

MASCO CORPORATION
Condensed Consolidated Statements of Operations - Unaudited
For the Three Months and Six Months Ended June 30, 2017 and 2016

(in millions, except per common share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$ 2,057	\$ 2,001	\$ 3,834	\$ 3,721
Cost of sales	1,320	1,301	2,489	2,452
Gross profit	737	700	1,345	1,269
Selling, general and administrative expenses	380	365	735	700
Operating profit	357	335	610	569
Other income (expense), net:				
Interest expense	(153)	(87)	(196)	(143)
Other, net	51	5	54	4
	(102)	(82)	(142)	(139)
Income before income taxes	255	253	468	430
Income tax expense	84	90	147	148
Net income	171	163	321	282
Less: Net income attributable to noncontrolling interest	13	13	23	23
Net income attributable to Masco Corporation	\$ 158	\$ 150	\$ 298	\$ 259
Income per common share attributable to Masco Corporation (diluted):				
Net income	\$ 0.49	\$ 0.45	\$ 0.92	\$ 0.77
Average diluted common shares outstanding	319	331	320	333

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Six Months Ended June 30, 2017 and 2016

(in millions, except per common share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u>				
Net sales	\$ 2,057	\$ 2,001	\$ 3,834	\$ 3,721
Gross profit, as reported	\$ 737	\$ 700	\$ 1,345	\$ 1,269
Rationalization charges	—	5	2	6
Gross profit, as adjusted	\$ 737	\$ 705	\$ 1,347	\$ 1,275
Gross margin, as reported	35.8%	35.0%	35.1%	34.1%
Gross margin, as adjusted	35.8%	35.2%	35.1%	34.3%
Selling, general and administrative expenses, as reported	\$ 380	\$ 365	\$ 735	\$ 700
Rationalization charges	—	2	—	4
Selling, general and administrative expenses, as adjusted	\$ 380	\$ 363	\$ 735	\$ 696
Selling, general and administrative expenses as percent of net sales, as reported	18.5%	18.2%	19.2%	18.8%
Selling, general and administrative expenses as percent of net sales, as adjusted	18.5%	18.1%	19.2%	18.7%
Operating profit, as reported	\$ 357	\$ 335	\$ 610	\$ 569
Rationalization charges	—	7	2	10
Operating profit, as adjusted	\$ 357	\$ 342	\$ 612	\$ 579
Operating margin, as reported	17.4%	16.7%	15.9%	15.3%
Operating margin, as adjusted	17.4%	17.1%	16.0%	15.6%
<u>Earnings Per Common Share Reconciliations</u>				
Income before income taxes, as reported	\$ 255	\$ 253	\$ 468	\$ 430
Rationalization charges	—	7	2	10
(Gain) from auction rate securities	—	(1)	—	(1)
(Gains) from private equity funds, net	(1)	(1)	(2)	(1)
(Earnings) from equity investments, net	(1)	—	(1)	(1)
Loss on extinguishment of debt	107	—	107	—
(Gain) on sale of business	(49)	—	(49)	—
Income before income taxes, as adjusted	311	258	525	437
Tax at 34% rate (36% for 2016)	(106)	(93)	(179)	(157)
Less: Net income attributable to noncontrolling interest	13	13	23	23
Net income, as adjusted	\$ 192	\$ 152	\$ 323	\$ 257
Net income per common share, as adjusted	\$ 0.60	\$ 0.46	\$ 1.01	\$ 0.77
Average diluted common shares outstanding	319	331	320	333

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MASCO CORPORATION
 Exhibit A: Reconciliations - Unaudited
 Outlook for the Twelve Months Ended December 31, 2017

	Twelve Months Ended December 31, 2017	
	Low End	High End
Outlook		
Net income per common share	\$ 1.81	\$ 1.88
Loss on extinguishment of debt	0.22	0.22
(Gain) on sale of business	(0.10)	(0.10)
Net income per common share, as adjusted	\$ 1.93	\$ 2.00

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Balance Sheets and Other Financial Data - Unaudited
June 30, 2017 and December 31, 2016

(dollars in millions)

	June 30, 2017	December 31, 2016
Balance Sheet		
Assets		
Current Assets:		
Cash and cash investments	\$ 992	\$ 990
Short-term bank deposits	144	201
Receivables	1,231	917
Inventories	850	712
Prepaid expenses and other	89	114
Total Current Assets	<u>3,306</u>	<u>2,934</u>
Property and equipment, net	1,080	1,060
Goodwill	797	832
Other intangible assets, net	156	154
Other assets	150	157
Total Assets	<u>\$ 5,489</u>	<u>\$ 5,137</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 960	\$ 800
Notes payable	117	2
Accrued liabilities	615	658
Total Current Liabilities	<u>1,692</u>	<u>1,460</u>
Long-term debt	2,967	2,995
Other liabilities	760	785
Total Liabilities	<u>5,419</u>	<u>5,240</u>
Equity	70	(103)
Total Liabilities and Equity	<u>\$ 5,489</u>	<u>\$ 5,137</u>

	As of June 30,	
	2017	2016
Other Financial Data		
Working Capital Days		
Receivable days	52	50
Inventory days	63	57
Payable days	72	71
Working capital	\$ 1,121	\$ 965
Working capital as a % of sales (<i>LTM</i>)	15.0%	13.3%

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Statements of Cash Flows and Other Financial Data - Unaudited
For the Six Months Ended June 30, 2017 and 2016

(dollars in millions)

	Six Months Ended June 30,	
	2017	2016
Cash Flows From (For) Operating Activities:		
Cash provided by operating activities	\$ 536	\$ 433
Working capital changes	(381)	(243)
Net cash from operating activities	155	190
Cash Flows From (For) Financing Activities:		
Retirement of notes	(535)	(1,300)
Purchase of Company common stock	(134)	(168)
Cash dividends paid	(64)	(63)
Dividend paid to noncontrolling interest	(35)	(31)
Issuance of notes, net of issuance costs	593	889
Debt extinguishment costs	(104)	(40)
Issuance of Company common stock	—	1
Employee withholding taxes paid on stock-based compensation	(27)	(24)
Increase (decrease) in debt, net	1	(2)
Net cash for financing activities	(305)	(738)
Cash Flows From (For) Investing Activities:		
Capital expenditures	(77)	(79)
Proceeds from disposition of business	126	—
Other, net	75	124
Net cash from investing activities	124	45
Effect of exchange rate changes on cash and cash investments	28	(9)
Cash and Cash Investments:		
Increase (decrease) for the period	2	(512)
At January 1	990	1,468
At June 30	\$ 992	\$ 956

	As of June 30,	
	2017	2016
Liquidity		
Cash and cash investments	\$ 992	\$ 956
Short-term bank deposits	144	135
Total Liquidity	\$ 1,136	\$ 1,091

Historical information is available on our website.

MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Six Months Ended June 30, 2017 and 2016

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Plumbing Products						
Net sales	\$ 949	\$ 923	3 %	\$ 1,812	\$ 1,736	4 %
Operating profit, as reported	\$ 198	\$ 188		\$ 354	\$ 317	
<i>Operating margin, as reported</i>	20.9%	20.4%		19.5%	18.3%	
Rationalization charges	—	4		—	6	
Operating profit, as adjusted	198	192		354	323	
<i>Operating margin, as adjusted</i>	20.9%	20.8%		19.5%	18.6%	
Depreciation and amortization	15	14		29	28	
EBITDA, as adjusted	\$ 213	\$ 206		\$ 383	\$ 351	
Decorative Architectural Products						
Net sales	\$ 653	\$ 620	5 %	\$ 1,158	\$ 1,113	4 %
Operating profit, as reported	\$ 141	\$ 139		\$ 242	\$ 244	
<i>Operating margin, as reported</i>	21.6%	22.4%		20.9%	21.9%	
Depreciation and amortization	4	4		8	8	
EBITDA	\$ 145	\$ 143		\$ 250	\$ 252	
Cabinetry Products						
Net sales	\$ 251	\$ 261	(4)%	\$ 482	\$ 497	(3)%
Operating profit, as reported	\$ 30	\$ 34		\$ 46	\$ 58	
<i>Operating margin, as reported</i>	12.0%	13.0%		9.5%	11.7%	
Rationalization charges	—	3		2	4	
Operating profit, as adjusted	30	37		48	62	
<i>Operating margin, as adjusted</i>	12.0%	14.2%		10.0%	12.5%	
Depreciation and amortization	4	5		8	10	
EBITDA, as adjusted	\$ 34	\$ 42		\$ 56	\$ 72	

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MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Six Months Ended June 30, 2017 and 2016

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Windows and Other Specialty Products						
Net sales	\$ 204	\$ 197	4%	\$ 382	\$ 375	2%
Operating profit (loss), as reported	\$ 18	\$ (2)		\$ 24	\$ 1	
<i>Operating margin, as reported</i>	8.8%	(1.0)%		6.3%	0.3%	
Depreciation and amortization	6	5		11	10	
EBITDA	\$ 24	\$ 3		\$ 35	\$ 11	
Total						
Net sales	\$ 2,057	\$ 2,001	3%	\$ 3,834	\$ 3,721	3%
Operating profit, as reported - segment	\$ 387	\$ 359		\$ 666	\$ 620	
General corporate expense, net (GCE)	(30)	(24)		(56)	(51)	
Operating profit, as reported	357	335		610	569	
<i>Operating margin, as reported</i>	17.4%	16.7 %		15.9%	15.3%	
Rationalization charges - segment	—	7		2	10	
Operating profit, as adjusted	357	342		612	579	
<i>Operating margin, as adjusted</i>	17.4%	17.1 %		16.0%	15.6%	
Depreciation and amortization - segment	29	28		56	56	
Depreciation and amortization - non-operating	4	6		8	10	
EBITDA, as adjusted	\$ 390	\$ 376		\$ 676	\$ 645	

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MASCO CORPORATION
North American and International Data - Unaudited
For the Three Months and Six Months Ended June 30, 2017 and 2016

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
North American						
Net sales	\$ 1,660	\$ 1,598	4 %	\$ 3,071	\$ 2,948	4 %
Operating profit, as reported	\$ 330	\$ 299		\$ 569	\$ 514	
<i>Operating margin, as reported</i>	<i>19.9%</i>	<i>18.7%</i>		<i>18.5%</i>	<i>17.4%</i>	
Rationalization charges	—	5		2	7	
Operating profit, as adjusted	330	304		571	521	
<i>Operating margin, as adjusted</i>	<i>19.9%</i>	<i>19.0%</i>		<i>18.6%</i>	<i>17.7%</i>	
Depreciation and amortization	20	19		38	38	
EBITDA, as adjusted	\$ 350	\$ 323		\$ 609	\$ 559	
International						
Net sales	\$ 397	\$ 403	(1)%	\$ 763	\$ 773	(1)%
Operating profit, as reported	\$ 57	\$ 60		\$ 97	\$ 106	
<i>Operating margin, as reported</i>	<i>14.4%</i>	<i>14.9%</i>		<i>12.7%</i>	<i>13.7%</i>	
Rationalization charges	—	2		—	3	
Operating profit, as adjusted	57	62		97	109	
<i>Operating margin, as adjusted</i>	<i>14.4%</i>	<i>15.4%</i>		<i>12.7%</i>	<i>14.1%</i>	
Depreciation and amortization	9	9		18	18	
EBITDA, as adjusted	\$ 66	\$ 71		\$ 115	\$ 127	
Total						
Net sales	\$ 2,057	\$ 2,001	3 %	\$ 3,834	\$ 3,721	3 %
Operating profit, as reported - segment	\$ 387	\$ 359		\$ 666	\$ 620	
General corporate expense, net (GCE)	(30)	(24)		(56)	(51)	
Operating profit, as reported	357	335		610	569	
<i>Operating margin, as reported</i>	<i>17.4%</i>	<i>16.7%</i>		<i>15.9%</i>	<i>15.3%</i>	
Rationalization charges - segment	—	7		2	10	
Operating profit, as adjusted	357	342		612	579	
<i>Operating margin, as adjusted</i>	<i>17.4%</i>	<i>17.1%</i>		<i>16.0%</i>	<i>15.6%</i>	
Depreciation and amortization - segment	29	28		56	56	
Depreciation and amortization - non-operating	4	6		8	10	
EBITDA, as adjusted	\$ 390	\$ 376		\$ 676	\$ 645	

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