To Our Shareholders

In general, our sales are holding up well in light of economic conditions and in comparison to our peers. However, negative trends at our Kirker nail enamel business, the closure of a business in the Middle East, currency headwinds and higher benefits costs masked solid performance in our core businesses.

Second-Quarter Results

Net sales of $1.19 billion were up 3.0% over the $1.16 billion reported a year ago. Our loss in the fiscal 2017 second quarter of $70.9 million compares to net income of $83.4 million in the fiscal 2016 second quarter. Our fiscal 2017 second-quarter loss of $0.54 per diluted share compares to earnings per diluted share of $0.62 in the fiscal 2016 second quarter. Our consolidated loss before interest and taxes of $86.4 million decreased from consolidated earnings before interest and taxes (EBIT) of $141.6 million reported in the fiscal 2016 second quarter.

Our fiscal 2017 second quarter included a $188.3 million Kirker impairment charge and a $12.3 million charge related to the decision to exit Flowcrete Middle East, while the fiscal 2016 second quarter included the previously disclosed $14.5 million reversal of Kirker's final earn-out accrual into income. Excluding these items, earnings per diluted share declined 5.5% from $0.55 per share to $0.52 per share, while consolidated EBIT of $114.2 million decreased 10.2% from $127.1 million last year.

We are pleased with the sales growth in the second quarter across each of our three segments, in light of economic conditions and in comparison to our peer companies' recent performance. Even in our more global economically challenged industrial segment businesses, we are generating solid growth in local currencies. Foreign exchange challenges reduced sales across all of our segments by 2.5%. In addition, previously communicated capacity issues in our consumer segment, and higher corporate benefit costs combined to generate lower year-over-year EBIT results, excluding the additional impairment charge and the decision to exit the Flowcrete business in the Middle East. Mid-year restructuring and expense reduction activities and the benefit of first-half acquisitions, along with having addressed a capacity situation at our DAP subsidiary, will allow revenue growth to be better leveraged to our bottom line during the fiscal 2017 fourth quarter and beyond.

Second-Quarter Segment Sales and Earnings

During the fiscal 2017 second quarter, our industrial segment sales increased 1.6%, to $633.4 million from $623.3 million in the fiscal 2016 second quarter. Industrial segment EBIT declined 20.4% to $52.2 million, from $65.6 million in the fiscal 2016 second quarter. Industrial segment EBIT included the impact of the $12.3 million charge related to the decision to close the polymer flooring business in the Middle East. Excluding this charge, industrial segment EBIT was down 1.7% to $64.5 million from $65.6 million last year, due to unfavorable mix. Industrial sales remained choppy by geography and have continued to be negatively impacted by weakness in the global oil and gas and heavy equipment industries, along with continued currency headwinds.

Second-quarter sales for our specialty segment increased 5.7%, to $183.6 million from $173.6 million in the fiscal 2016 second quarter. Specialty segment EBIT improved 10.6%, to $31.0 million from $28.1 million a year ago. Most of our core specialty businesses, particularly U.S.-based restoration and exterior insulation and finish systems (EIFS) product lines, had solid performance in the quarter. The specialty segment also benefited from several recent smaller acquisitions.

Our fiscal 2017 second-quarter consumer segment sales increased 4.1%, to $373.8 million from $359.1 million a year ago. The segment reported a loss before interest and taxes of $140.6 million, which was a decline from EBIT of $65.4 million reported last year. As previously disclosed, fiscal 2016 second-quarter consumer EBIT included the $14.5 million reversal of Kirker's final earn-out accrual into income. During the current year, certain negative trends in the Kirker business led to a loss of several customers and market share, along with a downward revision to long-term forecasts, which were determined to represent an impairment triggering event, and, after additional testing, resulted in an impairment charge totaling $188.3 million. Excluding these Kirker items, consumer segment EBIT declined 6.2%, from $50.9 million in fiscal 2016 to $47.7 million in the fiscal 2017 second quarter, principally due to a decline in Kirker's current operating results.

During the quarter, our core U.S. consumer businesses, excluding Kirker, performed very well, and capitalized on market share gains, a strengthening domestic housing market and good growth by our retail accounts to deliver solid organic growth. Sales in these businesses were up 6.4%, net of unfavorable currency translation. Supply issues in caulks and sealants were resolved by the end of the quarter, while significant capital investments are in process to increase capacity. Certain inefficiencies lingered in the second quarter that related to the caulks and sealants supply issues, which translated into a less favorable conversion to EBIT than would normally be the case. Both Rust-Oleum and DAP invested heavily in advertising and promotional activities in the quarter to support their brands and new product placements achieved during the past year.

Cash Flow and Financial Position

For the first half of fiscal 2017, our cash from operations was $158.7 million, compared to $167.1 million a year ago. Capital expenditures of $48.0 million compared to $31.3 million during the first half of last year. Total debt at November 30, 2016 was $1.64 billion, compared to $1.66 billion at November 30, 2015 and $1.64 billion at May 31, 2016. Our net (of cash) debt-to-total capitalization ratio was 52.8%, compared to 53.3% at November 30, 2015. At November 30, 2016, our liquidity stood at $956.0 million, including cash of $206.0 million and $750.0 million in long-term committed available credit.

First-Half Sales and Earnings

Our fiscal 2017 first-half net sales improved 1.8%, to $2.44 billion from $2.40 billion during the first six months of fiscal 2016. Net income declined to $41.8 million from $183.2 million in the fiscal 2016 first half. Diluted earnings per share were $0.32, down from $1.36 a year ago. EBIT of $81.0 million declined 73.2% from $302.2 million reported last

Continued on inside page

Quarterly Report 2

RPM International Inc.

Second-Quarter Report

For Period Ended November 30, 2016

- Second-quarter sales improve 3.0%
- Net loss for the quarter of $70.9 million due to charges
- Currency headwinds and higher benefits costs mask core business improvement
- Recent acquisitions to add approximately $175 million in annualized sales

The Value of 168®

year. Excluding the Kirker items in both years and the Flowcrete charge in fiscal 2017, diluted earnings per share were $1.35, an increase of 4.7% from $1.29 last year and consolidated EBIT was $281.6 million, a decrease of 2.1% from $287.7 million last year.

First-Half Segment Sales and Earnings

Our industrial segment fiscal 2017 first-half sales were up 0.7%, to $1.31 billion from $1.30 billion in the fiscal 2016 first half. EBIT of $143.3 million declined 5.4% from $151.6 million in the first half last year. Excluding the Flowcrete Middle East charge, industrial segment EBIT increased 2.7%, to $155.6 million.

Our specialty segment sales grew 4.8%, to $359.9 million from $343.5 million in the 2016 first half. For the first half of fiscal 2017, specialty segment EBIT increased 13.0%, to $61.4 million from $54.3 million a year ago.

First-half sales for our consumer segment improved 2.5%, to $773.7 million from $754.6 million a year ago. The consumer segment reported a loss before interest and taxes of $70.5 million, which was a decline from EBIT of $131.5 million in the first half of fiscal 2016. Excluding the Kirker impairment charge from fiscal 2017 and the Kirker earn-out reversal in fiscal 2016, consumer segment EBIT increased 0.8%, to $117.8 million during the first half of fiscal 2017 from $117.0 million in the prior period.

Cash Dividend

Our board of directors approved a quarterly cash dividend payment of $0.30 per common share, payable January 31, 2017, to shareholders of record as of January 16, 2017. Directors increased the quarterly cash dividend by 9.1% at their meeting on October 6, 2016, marking the 43rd consecutive year of annual cash dividend increases.

Six Recent Acquisitions to Boost Revenue $175 Million

During our second quarter and into the third quarter, we acquired six businesses with sales of $175 million annually, bringing total acquisition revenue for the 2017 fiscal year to date to $221 million. These included:

- Adhere Industrial Tapes Ltd., a $6 million producer of foam tapes used in construction and industrial applications;
- SPS Group, a $60 million Dutch decorative and specialty coatings company;
- The $60 million foam division of Clayton Corporation;
- Prochem, a $22 million manufacturer of equipment and specialty chemicals for cleaning and restoring carpet, upholstery and hard flooring surfaces;
- Arnette Polymers, LLC, a manufacturer of resins, hardeners, curing agents and other intermediaries with annual sales of $20 million (excluding sales to RPM companies); and
- Prime Resins, a $7 million manufacturer of specialty chemicals and equipment for infrastructure construction and repair.

Business Outlook

While the second quarter was clearly a tough one, we are encouraged by our future outlook as a result of:

- Investments made in our brands with advertising support and plant capacity to foster continued organic growth,
- Significantly increased acquisition activity, and
- Expense reductions through the closure of unprofitable facilities, such as Flowcrete Middle East and the European facility that will close in the third quarter.

As for our near-term outlook for the remainder of fiscal 2017, due to further declines in the euro and British pound versus the U.S. dollar, we are anticipating an increase in currency headwinds for the fiscal year from our original estimate of $0.06 per share to $0.10 per share, along with an increase in pension expense from our original $0.05 per share to $0.07 per share for the 2017 fiscal year. Recent acquisitions are expected to reduce EPS in the third quarter due to stepped-up inventory and other one-time transaction costs, but be accretive for the fourth quarter. We are anticipating a restructuring charge in Europe in the third quarter of fiscal 2017, which will reduce diluted earnings per share by approximately $0.05 per share. As a result, we are revising our EPS full-year guidance to a range of $1.54 to $1.64 per diluted share, which includes the $0.09 per share Flowcrete Middle East charge, the $0.94 per share Kirker charge, the third-quarter estimated restructuring charge of $0.05 per share, as well as $0.04 per share of higher currency headwinds and $0.02 per share of higher pension expense. Excluding the charge for the Kirker impairment, Flowcrete Middle East exit, and the estimated third-quarter restructuring in Europe, our fiscal 2017 full-year adjusted EPS guidance is $2.62 to $2.72.

I appreciate the continued efforts and dedication of our employees around the world, who are delivering superior growth in this challenging global economy, and want to thank you for your continued interest and investment in RPM.

Sincerely yours,

Frank C. Sullivan
Chairman and Chief Executive Officer

January 23, 2017

The Value of 168®

The Value of 168 is a statement of the corporate philosophy of RPM. This figure, often cited by our founder, Frank C. Sullivan, literally represents the number of hours in a week. On a deeper level, it serves to remind us of his belief that we are born with two great gifts: life and the time to do something with it.

The Value of 168 signifies RPM's enduring commitment to our fellow employees, customers and stockholders. This commitment springs from an ethos woven into our culture. It is evident in the stimulus of a work environment characterized by empowerment, accountability, opportunity and respect. The care that goes into building and sustaining long-term relationships with those we serve. The refusal to compromise on quality. The integrity that ensures results the right way.

The Value of 168 is the essence of RPM.

CONSOLIDATED STATEMENTS OF INCOME

IN THOUSANDS, EXCEPT PER SHARE DATA *(Unaudited)*

	Three Months Ended November 30,		Six Months Ended November 30,	
	2016	2015	2016	2015
Net Sales	$ 1,190,770	$ 1,155,984	$ 2,442,833	$ 2,398,510
Cost of sales	669,089	662,050	1,369,110	1,371,618
Gross profit	521,681	493,934	1,073,723	1,026,892
Selling, general & administrative expenses	419,494	352,594	803,579	725,448
Goodwill and other intangible asset impairments	188,298		188,298	
Interest expense	22,905	22,478	45,683	44,938
Investment (income), net	(2,416)	(1,100)	(6,254)	(5,168)
Other expense (income), net	257	(299)	799	(788)
(Loss) income before income taxes	(106,857)	120,261	41,618	262,462
(Benefit) provision for income taxes	(36,601)	36,112	(1,520)	77,951
Net (loss) income	(70,256)	84,149	43,138	184,511
Less: Net income attributable to noncontrolling interests	670	716	1,295	1,263
Net (loss) income attributable to RPM International Inc. Stockholders	$ (70,926)	$ 83,433	$ 41,843	$ 183,248
(Loss) Earnings per share of common stock attributable to RPM International Inc. Stockholders:				
Basic	$ (0.54)	$ 0.63	$ 0.32	$ 1.39
Diluted	$ (0.54)	$ 0.62	$ 0.32	$ 1.36
Average shares of common stock outstanding - basic	130,695	129,398	130,647	129,723
Average shares of common stock outstanding - diluted	130,695	136,734	130,647	137,072

SUPPLEMENTAL INFORMATION

RECONCILIATION OF "REPORTED" TO "ADJUSTED" AMOUNTS *(Unaudited)*

	Three Months Ended November 30,		Six Months Ended November 30,	
	2016	2015	2016	2015
Reconciliation of Reported Earnings (Loss) per Diluted Share to Adjusted Earnings per Diluted Share:				
Reported (Loss) Earnings per Diluted Share	$ (0.54)	$ 0.62	$ 0.32	$ 1.36
Charge to exit Flowcrete Middle East (e)	0.09		0.09	
Kirker impairment (f)	0.97		0.94	
Reversal of Kirker earnout (g)		(0.07)		(0.07)
Adjusted Earnings per Diluted Share	$ 0.52	$ 0.55	$ 1.35	$ 1.29

(e) Charges related to Flowcrete decision to exit the Middle East.
(f) Reflects the impact of goodwill and other intangible asset impairment charge of $188.3 million related to our Kirker reporting unit.
(g) Reflects the reversal of contingent obligations for earnout targets that were not met at our Kirker reporting unit.

	Fiscal Year Ending May 31, 2017	
Estimated Full-Year Earnings Per Share Reconciliation:	Low End	High End
Fiscal 2017 EPS issued July 2016	$ 2.68	$ 2.78
Additional foreign currency headwind	(0.04)	(0.04)
Additional pension expense	(0.02)	(0.02)
Revised 2017 EPS excluding Kirker, Middle East/Europe charges	2.62	2.72
Kirker impairment charge	(0.94)	(0.94)
Flowcrete Middle East charge	(0.09)	(0.09)
Estimated third-quarter restructuring charge in Europe	(0.05)	(0.05)
Revised 2017 EPS	$ 1.54	$ 1.64

CONSOLIDATED BALANCE SHEETS

IN THOUSANDS *(Unaudited)*

	November 30, 2016		November 30, 2015		May 31, 2016	
Assets						
Current Assets						
Cash and cash equivalents		$ 205,907		$ 190,609		$ 265,152
Trade accounts receivable	881,723		841,924		987,692	
Allowance for doubtful accounts	(40,909)		(25,110)		(24,600)	
Net trade accounts receivable		840,814		816,814		963,092
Inventories		762,167		710,282		685,818
Deferred income taxes		-		28,620		-
Prepaid expenses and other current assets		232,217		262,096		221,286
Total current assets		2,041,105		2,008,421		2,135,348
Property, Plant and Equipment, at Cost		1,353,282		1,262,062		1,344,830
Allowance for depreciation		(714,353)		(687,426)		(715,377)
Property, plant and equipment, net		638,929		574,636		629,453
Other Assets						
Goodwill		1,085,763		1,187,204		1,219,630
Other intangible assets, net of amortization		521,198		577,324		575,401
Deferred income taxes, non-current		59,619		2,902		19,771
Other		200,847		155,209		185,366
Total other assets		1,867,427		1,922,639		2,000,168
Total Assets		$ 4,547,461		$ 4,505,696		$ 4,764,969
Liabilities and Stockholders' Equity						
Current Liabilities						
Accounts payable		$ 429,941		$ 396,896		$ 500,506
Current portion of long-term debt		3,880		2,593		4,713
Accrued compensation and benefits		126,097		119,482		183,768
Accrued losses		33,846		22,468		35,290
Other accrued liabilities		292,849		197,229		277,914
Total current liablities		886,613		738,668		1,002,191
Long-Term Liabilities						
Long-term debt, less current maturities		1,634,967		1,660,935		1,635,260
Other long-term liabilities		701,091		732,467		702,979
Deferred income taxes		41,456		81,402		49,791
Total long-term liabilities		2,377,514		2,474,804		2,388,030
Total liabilities		3,264,127		3,213,472		3,390,221
Commitments and contingencies						
Stockholders' Equity						
Preferred stock; none issued						
Common stock (outstanding 133,576; 133,318; 132,944)		1,336		1,333		1,329
Paid-in capital		938,963		887,650		921,956
Treasury stock, at cost		(215,936)		(170,220)		(196,274)
Accumulated other comprehensive (loss)		(555,541)		(477,470)		(502,047)
Retained earnings		1,112,610		1,048,968		1,147,371
Total RPM International Inc. stockholders' equity		1,281,432		1,290,261		1,372,335
Noncontrolling interest		1,902		1,963		2,413
Total equity		1,283,334		1,292,224		1,374,748
Total Liabilities and Stockholders' Equity		$ 4,547,461		$ 4,505,696		$ 4,764,969

Consolidated Statements of Cash Flows

IN THOUSANDS (UNAUDITED)

	Six Months Ended November 30, 2016	Six Months Ended November 30, 2015
Cash Flows From Operating Activities:		
Net income	$ 43,138	$ 184,511
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	35,568	33,509
Amortization	22,111	22,144
Goodwill and other intangible asset impairments	188,298	
Reversal of contingent consideration obligations		(14,500)
Deferred income taxes	(59,363)	(680)
Stock-based compensation expense	17,013	15,524
Other non-cash interest expense	4,964	4,862
Realized (gain) on sales of marketable securities	(3,698)	(4,418)
Other	(47)	1,441
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	110,871	117,358
(Increase) in inventory	(81,586)	(49,781)
(Increase) decrease in prepaid expenses and other current and long-term assets	(20,876)	4,617
(Decrease) in accounts payable	(69,518)	(105,841)
(Decrease) in accrued compensation and benefits	(55,662)	(45,649)
(Decrease) increase in accrued losses	(899)	715
Increase in other accrued liabilities	28,057	7,375
Other	361	(4,114)
Cash Provided By Operating Activities	158,732	167,073
Cash Flows From Investing Activities:		
Capital expenditures	(48,049)	(31,295)
Acquisition of businesses, net of cash acquired	(65,201)	(12,006)
Purchase of marketable securities	(25,142)	(14,213)
Proceeds from sales of marketable securities	24,588	11,737
Other	956	5,355
Cash (Used For) Investing Activities	(112,848)	(40,422)
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	76,369	38,765
Reductions of long-term and short-term debt	(73,588)	(18,774)
Cash dividends	(76,604)	(71,276)
Shares of common stock repurchased and returned for taxes	(19,663)	(45,292)
Payments of acquisition-related contingent consideration	(4,130)	(1,631)
Other	(1,365)	270
Cash (Used For) Financing Activities	(98,981)	(97,938)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(6,148)	(12,815)
Net Change in Cash and Cash Equivalents	(59,245)	15,898
Cash and Cash Equivalents at Beginning of Period	265,152	174,711
Cash and Cash Equivalents at End of Period	$ 205,907	$ 190,609

Supplemental Segment Information

IN THOUSANDS (*Unaudited*)

	Three Months Ended November 30, 2016	Three Months Ended November 30, 2015	Six Months Ended November 30, 2016	Six Months Ended November 30, 2015
Net Sales:				
Industrial Segment	$ 633,429	$ 623,305	$ 1,309,269	$ 1,300,413
Specialty Segment	183,567	173,625	359,903	343,486
Consumer Segment	373,774	359,054	773,661	754,611
Total	$ 1,190,770	$ 1,155,984	$ 2,442,833	$ 2,398,510
Income Before Income Taxes (a):				
Industrial Segment				
Income Before Income Taxes (b)	$ 50,291	$ 64,008	$ 139,557	$ 148,476
Interest (Expense), Net (c)	(1,906)	(1,558)	(3,743)	(3,081)
EBIT (d)	52,197	65,566	143,300	151,557
Charge to exit Flowcrete Middle East (e)	12,275		12,275	
Adjusted EBIT	$ 64,472	$ 65,566	$ 155,575	$ 151,557
Specialty Segment				
Income Before Income Taxes (b)	$ 31,160	$ 28,278	$ 61,664	$ 54,767
Interest Income, Net (c)	137	222	290	442
EBIT (d)	$ 31,023	$ 28,056	$ 61,374	$ 54,325
Consumer Segment				
(Loss) Income Before Income Taxes (b)	$ (140,575)	$ 65,429	$ (70,487)	$ 131,552
Interest (Expense) Income, Net (c)	(19)	42	(22)	100
EBIT (d)	(140,555)	65,387	(70,465)	131,452
Kirker impairment (f)	188,298		188,298	
Reversal of Kirker earnout (g)		(14,500)		(14,500)
Adjusted EBIT	$ 47,743	$ 50,887	$ 117,833	$ 116,952
Corporate/Other				
(Expense) Before Income Taxes (b)	$ (47,733)	$ (37,454)	$ (89,116)	$ (72,333)
Interest (Expense), Net (c)	(18,701)	(20,084)	(35,954)	(37,231)
EBIT (d)	$ (29,032)	$ (17,370)	$ (53,162)	$ (35,102)
Consolidated				
(Loss) Income Before Income Taxes (b)	$ (106,857)	$ 120,261	$ 41,618	$ 262,462
Interest (Expense), Net (c)	(20,489)	(21,378)	(39,429)	(39,770)
EBIT (d)	(86,368)	141,639	81,047	302,232
Charge to exit Flowcrete Middle East (e)	12,275		12,275	
Kirker impairment (f)	188,298		188,298	
Reversal of Kirker earnout (g)		(14,500)		(14,500)
Adjusted EBIT	$ 114,205	$ 127,139	$ 281,620	$ 287,732

(a) Prior period information has been recast to reflect the current period change in reportable segments.
(b) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by Generally Accepted Accounting Principles in the United States (GAAP), to EBIT.
(c) Interest income (expense), net includes the combination of interest income (expense) and investment income (expense), net.
(d) EBIT 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. For that reason, we believe EBIT is also useful to investors 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.
(e) Charges related to Flowcrete decision to exit the Middle East.
(f) Reflects the impact of goodwill and other intangible asset impairment charge of $188.3 million related to our Kirker reporting unit.
(g) Reflects the reversal of contingent obligations for earnout targets that were not met at our Kirker reporting unit.

RPM International Inc. (NYSE) owns subsidiaries that are world leaders in coatings, sealants and building materials. It is comprised of three business segments: industrial, specialty and consumer. Among its many products are small project paints, primer-sealers, wood stains, corrosion control coatings, flooring coatings, caulks, sealants, adhesives, fluorescent pigments, roofing systems, concrete admixtures and other construction chemicals. RPM's leading brands include Rust-Oleum, DAP, Varathane, Zinsser, Tremco, Stonhard, Carboline, Day-Glo, Dryvit and Pettit.

Download 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.

RPM International Inc.
P.O. Box 777, Medina, Ohio 44258
330-273-5090 • 800-776-4488
FAX 330-225-8743
www.rpminc.com
www.twitter.com/RPMintl
E-mail: info@rpminc.com