

MASCO CORPORATION
Condensed Consolidated Statements of Operations - Unaudited
For the Three Months and Twelve Months Ended December 31, 2016 and 2015

(in millions, except per common share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net sales	\$ 1,759	\$ 1,715	\$ 7,357	\$ 7,142
Cost of sales	1,186	1,183	4,901	4,889
Gross profit	573	532	2,456	2,253
Selling, general and administrative expenses	358	320	1,403	1,339
Operating profit	215	212	1,053	914
Other income (expense), net:				
Interest expense	(43)	(54)	(229)	(225)
Other, net	1	2	6	—
	(42)	(52)	(223)	(225)
Income from continuing operations before income taxes	173	160	830	689
Income tax expense	67	74	296	293
Income from continuing operations	106	86	534	396
Loss from discontinued operations, net	—	(1)	—	(2)
Net income	106	85	534	394
Less: Net income attributable to noncontrolling interest	8	10	43	39
Net income attributable to Masco Corporation	\$ 98	\$ 75	\$ 491	\$ 355
Income per common share attributable to Masco Corporation (diluted):				
Income from continuing operations	\$ 0.30	\$ 0.22	\$ 1.47	\$ 1.03
Loss from discontinued operations, net	—	—	—	(0.01)
Net income	\$ 0.30	\$ 0.22	\$ 1.47	\$ 1.02
Average diluted common shares outstanding	323	335	330	341
Amounts attributable to Masco Corporation:				
Income from continuing operations	\$ 98	\$ 76	\$ 491	\$ 357
Loss from discontinued operations, net	—	(1)	—	(2)
Net income	\$ 98	\$ 75	\$ 491	\$ 355

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Twelve Months Ended December 31, 2016 and 2015

(in millions, except per common share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u>				
Net sales	\$ 1,759	\$ 1,715	\$ 7,357	\$ 7,142
Gross profit, as reported	\$ 573	\$ 532	\$ 2,456	\$ 2,253
Rationalization charges	4	6	14	8
(Gain) on sale of property and equipment	—	(2)	—	(5)
Gross profit, as adjusted	\$ 577	\$ 536	\$ 2,470	\$ 2,256
Gross margin, as reported	32.6%	31.0%	33.4%	31.5%
Gross margin, as adjusted	32.8%	31.3%	33.6%	31.6%
Selling, general and administrative expenses, as reported	\$ 358	\$ 320	\$ 1,403	\$ 1,339
Rationalization charges	2	3	8	10
Selling, general and administrative expenses, as adjusted	\$ 356	\$ 317	\$ 1,395	\$ 1,329
Selling, general and administrative expenses as percent of net sales, as reported	20.4%	18.7%	19.1%	18.7%
Selling, general and administrative expenses as percent of net sales, as adjusted	20.2%	18.5%	19.0%	18.6%
Operating profit, as reported	\$ 215	\$ 212	\$ 1,053	\$ 914
Rationalization charges	6	9	22	18
(Gain) on sale of property and equipment	—	(2)	—	(5)
Operating profit, as adjusted	\$ 221	\$ 219	\$ 1,075	\$ 927
Operating margin, as reported	12.2%	12.4%	14.3%	12.8%
Operating margin, as adjusted	12.6%	12.8%	14.6%	13.0%
<u>Earnings Per Common Share Reconciliation</u>				
Income from continuing operations before income taxes, as reported	\$ 173	\$ 160	\$ 830	\$ 689
Rationalization charges	6	9	22	18
(Gain) on sale of property and equipment	—	(2)	—	(5)
(Gain) from auction rate securities	(2)	—	(3)	—
(Gains) from private equity funds, net	(3)	(1)	(5)	(6)
(Earnings) from equity investments, net	(1)	—	(2)	(2)
Loss from other investments	3	—	3	—
Income from continuing operations before income taxes, as adjusted	176	166	845	694
Tax at 36% rate	(63)	(60)	(304)	(250)
Less: Net income attributable to noncontrolling interest	8	10	43	39
Income from continuing operations, as adjusted	\$ 105	\$ 96	\$ 498	\$ 405
Income per common share, as adjusted	\$ 0.33	\$ 0.29	\$ 1.51	\$ 1.19
Average diluted common shares outstanding	323	335	330	341

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Balance Sheets and
Other Financial Data - Unaudited

(dollars in millions)

	December 31, 2016	December 31, 2015
Balance Sheet		
Assets		
Current Assets:		
Cash and cash investments	\$ 990	\$ 1,468
Short-term bank deposits	201	248
Receivables	917	853
Inventories	712	687
Prepaid expenses and other	114	72
Total Current Assets	2,934	3,328
Property and equipment, net	1,060	1,027
Goodwill	832	839
Other intangible assets, net	154	160
Other assets	157	310
Total Assets	<u>\$ 5,137</u>	<u>\$ 5,664</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 800	\$ 749
Notes payable	2	1,004
Accrued liabilities	658	650
Total Current Liabilities	1,460	2,403
Long-term debt	2,995	2,403
Other liabilities	785	800
Total Liabilities	5,240	5,606
Equity	(103)	58
Total Liabilities and Equity	<u>\$ 5,137</u>	<u>\$ 5,664</u>

	As of	
	December 31, 2016	December 31, 2015
Other Financial Data		
Working Capital Days		
Receivable days	49	46
Inventory days	54	52
Payable days	70	69
Working capital	\$ 829	\$ 791
Working capital as a % of sales (LTM)	11.3%	11.1%

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Statements of Cash Flows
and Other Financial Data - Unaudited

(dollars in millions)

	Twelve Months Ended December 31,	
	2016	2015
Cash Flows From (For) Operating Activities:		
Cash provided by operating activities	\$ 814	\$ 704
Working capital changes	(88)	(5)
Net cash from operating activities	726	699
Cash Flows From (For) Financing Activities:		
Retirement of notes	(1,300)	(500)
Purchase of Company common stock	(459)	(456)
Cash dividends paid	(128)	(126)
Dividends paid to noncontrolling interest	(31)	(36)
Cash distributed to TopBuild Corp.	—	(63)
Issuance of TopBuild Corp. debt	—	200
Issuance of notes, net of issuance costs	889	497
Debt extinguishment costs	(40)	—
Issuance of Company common stock	1	2
Excess tax benefit from stock-based compensation	23	75
Credit Agreement and other financing costs	—	(3)
Decrease in debt, net	(1)	—
Net cash for financing activities	(1,046)	(410)
Cash Flows From (For) Investing Activities:		
Capital expenditures	(180)	(158)
Other, net	56	(31)
Net cash for investing activities	(124)	(189)
Effect of exchange rate changes on cash and cash investments	(34)	(15)
Cash and Cash Investments:		
(Decrease) increase for the period	(478)	85
At January 1	1,468	1,383
At December 31	\$ 990	\$ 1,468
Liquidity		
	As of	
	December 31, 2016	December 31, 2015
Cash and cash investments	\$ 990	\$ 1,468
Short-term bank deposits	201	248
Total Liquidity	\$ 1,191	\$ 1,716

Historical information is available on our website.

MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Twelve Months Ended December 31, 2016 and 2015

(dollars in millions)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2016	2015	Change	2016	2015	Change
Plumbing Products						
Net sales	\$ 891	\$ 846	5 %	\$ 3,526	\$ 3,341	6 %
Operating profit, as reported	\$ 151	\$ 126		\$ 642	\$ 512	
<i>Operating margin, as reported</i>	16.9%	14.9%		18.2%	15.3%	
Rationalization charges	2	7		13	9	
Operating profit, as adjusted	153	133		655	521	
<i>Operating margin, as adjusted</i>	17.2%	15.7%		18.6%	15.6%	
Depreciation and amortization	15	14		57	56	
EBITDA, as adjusted	\$ 168	\$ 147		\$ 712	\$ 577	
Decorative Architectural Products						
Net sales	\$ 443	\$ 420	5 %	\$ 2,092	\$ 2,020	4 %
Operating profit, as reported	\$ 75	\$ 85		\$ 430	\$ 403	
<i>Operating margin, as reported</i>	16.9%	20.2%		20.6%	20.0%	
Depreciation and amortization	4	4		16	16	
EBITDA	\$ 79	\$ 89		\$ 446	\$ 419	
Cabinetry Products						
Net sales	\$ 234	\$ 254	(8)%	\$ 970	\$ 1,025	(5)%
Operating profit, as reported	\$ 16	\$ 19		\$ 93	\$ 51	
<i>Operating margin, as reported</i>	6.8%	7.5%		9.6%	5.0%	
Rationalization charges	3	2		8	5	
(Gain) on sale of property and equipment	—	(2)		—	(5)	
Operating profit, as adjusted	19	19		101	51	
<i>Operating margin, as adjusted</i>	8.1%	7.5%		10.4%	5.0%	
Depreciation and amortization	6	6		21	24	
EBITDA, as adjusted	\$ 25	\$ 25		\$ 122	\$ 75	

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MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Twelve Months Ended December 31, 2016 and 2015

(dollars in millions)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2016	2015	Change	2016	2015	Change
Windows and Other Specialty Products						
Net sales	\$ 191	\$ 195	(2)%	\$ 769	\$ 756	2%
Operating profit (loss), as reported	\$ 6	\$ 7		\$ (3)	\$ 57	
<i>Operating margin, as reported</i>	3.1%	3.6%		(0.4)%	7.5%	
Rationalization charges	1	—		1	—	
Operating profit (loss), as adjusted	7	7		(2)	57	
<i>Operating margin, as adjusted</i>	3.7%	3.6%		(0.3)%	7.5%	
Depreciation and amortization	5	5		21	18	
EBITDA, as adjusted	\$ 12	\$ 12		\$ 19	\$ 75	
Total						
Net sales	\$ 1,759	\$ 1,715	3 %	\$ 7,357	\$ 7,142	3%
Operating profit, as reported - segment	\$ 248	\$ 237		\$ 1,162	\$ 1,023	
General corporate expense, net (GCE)	(33)	(25)		(109)	(109)	
Operating profit, as reported	215	212		1,053	914	
<i>Operating margin, as reported</i>	12.2%	12.4%		14.3 %	12.8%	
Rationalization charges - segment	6	9		22	14	
Rationalization charges - GCE	—	—		—	4	
(Gain) on sale of property and equipment	—	(2)		—	(5)	
Operating profit, as adjusted	221	219		1,075	927	
<i>Operating margin, as adjusted</i>	12.6%	12.8%		14.6 %	13.0%	
Depreciation and amortization - segment	30	29		115	114	
Depreciation and amortization - non-operating	4	4		19	13	
EBITDA, as adjusted	\$ 255	\$ 252		\$ 1,209	\$ 1,054	

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MASCO CORPORATION
North American and International Data - Unaudited
For the Three Months and Twelve Months Ended December 31, 2016 and 2015

(dollars in millions)

	Three Months Ended December 31,		Change	Twelve Months Ended December 31,		Change
	2016	2015		2016	2015	
North American						
Net sales	\$ 1,389	\$ 1,347	3%	\$ 5,834	\$ 5,645	3%
Operating profit, as reported	\$ 212	\$ 196		\$ 961	\$ 841	
<i>Operating margin, as reported</i>	<i>15.3%</i>	<i>14.6%</i>		<i>16.5%</i>	<i>14.9%</i>	
Rationalization charges	3	6		15	10	
(Gain) on sale of property and equipment	—	(2)		—	(5)	
Operating profit, as adjusted	215	200		976	846	
<i>Operating margin, as adjusted</i>	<i>15.5%</i>	<i>14.8%</i>		<i>16.7%</i>	<i>15.0%</i>	
Depreciation and amortization	20	20		78	78	
EBITDA, as adjusted	\$ 235	\$ 220		\$ 1,054	\$ 924	
International						
Net sales	\$ 370	\$ 368	1%	\$ 1,523	\$ 1,497	2%
Operating profit, as reported	\$ 36	\$ 41		\$ 201	\$ 182	
<i>Operating margin, as reported</i>	<i>9.7%</i>	<i>11.1%</i>		<i>13.2%</i>	<i>12.2%</i>	
Rationalization charges	3	3		7	4	
Operating profit, as adjusted	39	44		208	186	
<i>Operating margin, as adjusted</i>	<i>10.5%</i>	<i>12.0%</i>		<i>13.7%</i>	<i>12.4%</i>	
Depreciation and amortization	10	9		37	36	
EBITDA, as adjusted	\$ 49	\$ 53		\$ 245	\$ 222	
Total						
Net sales	\$ 1,759	\$ 1,715	3%	\$ 7,357	\$ 7,142	3%
Operating profit, as reported - segment	\$ 248	\$ 237		\$ 1,162	\$ 1,023	
General corporate expense, net (GCE)	(33)	(25)		(109)	(109)	
Operating profit, as reported	215	212		1,053	914	
<i>Operating margin, as reported</i>	<i>12.2%</i>	<i>12.4%</i>		<i>14.3%</i>	<i>12.8%</i>	
Rationalization charges - segment	6	9		22	14	
Rationalization charges - GCE	—	—		—	4	
(Gain) on sale of property and equipment	—	(2)		—	(5)	
Operating profit, as adjusted	221	219		1,075	927	
<i>Operating margin, as adjusted</i>	<i>12.6%</i>	<i>12.8%</i>		<i>14.6%</i>	<i>13.0%</i>	
Depreciation and amortization - segment	30	29		115	114	
Depreciation and amortization - non-operating	4	4		19	13	
EBITDA, as adjusted	\$ 255	\$ 252		\$ 1,209	\$ 1,054	

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