

To Our Shareholders

We are pleased with our results for the third quarter ended February 29, 2012, during which our operations delivered exceptional performance in generating market share gains and improved demand that produced marked increases in net sales, net income and diluted earnings per share.

Third-Quarter Results

Net sales, net income and earnings per share for the third quarter all posted strong improvements versus prior-year results in what is typically our seasonally weak period. Net sales grew 14.0% to \$773.6 million from \$678.9 million, while consolidated earnings before interest and taxes (EBIT) grew 99.8%, to \$27.1 million from \$13.6 million a year ago. Net income attributable to RPM stockholders increased 503.9% to \$6.6 million, compared to \$1.1 million in the year-ago period. Diluted earnings per share were \$0.05, compared to \$0.01 in the fiscal 2011 third quarter.

Third-Quarter Segment Sales and Earnings

Industrial segment sales grew 11.8% to \$501.9 million in the fiscal 2012 third quarter from \$449.1 million a year ago. Organic sales improved 5.0%, including a 2.0% decline attributable to foreign exchange, while acquisition growth added 6.8%. Industrial segment EBIT increased 56.9%, to \$21.3 million from \$13.6 million in the fiscal 2011 third quarter.

Most of our industrial product lines, both domestically and in Europe, posted gains in sales and EBIT, with high-performance industrial coatings and maintenance products continuing to perform exceptionally well. Overall unit volume in the segment was up more than 5%. Some units serving commercial construction markets, notably concrete admixtures and construction sealants, had sharp improvements over the prior year. We are heartened by the sales improvements by most of our businesses serving commercial construction, as depressed conditions in that market have challenged us for the past three years.

Our consumer segment enjoyed an 18.2% increase in net sales to \$271.7 million from \$229.8 million in the fiscal 2011 third quarter, including a 17.9% gain in organic sales, which included a 0.6% decline due to unfavorable foreign exchange, while acquisition growth contributed 0.3%. Consumer segment EBIT increased 34.4%, to \$21.5 million from \$16.0 million a year ago.

Our consumer segment benefited from the introduction of new products, market share gains and increased consumer spending. The strong, double-digit growth in our consumer businesses also resulted from the mild weather in contrast to last year's extended cold and snowy winter season.

Cash Flow and Financial Position

For the first nine months of fiscal 2012, cash from operations was \$153.5 million, compared to \$191.0 million in the first nine months of fiscal 2011. Capital expenditures during the current nine-month period of \$34.4 million compare to depreciation of \$38.8 million over the same time. Total debt at the end of the first nine months was \$1.1 billion, approximately equal to the level at the end of fiscal 2011 and compared to \$935.7 million at the end of the third quarter of fiscal 2011. Our net (of cash) debt-to-total capitalization ratio was 39.6%, compared to 34.8% at May 31, 2011, and both remain at the low end of our historic norms.

We continue to utilize our strong cash and liquidity position to support acquisitions that will enhance the geographic footprint and product line offerings of our operating companies and add strategic platforms to our operating groups. At February 29, 2012, liquidity, including cash and long-term committed available credit, stood at \$733.3 million.

Nine-Month Sales and Earnings

Fiscal 2012 nine-month net sales, net income and diluted earnings per share all posted double-digit gains. Net sales increased 11.5% to \$2.68 billion from \$2.40 billion during the first nine months of fiscal 2011. Consolidated EBIT increased 14.1% to \$256.6 million from \$225.0 million during the first nine months of fiscal 2011. Net income attributable to RPM stockholders grew 12.2% to \$133.4 million from \$118.9 million a year ago. Diluted earnings per share attributable to RPM stockholders improved 12.1% to \$1.02 from \$0.91 in fiscal 2011.

Nine-Month Segment Sales and Earnings

Sales for our industrial segment increased 10.8%, to \$1.81 billion from \$1.63 billion in the fiscal 2011 first nine months. The organic sales increase was 6.8%, including foreign exchange gains of 1.2%, while acquisition growth added 4.0%. Industrial segment EBIT grew 16.0% to \$192.0 million from \$165.6 million in the first nine months of fiscal 2011.

In the consumer segment, nine-month sales increased 12.9% to \$865.2 million from \$766.2 million reported in the first nine months of fiscal 2011. Organic sales increased by 12.8%, including foreign exchange gains of 0.6%, and acquisition growth added 0.1%. Consumer segment EBIT improved 8.0%, to \$99.7 million from \$92.3 million in the first nine months a year ago.

Acquisition Completed

Subsequent to the quarter's end, on April 4, 2012, our Rust-Oleum Group acquired HiChem Paint Technologies Pty. Ltd., a \$23 million Australian manufacturer of automotive aftermarket coatings, as well as specialty coatings for industrial applications and home maintenance. The transaction is expected to be accretive to earnings within one year and represents the sixth acquisition we have completed this fiscal year. On an annualized basis, these six acquisitions represent about \$190 million in sales.

Quarterly Dividend Declared

On April 3, 2012, our board of directors declared a regular quarterly cash dividend of \$0.215 per share, payable on April 30, 2012 to stockholders of record as of April 13, 2012. Our last cash dividend increase of 2.4% in October 2011 marked the 38th consecutive year of increased cash dividends paid to RPM stockholders, which places RPM in an

Continued on inside page

- Third-quarter net sales increase 14% over prior year
- Net income up five-fold
- New CFO elected
- New director appointed to board

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.

elite category of less than half of one percent of all 19,000 publicly-traded U.S. companies. Only 46 other companies, besides RPM, have consecutively paid an increasing annual dividend for this period of time or longer, according to the 2012 edition of the *Mergent Handbook of Dividend Achievers*. At a share price of \$26.00, RPM's dividend yield would be 3.3%.

Investor Relations App Launched

Always looking to stay on the forefront of transparent investor communication, I'm pleased to announce that investors using iPhone and iPad devices can keep up-to-date on the latest news and investment information from RPM with our full-featured investor relations app. Launched on March 19, 2012, it provides access to RPM stock information, news updates, annual and quarterly reports, management bios and more. It can be downloaded from the Mac App Store at <http://itunes.apple.com/us/app/rpm-investor-relations/id505573609>.

New CFO Elected; Finance Department Realigned

The RPM board of directors elected Russell L. Gordon, formerly vice president – corporate planning, as vice president and chief financial officer, effective April 10, 2012. In this role, he will oversee all of our finance functions. During his 17 years with RPM, Rusty has developed an extensive knowledge of our individual operating companies, their businesses, markets, products and financial results.

Rusty is replacing Robert L. Matejka, our senior vice president and chief financial officer, who will retire at our fiscal year end on May 31, 2012. Bob joined RPM in 2000 and was promoted to CFO in 2002 when revenues were \$1.9 billion and net income was \$101 million. Since then, revenues have grown by approximately 80%, driving earnings growth of 90% despite numerous economic and regulatory challenges. I would like to thank him for his tremendous dedication and service to RPM during his 12-year tenure.

In conjunction with Rusty's promotion to CFO, Keith R. Smiley, formerly vice president – treasurer and assistant secretary, was promoted to vice president – finance and controller and will lead the vast majority of the professionals in our finance department. Matthew T. Ratajczak, formerly vice president – global tax, assumed a number of Keith's banking and treasury activities, along with the title of vice president – global tax and treasurer. Barry M. Slifstein, formerly vice president and controller, will assume the title of vice president – investor relations and planning. He'll be actively involved in communicating with our investors and in analyzing our financial performance, for both external reporting and internal management of our operating companies.

New Director Appointed to Board

On April 17, 2012, Thomas S. Gross, vice chairman and chief operating officer for the Electrical Sector of Eaton Corporation, was appointed to our board of directors. He replaces Donald K. Miller, who is retiring after 40 years of service to RPM.

Tom will complete Don's term as a Class II member of the RPM board and serve on the audit committee. His term will expire on October 4, 2012, at which time he will stand for re-election at our annual shareholders meeting. We expect to benefit greatly from Tom's extensive experience and counsel and welcome him to the board.

Don has been an invaluable asset to RPM and I extend my sincere gratitude to him for his many contributions. His keen insight and diverse perspective have played a large role in RPM's growth and success during the past four decades.

Business Outlook

With our fiscal 2012 fourth quarter well under way, we anticipate industrial segment sales growth in the quarter of 11% to 12% and growth in our consumer segment at a more modest 5% to 6%, all over last year's very strong fourth-quarter results. This continued positive momentum makes us comfortable in maintaining our original guidance of diluted earnings per share growth of 10% to 15%, or \$1.60 to \$1.65 per share, for the 2012 fiscal year.

Assuming continuing economic improvement in our core North American markets and stable economies throughout Europe, along with the market share gains and momentum shown by our operating companies and the positive impact of our recent acquisitions, we are highly confident that fiscal 2013 will be another year of improved sales, earnings and earnings per share growth for RPM. Our guidance for the 2013 fiscal year will be issued when we report fiscal 2012 year-end results on July 23, 2012.

I would like to thank the RPM associates worldwide for their dedication and commitment. Their efforts have produced record levels of growth in sales and earnings, gains in market share and excitement in new opportunities for expansion around the world. I would also like to thank you, our shareholders, for your investment in RPM. We remain dedicated to making your investment a growing and rewarding one.

Sincerely yours,



Frank C. Sullivan
Chairman and Chief Executive Officer

April 30, 2012

CONSOLIDATED STATEMENTS OF INCOME

IN THOUSANDS, EXCEPT PER SHARE DATA (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Net Sales	\$ 773,643	\$ 678,920	\$ 2,675,646	\$ 2,400,073
Cost of sales	470,443	409,402	1,593,799	1,415,632
Gross profit	303,200	269,518	1,081,847	984,441
Selling, general & administrative expenses	277,456	256,676	833,553	761,366
Interest expense	17,897	16,502	53,612	49,012
Investment (income), net	(2,190)	(4,903)	(3,259)	(11,189)
Other (income), net	(1,399)	(746)	(8,369)	(1,945)
Income before income taxes	11,436	1,989	206,310	187,197
Provision for income taxes	3,512	796	61,127	57,507
Net income	7,924	1,193	145,183	129,690
Less: Net income attributable to noncontrolling interests	1,299	96	11,816	10,806
Net income attributable to RPM International Inc. Stockholders	<u>\$ 6,625</u>	<u>\$ 1,097</u>	<u>\$ 133,367</u>	<u>\$ 118,884</u>
Earnings per share of common stock attributable to RPM International Inc. Stockholders:				
Basic	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 1.02</u>	<u>\$ 0.92</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 1.02</u>	<u>\$ 0.91</u>
Average shares of common stock outstanding - basic	128,121	127,166	128,072	127,383
Average shares of common stock outstanding - diluted	130,377	129,442	128,627	128,020

CONSOLIDATED BALANCE SHEETS

IN THOUSANDS

	February 29, 2012 <i>(Unaudited)</i>	February 28, 2011 <i>(Unaudited)</i>	May 31, 2011
Assets			
Current Assets			
Cash and cash equivalents	\$ 272,178	\$ 275,479	\$ 435,011
Trade accounts receivable	640,780	566,355	740,460
Allowance for doubtful accounts	(27,381)	(22,485)	(27,597)
Net trade accounts receivable	613,399	543,870	712,863
Inventories	517,172	472,984	463,120
Deferred income taxes	16,438	21,434	17,764
Prepaid expenses and other current assets	265,245	217,962	239,212
Total current assets	<u>1,684,432</u>	<u>1,531,729</u>	<u>1,867,970</u>
Property, Plant and Equipment, at Cost	1,044,980	978,169	998,245
Allowance for depreciation and amortization	(642,199)	(596,691)	(608,218)
Property, plant and equipment, net	<u>402,781</u>	<u>381,478</u>	<u>390,027</u>
Other Assets			
Goodwill	869,557	824,413	831,489
Other intangible assets, net of amortization	349,533	314,368	312,867
Other	107,782	103,770	112,676
Total other assets	<u>1,326,872</u>	<u>1,242,551</u>	<u>1,257,032</u>
Total Assets	<u>\$ 3,414,085</u>	<u>\$ 3,155,758</u>	<u>\$ 3,515,029</u>
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$ 287,363	\$ 264,539	\$ 358,790
Current portion of long-term debt	3,238	2,867	2,549
Accrued compensation and benefits	133,427	127,964	156,981
Accrued loss reserves	52,200	64,885	57,645
Other accrued liabilities	147,080	144,398	159,324
Total current liabilities	<u>623,308</u>	<u>604,653</u>	<u>735,289</u>
Long-Term Liabilities			
Long-term debt, less current maturities	1,099,460	932,839	1,106,304
Other long-term liabilities	218,740	256,265	224,026
Deferred income taxes	73,373	55,331	62,042
Total long-term liabilities	<u>1,391,573</u>	<u>1,244,435</u>	<u>1,392,372</u>
Total liabilities	<u>2,014,881</u>	<u>1,849,088</u>	<u>2,127,661</u>
Stockholders' Equity			
Preferred stock; none issued			
Common stock (outstanding 131,488; 130,430; 130,580)	1,315	1,304	1,306
Paid-in capital	750,386	745,514	735,245
Treasury stock, at cost	(69,068)	(62,430)	(62,495)
Accumulated other comprehensive income (loss)	(46,965)	(13,122)	6,073
Retained earnings	632,530	540,258	583,035
Total RPM International Inc. stockholders' equity	<u>1,268,198</u>	<u>1,211,524</u>	<u>1,263,164</u>
Noncontrolling interest	131,006	95,146	124,204
Total equity	<u>1,399,204</u>	<u>1,306,670</u>	<u>1,387,368</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,414,085</u>	<u>\$ 3,155,758</u>	<u>\$ 3,515,029</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

IN THOUSANDS (UNAUDITED)

	Nine Months Ended	
	February 29, 2012	February 28, 2011
Cash Flows From Operating Activities:		
Net income	\$ 145,183	\$ 129,690
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	38,800	39,482
Amortization	15,903	15,049
Deferred income taxes	(3,025)	5,831
Stock-based compensation expense	9,873	8,769
Other	(6,127)	(308)
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	128,391	98,554
(Increase) in inventory	(25,399)	(81,387)
(Increase) in prepaid expenses and other current and long-term assets	(1,115)	(15,564)
(Decrease) in accounts payable	(87,199)	(38,356)
(Decrease) in accrued compensation and benefits	(28,222)	(9,509)
(Decrease) in accrued loss reserves	(5,896)	(958)
(Decrease) increase in other accrued liabilities	(40,013)	25,284
Other	12,300	14,407
Cash From Operating Activities	<u>153,454</u>	<u>190,984</u>
Cash Flows From Investing Activities:		
Capital expenditures	(34,438)	(21,737)
Acquisition of businesses, net of cash acquired	(151,180)	(38,972)
Purchase of marketable securities	(58,853)	(71,556)
Proceeds from sales of marketable securities	43,894	63,369
Investments in unconsolidated subsidiaries	(9,828)	
Other	8,077	2,347
Cash (Used For) Investing Activities	<u>(202,328)</u>	<u>(66,549)</u>
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	22,148	37,831
Reductions of long-term and short-term debt	(39,484)	(30,739)
Cash dividends	(83,871)	(81,189)
Repurchase of stock	(6,574)	(21,759)
Exercise of stock options	6,151	8,053
Cash (Used For) Financing Activities	<u>(101,630)</u>	<u>(87,803)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>(12,329)</u>	<u>23,492</u>
Net Change in Cash and Cash Equivalents	<u>(162,833)</u>	<u>60,124</u>
Cash and Cash Equivalents at Beginning of Period	<u>435,011</u>	<u>215,355</u>
Cash and Cash Equivalents at End of Period	<u>\$ 272,178</u>	<u>\$ 275,479</u>

SUPPLEMENTAL SEGMENT INFORMATION

IN THOUSANDS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Net Sales:				
Industrial Segment	\$ 501,925	\$ 449,092	\$ 1,810,479	\$ 1,633,914
Consumer Segment	271,718	229,828	865,167	766,159
Total	<u>\$ 773,643</u>	<u>\$ 678,920</u>	<u>\$ 2,675,646</u>	<u>\$ 2,400,073</u>
Income Before Income Taxes (b):				
Industrial Segment				
Income Before Income Taxes (a)	\$ 20,422	\$ 12,603	\$ 189,192	\$ 162,754
Interest (Expense), Net (b)	(874)	(968)	(2,856)	(2,837)
EBIT (c)	<u>\$ 21,296</u>	<u>\$ 13,571</u>	<u>\$ 192,048</u>	<u>\$ 165,591</u>
Consumer Segment				
Income Before Income Taxes (a)	\$ 21,531	\$ 16,002	\$ 99,796	\$ 92,381
Interest (Expense), Net (b)	36	3	51	33
EBIT (c)	<u>\$ 21,495</u>	<u>\$ 15,999</u>	<u>\$ 99,745</u>	<u>\$ 92,348</u>
Corporate/Other				
(Expense) Before Income Taxes (a)	\$ (30,517)	\$ (26,616)	\$ (82,678)	\$ (67,938)
Interest (Expense), Net (b)	(14,869)	(10,634)	(47,548)	(35,019)
EBIT (c)	<u>\$ (15,648)</u>	<u>\$ (15,982)</u>	<u>\$ (35,130)</u>	<u>\$ (32,919)</u>
Consolidated				
Income Before Income Taxes (a)	\$ 11,436	\$ 1,989	\$ 206,310	\$ 187,197
Interest (Expense), Net (b)	(15,707)	(11,599)	(50,353)	(37,823)
EBIT (c)	<u>\$ 27,143</u>	<u>\$ 13,588</u>	<u>\$ 256,663</u>	<u>\$ 225,020</u>

(a) 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.

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

(c) 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 corporate 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, operating income as determined in accordance with GAAP since EBIT omits the impact of interest and taxes in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness and ongoing tax obligations. 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.

RPM International Inc.,

(NYSE: RPM) a holding company, owns subsidiaries that are world leaders in specialty coatings serving both industrial and consumer markets. RPM's industrial products include roofing systems, sealants, corrosion control coatings, flooring coatings and specialty chemicals. RPM's consumer products are used by professionals and do-it-yourselfers for home maintenance and improvement and by hobbyists. Leading industrial brands include Stonhard, Tremco, illbruck, Carboline, Flowcrete, Universal Sealants and Euco. Consumer brands include Zinsser, Rust-Oleum, DAP, Varathane and Testors.

For additional financial information on RPM, please refer to the RPM web site at www.rpminc.com, or simply use your smart phone to scan the QR code below.



RPM

RPM International Inc.

P.O. Box 777, Medina, Ohio 44258

330-273-5090 • 800-776-4488

FAX 330-225-8743

www.rpminc.com

E-mail: info@rpminc.com

Cautionary statement for purposes of the Safe Harbor provisions of The Private Securities Litigation Reform Act of 1995: Statements in this quarterly report that are not strictly historical may be forward-looking statements, which involve risks and uncertainties. Risk factors include general economic and industry conditions, effects of leverage, legal and environmental matters, technological developments, product pricing, raw material cost changes, and international operations, among others, which are set forth in the company's SEC filings.