Financial Statements and Supplementary Data

MASCO CORPORATION and Consolidated Subsidiaries CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017 (In Millions, Except Share Data)

Cash and cash investments \$ 559 \$ 1,19 Short-term bank deposits — 10 Receivables 1,153 1,06 Inventories 946 78 Prepaid expenses and other 108 11 Total current assets 2,766 3,26 Property and equipment, net 1,223 1,12 Goodwill 898 84 Other intangible assets, net 406 18 Other assets 100 11 Total assets 5,393 5,533 Current Liabilities 926 82 Notes payable 8 11 Accrued liabilities 750 72 Total current liabilities 9 82 Notes payable 8 8 Accrued liabilities 6 76 Total current liabilities 5,32 5,35 Completerm debt 2,971 96 Coher liabilities 669 71 Total liabilities 5,32 5,35 <th></th> <th></th> <th>2018</th> <th>2017</th>			2018	2017
Cash and cash investments \$ 559 \$ 1,19 Short-term bank deposits — 10 Receivables 1,153 1,06 Inventories 946 78 Prepaid expenses and other 108 11 Total current assets 2,766 3,26 Property and equipment, net 1,223 1,12 Goodwill 898 84 Other intangible assets, net 406 18 Other assets 100 11 Total assets 5,393 5,533 Current Liabilities 926 82 Notes payable 8 11 Accrued liabilities 750 72 Total current liabilities 9 82 Notes payable 8 8 Accrued liabilities 6 76 Total current liabilities 5,32 5,35 Completerm debt 2,971 96 Coher liabilities 669 71 Total liabilities 5,32 5,35 <th>ASSETS</th> <th></th> <th></th> <th></th>	ASSETS			
Short-term bank deposits 1,153 1,061 Receivables 1,153 1,061 Inventories 946 788 Prepaid expenses and other 108 111 Total current assets 2,766 3,261 Property and equipment, net 1,223 1,125 Goodwill 898 84 Other intangible assets, net 406 188 Other assets 100 111 Total assets 100 111 Accounts payable 8 111 Accounts payable 8 111 Accounts payable 8 111 Account entitibilities 1,666 Cong-term debt 2,971 2,961 Other liabilities 669 711 Total liabilities 5,335 Commitments and contingencies (Note T) EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; 1800 Issued and outstanding: 2018 = 293,900,000; 2017 - 310,400,000 294 311 Preferred shares authorized: 1,000,000; 1800 1800 Issued and outstanding: 2018 and 2017 - None Paid-in capital Paid-in capital Paid-in capital Paid-in capital	Current Assets:			
Receivables 1,153 1,060 Inventories 946 78 Prepaid expenses and other 108 11 Total current assets 2,766 3,266 Property and equipment, net 1,123 1,122 Goodwill 898 84 Other intangible assets, net 406 18 Other assets 100 11 Total assets 5,333 5,533 LIABILITIES Current Liabilities 926 82 Notes payable 8 21 Accounts payable 8 21 Accured liabilities 75 72 Total current liabilities 1,684 1,66 Long-term debt 2,971 2,96 Other liabilities 699 71 Total liabilities 5,324 5,35 Commitments and contingencies (Note T) EQUITY Masco Corporation's shareholders' equity: 2 3,32 3,35 Commitme	Cash and cash investments	\$	559	\$ 1,194
Prepaid expenses and other	Short-term bank deposits		_	108
Prepaid expenses and other	Receivables		1,153	1,066
Total current assets 2,766 3,266 3,266 2,206 3,266 3,266 3,260	Inventories		946	784
Property and equipment, net 1,223 1,125 Goodwill 898 84 Other intangible assets, net 406 18 Other assets 100 11 Total assets 5,333 5,533 LIABILITIES Current Liabilities: Accounts payable 926 82 Notes payable 750 72 Accrued liabilities 750 72 Total current liabilities 1,684 1,66 Long-term debt 2,971 2,961 Completing liabilities 669 71 Total liabilities 669 71 Commitments and contingencies (Note T) Equity Maccomon shares, par value \$1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2018 = 293,900,000; 2017 - 310,400,000 294 316 Preferred shares authorized: 1,000,000; Issued and outstanding: 2018 and 2017 - None — — Paid-in capital — — — Retained deficit (278) (294 <	Prepaid expenses and other		108	111
Goodwill 898 84 Other intangible assets, net 406 18 Other assets 100 11 Total assets \$5,393 \$5,53 LIABILITIES Current Liabilities: Accounts payable \$926 \$22 Notes payable \$1,664 1,661 Accrued liabilities 750 72 Total current liabilities 1,664 1,661 Long-term debt 2,971 2,961 Other liabilities 669 71 Total liabilities 5,324 5,35 Commitments and contingencies (Note T) Commitments and contingencies (Note T) Commitments and contingencies (Note T) EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1,000,000 294 316 Issued and outstanding; 2018 – 293,900,000; 2017 – 310,400,000 294 316 Preferred shares authorized: 1,000,000; Issued and outstanding; 2018 and 2017 – None — — Paid-in capital — — — Ret	Total current assets		2,766	3,263
Other intangible assets, net 406 18 Other assets 100 11 Total assets \$ 5,393 \$ 5,53 LIABILITIES Current Liabilities: Accounts payable \$ 926 \$ 82 Notes payable 8 11 Accrued liabilities 750 72 Total current liabilities 1,684 1,66 Long-term debt 2,971 2,96 Other liabilities 669 71 Total liabilities 5,324 5,35 Commitments and contingencies (Note T) EQUITY EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; lssued and outstanding: 2018 – 203,900,000; 2017 – 310,400,000 294 316 Preferred shares authorized: 1,000,000; lssued and outstanding: 2018 and 2017 – None — — Paid-in capital — — Retained deficit (278) (294 Accumulated other compre	Property and equipment, net		1,223	1,129
Other assets 100 114 Total assets 5,393 5,533 LIABILITIES Current Liabilities: Accounts payable \$ 926 \$ 82 Notes payable 8 114 1,684 1,664 Accrued liabilities 7,50 72 2,971 2,961 Long-term debt 2,971 2,961 2,971 2,961 Commitments and contingencies (Note T) 669 711 7,35 EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; 294 311 Preferred shares authorized: 1,000,000; 1,000,000,000; 294 311 Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 311 Preferred shares authorized: 1,000,0000; - - - Issued and outstanding: 2018 and 2017 – None - - - Paid-in capital - - - - Retained deficit (278) (290	Goodwill		898	841
Current Liabilities	Other intangible assets, net		406	187
LIABILITIES Current Liabilities: Accounts payable \$ 926 \$ 820 Notes payable 8 116 Accrued liabilities 750 72 Total current liabilities 1,684 1,66 1,66 Long-term debt 2,971 2,966 Other liabilities 669 71 Total liabilities 5,324 5,35 Commitments and contingencies (Note T) EQUITY EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; 1ssued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 316 Peferred shares authorized: 1,000,000; Issued and outstanding: 2018 and 2017 – None — — Paid-in capital — — — Retained deficit (278) (294) Accumulated other comprehensive loss (127) (68) Total Masco Corporation's shareholders' deficit (111) (55) Noncontrolling interest 180 236 Total equity 69 <td< td=""><td>Other assets</td><td></td><td>100</td><td>114</td></td<>	Other assets		100	114
Current Liabilities: Accounts payable \$ 926 \$ 82 Notes payable 8 11 Accrued liabilities 750 72 Total current liabilities 1,684 1,666 Long-term debt 2,971 2,968 Other liabilities 669 71 Total liabilities 5,324 5,35 EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; 294 310 Preferred shares authorized: 1,000,000; 182 310 Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 310 Preferred shares authorized: 1,000,000; 18 294 310 Issued and outstanding: 2018 and 2017 – None — — — Paid-in capital — — — Retained deficit (278) (298 Accumulated other comprehensive loss (127) (68 Total Masco Corporation's shareholders' deficit (111	Total assets	\$	5,393	\$ 5,534
Current Liabilities: Accounts payable \$ 926 \$ 82 Notes payable 8 11 Accrued liabilities 750 72 Total current liabilities 1,684 1,666 Long-term debt 2,971 2,968 Other liabilities 669 71 Total liabilities 5,324 5,35 EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; 294 310 Preferred shares authorized: 1,000,000; 182 310 Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 310 Preferred shares authorized: 1,000,000; 18 294 310 Issued and outstanding: 2018 and 2017 – None — — — Paid-in capital — — — Retained deficit (278) (298 Accumulated other comprehensive loss (127) (68 Total Masco Corporation's shareholders' deficit (111	LIABILITIES			
Notes payable 8 11t Accrued liabilities 750 72 Total current liabilities 1,684 1,66 Long-term debt 2,971 2,96t Other liabilities 669 71s Total liabilities 5,324 5,35 EQUITY EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 31t Preferred shares authorized: 1,000,000; Issued and outstanding: 2018 and 2017 – None — — Paid-in capital — — — Retained deficit (278) (29t Accumulated other comprehensive loss (127) (6t Total Masco Corporation's shareholders' deficit (111) (5: Noncontrolling interest 180 23t Total equity 69 18:	Current Liabilities:			
Notes payable 8 11t Accrued liabilities 750 72 Total current liabilities 1,684 1,66 Long-term debt 2,971 2,96t Other liabilities 669 71s Total liabilities 5,324 5,35 EQUITY EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 31t Preferred shares authorized: 1,000,000; Issued and outstanding: 2018 and 2017 – None — — Paid-in capital — — — Retained deficit (278) (29t Accumulated other comprehensive loss (127) (6t Total Masco Corporation's shareholders' deficit (111) (5: Noncontrolling interest 180 23t Total equity 69 18:	Accounts payable	\$	926	\$ 824
Accrued liabilities 750 72 Total current liabilities 1,684 1,664 Long-term debt 2,971 2,969 Other liabilities 669 71 Total liabilities 5,324 5,35 Commitments and contingencies (Note T) EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; 294 310 Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 310 Preferred shares authorized: 1,000,000; 1 - - Issued and outstanding: 2018 and 2017 – None - - - Paid-in capital - - - Retained deficit (278) (298 Accumulated other comprehensive loss (127) (68 Total Masco Corporation's shareholders' deficit (111) (55 Noncontrolling interest 180 231 Total equity 69 18		•		116
Total current liabilities	· ·		750	727
Long-term debt 2,971 2,966 Other liabilities 669 71 Total liabilities 5,324 5,35 Commitments and contingencies (Note T) EQUITY Masco Corporation's shareholders' equity:	Total current liabilities		1,684	1,667
Total liabilities 5,324 5,35 Commitments and contingencies (Note T) EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; 1 294 310 Preferred shares authorized: 1,000,000; 294 310 Preferred shares authorized: 1,000,000; 294 310 Issued and outstanding: 2018 and 2017 – None — — Paid-in capital — — Retained deficit (278) (294 Accumulated other comprehensive loss (127) (68 Total Masco Corporation's shareholders' deficit (111) (55 Noncontrolling interest 180 230 Total equity 69 18	Long-term debt		2,971	2,969
EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 Preferred shares authorized: 1,000,000; Issued and outstanding: 2018 and 2017 – None Paid-in capital Retained deficit (278) Accumulated other comprehensive loss Total Masco Corporation's shareholders' deficit Noncontrolling interest Total equity EQUITY 294 310 310 310 310 310 310 310 310 310 310	Other liabilities		669	715
EQUITY Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 310 Preferred shares authorized: 1,000,000; — — Issued and outstanding: 2018 and 2017 – None — — Paid-in capital — — Retained deficit (278) (290) Accumulated other comprehensive loss (127) (60) Total Masco Corporation's shareholders' deficit (111) (50) Noncontrolling interest 180 230 Total equity 69 180	Total liabilities		5,324	5,351
Masco Corporation's shareholders' equity: 2000 294 310 Common shares, par value \$1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 310 Preferred shares authorized: 1,000,000; Issued and outstanding: 2018 and 2017 – None — — Paid-in capital — — Retained deficit (278) (298) Accumulated other comprehensive loss (127) (68) Total Masco Corporation's shareholders' deficit (111) (55) Noncontrolling interest 180 236 Total equity 69 185	Commitments and contingencies (Note T)			
Masco Corporation's shareholders' equity: 2000 294 310 Common shares, par value \$1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2018 – 293,900,000; 2017 – 310,400,000 294 310 Preferred shares authorized: 1,000,000; Issued and outstanding: 2018 and 2017 – None — — Paid-in capital — — Retained deficit (278) (298) Accumulated other comprehensive loss (127) (68) Total Masco Corporation's shareholders' deficit (111) (55) Noncontrolling interest 180 236 Total equity 69 185	EQUITY			
Issued and outstanding: 2018 and 2017 – None——Paid-in capital——Retained deficit(278)(298)Accumulated other comprehensive loss(127)(68)Total Masco Corporation's shareholders' deficit(111)(53)Noncontrolling interest180230Total equity69183	Masco Corporation's shareholders' equity: Common shares, par value \$1 per share Authorized shares: 1,400,000,000;		294	310
Retained deficit(278)(298)Accumulated other comprehensive loss(127)(68)Total Masco Corporation's shareholders' deficit(111)(53)Noncontrolling interest180230Total equity69183			_	_
Accumulated other comprehensive loss(127)(68)Total Masco Corporation's shareholders' deficit(111)(53)Noncontrolling interest180230Total equity69183	Paid-in capital		_	_
Total Masco Corporation's shareholders' deficit(111)(53)Noncontrolling interest180230Total equity69183	Retained deficit		(278)	(298)
Noncontrolling interest180230Total equity69183	Accumulated other comprehensive loss		(127)	(65)
Total equity 69 183	Total Masco Corporation's shareholders' deficit		(111)	(53)
	Noncontrolling interest		180	236
Total liabilities and equity \$ 5,393 \$ 5,534	Total equity		69	183
	Total liabilities and equity	\$	5,393	\$ 5,534

MASCO CORPORATION and Consolidated Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2018, 2017 and 2016 (In Millions, Except Per Common Share Data)

	2018		2017		2016	
Net sales	\$	8,359	\$	7,642	\$	7,361
Cost of sales		5,670		5,030		4,899
Gross profit		2,689		2,612		2,462
Selling, general and administrative expenses		1,478		1,418		1,375
Operating profit		1,211		1,194		1,087
Other income (expense), net:						
Interest expense		(156)		(278)		(229)
Other, net		(13)		(32)		(26)
		(169)		(310)		(255)
Income before income taxes		1,042		884		832
Income tax expense		258		304		296
Net income		784		580		536
Less: Net income attributable to noncontrolling interest		50		47		43
Net income attributable to Masco Corporation	\$	734	\$	533	\$	493
Income per common share attributable to Masco Corporation:						
Basic:						
Net income	\$	2.38	\$	1.68	\$	1.49
Diluted:						
Net income	\$	2.37	\$	1.66	\$	1.48

MASCO CORPORATION and Consolidated Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018, 2017 and 2016 (In Millions)

	20	18	2017		2016	
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:	•	70.4	. 500	•	500	
Net income	\$	784	\$ 580	\$	536	
Depreciation and amortization		156	127		134	
Display amortization		21	25		25	
Deferred income taxes		4	13		130	
Employee withholding taxes paid on stock-based compensation		42	33		40	
Gain on disposition of investments, net		(4)	(4)		(4)	
Loss on disposition of businesses, net			13			
Pension and other postretirement benefits		(47)	(38)		(78)	
Impairment of financial investments		_	2		_	
Stock-based compensation		27	38		29	
Increase in receivables		(46)	(140)		(132)	
Increase in inventories		(11)	(78)		(37)	
Increase in accounts payable and accrued liabilities, net		108	67		79	
Debt extinguishment costs		_	104		40	
Other, net		(2)	9		27	
Net cash from operating activities		1,032	751		789	
CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:						
Retirement of notes		(114)	(535)		(1,300)	
Purchase of Company common stock		(654)	(331)		(459)	
Cash dividends paid		(134)	(129)		(128)	
Dividends paid to noncontrolling interest		(89)	(35)		(31)	
Issuance of notes, net of issuance costs		_	593		889	
Debt extinguishment costs		_	(104)		(40)	
Increase in debt		_	2		3	
Issuance of Company common stock		_	_		1	
Proceeds from the exercise of stock options		14	<u> </u>		_	
Employee withholding taxes paid on stock-based compensation		(42)	(33)		(40)	
Payment of debt		(1)	(5)		(4)	
Net cash for financing activities		(1,020)	(577)		(1,109)	
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES: Capital expenditures		(219)	(173)		(180)	
· · · · · · · · · · · · · · · · · · ·			` '		(100)	
Acquisition of businesses, net of cash acquired		(549)	(89)		_	
Proceeds from disposition of:						
Businesses, net of cash disposed			128			
Short-term bank deposits		108	218		251	
Property and equipment		14	24			
Other financial investments		5	7		32	
Purchases of short-term bank deposits		_	(106)		(211)	
Other, net		(10)	(34)		(16)	
Net cash for investing activities		(651)	(25)		(124)	
Effect of exchange rate changes on cash and cash investments		4	55		(34)	
CASH AND CASH INVESTMENTS:						
(Decrease) increase for the year		(635)	204		(478)	
At January 1		1,194	990		1,468	
At December 31	\$		\$ 1,194	\$	990	