

MASCO CORPORATION
Condensed Consolidated Statements of Operations - Unaudited
For the Three Months and Six Months Ended June 30, 2018 and 2017

(in millions, except per common share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 2,297	\$ 2,066	\$ 4,217	\$ 3,844
Cost of sales	1,547	1,320	2,848	2,493
Gross profit	750	746	1,369	1,351
Selling, general and administrative expenses	392	374	767	722
Operating profit	358	372	602	629
Other income (expense), net:				
Interest expense	(38)	(153)	(79)	(196)
Other, net	(8)	43	(11)	39
	(46)	(110)	(90)	(157)
Income before income taxes	312	262	512	472
Income tax expense	88	86	127	148
Net income	224	176	385	324
Less: Net income attributable to noncontrolling interest	13	13	25	23
Net income attributable to Masco Corporation	\$ 211	\$ 163	\$ 360	\$ 301
Income per common share attributable to Masco Corporation (diluted):				
Net income	\$ 0.68	\$ 0.51	\$ 1.15	\$ 0.93
Average diluted common shares outstanding	309	319	311	320

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Six Months Ended June 30, 2018 and 2017

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u>				
Net sales	\$ 2,297	\$ 2,066	\$ 4,217	\$ 3,844
Gross profit, as reported	\$ 750	\$ 746	\$ 1,369	\$ 1,351
Rationalization charges	2	—	3	2
Kichler inventory step up adjustment	20	—	25	—
Gross profit, as adjusted	\$ 772	\$ 746	\$ 1,397	\$ 1,353
Gross margin, as reported	32.7%	36.1%	32.5%	35.1%
Gross margin, as adjusted	33.6%	36.1%	33.1%	35.2%
Selling, general and administrative expenses, as reported	\$ 392	\$ 374	\$ 767	\$ 722
Selling, general and administrative expenses as percent of net sales, as reported	17.1%	18.1%	18.2%	18.8%
Operating profit, as reported	\$ 358	\$ 372	\$ 602	\$ 629
Rationalization charges	2	—	3	2
Kichler inventory step up adjustment	20	—	25	—
Operating profit, as adjusted	\$ 380	\$ 372	\$ 630	\$ 631
Operating margin, as reported	15.6%	18.0%	14.3%	16.4%
Operating margin, as adjusted	16.5%	18.0%	14.9%	16.4%

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three Months and Six Months Ended June 30, 2018 and 2017

(in millions, except per common share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income Per Common Share Reconciliations				
Income before income taxes, as reported	\$ 312	\$ 262	\$ 512	\$ 472
Rationalization charges	2	—	3	2
Kichler inventory step up adjustment	20	—	25	—
(Gains) from private equity funds, net	—	(1)	—	(2)
(Earnings) from equity investments, net	(2)	(1)	(2)	(1)
Loss on extinguishment of debt	—	107	—	107
(Gain) on sale of business	—	(49)	—	(49)
Income before income taxes, as adjusted	332	318	538	529
Tax at 26% rate (34% for 2017)	(86)	(108)	(140)	(180)
Less: Net income attributable to noncontrolling interest	13	13	25	23
Net income, as adjusted	\$ 233	\$ 197	\$ 373	\$ 326
Net income per common share, as adjusted	\$ 0.75	\$ 0.62	\$ 1.20	\$ 1.02
Average diluted common shares outstanding	309	319	311	320

Outlook for the Twelve Months Ended December 31, 2018

	Twelve Months Ended December 31, 2018	
	Low End	High End
Income Per Common Share Outlook		
Net income per common share	\$ 2.34	\$ 2.41
Rationalization charges	0.02	0.02
Kichler inventory purchase accounting adjustment	0.10	0.10
Allocation to participating securities per share (1)	0.02	0.02
Net income per common share, as adjusted	\$ 2.48	\$ 2.55

(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
June 30, 2018 and December 31, 2017

(dollars in millions)

	June 30, 2018	December 31, 2017
Balance Sheet		
Assets		
Current Assets:		
Cash and cash investments	\$ 384	\$ 1,194
Short-term bank deposits	—	108
Receivables	1,444	1,066
Inventories	1,017	784
Prepaid expenses and other	117	111
Total Current Assets	<u>2,962</u>	<u>3,263</u>
Property and equipment, net	1,187	1,129
Goodwill	890	841
Other intangible assets, net	417	187
Other assets	109	114
Total Assets	<u>\$ 5,565</u>	<u>\$ 5,534</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 1,093	\$ 824
Notes payable	2	116
Accrued liabilities	675	727
Total Current Liabilities	<u>1,770</u>	<u>1,667</u>
Long-term debt	2,970	2,969
Other liabilities	699	715
Total Liabilities	<u>5,439</u>	<u>5,351</u>
Equity	126	183
Total Liabilities and Equity	<u>\$ 5,565</u>	<u>\$ 5,534</u>

	As of June 30,	
	2018	2017
Other Financial Data		
Working Capital Days		
Receivable days	56	52
Inventory days	70	63
Payable days	72	72
Working capital	\$ 1,368	\$ 1,138
Working capital as a % of sales (LTM)	17.1%	15.2%

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, 2018 and 2017

(dollars in millions)

	Six Months Ended June 30,	
	2018	2017
Cash Flows From (For) Operating Activities:		
Cash provided by operating activities	\$ 499	\$ 535
Working capital changes	(206)	(380)
Net cash from operating activities	293	155
Cash Flows From (For) Financing Activities:		
Retirement of notes	(114)	(535)
Purchase of Company common stock	(265)	(134)
Cash dividends paid	(65)	(64)
Dividends paid to noncontrolling interest	(89)	(35)
Issuance of notes, net of issuance costs	—	593
(Decrease) increase in debt, net	(1)	1
Debt extinguishment costs	—	(104)
Employee withholding taxes paid on stock-based compensation	(33)	(27)
Net cash for financing activities	(567)	(305)
Cash Flows From (For) Investing Activities:		
Capital expenditures	(103)	(77)
Acquisition of business, net of cash acquired	(548)	—
Proceeds from disposition of business, net of cash disposed	—	126
Other, net	107	75
Net cash (for) from investing activities	(544)	124
Effect of exchange rate changes on cash and cash investments	8	28
Cash and Cash Investments:		
(Decrease) increase for the period	(810)	2
At January 1	1,194	990
At June 30	\$ 384	\$ 992

	As of June 30,	
	2018	2017
Liquidity		
Cash and cash investments	\$ 384	\$ 992
Short-term bank deposits	—	144
Total Liquidity	\$ 384	\$ 1,136

Historical information is available on our website.

MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Six Months Ended June 30, 2018 and 2017

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
Plumbing Products						
Net sales	\$ 1,032	\$ 949	9%	\$ 2,003	\$ 1,821	10%
Operating profit, as reported	\$ 194	\$ 200		\$ 357	\$ 362	
<i>Operating margin, as reported</i>	<i>18.8%</i>	<i>21.1%</i>		<i>17.8%</i>	<i>19.9%</i>	
Rationalization charges	1	—		2	—	
Accelerated depreciation related to rationalization activity	1	—		1	—	
Operating profit, as adjusted	196	200		360	362	
<i>Operating margin, as adjusted</i>	<i>19.0%</i>	<i>21.1%</i>		<i>18.0%</i>	<i>19.9%</i>	
Depreciation and amortization	18	15		36	29	
EBITDA, as adjusted	\$ 214	\$ 215		\$ 396	\$ 391	
Decorative Architectural Products						
Net sales	\$ 806	\$ 661	22%	\$ 1,351	\$ 1,157	17%
Operating profit, as reported	\$ 145	\$ 149		\$ 234	\$ 243	
<i>Operating margin, as reported</i>	<i>18.0%</i>	<i>22.5%</i>		<i>17.3%</i>	<i>21.0%</i>	
Kichler inventory step up adjustment	20	—		25	—	
Operating profit, as adjusted	165	149		259	243	
<i>Operating margin, as adjusted</i>	<i>20.5%</i>	<i>22.5%</i>		<i>19.2%</i>	<i>21.0%</i>	
Depreciation and amortization	10	4		15	8	
EBITDA, as adjusted	\$ 175	\$ 153		\$ 274	\$ 251	
Cabinetry Products						
Net sales	\$ 268	\$ 251	7%	\$ 485	\$ 482	1%
Operating profit, as reported	\$ 33	\$ 31		\$ 39	\$ 47	
<i>Operating margin, as reported</i>	<i>12.3%</i>	<i>12.4%</i>		<i>8.0%</i>	<i>9.8%</i>	
Rationalization charges	—	—		—	2	
Operating profit, as adjusted	33	31		39	49	
<i>Operating margin, as adjusted</i>	<i>12.3%</i>	<i>12.4%</i>		<i>8.0%</i>	<i>10.2%</i>	
Depreciation and amortization	4	4		7	8	
EBITDA, as adjusted	\$ 37	\$ 35		\$ 46	\$ 57	

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MASCO CORPORATION
Segment Data - Unaudited
For the Three Months and Six Months Ended June 30, 2018 and 2017

(dollars in millions)

	Three Months Ended June 30,		Change	Six Months Ended June 30,		Change
	2018	2017		2018	2017	
Windows and Other Specialty Products						
Net sales	\$ 191	\$ 205	(7)%	\$ 378	\$ 384	(2)%
Operating profit, as reported	\$ 8	\$ 18		\$ 12	\$ 26	
<i>Operating margin, as reported</i>	4.2%	8.8%		3.2%	6.8 %	
Depreciation and amortization	5	6		11	11	
EBITDA	\$ 13	\$ 24		\$ 23	\$ 37	
Total						
Net sales	\$ 2,297	\$ 2,066	11 %	\$ 4,217	\$ 3,844	10 %
Operating profit, as reported - segment	\$ 380	\$ 398		\$ 642	\$ 678	
General corporate expense, net (GCE)	(22)	(26)		(40)	(49)	
Operating profit, as reported	358	372		602	629	
<i>Operating margin, as reported</i>	15.6%	18.0%		14.3%	16.4 %	
Rationalization charges - segment	1	—		2	2	
Accelerated depreciation related to rationalization activity - segment	1	—		1	—	
Kichler inventory step up adjustment	20	—		25	—	
Operating profit, as adjusted	380	372		630	631	
<i>Operating margin, as adjusted</i>	16.5%	18.0%		14.9%	16.4 %	
Depreciation and amortization - segment	37	29		69	56	
Depreciation and amortization - non-operating	2	4		4	8	
EBITDA, as adjusted	\$ 419	\$ 405		\$ 703	\$ 695	

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MASCO CORPORATION
North American and International Data - Unaudited
For the Three Months and Six Months Ended June 30, 2018 and 2017

(dollars in millions)

	Three Months Ended June 30,		Change	Six Months Ended June 30,		Change
	2018	2017		2018	2017	
North American						
Net sales	\$ 1,872	\$ 1,668	12%	\$ 3,388	\$ 3,080	10%
Operating profit, as reported	\$ 323	\$ 340		\$ 541	\$ 578	
<i>Operating margin, as reported</i>	<i>17.3%</i>	<i>20.4%</i>		<i>16.0%</i>	<i>18.8%</i>	
Rationalization charges	1	—		2	2	
Accelerated depreciation related to rationalization activity	1	—		1	—	
Kichler inventory step up adjustment	20	—		25	—	
Operating profit, as adjusted	345	340		569	580	
<i>Operating margin, as adjusted</i>	<i>18.4%</i>	<i>20.4%</i>		<i>16.8%</i>	<i>18.8%</i>	
Depreciation and amortization	27	20		48	38	
EBITDA, as adjusted	\$ 372	\$ 360		\$ 617	\$ 618	
International						
Net sales	\$ 425	\$ 398	7%	\$ 829	\$ 764	9%
Operating profit, as reported	\$ 57	\$ 58		\$ 101	\$ 100	
<i>Operating margin, as reported</i>	<i>13.4%</i>	<i>14.6%</i>		<i>12.2%</i>	<i>13.1%</i>	
Depreciation and amortization	10	9		21	18	
EBITDA	\$ 67	\$ 67		\$ 122	\$ 118	
Total						
Net sales	\$ 2,297	\$ 2,066	11%	\$ 4,217	\$ 3,844	10%
Operating profit, as reported - segment	\$ 380	\$ 398		\$ 642	\$ 678	
General corporate expense, net (GCE)	(22)	(26)		(40)	(49)	
Operating profit, as reported	358	372		602	629	
<i>Operating margin, as reported</i>	<i>15.6%</i>	<i>18.0%</i>		<i>14.3%</i>	<i>16.4%</i>	
Rationalization charges - segment	1	—		2	2	
Accelerated depreciation related to rationalization activity - segment	1	—		1	—	
Kichler inventory step up adjustment	20	—		25	—	
Operating profit, as adjusted	380	372		630	631	
<i>Operating margin, as adjusted</i>	<i>16.5%</i>	<i>18.0%</i>		<i>14.9%</i>	<i>16.4%</i>	
Depreciation and amortization - segment	37	29		69	56	
Depreciation and amortization - non-operating	2	4		4	8	
EBITDA, as adjusted	\$ 419	\$ 405		\$ 703	\$ 695	

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