

MASCO CORPORATION
Condensed Consolidated Statements of Operations - Unaudited
For the Three Months and Twelve Months Ended December 31, 2017 and 2016

(in millions, except per common share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Net sales	\$ 1,874	\$ 1,759	\$ 7,644	\$ 7,357
Cost of sales	1,258	1,186	5,033	4,901
Gross profit	616	573	2,611	2,456
Selling, general and administrative expenses	352	358	1,442	1,403
Operating profit	264	215	1,169	1,053
Other income (expense), net:				
Interest expense	(39)	(43)	(278)	(229)
Other, net	(64)	1	(6)	6
	(103)	(42)	(284)	(223)
Income before income taxes	161	173	885	830
Income tax expense	62	67	305	296
Net income	99	106	580	534
Less: Net income attributable to noncontrolling interest	12	8	47	43
Net income attributable to Masco Corporation	\$ 87	\$ 98	\$ 533	\$ 491
Income per common share attributable to Masco Corporation (diluted):				
Net income	\$ 0.27	\$ 0.30	\$ 1.66	\$ 1.47
Average diluted common shares outstanding	314	323	318	330

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Twelve Months Ended December 31, 2017 and 2016

(dollars in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
<u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u>				
Net sales	\$ 1,874	\$ 1,759	\$ 7,644	\$ 7,357
Gross profit, as reported	\$ 616	\$ 573	\$ 2,611	\$ 2,456
Rationalization charges	1	4	4	14
Gross profit, as adjusted	\$ 617	\$ 577	\$ 2,615	\$ 2,470
Gross margin, as reported	32.9%	32.6%	34.2%	33.4%
Gross margin, as adjusted	32.9%	32.8%	34.2%	33.6%
Selling, general and administrative expenses, as reported	\$ 352	\$ 358	\$ 1,442	\$ 1,403
Rationalization charges	—	2	—	8
Selling, general and administrative expenses, as adjusted	\$ 352	\$ 356	\$ 1,442	\$ 1,395
Selling, general and administrative expenses as percent of net sales, as reported	18.8%	20.4%	18.9%	19.1%
Selling, general and administrative expenses as percent of net sales, as adjusted	18.8%	20.2%	18.9%	19.0%
Operating profit, as reported	\$ 264	\$ 215	\$ 1,169	\$ 1,053
Rationalization charges	1	6	4	22
Operating profit, as adjusted	\$ 265	\$ 221	\$ 1,173	\$ 1,075
Operating margin, as reported	14.1%	12.2%	15.3%	14.3%
Operating margin, as adjusted	14.1%	12.6%	15.3%	14.6%

	Twelve Months Ended December 31, 2017
<u>Free Cash Flow Reconciliation</u>	
Cash from Operations	\$ 751
Capital expenditures	(173)
Displays	(14)
Free Cash Flow	\$ 564

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Twelve Months Ended December 31, 2017 and 2016

(in millions, except per common share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
<u>Income Per Common Share Reconciliation</u>				
Income before income taxes, as reported	\$ 161	\$ 173	\$ 885	\$ 830
Rationalization charges	1	6	4	22
(Gain) from auction rate securities	—	(2)	—	(3)
(Gains) from private equity funds, net	(1)	(3)	(3)	(5)
(Earnings) from equity investments, net	—	(1)	(1)	(2)
Impairment of private equity funds	—	—	2	—
Loss on extinguishment of debt	—	—	107	—
Loss on sales of businesses, net	64	—	13	—
Loss from other investments	—	3	—	3
Income before income taxes, as adjusted	225	176	1,007	845
Tax at 34% rate (36% for 2016)	(76)	(63)	(342)	(304)
Less: Net income attributable to noncontrolling interest	12	8	47	43
Net income, as adjusted	\$ 137	\$ 105	\$ 618	\$ 498
Net income per common share, as adjusted	\$ 0.44	\$ 0.33	\$ 1.94	\$ 1.51
Average diluted common shares outstanding	314	323	318	330

Outlook for the Twelve Months Ended December 31, 2018

	Twelve Months Ended December 31, 2018	
	Low End	High End
<u>Income Per Common Share Reconciliation</u>		
Net income per common share	\$ 2.36	\$ 2.51
Rationalization charges	0.01	0.01
Kichler inventory purchase accounting adjustment	0.08	0.08
Allocation to participating securities per share (1)	0.03	0.03
Net income per common share, as adjusted	\$ 2.48	\$ 2.63

(1) Represents the impact of distributed dividends and undistributed earnings to unvested restricted stock awards in accordance with the two-class method of calculating earnings per share.

Historical information is available on our website.

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

(dollars in millions)

	December 31, 2017	December 31, 2016
Balance Sheet		
Assets		
Current Assets:		
Cash and cash investments	\$ 1,194	\$ 990
Short-term bank deposits	108	201
Receivables	1,021	917
Inventories	796	712
Prepaid expenses and other	96	114
Total Current Assets	<u>3,215</u>	<u>2,934</u>
Property and equipment, net	1,129	1,060
Goodwill	841	832
Other intangible assets, net	187	154
Other assets	116	157
Total Assets	<u>\$ 5,488</u>	<u>\$ 5,137</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 824	\$ 800
Notes payable	116	2
Accrued liabilities	688	658
Total Current Liabilities	<u>1,628</u>	<u>1,460</u>
Long-term debt	2,969	2,995
Other liabilities	715	785
Total Liabilities	<u>5,312</u>	<u>5,240</u>
Equity	176	(103)
Total Liabilities and Equity	<u>\$ 5,488</u>	<u>\$ 5,137</u>

	As of	
	December 31, 2017	December 31, 2016
Other Financial Data		
Working Capital Days		
Receivable days	51	49
Inventory days	59	54
Payable days	72	70
Working capital	\$ 993	\$ 829
Working capital as a % of sales (LTM)	13.0%	11.3%

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Statements of Cash Flows and Other Financial Data - Unaudited
For the Twelve Months Ended December 31, 2017 and 2016

(in millions)

	Twelve Months Ended December 31,	
	2017	2016
Cash Flows From (For) Operating Activities:		
Cash provided by operating activities	\$ 901	\$ 877
Working capital changes	(150)	(88)
Net cash from operating activities	751	789
Cash Flows From (For) Financing Activities:		
Retirement of notes	(535)	(1,300)
Purchase of Company common stock	(331)	(459)
Cash dividends paid	(129)	(128)
Dividends 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	(33)	(40)
Decrease in debt, net	(3)	(1)
Net cash for financing activities	(577)	(1,109)
Cash Flows From (For) Investing Activities:		
Capital expenditures	(173)	(180)
Acquisition of businesses, net of cash acquired	(89)	—
Proceeds from disposition of businesses, net of cash disposed	128	—
Proceeds from disposition of short-term bank deposits, net of cash purchases	112	40
Other, net	(3)	16
Net cash for investing activities	(25)	(124)
Effect of exchange rate changes on cash and cash investments	55	(34)
Cash and Cash Investments:		
Increase (decrease) for the period	204	(478)
At January 1	990	1,468
At December 31	\$ 1,194	\$ 990
Liquidity		
	As of	
	December 31, 2017	December 31, 2016
Cash and cash investments	\$ 1,194	\$ 990
Short-term bank deposits	108	201
Total Liquidity	\$ 1,302	\$ 1,191

Historical information is available on our website.

MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Twelve Months Ended December 31, 2017 and 2016

(dollars in millions)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2017	2016	Change	2017	2016	Change
Plumbing Products						
Net sales	\$ 972	\$ 891	9 %	\$ 3,735	\$ 3,526	6 %
Operating profit, as reported	\$ 169	\$ 151		\$ 698	\$ 642	
<i>Operating margin, as reported</i>	17.4%	16.9%		18.7%	18.2%	
Rationalization charges	1	2		1	13	
Accelerated depreciation related to rationalization activity	—	—		1	—	
Operating profit, as adjusted	170	153		700	655	
<i>Operating margin, as adjusted</i>	17.5%	17.2%		18.7%	18.6%	
Depreciation and amortization	17	15		62	57	
EBITDA, as adjusted	\$ 187	\$ 168		\$ 762	\$ 712	
Decorative Architectural Products						
Net sales	\$ 494	\$ 443	12 %	\$ 2,205	\$ 2,092	5 %
Operating profit, as reported	\$ 88	\$ 75		\$ 434	\$ 430	
<i>Operating margin, as reported</i>	17.8%	16.9%		19.7%	20.6%	
Depreciation and amortization	4	4		16	16	
EBITDA	\$ 92	\$ 79		\$ 450	\$ 446	
Cabinetry Products						
Net sales	\$ 223	\$ 234	(5)%	\$ 934	\$ 970	(4)%
Operating profit, as reported	\$ 25	\$ 16		\$ 90	\$ 93	
<i>Operating margin, as reported</i>	11.2%	6.8%		9.6%	9.6%	
Rationalization charges	—	—		2	4	
Accelerated depreciation related to rationalization activity	—	3		—	4	
Operating profit, as adjusted	25	19		92	101	
<i>Operating margin, as adjusted</i>	11.2%	8.1%		9.9%	10.4%	
Depreciation and amortization	3	3		14	17	
EBITDA, as adjusted	\$ 28	\$ 22		\$ 106	\$ 118	

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MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Twelve Months Ended December 31, 2017 and 2016

(dollars in millions)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2017	2016	Change	2017	2016	Change
Windows and Other Specialty Products						
Net sales	\$ 185	\$ 191	(3)%	\$ 770	\$ 769	—%
Operating profit (loss), as reported	\$ 5	\$ 6		\$ 52	\$ (3)	
<i>Operating margin, as reported</i>	2.7%	3.1%		6.8%	(0.4)%	
Rationalization charges	—	1		—	1	
Operating profit (loss), as adjusted	5	7		52	(2)	
<i>Operating margin, as adjusted</i>	2.7%	3.7%		6.8%	(0.3)%	
Depreciation and amortization	5	5		21	21	
EBITDA, as adjusted	\$ 10	\$ 12		\$ 73	\$ 19	
Total						
Net sales	\$ 1,874	\$ 1,759	7 %	\$ 7,644	\$ 7,357	4%
Operating profit, as reported - segment	\$ 287	\$ 248		\$ 1,274	\$ 1,162	
General corporate expense, net (GCE)	(23)	(33)		(105)	(109)	
Operating profit, as reported	264	215		1,169	1,053	
<i>Operating margin, as reported</i>	14.1%	12.2%		15.3%	14.3 %	
Rationalization charges - segment	1	3		3	18	
Accelerated depreciation - segment	—	3		1	4	
Operating profit, as adjusted	265	221		1,173	1,075	
<i>Operating margin, as adjusted</i>	14.1%	12.6%		15.3%	14.6 %	
Depreciation and amortization - segment	29	27		113	111	
Depreciation and amortization - non-operating	3	4		13	19	
EBITDA, as adjusted	\$ 297	\$ 252		\$ 1,299	\$ 1,205	

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MASCO CORPORATION
North American and International Data - Unaudited
For the Three Months and Twelve Months Ended December 31, 2017 and 2016

(dollars in millions)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2017	2016	Change	2017	2016	Change
North American						
Net sales	\$ 1,469	\$ 1,389	6%	\$ 6,069	\$ 5,834	4%
Operating profit, as reported	\$ 237	\$ 212		\$ 1,072	\$ 961	
<i>Operating margin, as reported</i>	<i>16.1%</i>	<i>15.3%</i>		<i>17.7%</i>	<i>16.5%</i>	
Rationalization charges	1	—		3	11	
Accelerated depreciation related to rationalization activity	—	3		1	4	
Operating profit, as adjusted	238	215		1,076	976	
<i>Operating margin, as adjusted</i>	<i>16.2%</i>	<i>15.5%</i>		<i>17.7%</i>	<i>16.7%</i>	
Depreciation and amortization	18	17		74	74	
EBITDA, as adjusted	\$ 256	\$ 232		\$ 1,150	\$ 1,050	
International						
Net sales	\$ 405	\$ 370	9%	\$ 1,575	\$ 1,523	3%
Operating profit, as reported	\$ 50	\$ 36		\$ 202	\$ 201	
<i>Operating margin, as reported</i>	<i>12.3%</i>	<i>9.7%</i>		<i>12.8%</i>	<i>13.2%</i>	
Rationalization charges	—	3		—	7	
Operating profit, as adjusted	50	39		202	208	
<i>Operating margin, as adjusted</i>	<i>12.3%</i>	<i>10.5%</i>		<i>12.8%</i>	<i>13.7%</i>	
Depreciation and amortization	11	10		39	37	
EBITDA, as adjusted	\$ 61	\$ 49		\$ 241	\$ 245	
Total						
Net sales	\$ 1,874	\$ 1,759	7%	\$ 7,644	\$ 7,357	4%
Operating profit, as reported - segment	\$ 287	\$ 248		\$ 1,274	\$ 1,162	
General corporate expense, net (GCE)	(23)	(33)		(105)	(109)	
Operating profit, as reported	264	215		1,169	1,053	
<i>Operating margin, as reported</i>	<i>14.1%</i>	<i>12.2%</i>		<i>15.3%</i>	<i>14.3%</i>	
Rationalization charges - segment	1	3		3	18	
Accelerated depreciation - segment	—	3		1	4	
Operating profit, as adjusted	265	221		1,173	1,075	
<i>Operating margin, as adjusted</i>	<i>14.1%</i>	<i>12.6%</i>		<i>15.3%</i>	<i>14.6%</i>	
Depreciation and amortization - segment	29	27		113	111	
Depreciation and amortization - non-operating	3	4		13	19	
EBITDA, as adjusted	\$ 297	\$ 252		\$ 1,299	\$ 1,205	

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