

# Financial Statements and Supplementary Data

## MASCO CORPORATION and Consolidated Subsidiaries CONSOLIDATED BALANCE SHEETS

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

	2018	2017
<b>ASSETS</b>		
<b>Current Assets:</b>		
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	2,766	3,263
Property and equipment, net	1,223	1,129
Goodwill	898	841
Other intangible assets, net	406	187
Other assets	100	114
Total assets	\$ 5,393	\$ 5,534
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 926	\$ 824
Notes payable	8	116
Accrued liabilities	750	727
Total current liabilities	1,684	1,667
Long-term debt	2,971	2,969
Other liabilities	669	715
Total liabilities	5,324	5,351
Commitments and contingencies (Note T)		
<b>EQUITY</b>		
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)	(298)
Accumulated other comprehensive loss	(127)	(65)
Total Masco Corporation's shareholders' deficit	(111)	(53)
Noncontrolling interest	180	236
Total equity	69	183
Total liabilities and equity	\$ 5,393	\$ 5,534

See notes to consolidated financial statements.

**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
<b>Income per common share attributable to Masco Corporation:</b>			
Basic:			
Net income	\$ 2.38	\$ 1.68	\$ 1.49
Diluted:			
Net income	\$ 2.37	\$ 1.66	\$ 1.48

See notes to consolidated financial statements.

**MASCO CORPORATION and Consolidated Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	2018	2017	2016
<b>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:</b>			
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	<u>1,032</u>	<u>751</u>	<u>789</u>
<b>CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:</b>			
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	—	—
Employee withholding taxes paid on stock-based compensation	(42)	(33)	(40)
Payment of debt	(1)	(5)	(4)
Net cash for financing activities	<u>(1,020)</u>	<u>(577)</u>	<u>(1,109)</u>
<b>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:</b>			
Capital expenditures	(219)	(173)	(180)
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	<u>(651)</u>	<u>(25)</u>	<u>(124)</u>
Effect of exchange rate changes on cash and cash investments	<u>4</u>	<u>55</u>	<u>(34)</u>
<b>CASH AND CASH INVESTMENTS:</b>			
(Decrease) increase for the year	(635)	204	(478)
At January 1	1,194	990	1,468
At December 31	<u>\$ 559</u>	<u>\$ 1,194</u>	<u>\$ 990</u>

See notes to consolidated financial statements.