To Our Shareholders

It is my pleasure to report that for the fiscal 2008 second quarter ended November 30, 2007, RPM reported record sales and net income. Our operating results reflect the impact of new products, the diversity of our end-use markets, many of which are driven by maintenance and repair spending, good expense controls and strong international growth in virtually all of our industrial businesses.

Second-Quarter Results

Our record net sales of $905.7 million were up 11.9% from the $809.4 million reported in the fiscal 2007 second quarter. Organic sales growth accounted for 9.3% of the increase, with 3.6% of that amount representing net foreign exchange gains. Net acquisition growth was 2.6% of the total.

Net income for the quarter increased 3.6%, to a record $54.9 million from $52.9 million a year ago, while diluted earnings per share increased 2.4% to $0.43 from $0.42. The year-ago second quarter included a $15.0 million settlement for asbestos-related claims against an insurance carrier. Excluding the year-ago insurance recovery, net income increased 27.4%, to $54.9 million from $43.1 million a year ago, while diluted earnings per share were up 26.5% to $0.43 from $0.34 in the fiscal 2007 second quarter.

Consolidated earnings before interest and taxes (EBIT) were $93.0 million, a 1.8% improvement over the $91.4 million reported a year ago. Excluding the prior-year insurance recovery, EBIT increased 21.8%, to $93.0 million from $76.4 million.

Second-Quarter Segment Sales and Earnings

Sales in our industrial segment grew 14.5% to $605.2 million from $528.6 million in the year-ago second quarter. Organic sales increased 11.6%, including 4.5% in net favorable foreign exchange gains. Acquisitions accounted for the remaining 2.9% of the increase. Industrial segment EBIT for the second quarter increased 15.0% to $73.9 million, compared to EBIT of $64.3 million a year ago.

Industrial segment sales and EBIT growth continued to be robust across virtually the entire segment. Sales growth in the second quarter mirrored our first-quarter performance, with exceptional improvements posted by our flooring, corrosion control coatings, and roofing products and services businesses. Many international businesses and maintenance and repair-based businesses continued to see good demand.

Sales by our consumer segment increased 7.0% to $300.6 million from $280.8 million a year ago. Of the growth in sales, 5.0% was organic, including 2.0% in foreign exchange, and the remaining 2.0% growth was through acquisitions. Segment EBIT grew 13.0% to $30.9 million from $27.3 million in the fiscal 2007 second quarter. Excluding the $2.2 million pre-tax gain from the sale of our Bondo subsidiary, segment EBIT grew approximately 5%.

Our consumer businesses continue to face a difficult retail climate, largely attributable to the lingering effects of the weak domestic housing market that has impacted many of our large retail accounts. By continuing investments in marketing and new products, our consumer businesses have been able to post favorable same-store comps at several of our major accounts.

Asbestos Liability

During the quarter, we spent $26.1 million in pre-tax asbestos payments, compared to $13.8 million in the year-ago period. Excluding transitional payments of $9.1 million, all of which were directly attributable to management-initiated changes to our defense and claims handling capabilities, our total pre-tax asbestos payments would have been $17.0 million.

As noted during the first quarter, we have been making several changes in how we will manage our asbestos claims in the future. During the second quarter, we completed these changes and marked the peak of these transitional payments. It is also important to note that our year-to-date cash costs are not indicative of any adverse changes in the underlying litigation, nor in our key reserve assumptions. We are tracking consistent with these assumptions and if these transitional expenses were excluded, our ongoing core defense costs would actually be lower than prior-year levels. Our total asbestos reserve balance stood at $305.4 million at November 30, 2007.

StonCor Subsidiary Completes Acquisition; Bondo Subsidiary Sold

In September, our StonCor Group acquired Star Maling, a Norwegian producer of specialty coatings for industrial and offshore/marine applications. Then, in November, we completed the sale of our Bondo auto body repair products subsidiary to 3M's Automotive Aftermarket Division. Sale proceeds of $45.0 million generated a one-time, pre-tax gain of $2.2 million, which has been included in our second-quarter and first-half results for fiscal 2008.

Cash Flow and Financial Position

For the first half of fiscal 2008, cash from operations was $104.1 million, compared to $91.4 million in the fiscal 2007 first half, a 13.9% improvement. Capital expenditures were $17.5 million, compared to depreciation of $31.0 million over the same period in fiscal 2008. Total debt at the end of the first half was $942.0 million, compared to $988.1 million at the end of fiscal 2007. Our net (of cash) debt-to-total capitalization ratio was 37.9%, compared to 43.3% at May 31, 2007.

Stock Repurchase Plan Announced

Our board of directors authorized a share repurchase program under which we may repurchase shares of RPM common stock at our discretion for general corporate purposes. We currently intend to limit

Continued on inside page

Quarterly
Report 2

RPM International Inc.

Second-Quarter Report
For Period Ended November 30, 2007

- **Record sales +11.9%**
- **Record net income +3.6%**
- **Excluding prior-year insurance recovery, net income +27.4%**
- **Both industrial and consumer segments post solid growth in sales and EBIT**
- **Sales and earnings growth of 8-10% expected for full fiscal year**

RPM

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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 shareholders. 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.

our stock repurchases to amounts needed to offset dilution caused by shares issued in connection with equity-based compensation plans. Share repurchases under this program may be made in the open market or in private transactions at times and in amounts and prices that we deem appropriate, subject to insider trading rules and other securities law restrictions. Timing will be dependent on prevailing market conditions, alternative uses of capital and other factors. We may terminate or limit the repurchase program at any time.

First-Half Sales and Earnings

First-half sales, net income and earnings per share were all records. Our net sales for the fiscal 2008 first half were up 11.0%, to $1.84 billion from $1.65 billion a year ago. Net income for the first six months was $123.1 million, up 7.7% from the $114.3 million reported in the first half of fiscal 2007. Diluted earnings per share for the first half of fiscal 2008 increased 6.7%, to $0.96 from $0.90 a year ago. Prior-year net income included the $15.0 million pre-tax benefit from the asbestos insurance litigation settlement. Excluding the prior-year insurance recovery, first-half net income increased 17.9%, to $123.1 million, from $104.4 million in fiscal 2007, while diluted earnings per share increased to $0.96 from $0.83, a 15.7% increase.

First-half EBIT was $205.9 million, up 3.5% from the $198.8 million reported a year ago, including the prior-year asbestos-related insurance recovery. Excluding the prior-year recovery, EBIT increased 12.0%, to $205.9 million from $183.8 million in the fiscal 2007 first half.

Our industrial segment sales increased 13.0% in the fiscal 2008 first half, to $1.21 billion from $1.07 billion a year ago. Acquisitions represented 2.4% of the sales growth, with organic growth adding 10.6%, including 3.5% of net favorable foreign exchange gains. Industrial segment EBIT increased 11.5% to $154.2 million from $138.3 million in the fiscal 2007 first half.

First-half sales for the consumer segment increased 7.5% to $622.9 million from $579.7 million reported in the first half of fiscal 2007. Organic sales in this segment increased by 3.7%, including net favorable foreign exchange gains of 1.5%, while acquisitions contributed 3.8%. Consumer segment EBIT was up 7.8%, to $74.7 million from $69.3 million a year ago. Excluding the $2.2 million pre-tax gain from the sale of our Bondo subsidiary, segment EBIT grew approximately 5%.

Retired General Abizaid Appointed to Board

Subsequent to the end of the quarter, we expanded our board with the appointment of retired U.S. Army General John P. Abizaid. John will be a Class II member of the board and serve on its compensation committee. His term will expire in 2009, at which time he will stand for re-election. Gen. Abizaid retired from the U.S. Army in 2007 after 34 years of service, during which he rose from an infantry platoon leader to become a four-star general and the longest-serving commander of U.S. Central Command, where he directed 250,000 troops in a 27-country region. During his distinguished career, his command assignments ranged from infantry combat to delicate international negotiations. We are eager to have John join our board, where he will bring a unique perspective and range of international experiences. The breadth and depth of John's strategic and operational experience, coupled with his tremendous leadership skills, will serve RPM and our shareholders well in the coming years.

Quarterly Dividend Declared

On January 4, 2008, the board of directors declared a regular quarterly cash dividend of $0.19 per share, payable on January 31, 2008 to shareholders of record as of January 14, 2008. This payment represents an 8.6% increase over the quarterly cash dividend paid at this time last year.

Business Outlook

We remain bullish about the underlying strength of our industrial end markets and the characteristics of our consumer product lines, which are focused on maintenance, energy efficiency, patch and repair, and small project renovation and redecorating. We anticipate that these characteristics will offset the challenges of a difficult retail environment; a slowdown in residential new construction; and, for RPM businesses most importantly, a slowdown in housing turnover. In addition, we have a number of small- to medium-sized acquisitions under consideration, which we would expect to be completed before the end of this fiscal year.

Our original fiscal 2008 guidance of overall sales and earnings growth was about 8%, excluding the effect of asbestos-related items. Based on first-half performance and our business outlook for the remainder of fiscal 2008, we expect to meet and likely exceed our original guidance. On a comparable basis, we now expect sales and earnings growth for the year to be in the range of 8-10%.

We remain committed to our efforts to make your RPM investment rewarding and appreciate the dedication of our employees, and the continued confidence and support of our shareholders.

Sincerely yours,

Frank C. Sullivan
President and Chief Executive Officer

January 31, 2008

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

IN THOUSANDS, EXCEPT PER SHARE DATA

	AS REPORTED				ADJUSTED (a)			
	Six Months Ended November 30,		Three Months Ended November 30,		Six Months Ended November 30,		Three Months Ended November 30,	
	2007	2006	2007	2006	2007	2006	2007	2006
Net Sales	$1,836,047	$1,653,547	$ 905,708	$ 809,386	$ 1,836,047	$1,653,547	$ 905,708	$ 809,386
Cost of sales	1,084,407	982,403	537,970	483,315	1,084,407	982,403	537,970	483,315
Gross profit	751,640	671,144	367,738	326,071	751,640	671,144	367,738	326,071
Selling, general & administrative expenses	545,753	487,300	274,718	249,715	545,753	487,300	274,718	249,715
Asbestos (income)		(15,000)		(15,000)				
Interest expense, net	24,825	24,518	12,107	11,315	24,825	24,518	12,107	11,315
Income before income taxes	181,062	174,326	80,913	80,041	181,062	159,326	80,913	65,041
Provision for income taxes	57,939	60,043	26,058	27,100	57,939	54,926	26,058	21,983
Net Income	$ 123,123	$ 114,283	$ 54,855	$ 52,941	$ 123,123	$ 104,400	$ 54,855	$ 43,058
Basic earnings per share of common stock	$ 1.03	$ 0.97	$ 0.46	$ 0.45	$ 1.03	$ 0.89	$ 0.46	$ 0.37
Diluted earnings per share of common stock	$ 0.96	$ 0.90	$ 0.43	$ 0.42	$ 0.96	$ 0.83	$ 0.43	$ 0.34
Average shares of common stock outstanding - basic	120,027	117,501	120,057	117,600	120,027	117,501	120,057	117,600
Average shares of common stock outstanding - diluted	130,474	128,380	130,608	128,674	130,474	128,380	130,608	128,674

(a) Adjusted figures presented remove the impact of the asbestos (income) received during the quarter ended November 30, 2006.

SUPPLEMENTAL SEGMENT INFORMATION

(UNAUDITED)

IN THOUSANDS

	AS REPORTED				ADJUSTED (a)			
	Six Months Ended November 30,		Three Months Ended November 30,		Six Months Ended November 30,		Three Months Ended November 30,	
	2007	2006	2007	2006	2007	2006	2007	2006
Net Sales:								
Industrial Segment	$1,213,110	$1,073,823	$ 605,157	$ 528,569	$1,213,110	$1,073,823	$ 605,157	$ 528,569
Consumer Segment	622,937	579,724	300,551	280,817	622,937	579,724	300,551	280,817
Total	$1,836,047	$1,653,547	$ 905,708	$ 809,386	$1,836,047	$1,653,547	$ 905,708	$ 809,386
Income (Loss) Before Income Taxes (b):								
Industrial Segment								
Income Before Income Taxes (b)	$ 152,564	$ 138,195	$ 72,990	$ 64,261	$ 152,564	$ 138,195	$ 72,990	$ 64,261
Interest (Expense), Net	(1,665)	(109)	(920)	(34)	(1,665)	(109)	(920)	(34)
EBIT (c)	$ 154,229	$ 138,304	$ 73,910	$ 64,295	$ 154,229	$ 138,304	$ 73,910	$ 64,295
Consumer Segment								
Income Before Income Taxes (b)	$ 72,816	$ 67,871	$ 29,887	$ 26,513	$ 72,816	$ 67,871	$ 29,887	$ 26,513
Interest (Expense), Net	(1,842)	(1,400)	(989)	(820)	(1,842)	(1,400)	(989)	(820)
EBIT (c)	$ 74,658	$ 69,271	$ 30,876	$ 27,333	$ 74,658	$ 69,271	$ 30,876	$ 27,333
Corporate/Other								
(Expense) Before Income Taxes (b)	$ (44,318)	$ (31,740)	$ (21,964)	$ (10,733)	$ (44,318)	$ (46,740)	$ (21,964)	$ (25,733)
Interest (Expense), Net	(21,318)	(23,009)	(10,198)	(10,461)	(21,318)	(23,009)	(10,198)	(10,461)
EBIT (c)	$ (23,000)	$ (8,731)	$ (11,766)	$ (272)	$ (23,000)	$ (23,731)	$ (11,766)	$ (15,272)
Consolidated								
Income Before Income Taxes (b)	$ 181,062	$ 174,326	$ 80,913	$ 80,041	$ 181,062	$ 159,326	$ 80,913	$ 65,041
Interest (Expense), Net	(24,825)	(24,518)	(12,107)	(11,315)	(24,825)	(24,518)	(12,107)	(11,315)
EBIT (c)	$ 205,887	$ 198,844	$ 93,020	$ 91,356	$ 205,887	$ 183,844	$ 93,020	$ 76,356

(a) Adjusted figures presented remove the impact of the asbestos (income) received during the quarter ended November 30, 2006.

(b) 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.

(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. 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, 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.

Consolidated Balance Sheets

IN THOUSANDS

	November 30, 2007 (Unaudited)	November 30, 2006 (Unaudited)	May 31, 2007
Assets			
Current Assets			
Cash and short-term investments	$ 191,080	$ 134,504	$ 159,016
Trade accounts receivable	635,847	575,715	763,426
Allowance for doubtful accounts	(21,382)	(21,510)	(19,167)
Net trade accounts receivable	614,465	554,205	744,259
Inventories	461,946	434,971	437,759
Deferred income taxes	40,612	51,677	39,276
Prepaid expenses and other current assets	202,615	191,424	189,939
Total current assets	1,510,718	1,366,781	1,570,249
Property, Plant and Equipment, at Cost	973,709	903,160	963,200
Allowance for depreciation and amortization	(514,529)	(464,376)	(489,904)
Property, plant and equipment, net	459,180	438,784	473,296
Other Assets			
Goodwill	846,275	815,125	830,177
Other intangible assets, net of amortization	351,764	325,396	353,420
Other	91,744	99,675	106,007
Total other assets	1,289,783	1,240,196	1,289,604
Total Assets	$ 3,259,681	$ 3,045,761	$ 3,333,149
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	$ 297,099	$ 264,743	$ 385,003
Current portion of long-term debt	101,455	4,857	101,641
Accrued compensation and benefits	101,662	105,297	132,555
Accrued loss reserves	69,317	69,493	73,178
Asbestos-related liabilities	57,500	58,458	53,000
Other accrued liabilities	111,917	123,001	119,363
Total current liabilities	738,950	625,849	864,740
Long-Term Liabilities			
Long-term debt, less current maturities	840,564	944,899	886,416
Asbestos-related liabilities	247,895	332,626	301,268
Other long-term liabilities	175,883	103,066	175,958
Deferred income taxes	25,288	13,836	17,897
Total long-term liabilities	1,289,630	1,394,427	1,381,539
Total liabilities	2,028,580	2,020,276	2,246,279
Stockholders' Equity			
Preferred stock; none issued			
Common stock (outstanding 121,782; 119,554; 120,906)	1,218	1,196	1,209
Paid-in capital	596,644	554,689	584,845
Treasury stock, at cost	(5,730)		
Accumulated other comprehensive income	89,456	45,708	25,140
Retained earnings	549,513	423,892	475,676
Total stockholders' equity	1,231,101	1,025,485	1,086,870
Total Liabilities and Stockholders' Equity	$ 3,259,681	$ 3,045,761	$ 3,333,149

Consolidated Statements of Cash Flows

(UNAUDITED) IN THOUSANDS

	Six Months Ended November 30, 2007	2006
Cash Flows From Operating Activities		
Net income	$ 123,123	$ 114,283
Depreciation and amortization	41,775	37,811
Items not affecting cash and other	25,200	3,208
Changes in operating working capital	(54,619)	(44,590)
Changes in asbestos-related liabilities, net of tax	(31,388)	(19,326)
	104,091	91,386
Cash Flows From Investing Activities		
Capital expenditures	(17,477)	(22,203)
Acquisition of businesses, net of cash acquired	(9,291)	(79,560)
Purchases of marketable securities	(43,731)	(32,222)
Proceeds from the sale of marketable securities	41,103	27,434
Proceeds from the sale of assets	44,800	
Other	(338)	5,061
	15,066	(101,490)
Cash Flows From Financing Activities		
Additions to long-term and short-term debt	5,727	109,838
Reductions of long-term and short-term debt	(58,838)	(42,024)
Cash dividends	(44,328)	(39,883)
Exercise of stock options, including tax benefit	5,239	5,825
Repurchase of stock	(5,730)	
	(97,930)	33,756
Effect of Exchange Rate Changes on Cash and Short-Term Investments	10,837	2,236
Increase in Cash and Short-Term Investments	$ 32,064	$ 25,888

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, automotive and boat repair and maintenance, and by hobbyists. Leading industrial brands include Stonhard, Tremco, illbruck, Carboline, Day-Glo, Euco and Dryvit. Consumer brands include Zinsser, Rust-Oleum, DAP, Varathane and Testors .

For additional financial information on RPM, including our most recent SEC filings, please refer to the RPM web site at www.rpminc.com, Investor Information

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