnibus Plan. At May 31, 2018, unamortized stock-based compensation expense of \$2.9 million, \$0.3 million and \$1.2 million relating to the 2007 Plan, the Restricted Stock Units and the 2014 Omnibus Plan, respectively, are being amortized over the applicable vesting period associated with each participant.

The following table summarizes the activity for all nonvested restricted shares during the year ended May 31, 2018:

<i>(Shares in thousands)</i>	Weighted-Average Grant-Date Fair Value	Number of Shares
Balance at June 1, 2017	\$ 43.32	2,300
Granted	52.62	262
Vested	40.21	(745)
Forfeited	43.71	(62)
Balance at May 31, 2018	\$ 45.85	1,755

The remaining weighted-average contractual term of nonvested restricted shares at May 31, 2018 is the same as the period over which the remaining cost of the awards will be recognized, which is approximately 2.9 years. The fair value of the nonvested restricted share awards have been calculated using the market value of the shares on the date of issuance. For the years ended May 31, 2018, 2017 and 2016, the weighted-average grant-date fair value for restricted share grants was \$52.62, \$50.84 and \$46.17, respectively. The total fair value of shares that vested during the years ended May 31, 2018, 2017 and 2016 was \$29.9 million, \$20.3 million and \$34.2 million, respectively. We anticipate that approximately 1.8 million shares at a weighted-average grant-date fair value of \$45.85 and a weighted-average remaining contractual term of 2.9 years will ultimately vest, based upon the unique terms and participants of each plan. Approximately 360,762 shares of restricted stock were vested at May 31, 2018, with 263,857 restricted shares vested as of May 31, 2017. The total intrinsic value of restricted shares converted during the years ended May 31, 2018, 2017 and 2016 was \$7.6 million, \$9.0 million and \$32.3 million, respectively.

Total unrecognized compensation cost related to all nonvested awards of restricted shares of common stock was \$22.2 million as of May 31, 2018. That cost is expected to be recognized over a weighted-average period of 2.9 years. We did not receive any cash from employees as a result of employee vesting and release of restricted shares for the year ended May 31, 2018.

NOTE K — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consists of the following components:

<i>(In thousands)</i>	Foreign Currency Translation Adjustments	Pension And Other Postretirement Benefit Liability Adjustments, Net of Tax	Unrealized Gain (Loss) On Derivatives, Net of Tax	Unrealized Gain (Loss) On Securities, Net of Tax	Total
Balance at June 1, 2015	\$(231,650)	\$(168,332)	\$ -	\$ 5,847	\$(394,135)
Reclassification adjustments for gains included in net income, net of taxes of \$946			-	(1,847)	(1,847)
Other comprehensive income	(65,580)	(62,520)	-	(9,995)	(138,095)
Deferred taxes	5,997	22,646	-	3,387	32,030
Balance at May 31, 2016	(291,233)	(208,206)	-	(2,608)	(502,047)
Reclassification adjustments for gains included in net income, net of taxes of \$401			-	(1,847)	(1,847)
Other comprehensive income	(20,358)	66,264	16	7,849	53,771
Deferred taxes	3,176	(24,782)	-	(2,257)	(23,863)
Balance at May 31, 2017	(308,415)	(166,724)	16	1,137	(473,986)
Reclassification adjustments for gains included in net income, net of taxes of \$591			-	(1,244)	(1,244)
Other comprehensive income	10,989	11,375	(359)	(2,050)	19,955
Deferred taxes	(2,587)	(2,146)	212	748	(3,773)
Balance at May 31, 2018	\$(300,013)	\$(157,495)	\$ (131)	\$ (1,409)	\$(459,048)

NOTE L — EARNINGS PER SHARE

The following table sets forth the reconciliation of the numerator and denominator of basic and diluted earnings per share for the years ended May 31, 2018, 2017 and 2016:

Year Ended May 31,	2018	2017	2016
<i>(In thousands, except per share amounts)</i>			
Numerator for earnings per share:			
Net income attributable to RPM International Inc. stockholders	\$ 337,770	\$ 181,823	\$ 354,725
Less: Allocation of earnings and dividends to participating securities	(3,858)	(2,795)	(5,770)
Net income available to common shareholders - basic	333,912	179,028	348,955
Add: Undistributed earnings reallocated to unvested shareholders		2	
Reverse: Allocation of earnings and dividends to participating securities	3,858		5,770
Add: Income effect of contingently issuable shares	5,673	5,457	5,430
Net income available to common shareholders - diluted	\$ 343,443	\$ 184,487	\$ 360,155
Denominator for basic and diluted earnings per share:			
Basic weighted average common shares ⁽¹⁾	131,179	130,662	129,383
Average diluted options	2,064	598	3,445
Net issuable common share equivalents ⁽²⁾	3,928	3,905	3,888
Total shares for diluted earnings per share ^{(1), (3)}	137,171	135,165	136,716
Earnings Per Share of Common Stock Attributable to RPM International Inc. Stockholders:			
Basic Earnings Per Share of Common Stock	\$ 2.55	\$ 1.37	\$ 2.70
Diluted Earnings Per Share of Common Stock	\$ 2.50	\$ 1.36	\$ 2.63

(1) Basic and diluted earnings per share are calculated using the two-class method for the year ended May 31, 2017. For the years ended May 31, 2018 and 2016, basic and diluted earnings per share are calculated under the two-class method and the treasury method, respectively, as those methods resulted in the most dilutive earnings per share.

(2) Represents the number of shares that would be issued if our contingently convertible notes were converted. We include these shares in the calculation of diluted EPS as the conversion of the notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of our common stock.

(3) For the years ended May 31, 2018 and 2017, approximately 799,362 and 606,048 shares of stock, respectively, granted under stock-based compensation plans were excluded from the calculation of diluted EPS, as the effect would have been anti-dilutive.

NOTE M — LEASES

We lease certain property, plant and equipment under long-term operating lease agreements, some of which provide for increased rental payments based upon increases in the cost-of-living index. The following table illustrates our future minimum lease commitments under all non-cancelable lease agreements, for each of the next five years and in the aggregate, as of May 31, 2018:

May 31,	
<i>(In thousands)</i>	
2019	\$ 57,246
2020	38,902
2021	28,053
2022	18,835
2023	15,036
Thereafter	52,471
Total Minimum Lease Commitments	\$ 210,543

Total rental expense for all operating leases amounted to \$64.3 million, \$61.3 million and \$57.5 million for the fiscal years ended May 31, 2018, 2017 and 2016, respectively.

NOTE N — PENSION PLANS

We sponsor several pension plans for our employees, including our principal plan (the "Retirement Plan"), which is a non-contributory defined benefit pension plan covering substantially all domestic non-union employees. Pension benefits are provided for certain domestic union employees through separate plans. Employees of our foreign subsidiaries receive pension coverage, to the extent deemed appropriate, through plans that are governed by local statutory requirements.

The Retirement Plan provides benefits that are based upon years of service and average compensation with accrued benefits vesting after five years. Benefits for union employees are generally based upon years of service, or a combination of years of service and average compensation. Our pension funding policy considers contributions in an amount on an annual basis that can be deducted for federal income tax purposes, using a different actuarial cost method and different assumptions from those used for financial reporting. For the fiscal year ending May 31, 2019, we expect to contribute approximately \$1.3 million to the retirement plans in the U.S. and approximately \$8.1 million to our foreign plans. We elected to accelerate our fiscal 2019 planned contribution to the RPM International Inc. Retirement Plan, and therefore contributed \$52.8 million to the plan in February 2018.

Net periodic pension cost consisted of the following for the year ended May 31:

<i>(In thousands)</i>	U.S. Plans			Non-U.S. Plans		
	2018	2017	2016	2018	2017	2016
Service cost	\$ 37,859	\$ 37,603	\$ 32,808	\$ 4,620	\$ 4,070	\$ 4,061
Interest cost	17,518	17,323	17,995	5,025	4,614	5,070
Expected return on plan assets	(32,342)	(25,007)	(25,749)	(8,270)	(7,109)	(7,571)
Amortization of:						
Prior service cost	117	217	234	(31)	(24)	(2)
Net actuarial losses recognized	14,470	22,160	16,759	1,758	2,150	1,739
Curtailment/settlement losses			87	128	904	57
Net Pension Cost	\$ 37,622	\$ 52,296	\$ 42,134	\$ 3,230	\$ 4,605	\$ 3,354

The changes in benefit obligations and plan assets, as well as the funded status of our pension plans at May 31, 2018 and 2017, were as follows:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
Benefit obligation at beginning of year	\$ 591,948	\$ 589,046	\$ 195,884	\$ 187,064
Service cost	37,859	37,603	4,620	4,070
Interest cost	17,518	17,323	5,025	4,614
Benefits paid	(34,368)	(28,587)	(6,545)	(4,977)
Participant contributions			980	933
Plan amendments			(61)	(196)
Plan settlements/curtailments			(2,984)	(4,546)
Actuarial (gains)/losses	4,298	(23,437)	(9,523)	16,697
Premiums paid			(106)	(109)
Currency exchange rate changes			6,859	(7,666)
Benefit Obligation at End of Year	\$ 617,255	\$ 591,948	\$ 194,149	\$ 195,884
Fair value of plan assets at beginning of year	\$ 437,481	\$ 314,216	\$ 179,928	\$ 169,464
Actual return on plan assets	30,291	44,924	3,166	21,216
Employer contributions	53,829	106,928	7,460	5,753
Participant contributions			980	933
Benefits paid	(34,368)	(28,587)	(6,545)	(4,977)
Premiums paid			(106)	(109)
Plan settlements/curtailments			(2,267)	(4,471)
Currency exchange rate changes			6,344	(7,881)
Fair Value of Plan Assets at End of Year	\$ 487,233	\$ 437,481	\$ 188,960	\$ 179,928
(Deficit) of plan assets versus benefit obligations at end of year	\$ (130,022)	\$ (154,467)	\$ (5,189)	\$ (15,956)
Net Amount Recognized	\$ (130,022)	\$ (154,467)	\$ (5,189)	\$ (15,956)
Accumulated Benefit Obligation	\$ 510,984	\$ 489,918	\$ 181,462	\$ 183,038

The fair value of the assets held by our pension plans has increased at May 31, 2018 since our previous measurement date at May 31, 2017, due primarily to gains in the stock market and our plan contributions. Total plan liabilities have increased due to increased benefit accruals. We have decreased our recorded liability for the net underfunded status of our pension plans. The assumptions to value lump sums were updated to incorporate future expectations of the IRS mortality and interest rates. Due

to slightly higher discount rates and increased asset values offset by higher interest cost and lump sum mortality rates, we expect pension expense in fiscal 2019 to be comparable to our fiscal 2018 expense level. Any future declines in the value of our pension plan assets or increases in our plan liabilities could require us to increase our recorded liability for the net underfunded status of our pension plans and could also require accelerated and higher cash contributions to our pension plans.

Amounts recognized in the Consolidated Balance Sheets for the years ended May 31, 2018 and 2017 are as follows:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
Noncurrent assets	\$ -	\$ -	\$ 10,483	\$ 998
Current liabilities	(7)	(7)	(421)	(512)
Noncurrent liabilities	(130,015)	(154,460)	(15,251)	(16,442)
Net Amount Recognized	\$ (130,022)	\$ (154,467)	\$ (5,189)	\$ (15,956)

The following table summarizes the relationship between our plans' benefit obligations and assets:

	U.S. Plans			
	2018		2017	
	Benefit Obligation	Plan Assets	Benefit Obligation	Plan Assets
<i>(In thousands)</i>				
Plans with projected benefit obligations in excess of plan assets	\$ 617,255	\$ 487,233	\$ 591,948	\$ 437,481
Plans with accumulated benefit obligations in excess of plan assets	510,984	487,233	489,918	437,481
Plans with assets in excess of projected benefit obligations	-	-	-	-
Plans with assets in excess of accumulated benefit obligations	-	-	-	-

	Non-U.S. Plans			
	2018		2017	
	Benefit Obligation	Plan Assets	Benefit Obligation	Plan Assets
<i>(In thousands)</i>				
Plans with projected benefit obligations in excess of plan assets	\$ 152,533	\$ 136,861	\$ 147,560	\$ 130,605
Plans with accumulated benefit obligations in excess of plan assets	43,054	29,855	44,797	31,653
Plans with assets in excess of projected benefit obligations	41,616	52,099	48,324	49,323
Plans with assets in excess of accumulated benefit obligations	138,408	159,105	138,241	148,275

The following table presents the pretax net actuarial loss and prior service (costs) recognized in accumulated other comprehensive income (loss) not affecting retained earnings:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
	<i>(In thousands)</i>			
Net actuarial loss	\$ (197,821)	\$ (205,942)	\$ (35,668)	\$ (41,000)
Prior service (costs) credits	(135)	(252)	224	185
Total recognized in accumulated other comprehensive income not affecting retained earnings	\$ (197,956)	\$ (206,194)	\$ (35,444)	\$ (40,815)

The following table includes the changes recognized in other comprehensive income:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
	<i>(In thousands)</i>			
Changes in plan assets and benefit obligations recognized in other comprehensive income:				
Prior service cost	\$ -	\$ -	\$ (61)	\$ (196)
Net loss (gain) arising during the year	6,349	(43,353)	(5,098)	2,515
Effect of exchange rates on amounts included in AOCI			1,517	(1,736)
Amounts recognized as a component of net periodic benefit cost:				
Amortization or curtailment recognition of prior service (cost)	(117)	(217)	18	24
Amortization or settlement recognition of net (loss)	(14,470)	(22,160)	(1,912)	(3,054)
Total recognized in other comprehensive loss (income)	\$ (8,238)	\$ (65,730)	\$ (5,536)	\$ (2,447)

The following table presents the amounts in accumulated other comprehensive income (loss) as of May 31, 2018 that have not yet been recognized in net periodic pension cost, but are expected to be recognized in our Consolidated Statements of Income during the fiscal year ending May 31, 2019:

	U.S. Plans	Non-U.S. Plans
<i>(In thousands)</i>		
Net actuarial loss	\$ (13,279)	\$ (1,276)
Prior service (cost) credit	\$ (117)	\$ 31

In measuring the projected benefit obligation and net periodic pension cost for our plans, we utilize actuarial valuations. These valuations include specific information pertaining to individual plan participants, such as salary, age and years of service, along with certain assumptions. The most significant assumptions applied include discount rates, expected return on plan assets and rate of compensation increases. We evaluate these assumptions, at a minimum, on an annual basis, and make required changes, as applicable. In developing our expected long-term rate of return on pension plan assets, we consider

the current and expected target asset allocations of the pension portfolio, as well as historical returns and future expectations for returns on various categories of plan assets. Expected return on assets is determined by using the weighted-average return on asset classes based on expected return for the target asset allocations of the principal asset categories held by each plan. In determining the expected return, we consider both historical performance and an estimate of future long-term rates of return. Actual experience is used to develop the assumption for compensation increases.

The following weighted-average assumptions were used to determine our year-end benefit obligations and net periodic pension cost under the plans:

Year-End Benefit Obligations	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
Discount rate	4.12%	3.81%	3.09%	2.79%
Rate of compensation increase	3.80%	3.80%	2.85%	3.00%

Net Periodic Pension Cost	U.S. Plans			Non-U.S. Plans		
	2018	2017	2016	2018	2017	2016
Discount rate	3.81%	3.85%	4.25%	2.79%	3.13%	3.26%
Expected return on plan assets	7.89%	7.89%	7.90%	4.37%	4.50%	4.49%
Rate of compensation increase	3.80%	3.80%	3.80%	3.00%	2.81%	2.81%

The following tables illustrate the weighted-average actual and target allocation of plan assets:

(Dollars in millions)	U.S. Plans			Non-U.S. Plans		
	Target Allocation as of May 31, 2018	Actual Asset Allocation		Target Allocation as of May 31, 2018	Actual Asset Allocation	
		2018	2017		2018	2017
Equity securities	55%	\$ 309.3	\$ 295.2	41%	\$ 90.0	\$ 83.8
Fixed income securities	25%	76.5	82.4	42%	70.2	65.9
Multi-class	20%	72.8			0.5	
Cash ⁽¹⁾		28.4	59.7			30.2
Other		0.2	0.2			
Total assets	100%	\$ 487.2	\$ 437.5	100%	\$ 189.0	\$ 179.9

(1) The cash position at May 31, 2018 results from our acceleration of the planned fiscal 2019 contribution, which was deposited into the RPM International Inc. Retirement Plan during February 2018. The cash position at May 31, 2017 results from our acceleration of the planned fiscal 2018 contribution, which was deposited into the RPM International Inc. Retirement Plan during May 2017.

The following tables present our pension plan assets as categorized using the fair value hierarchy at May 31, 2018 and 2017:

(In thousands)	U.S. Plans			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2018
U.S. Treasury and other government	\$ -	\$ 10,197	\$ -	\$ 10,197
State and municipal bonds		605		605
Foreign bonds		1,748		1,748
Mortgage-backed securities		26,081		26,081
Corporate bonds		17,413		17,413
Stocks - large cap	1,927			1,927
Stocks - mid cap	11,748			11,748
Stocks - small cap	18,419			18,419
Stocks - international	3,333			3,333
Mutual funds - equity		273,893		273,893
Mutual funds - multi-class		72,802		72,802
Mutual funds - fixed		20,516		20,516
Cash and cash equivalents	28,371			28,371
Limited partnerships			180	180
Total	\$ 63,798	\$ 423,255	\$ 180	\$ 487,233

Non-U.S. Plans

<i>(In thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2018
Pooled equities	\$ -	\$ 88,540	\$ -	\$ 88,540
Pooled fixed income		70,180		70,180
Foreign bonds		182		182
Insurance contracts			28,268	28,268
Mutual funds		1,334		1,334
Cash and cash equivalents	456			456
Total	\$ 456	\$ 160,236	\$ 28,268	\$ 188,960

U.S. Plans

<i>(In thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2017
U.S. Treasury and other government	\$ -	\$ 7,923	\$ -	\$ 7,923
State and municipal bonds		628		628
Foreign bonds		1,623		1,623
Mortgage-backed securities		20,211		20,211
Corporate bonds		17,976		17,976
Stocks - large cap	20,999			20,999
Stocks - mid cap	8,128			8,128
Stocks - small cap	16,423			16,423
Stocks - international	2,639			2,639
Mutual funds - equity		247,037		247,037
Mutual funds - fixed		34,014		34,014
Cash and cash equivalents	59,674			59,674
Limited partnerships			206	206
Total	\$ 107,863	\$ 329,412	\$ 206	\$ 437,481

Non-U.S. Plans

<i>(In thousands)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at May 31, 2017
Pooled equities	\$ -	\$ 82,626	\$ -	\$ 82,626
Pooled fixed income		65,649		65,649
Foreign bonds		252		252
Insurance contracts			30,181	30,181
Mutual funds		1,181		1,181
Cash and cash equivalents	39			39
Total	\$ 39	\$ 149,708	\$ 30,181	\$ 179,928

The following table includes the activity that occurred during the years ended May 31, 2018 and 2017 for our Level 3 assets:

<i>(In thousands)</i>	Balance at Beginning of Period	Actual Return on Plan Assets For:		Purchases, Sales and Settlements, net ⁽¹⁾	Balance at End of Period
		Assets Still Held at Reporting Date	Assets Sold During Year		
Year ended May 31, 2018	\$ 30,387	(65)	-	(1,874)	\$ 28,448
Year ended May 31, 2017	30,673	1,096	-	(1,382)	30,387

(1) Includes the impact of exchange rate changes during the year.

The primary objective for the investments of the Retirement Plan is to provide for long-term growth of capital without undue exposure to risk. This objective is accomplished by utilizing a strategy of equities, fixed income securities and cash equivalents in a mix that is conducive to participation in a rising market, while allowing for adequate protection in a falling market. Our Investment Committee oversees the investment allocation process, which includes the selection and evaluation of investment managers, the determination of investment objectives and risk guidelines, and the monitoring of actual investment performance. In order to manage investment risk properly, Plan policy prohibits short selling, securities lending, financial futures, options and other specialized investments except for certain alternative investments specifically approved by the Investment Committee. The Investment Committee reviews, on a quarterly basis, reports of actual Plan investment performance provided by independent third parties, in addition to its review of the Plan investment policy on an annual basis. The investment objectives are similar for our plans outside of the U.S., subject to local regulations.

The goals of the investment strategy for pension assets include: the total return of the funds shall, over an extended period of time, surpass an index composed of the MSCI World Stock Index (equity), the Barclays Aggregate Bond Index (fixed income), and 30-day Treasury Bills (cash), weighted appropriately to match the asset allocation of the plans. The equity portion of the funds shall surpass the MSCI World Stock Index over a full market

cycle, while the fixed income portion shall surpass Barclays Aggregate Bond Index over a full market cycle. The purpose of the core fixed income fund is to increase return in the form of cash flow, provide a hedge against inflation and to reduce the volatility of the fund overall. Therefore, the primary objective of the core fixed income portion is to match the Barclays Aggregate Bond Index. The purpose of including opportunistic fixed income assets such as, but not limited to, global and high-yield securities in the portfolio is to enhance the overall risk-return characteristics of the Fund.

In addition to the defined benefit pension plans discussed above, we also sponsor employee savings plans under Section 401(k) of the Internal Revenue Code, which cover most of our employees in the U.S. We record expense for defined contribution plans for any employer-matching contributions made in conjunction with services rendered by employees. The majority of our plans provide for matching contributions made in conjunction with services rendered by employees. Matching contributions are invested in the same manner that the participants invest their own contributions. Matching contributions charged to income were \$18.7 million, \$17.4 million and \$16.3 million for the years ending May 31, 2018, 2017 and 2016, respectively.

We expect to pay the following estimated pension benefit payments in the next five years (in millions): \$54.0 in 2019, \$58.4 in 2020, \$56.2 in 2021, \$59.1 in 2022 and \$60.4 in 2023. In the five years thereafter (2024-2028), we expect to pay \$318.0 million.

NOTE 0 — POSTRETIREMENT BENEFITS

We sponsor several unfunded-healthcare-benefit plans for certain of our retired employees, as well as postretirement life insurance for certain key former employees. Eligibility for these benefits is based upon various requirements. The following table illustrates the effect on operations of these plans for the three years ended May 31, 2018:

<i>(In thousands)</i>	U.S. Plans			Non-U.S. Plans		
	2018	2017	2016	2018	2017	2016
Service cost - benefits earned during the period	\$ -	\$ -	\$ -	\$ 1,307	\$ 1,097	\$ 1,061
Interest cost on the accumulated obligation	173	229	235	939	854	832
Amortization of:						
Prior service (credit)	(220)	(235)	(247)			
Net actuarial (gains) losses	24			332	230	229
Net Postretirement Benefit (Income) Cost	\$ (23)	\$ (6)	\$ (12)	\$ 2,578	\$ 2,181	\$ 2,122

The changes in benefit obligations of the plans at May 31, 2018 and 2017 were as follows:

<i>(In thousands)</i>	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
Accumulated postretirement benefit obligation at beginning of year	\$ 5,892	\$ 7,653	\$ 27,868	\$ 25,420
Service cost			1,307	1,097
Interest cost	173	229	939	854
Benefit payments	(297)	(2,383)	(604)	(529)
Actuarial (gains) losses	(400)	393	2,638	1,766
Currency exchange rate changes			1,133	(740)
Accumulated and accrued postretirement benefit obligation at end of year	\$ 5,368	\$ 5,892	\$ 33,281	\$ 27,868

In determining the postretirement benefit amounts outlined above, measurement dates as of May 31 for each period were applied.

Amounts recognized in the Consolidated Balance Sheets for the years ended May 31, 2018 and 2017 are as follows:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
<i>(In thousands)</i>				
Current liabilities	\$ (427)	\$ (411)	\$ (696)	\$ (522)
Noncurrent liabilities	(4,941)	(5,481)	(32,585)	(27,346)
Net Amount Recognized	\$ (5,368)	\$ (5,892)	\$ (33,281)	\$ (27,868)

The following table presents the pretax net actuarial gain (loss) and prior service credits recognized in accumulated other comprehensive income (loss) not affecting retained earnings:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
<i>(In thousands)</i>				
Net actuarial gain (loss)	\$ 124	\$ (299)	\$ (9,951)	\$ (7,354)
Prior service credits	887	1,107		
Total recognized in accumulated other comprehensive income not affecting retained earnings	\$ 1,011	\$ 808	\$ (9,951)	\$ (7,354)

The following table includes the changes recognized in other comprehensive income:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
<i>(In thousands)</i>				
Changes in plan assets and benefit obligations recognized in other comprehensive income:				
Prior service cost	\$ -	\$ -	\$ -	\$ -
Net loss (gain) arising during the year	(400)	393	2,638	1,766
Effect of exchange rates on amounts included in AOCI			291	(168)
Amounts recognized as a component of net periodic benefit cost:				
Amortization or curtailment recognition of prior service credit (cost)	220	234		
Amortization or settlement recognition of net gain (loss)	(24)	-	(332)	(230)
Total recognized in other comprehensive loss (income)	\$ (204)	\$ 627	\$ 2,597	\$ 1,368

The following weighted-average assumptions were used to determine our year-end benefit obligations and net periodic postretirement benefit costs under the plans:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
<i>Year-End Benefit Obligations</i>				
Discount rate	4.03%	3.61%	3.70%	3.61%
Current healthcare cost trend rate	7.86%	14.75%	6.02%	5.85%
Ultimate healthcare cost trend rate	4.36%	4.36%	4.20%	4.20%
Year ultimate healthcare cost trend rate will be realized	2037	2037	2032	2030

	U.S. Plans			Non-U.S. Plans		
	2018	2017	2016	2018	2017	2016
<i>Net Periodic Postretirement Cost</i>						
Discount rate	3.61%	3.76%	3.95%	3.61%	3.92%	4.00%
Healthcare cost trend rate	14.75%	10.37%	11.34%	5.85%	5.98%	6.06%
Ultimate healthcare cost trend rate	4.36%	4.36%	4.50%	4.20%	4.20%	4.20%
Year ultimate healthcare cost trend rate will be realized	2037	2037	2029	2030	2030	2030

We utilize a sensitivity analysis to measure the potential impact of changes in our healthcare cost trend rate on our Consolidated Financial Statements. Increasing or decreasing current healthcare cost trend rates by 1% would affect our accumulated postretirement benefit obligation and net postretirement expense by the following amounts for the years ended May 31, 2018 and 2017:

(In thousands)	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
1% Increase in Healthcare Cost Trend Rate				
Accumulated benefit obligation	\$ 185	\$ 229	\$ 6,978	\$ 6,410
Postretirement cost	7	9	673	547
1% Decrease in Healthcare Cost Trend Rate				
Accumulated benefit obligation	\$ (163)	\$ (201)	\$ (5,391)	\$ (5,016)
Postretirement cost	(6)	(8)	(493)	(406)

We expect to pay approximately \$1.1 million to \$1.5 million in estimated postretirement benefits in each of the next five years. In the five years thereafter (2024-2028) we expect to pay a cumulative total of \$8.8 million.

NOTE P — CONTINGENCIES AND OTHER ACCRUED LOSSES

Accrued loss reserves consist of the following:

May 31,	2018	2017
(In thousands)		
Accrued product liability reserves	\$ 12,900	\$ 14,932
Accrued warranty reserves	8,088	15,701
Accrued environmental reserves	1,144	1,102
Total Accrued Loss Reserves - Current	\$ 22,132	\$ 31,735
Accrued product liability reserves - noncurrent	\$ 29,902	\$ 28,222
Accrued warranty liability - noncurrent	3,633	3,448
Accrued environmental reserves - noncurrent	3,571	1,747
Total Accrued Loss Reserves - Noncurrent	\$ 37,106	\$ 33,417

We provide, through our wholly owned insurance subsidiaries, certain insurance coverage, primarily product liability coverage, to our other subsidiaries. Excess coverage is provided by third-party insurers. Our product liability accruals provide for these potential losses as well as other uninsured claims. Product liability accruals are established based upon actuarial calculations of potential liability using industry experience, actual historical experience and actuarial assumptions developed for similar types of product liability claims, including development factors and lag times. To the extent there is a reasonable possibility that potential losses could exceed the amounts already accrued, we believe that the amount of any such additional loss would be immaterial to our results of operations, liquidity and consolidated financial position.

We also offer warranties on many of our products, as well as long-term warranty programs at certain of our businesses, and have established product warranty liabilities. We review these liabilities for adequacy on a quarterly basis and adjust them as necessary. The primary factors that could affect these liabilities may include changes in performance rates as well as costs of replacement. Provision for estimated warranty costs

is recorded at the time of sale and periodically adjusted, as required, to reflect actual experience. It is probable that we will incur future losses related to warranty claims we have received but that have not been fully investigated and related to claims not yet received. While our warranty liabilities represent our best estimates at May 31, 2018, we can provide no assurances that we will not experience material claims in the future or that we will not incur significant costs to resolve such claims beyond the amounts accrued or beyond what we may recover from our suppliers. Product warranty expense is recorded within selling, general and administrative expense.

Also, due to the nature of our businesses, the amount of claims paid can fluctuate from one period to the next. While our warranty liabilities represent our best estimates of our expected losses at any given time, from time to time we may revise our estimates based on our experience relating to factors such as weather conditions, specific circumstances surrounding product installations and other factors.

The following table includes the changes in our accrued warranty balances:

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Beginning Balance	\$ 19,149	\$ 13,314	\$ 11,663
Deductions ⁽¹⁾	(26,199)	(18,269)	(18,061)
Provision charged to			
SG&A expense	17,924	23,862	19,653
Acquisitions	847	242	59
Ending Balance	\$ 11,721	\$ 19,149	\$ 13,314

(1) Primarily claims paid during the year.

In addition, like other companies participating in similar lines of business, some of our subsidiaries are involved in several proceedings relating to environmental matters. It is our policy to accrue remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated. During our fiscal year ended May 31, 2018, we recorded an environmental reserve for approximately \$1.7 million related to our estimate of remediation costs that may be required in relation to one of our facilities identified for sale and closure in connection with our ongoing restructuring activities. In general, our environmental accruals are undiscounted liabilities, which are exclusive of claims against third parties, and are not material to our financial statements during any of the periods presented.

We were notified by the SEC on June 24, 2014, that we are the subject of a formal investigation pertaining to the timing of our disclosure and accrual of loss reserves in fiscal 2013 with respect to the previously disclosed U.S. Department Of Justice (the "DOJ") and the U.S. General Services Administration (the "GSA") Office of Inspector General investigation into compliance issues relating to Tremco Roofing Division's GSA contracts. As previously disclosed, our Audit Committee completed an investigation into the facts and circumstances surrounding the timing of our disclosure and accrual of loss reserves with respect to the GSA and DOJ investigation, and determined that it was appropriate to restate our financial results for the first, second and third quarters of fiscal 2013. These restatements had no impact on our audited financial statements for the fiscal years ended May 31, 2013 or 2014. The Audit Committee's investigation concluded that there was no intentional misconduct on the part of any of our officers.

In connection with the foregoing, on September 9, 2016, the SEC filed an enforcement action against us and our General Counsel. We have cooperated with the SEC's investigation and believe the allegations in the complaint mischaracterize both our and our General Counsel's actions in connection with the matters related to our quarterly results in fiscal 2013 and are without merit. Both we and our General Counsel filed motions to dismiss the complaint on February 24, 2017. Those motions to dismiss the complaint were denied by the Court on September 29, 2017. We and our General Counsel filed answers to the complaint on October 16, 2017. Formal discovery commenced in January 2018. We intend to continue to contest the allegations in the complaint vigorously.

The action by the SEC could result in sanctions against us and/or our General Counsel and could impose substantial additional costs and distractions, regardless of its outcome. We have determined that it is probable that we will incur a loss relating to this matter and have estimated a range of potential loss. We have accrued at the low end of the range of loss, as no amount within the range is more likely to occur, and no amount within the estimated range of loss would have a material impact on our consolidated financial condition, results of operations or cash flows.

With respect to a case pending against one of our subsidiaries in which there is alleged both trade secret and trademark infringement, during the quarter ended August 31, 2017, the court denied our motion for summary judgment. Based on our current understanding of the claim, we have determined that it is probable that we will incur a loss related to this claim and have estimated a range of potential loss. We have accrued at the low end of the range of loss, as no amount within the range is more likely to occur, and no amount within the estimated range of loss would have a material impact on our consolidated financial condition, results of operations or cash flows.

NOTE Q — SEGMENT INFORMATION

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings and roofing systems, sealants and adhesives. We manage our portfolio by organizing our businesses and product lines into three reportable segments: the industrial reportable segment, the specialty reportable segment and the consumer reportable segment. Within each reportable segment, we aggregate operating segments or product lines that consist of individual companies or groups of companies and product lines, which generally address common markets, share similar economic characteristics, utilize similar technologies and can share manufacturing or distribution capabilities. Our seven operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief operating decision maker in determining how to allocate the assets of the company and evaluate performance. These seven operating segments are each managed by an operating segment manager, who is responsible for the day-to-day operating decisions and performance evaluation of the operating segment's underlying businesses. We evaluate the profit performance of our segments primarily based on income before income taxes, but also look to earnings (loss) before interest and taxes ("EBIT") as a performance evaluation measure because interest expense is essentially related to acquisitions, as opposed to segment operations.

Our industrial reportable segment products are sold throughout North America and also account for the majority of our international sales. Our industrial product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The industrial reportable segment comprises three separate operating segments: Tremco Group, tremco illbruck Group and Performance Coatings Group. Products and services within this reportable segment include construction chemicals, roofing systems, weatherproofing and other sealants, and polymer flooring.

Our consumer reportable segment manufactures and markets professional use and do-it-yourself (“DIY”) products for a variety of mainly consumer applications, including home improvement and personal leisure activities. Our consumer segment’s major manufacturing and distribution operations are located primarily in North America, along with a few locations in Europe and other parts of the world. Our consumer reportable segment products are primarily sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops, cosmetic companies and through distributors. This reportable segment comprises three operating segments: Rust-Oleum Group, DAP Group and SPG-Consumer Group. Products within this reportable segment include specialty, hobby and professional paints; nail enamels; caulks; adhesives; silicone sealants; cleaners; floor sealers and wood stains. Sales to The Home Depot, Inc. represented less than 10% of our consolidated net sales for fiscal 2018, 2017 and 2016, and 28% of our consumer segment net sales for each of the fiscal years ended May 31, 2018, 2017 and 2016.

Our specialty reportable segment products are sold throughout North America and a few international locations, primarily in Europe. Our specialty product lines are sold directly to contractors, distributors and end-users, such as industrial

manufacturing facilities, public institutions and other commercial customers. The specialty reportable segment is a single operating segment, which offers products that include industrial cleaners, restoration services equipment, colorants, exterior finishes, edible coatings and specialty glazes for pharmaceutical and food industries, and other specialty OEM coatings.

In addition to our three reportable segments, there is a category of certain business activities and expenses, referred to as corporate/other, that does not constitute an operating segment. This category includes our corporate headquarters and related administrative expenses, results of our captive insurance companies, gains or losses on the sales of certain assets and other expenses not directly associated with any reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses and headquarters’ property and equipment. These corporate and other assets and expenses reconcile reportable segment data to total consolidated income before income taxes, interest expense and earnings before interest and taxes; as well as identifiable assets, capital expenditures, and depreciation and amortization.

We reflect income from our joint ventures on the equity method, and receive royalties from our licensees.

The following tables reflect the results of our reportable segments consistent with our management philosophy, and represent the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses. Information for all periods presented has been recast to reflect the current-year change in the composition of our reportable segments.

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Net Sales			
Industrial	\$ 2,814,755	\$ 2,564,202	\$ 2,491,647
Consumer	1,754,339	1,680,384	1,637,438
Specialty	752,549	713,589	684,564
Total	\$ 5,321,643	\$ 4,958,175	\$ 4,813,649
Income Before Income Taxes			
Industrial			
Income Before Income Taxes ^(a)	\$ 270,792	\$ 243,335	\$ 257,180
Interest (Expense), Net ^(b)	(10,507)	(7,985)	(6,071)
EBIT ^(c)	\$ 281,299	\$ 251,320	\$ 263,251
Consumer			
Income Before Income Taxes ^(a)	\$ 171,874	\$ 58,726	\$ 268,218
Interest (Expense) Income, Net ^(b)	(713)	(323)	40
EBIT ^(c)	\$ 172,587	\$ 59,049	\$ 268,178
Specialty			
Income Before Income Taxes ^(a)	\$ 123,307	\$ 107,904	\$ 107,546
Interest Income, Net ^(b)	876	526	814
EBIT ^(c)	\$ 122,431	\$ 107,378	\$ 106,732
Corporate/Other			
(Expense) Before Income Taxes ^(a)	\$ (148,925)	\$ (165,632)	\$ (149,478)
Interest (Expense), Net ^(b)	(73,761)	(75,188)	(76,101)
EBIT ^(c)	\$ (75,164)	\$ (90,444)	\$ (73,377)
Consolidated			
Income Before Income Taxes ^(a)	\$ 417,048	\$ 244,333	\$ 483,466
Interest (Expense), Net ^(b)	(84,105)	(82,970)	(81,318)
EBIT ^(c)	\$ 501,153	\$ 327,303	\$ 564,784
Identifiable Assets			
Industrial	\$ 2,422,799	\$ 2,382,784	\$ 2,206,062
Consumer	1,859,381	1,821,190	1,734,600
Specialty	740,952	759,822	754,757
Corporate/Other	248,690	126,653	69,550
Total	\$ 5,271,822	\$ 5,090,449	\$ 4,764,969
Capital Expenditures			
Industrial	\$ 60,145	\$ 65,083	\$ 78,002
Consumer	38,921	45,690	27,269
Specialty	14,958	14,104	10,238
Corporate/Other	595	1,232	1,674
Total	\$ 114,619	\$ 126,109	\$ 117,183
Depreciation and Amortization			
Industrial	\$ 57,267	\$ 51,529	\$ 47,697
Consumer	38,037	33,374	31,445
Specialty	27,457	26,453	25,646
Corporate/Other	5,738	5,417	6,251
Total	\$ 128,499	\$ 116,773	\$ 111,039

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by Generally Accepted Accounting Principles (GAAP) in the United States, to EBIT.

(b) Interest (expense), net includes the combination of interest expense and investment expense (income), net.

(c) EBIT is a non-GAAP measure, and is defined as earnings (loss) before interest and taxes. We evaluate the profit performance of our segments based on income before income taxes, but also look to EBIT as a performance evaluation measure because interest expense is essentially related to acquisitions, as opposed to segment operations. We believe EBIT is useful to investors for this purpose as well, using EBIT as a metric in their investment decisions. EBIT should not be considered an alternative to, or more meaningful than, income before income taxes as determined in accordance with GAAP, since EBIT omits the impact of interest in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness. Nonetheless, EBIT is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community, all of whom believe, and we concur, that this measure is critical to the capital markets' analysis of our segments' core operating performance. We also evaluate EBIT because it is clear that movements in EBIT impact our ability to attract financing. Our underwriters and bankers consistently require inclusion of this measure in offering memoranda in conjunction with any debt underwriting or bank financing. EBIT may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.

Year Ended May 31,	2018	2017	2016
<i>(In thousands)</i>			
Net Sales (based on shipping location)^(a)			
United States	\$ 3,432,034	\$ 3,269,400	\$ 3,155,810
Foreign			
Canada	365,349	321,696	310,817
Europe	1,040,418	908,799	928,519
Other Foreign	483,842	458,280	418,503
Total Foreign	1,889,609	1,688,775	1,657,839
Total	\$ 5,321,643	\$ 4,958,175	\$ 4,813,649
Long-Lived Assets^(b)			
United States	\$ 1,807,046	\$ 1,738,180	\$ 1,756,012
Foreign			
Canada	139,259	137,211	111,524
Europe	361,317	349,979	271,796
United Kingdom	230,071	199,415	257,935
Other Foreign	241,301	248,435	212,583
Total Foreign	971,948	935,040	853,838
Total	\$ 2,778,994	\$ 2,673,220	\$ 2,609,850

(a) It is not practicable to obtain the information needed to disclose revenues attributable to each of our product lines.

(b) Long-lived assets include all non-current assets, excluding non-current deferred income taxes.

NOTE R — QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended May 31, 2018 and 2017:

<i>(In thousands, except per share amounts)</i>	For Quarter Ended			
	August 31	November 30	February 28	May 31 ^(a)
2018				
Net Sales	\$ 1,345,394	\$ 1,315,416	\$ 1,102,677	\$ 1,558,156
Gross Profit	\$ 572,008	\$ 551,015	\$ 439,493	\$ 618,696
Net Income Attributable to				
RPM International Inc. Stockholders	\$ 116,416	\$ 95,463	\$ 40,227	\$ 85,664
Basic Earnings Per Share	\$ 0.87	\$ 0.72	\$ 0.30	\$ 0.65
Diluted Earnings Per Share	\$ 0.86	\$ 0.70	\$ 0.30	\$ 0.63
Dividends Per Share	\$ 0.300	\$ 0.320	\$ 0.320	\$ 0.320
2017				
Net Sales	\$ 1,252,063	\$ 1,190,770	\$ 1,022,496	\$ 1,492,846
Gross Profit	\$ 552,042	\$ 521,681	\$ 428,573	\$ 663,392
Net Income Attributable to				
RPM International Inc. Stockholders	\$ 112,769	\$ (70,926)	\$ 11,928	\$ 128,052
Basic Earnings Per Share	\$ 0.85	\$ (0.54)	\$ 0.09	\$ 0.96
Diluted Earnings Per Share	\$ 0.83	\$ (0.54)	\$ 0.09	\$ 0.94
Dividends Per Share	\$ 0.275	\$ 0.300	\$ 0.300	\$ 0.300

(a) Reflects inventory-related charges of \$36.5 million in our consumer reportable segment for product line rationalization and related obsolete inventory identification and \$1.2 million in inventory reductions related to restructuring activities in our industrial reportable segment. Additional restructuring charges totaling \$17.5 million were incurred during the fourth quarter of fiscal 2018, as further described in Note B, "Restructuring." We also incurred charges in our industrial segment totaling \$4.2 million in connection with the decision to exit Flowcrete China.

(b) Reflects the pretax goodwill and intangible asset impairment losses of \$188.3 million related to our Kirker reporting unit. Refer to Note C, "Goodwill and Other Intangible Assets," for further information. Also reflects \$12.3 million pretax charge relating to the Flowcrete decision to exit the Middle East and \$15.0 million in severance expense across all three reportable segments.

Quarterly earnings per share may not total to the yearly earnings per share due to the weighted-average number of shares outstanding in each quarter.

Quarterly Stock Price and Dividend Information

Shares of our common stock are traded on the New York Stock Exchange under the symbol RPM. The high and low sales prices for the shares of common stock, and the cash dividends paid on the common stock, for each quarter of the two most recent fiscal years are set forth in the table below.

Range of Sales Prices and Dividends Paid

Fiscal 2018	High	Low	Dividends paid per share	Fiscal 2017	High	Low	Dividends paid per share
First Quarter	\$56.48	\$47.87	0.300	First Quarter	\$55.71	\$46.53	0.275
Second Quarter	\$55.66	\$48.52	0.320	Second Quarter	\$55.92	\$46.25	0.300
Third Quarter	\$54.73	\$46.80	0.320	Third Quarter	\$55.33	\$50.79	0.300
Fourth Quarter	\$52.65	\$46.36	0.320	Fourth Quarter	\$56.39	\$50.18	0.300

Source: New York Stock Exchange

Cash dividends are payable quarterly, upon authorization of the Board of Directors. Regular payment dates are approximately the last day of July, October, January and April.

The number of holders of record of our common stock as of June 1, 2018 was approximately 20,829, in addition to 117,020 beneficial holders.

Management's Report on Internal Control Over Financial Reporting

The management of RPM International Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. RPM's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of RPM's internal control over financial reporting as of May 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework). Based on this assessment, management concluded that, as of May 31, 2018, RPM's internal control over financial reporting is effective.

The independent registered public accounting firm Deloitte & Touche LLP, has also audited the Company's internal control over financial reporting as of May 31, 2018 and their report thereon is included on page 75 of this report.



Frank C. Sullivan
Chairman and Chief Executive Officer



Russell L. Gordon
Vice President and Chief Financial Officer

July 23, 2018

Reports of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF RPM INTERNATIONAL INC.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of RPM International Inc. and subsidiaries (the “Company”) as of May 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, cash flows, and stockholders’ equity, for each of the three years in the period ended May 31, 2018, and the related notes collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of May 31, 2018, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 23, 2018, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Deloitte & Touche LLP

Cleveland, Ohio

July 23, 2018

We have served as the Company’s auditor since 2016.

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF RPM INTERNATIONAL INC.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of RPM International Inc. and subsidiaries (the "Company") as of May 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended May 31, 2018, of the Company and our report dated July 23, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP

Cleveland, Ohio

July 23, 2018

Stockholder Information

World Headquarters

RPM International Inc.
2628 Pearl Road
P.O. Box 777
Medina, OH 44258
Telephone: 330-273-5090 or 800-776-4488
Fax: 330-225-8743
Website: www.rpminc.com
E-mail: info@rpminc.com

Annual Meeting – *Change of Venue*

RPM stockholders are invited to attend RPM's Annual Meeting, which will be held at 2:00 p.m. EDT on Thursday, October 4, 2018 at the Crowne Plaza Cleveland Airport Hotel, 7230 Engle Road, Middleburg Heights, Ohio. **Note: This is a new venue from previous years.** Directions can be found on the RPM website.

Form 10-K and Other Financial Information

Investors may obtain, at no charge, a copy of the RPM Annual Report to the Securities and Exchange Commission on Form 10-K, a corporate video and other investor information by contacting Kathie M. Rogers, RPM's Manager of Investor Relations, at 800-776-4488.

Form 10-K, other public financial reports and news releases may also be obtained electronically through the website at www.rpminc.com.

Corporate Governance

Copies of the RPM Board of Directors Corporate Governance Guidelines, as well as the Committee Charters and RPM's Governance Documents, are available on the company's website at www.rpminc.com, under "About RPM/Corporate Governance." Copies of these materials are also available, without charge, upon written request to the Secretary of RPM.

Institutional Investor and Security Analyst Inquiries

Security analysts and investment professionals with questions regarding RPM should contact Russell L. Gordon, Vice President and Chief Financial Officer, at 330-273-5090 or rgordon@rpminc.com.

Dividend Payments

Common stock cash dividends are payable quarterly, upon authorization of the Board of Directors. Regular payment dates are typically the 31st of July, October and January and the 30th of April. RPM has increased the cash dividend payments to its stockholders for 44 consecutive years.

Stock Exchange Listing

RPM International Inc. is listed on the New York Stock Exchange under the ticker symbol "RPM."

RPM
LISTED
NYSE

Stock Transfer Agent, Registrar and Dividend Disbursing Agent

EQ maintains RPM's stockholder records and is responsible for disbursing dividend checks. Questions concerning your account, change of address, transfer of ownership, lost certificates, safekeeping of stock certificates, dividend payments, direct deposit of dividends and other related items should be directed to:

EQ Shareowner Services
P.O. Box 64854
St. Paul, MN 55164-0854
Telephone: 800-988-5238 or
651-450-4064 (outside the United States)
Fax: 651-450-4085
Website: www.shareowneronline.com

Certified/Overnight Mail:
EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

Internet Account Access

Stockholders of record may access their accounts via the internet to view their account holdings, change address, complete certain transactions and get answers to other stock-related inquiries through EQ Shareowner Online at www.shareowneronline.com.

Direct Stock Purchase and Dividend Reinvestment Plan

RPM offers a direct stock purchase and dividend reinvestment plan administered by EQ. The plan allows new investors to purchase RPM common stock directly, and existing stockholders to increase their holdings. There is no commission cost for shares purchased. The minimum initial investment is \$200. Additional cash investments must be at least \$25 and not more than \$5,000 per month. For more details on the plan or questions concerning existing Dividend Reinvestment accounts, please contact EQ Shareholder Services (see above).

Independent Registered Public Accounting Firm

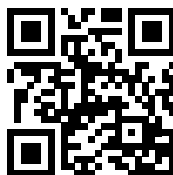
Deloitte & Touche LLP, Cleveland, Ohio

Counsel

Calfee, Halter & Griswold LLP, Cleveland, Ohio

The RPM App

For up-to-date investment information on RPM, download the RPM app for Apple and Android devices. Scan this QR code or visit your app market.



The paper in this annual report is certified to the Forest Stewardship Council® (FSC®) standards. It was tracked through the FSC chain of custody, which means the forest, paper manufacturer, merchant and printer are all FSC certified. The FSC certification is indicative of the highest social and environmental standards for paper use. More information is available at www.us.fsc.org.





Pictured left to right: David A. Daberko, William B. Summers, Jr., Gen. John P. Abizaid, Jenniffer D. Deckard, Robert A. Livingston, John M. Ballbach, Frank C. Sullivan, Craig S. Morford, Salvatore D. Fazzolari, Thomas S. Gross, Kirkland "Kirk" B. Andrews, Bruce A. Carbonari, Julie A. Lagacy, Frederick R. Nance

BOARD OF DIRECTORS

Gen. John P. Abizaid (Retired) (3) – Elected 2008; Senior Partner, JPA Partners LLC (a Nevada-based strategic and analytic consulting firm), and a retired four-star General in the U.S. Army and former commander of the U.S. Central Command

Kirkland B. Andrews (5*) – Appointed 2018; Chief Financial Officer of NRG Energy, Inc., Houston, Texas (an integrated power company)

John M. Ballbach (5) – Appointed 2018; Former Chairman and CEO, VWR International, LLC, Radnor, Pennsylvania (a global laboratory supply and distribution company)

Bruce A. Carbonari (1), (4*), (6) – Elected 2002; retired Chairman and Chief Executive Officer, Fortune Brands, Inc., Deerfield, Illinois (a leading consumer brands company)

David A. Daberko (1), (3*) – Elected 2007; retired Chairman and Chief Executive Officer, National City Corporation, Cleveland, Ohio, now part of PNC Financial Services Group, Inc. (a financial holding company)

Jenniffer D. Deckard (4) – Elected 2015; President and Chief Executive Officer, Covia Holdings Corporation, Independence, Ohio (provider of minerals and materials solutions)

Salvatore D. Fazzolari (1), (2*), – Elected 2013; former Chairman, President and Chief Executive Officer, Harsco Corporation, Camp Hill, Pennsylvania (a diversified global industrial company)

Thomas S. Gross (2), (3), (5) – Elected 2012; retired Vice Chairman and Chief Operating Officer, Electrical Sector of Eaton Corporation plc, Dublin, Ireland (a global diversified power management company)

Julie A. Lagacy (2) – Elected 2017; Vice President, Global Information Services and Chief Information Officer, Caterpillar Inc., Peoria, Illinois (a global manufacturer of construction and mining equipment)

Robert A. Livingston (1), (3), (5*) – Elected 2017; retired President and Chief Executive Officer, Dover Corporation, Downers Grove, Illinois (a diversified global industrial manufacturer)

Craig S. Morford (4) – Elected 2013; Chief Legal and Compliance Officer, Cardinal Health, Inc., Dublin, Ohio (a healthcare services company)

Frederick R. Nance (4) – Elected 2007; Global Managing Partner, Squire Patton Boggs (US) LLP, Cleveland, Ohio (attorneys at law)

Frank C. Sullivan (1*) – Elected 1995; Chairman and Chief Executive Officer, RPM International Inc.

William B. Summers, Jr. (2) – Elected 2004; retired Chairman and Chief Executive Officer, McDonald Investments Inc., Cleveland, Ohio, now part of KeyBanc Capital Markets Inc. (an investment banking and securities firm)

(1) Executive Committee (2) Audit Committee (3) Compensation Committee (4) Governance & Nominating Committee (5) Operating Improvement Committee (6) Lead Director * Chairman of the Committee

OFFICERS

Frank C. Sullivan
Chairman and Chief Executive Officer

Edward W. Moore
Senior Vice President, General Counsel
and Chief Compliance Officer

Russell L. Gordon
Vice President and Chief Financial Officer

Janeen B. Kastner
Vice President – Corporate Benefits
and Risk Management

Kenneth M. Armstrong
Vice President – Environmental,
Health and Safety

Tracy D. Crandall
Vice President and Associate General Counsel

Lonny R. DiRusso
Vice President – Information Technology

Timothy R. Kinser
Vice President – Operations

John F. Kramer
Vice President – Corporate Development

Randell McShepard
Vice President – Public Affairs and
Chief Talent Officer

Matthew T. Ratajczak
Vice President – Global Tax and Treasurer

Melissa A. Schoger
Vice President – Planning and
Financial Analysis

Keith R. Smiley
Vice President – Finance and Controller

Thomas C. Sullivan, Jr.
Vice President – Corporate Development

RETURNING

2.1

percent
approximate
dividend yield

OUTPERFORMING

16

percent by which
RPM's 10-year total return
has outperformed
the S&P 500

INCREASING

44

consecutive years
of cash
dividend increases

DELIVERING

SHAREHOLDER RETURNS

Increase the value of your investment

by participating in RPM's Dividend Reinvestment Plan.
You'll pay no brokerage fees or commissions on purchases.
Learn more at: <http://bit.ly/RPMdrip>

RPM
LISTED
NYSE



RPM INTERNATIONAL INC.

Phone: 330-273-5090
Fax: 330-225-8743

E-mail: info@RPMinc.com
Web: www.RPMinc.com

2628 Pearl Road, P.O. Box 777
Medina, Ohio 44258

CONNECT WITH US ON:

