

MASCO CORPORATION
Condensed Consolidated Statements of Operations - Unaudited
For the Three Months and Years Ended December 31, 2018 and 2017

(in millions, except per common share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net sales	\$ 2,041	\$ 1,853	\$ 8,359	\$ 7,642
Cost of sales	1,388	1,249	5,670	5,030
Gross profit	653	604	2,689	2,612
Selling, general and administrative expenses	344	348	1,478	1,418
Operating profit	309	256	1,211	1,194
Other income (expense), net:				
Interest expense	(39)	(39)	(156)	(278)
Other, net	(2)	(69)	(13)	(32)
	(41)	(108)	(169)	(310)
Income before income taxes	268	148	1,042	884
Income tax expense	60	56	258	304
Net income	208	92	784	580
Less: Net income attributable to noncontrolling interest	14	12	50	47
Net income attributable to Masco Corporation	\$ 194	\$ 80	\$ 734	\$ 533
Income per common share attributable to Masco Corporation (diluted):				
Net income	\$ 0.64	\$ 0.25	\$ 2.37	\$ 1.66
Average diluted common shares outstanding	299	314	307	318

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Years Ended December 31, 2018 and 2017

(dollars in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u>				
Net sales	\$ 2,041	\$ 1,853	\$ 8,359	\$ 7,642
Gross profit, as reported	\$ 653	\$ 604	\$ 2,689	\$ 2,612
Rationalization charges	6	1	14	4
Kichler inventory step up adjustment	—	—	40	—
Gross profit, as adjusted	\$ 659	\$ 605	\$ 2,743	\$ 2,616
Gross margin, as reported	32.0%	32.6%	32.2%	34.2%
Gross margin, as adjusted	32.3%	32.6%	32.8%	34.2%
Selling, general and administrative expenses, as reported	\$ 344	\$ 348	\$ 1,478	\$ 1,418
Selling, general and administrative expenses as percent of net sales, as reported	16.9%	18.8%	17.7%	18.6%
Operating profit, as reported	\$ 309	\$ 256	\$ 1,211	\$ 1,194
Rationalization charges	6	1	14	4
Kichler inventory step up adjustment	—	—	40	—
Operating profit, as adjusted	\$ 315	\$ 257	\$ 1,265	\$ 1,198
Operating margin, as reported	15.1%	13.8%	14.5%	15.6%
Operating margin, as adjusted	15.4%	13.9%	15.1%	15.7%

	Year Ended December 31, 2018
<u>Free Cash Flow Reconciliation and Free Cash Flow Conversion Rate</u>	
Net cash from operating activities	\$ 1,032
Capital expenditures	(219)
Displays	(10)
Free Cash Flow	\$ 803
Net income	\$ 784
Free cash flow conversion rate	102%

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MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Years Ended December 31, 2018 and 2017

(in millions, except per common share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<u>Income Per Common Share Reconciliation</u>				
Income before income taxes, as reported	\$ 268	\$ 148	\$ 1,042	\$ 884
Rationalization charges	6	1	14	4
Kichler inventory step up adjustment	—	—	40	—
(Gains) from private equity funds, net	(1)	(1)	(1)	(3)
(Earnings) from equity investments, net	(1)	—	(3)	(1)
Impairment of private equity funds	—	—	—	2
Loss on extinguishment of debt	—	—	—	107
Loss on sales of businesses, net	—	64	—	13
Income before income taxes, as adjusted	272	212	1,092	1,006
Tax at 25% rate (34% for 2017)	(68)	(72)	(273)	(342)
Less: Net income attributable to noncontrolling interest	14	12	50	47
Net income, as adjusted	\$ 190	\$ 128	\$ 769	\$ 617
Net income per common share, as adjusted	\$ 0.64	\$ 0.41	\$ 2.50	\$ 1.94
Average diluted common shares outstanding	299	314	307	318

Outlook for the Year Ended December 31, 2019

	Year Ended December 31, 2019	
	Low End	High End
<u>Income Per Common Share Reconciliation</u>		
Net income per common share	\$ 2.56	\$ 2.76
Rationalization charges	0.01	0.01
Allocation to participating securities per share (1)	0.03	0.03
Net income per common share, as adjusted	\$ 2.60	\$ 2.80

(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, 2018 and 2017

(dollars in millions)

	December 31, 2018	December 31, 2017
Balance Sheet		
Assets		
Current Assets:		
Cash and cash investments	\$ 559	\$ 1,194
Short-term bank deposits	—	108
Receivables	1,153	1,066
Inventories	946	784
Prepaid expenses and other	108	111
Total Current Assets	<u>2,766</u>	<u>3,263</u>
Property and equipment, net	1,223	1,129
Goodwill	898	841
Other intangible assets, net	406	187
Other assets	100	114
Total Assets	<u>\$ 5,393</u>	<u>\$ 5,534</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 926	\$ 824
Notes payable	8	116
Accrued liabilities	750	727
Total Current Liabilities	<u>1,684</u>	<u>1,667</u>
Long-term debt	2,971	2,969
Other liabilities	669	715
Total Liabilities	<u>5,324</u>	<u>5,351</u>
Equity	69	183
Total Liabilities and Equity	<u>\$ 5,393</u>	<u>\$ 5,534</u>

	As of	
	December 31, 2018	December 31, 2017
Other Financial Data		
Working Capital Days		
Receivable days	53	51
Inventory days	64	59
Payable days	71	72
Working capital	\$ 1,173	\$ 1,026
Working capital as a % of sales (LTM)	14.0%	13.4%

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Statements of Cash Flows and Other Financial Data - Unaudited
For the Years Ended December 31, 2018 and 2017

(dollars in millions)

	Year Ended December 31,	
	2018	2017
Cash Flows From (For) Operating Activities:		
Cash provided by operating activities	\$ 981	\$ 902
Working capital changes	51	(151)
Net cash from operating activities	<u>1,032</u>	<u>751</u>
Cash Flows From (For) Financing Activities:		
Retirement of notes	(114)	(535)
Purchase of Company common stock	(654)	(331)
Cash dividends paid	(134)	(129)
Dividends paid to noncontrolling interest	(89)	(35)
Issuance of notes, net of issuance costs	—	593
Decrease in debt, net	(1)	(3)
Debt extinguishment costs	—	(104)
Proceeds from the exercise of stock options	14	—
Employee withholding taxes paid on stock-based compensation	(42)	(33)
Net cash for financing activities	<u>(1,020)</u>	<u>(577)</u>
Cash Flows From (For) Investing Activities:		
Capital expenditures	(219)	(173)
Acquisition of businesses, net of cash acquired	(549)	(89)
Proceeds from disposition of businesses, net of cash disposed	—	128
Other, net	117	109
Net cash for investing activities	<u>(651)</u>	<u>(25)</u>
Effect of exchange rate changes on cash and cash investments	4	55
Cash and Cash Investments:		
(Decrease) increase for the period	(635)	204
At January 1	1,194	990
At December 31	<u>\$ 559</u>	<u>\$ 1,194</u>

	As of	
	December 31, 2018	December 31, 2017
Liquidity		
Cash and cash investments	\$ 559	\$ 1,194
Short-term bank deposits	—	108
Total Liquidity	<u>\$ 559</u>	<u>\$ 1,302</u>

Historical information is available on our website.

MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Years Ended December 31, 2018 and 2017

(dollars in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017	Change	2018	2017	Change
Plumbing Products						
Net sales	\$ 1,003	\$ 961	4%	\$ 3,998	\$ 3,732	7%
Operating profit, as reported	\$ 181	\$ 165		\$ 715	\$ 702	
<i>Operating margin, as reported</i>	18.0%	17.2%		17.9%	18.8%	
Rationalization charges	3	1		7	1	
Accelerated depreciation related to rationalization activity	1	—		2	1	
Operating profit, as adjusted	185	166		724	704	
<i>Operating margin, as adjusted</i>	18.4%	17.3%		18.1%	18.9%	
Depreciation and amortization	19	17		75	62	
EBITDA, as adjusted	\$ 204	\$ 183		\$ 799	\$ 766	
Decorative Architectural Products						
Net sales	\$ 632	\$ 487	30%	\$ 2,656	\$ 2,206	20%
Operating profit, as reported	\$ 118	\$ 83		\$ 456	\$ 438	
<i>Operating margin, as reported</i>	18.7%	17.0%		17.2%	19.9%	
Kichler inventory step up adjustment	—	—		40	—	
Operating profit, as adjusted	118	83		496	438	
<i>Operating margin, as adjusted</i>	18.7%	17.0%		18.7%	19.9%	
Depreciation and amortization	10	4		35	16	
EBITDA, as adjusted	\$ 128	\$ 87		\$ 531	\$ 454	
Cabinetry Products						
Net sales	\$ 226	\$ 223	1%	\$ 950	\$ 934	2%
Operating profit, as reported	\$ 24	\$ 25		\$ 86	\$ 92	
<i>Operating margin, as reported</i>	10.6%	11.2%		9.1%	9.9%	
Rationalization charges	—	—		—	2	
Operating profit, as adjusted	24	25		86	94	
<i>Operating margin, as adjusted</i>	10.6%	11.2%		9.1%	10.1%	
Depreciation and amortization	3	3		13	14	
EBITDA, as adjusted	\$ 27	\$ 28		\$ 99	\$ 108	

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MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Years Ended December 31, 2018 and 2017

(dollars in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017	Change	2018	2017	Change
Windows and Other Specialty Products						
Net sales	\$ 180	\$ 182	(1)%	\$ 755	\$ 770	(2)%
Operating profit, as reported	\$ 6	\$ 4		\$ 34	\$ 54	
<i>Operating margin, as reported</i>	3.3%	2.2%		4.5%	7.0%	
Rationalization charges	2	—		5	—	
Operating profit, as adjusted	8	4		39	54	
<i>Operating margin, as adjusted</i>	4.4%	2.2%		5.2%	7.0%	
Depreciation and amortization	6	5		23	21	
EBITDA, as adjusted	\$ 14	\$ 9		\$ 62	\$ 75	
Total						
Net sales	\$ 2,041	\$ 1,853	10 %	\$ 8,359	\$ 7,642	9 %
Operating profit, as reported - segment	\$ 329	\$ 277		\$ 1,291	\$ 1,286	
General corporate expense, net (GCE)	(20)	(21)		(80)	(92)	
Operating profit, as reported	309	256		1,211	1,194	
<i>Operating margin, as reported</i>	15.1%	13.8%		14.5%	15.6%	
Rationalization charges - segment	5	1		12	3	
Accelerated depreciation related to rationalization activity - segment	1	—		2	1	
Kichler inventory step up adjustment	—	—		40	—	
Operating profit, as adjusted	315	257		1,265	1,198	
<i>Operating margin, as adjusted</i>	15.4%	13.9%		15.1%	15.7%	
Depreciation and amortization - segment	38	29		146	113	
Depreciation and amortization - non-operating	2	3		8	13	
EBITDA, as adjusted	\$ 355	\$ 289		\$ 1,419	\$ 1,324	

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MASCO CORPORATION
North American and International Data - Unaudited
For the Three Months and Years Ended December 31, 2018 and 2017

(dollars in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017	Change	2018	2017	Change
North American						
Net sales	\$ 1,651	\$ 1,449	14 %	\$ 6,763	\$ 6,067	11%
Operating profit, as reported	\$ 281	\$ 226		\$ 1,094	\$ 1,080	
<i>Operating margin, as reported</i>	<i>17.0%</i>	<i>15.6%</i>		<i>16.2%</i>	<i>17.8%</i>	
Rationalization charges	3	1		7	3	
Accelerated depreciation related to rationalization activity	1	—		2	1	
Kichler inventory step up adjustment	—	—		40	—	
Operating profit, as adjusted	285	227		1,143	1,084	
<i>Operating margin, as adjusted</i>	<i>17.3%</i>	<i>15.7%</i>		<i>16.9%</i>	<i>17.9%</i>	
Depreciation and amortization	28	18		104	74	
EBITDA, as adjusted	\$ 313	\$ 245		\$ 1,247	\$ 1,158	
International						
Net sales	\$ 390	\$ 404	(3)%	\$ 1,596	\$ 1,575	1%
Operating profit, as reported	\$ 48	\$ 51		\$ 197	\$ 206	
<i>Operating margin, as reported</i>	<i>12.3%</i>	<i>12.6%</i>		<i>12.3%</i>	<i>13.1%</i>	
Rationalization charges	2	—		5	—	
Operating profit, as adjusted	50	51		202	206	
<i>Operating margin, as adjusted</i>	<i>12.8%</i>	<i>12.6%</i>		<i>12.7%</i>	<i>13.1%</i>	
Depreciation and amortization	10	11		42	39	
EBITDA, as adjusted	\$ 60	\$ 62		\$ 244	\$ 245	
Total						
Net sales	\$ 2,041	\$ 1,853	10 %	\$ 8,359	\$ 7,642	9%
Operating profit, as reported - segment	\$ 329	\$ 277		\$ 1,291	\$ 1,286	
General corporate expense, net (GCE)	(20)	(21)		(80)	(92)	
Operating profit, as reported	309	256		1,211	1,194	
<i>Operating margin, as reported</i>	<i>15.1%</i>	<i>13.8%</i>		<i>14.5%</i>	<i>15.6%</i>	
Rationalization charges - segment	5	1		12	3	
Accelerated depreciation related to rationalization activity - segment	1	—		2	1	
Kichler inventory step up adjustment	—	—		40	—	
Operating profit, as adjusted	315	257		1,265	1,198	
<i>Operating margin, as adjusted</i>	<i>15.4%</i>	<i>13.9%</i>		<i>15.1%</i>	<i>15.7%</i>	
Depreciation and amortization - segment	38	29		146	113	
Depreciation and amortization - non-operating	2	3		8	13	
EBITDA, as adjusted	\$ 355	\$ 289		\$ 1,419	\$ 1,324	

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