

MASCO CORP /DE/

FORM 8-K (Current report filing)

Filed 02/13/04 for the Period Ending 02/13/04

Address	21001 VAN BORN RD TAYLOR, MI 48180
Telephone	3132747400
CIK	0000062996
Symbol	MAS
SIC Code	2430 - Millwork, Veneer, Plywood, And Structural Wood
Industry	Constr. - Supplies & Fixtures
Sector	Capital Goods
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) FEBRUARY 13, 2004

MASCO CORPORATION

(Exact name of Registrant as Specified in Charter)

DELAWARE ----- (State or Other Jurisdiction of Incorporation)	1-5794 ----- (Commission File Number)	38-1794485 ----- (IRS Employer Identification No.)
21001 VAN BORN ROAD, TAYLOR, MICHIGAN ----- (Address of Principal Executive Offices)	(313) 274-7400 ----- Registrant's telephone number, including area code	48180 ----- (Zip Code)

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits

99.a Press Release of Masco Corporation dated February 13, 2004, reporting Masco Corporation's financial results for the fourth quarter and the full year 2003 and certain other information.

99.b Supplemental Information Package prepared for use in connection with the financial results for the fourth quarter and the full year 2003.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Attached and incorporated herein by reference as Exhibit 99.a is a copy of a press release dated February 13, 2004 reporting Masco Corporation's financial results for the fourth quarter and the full year 2003, and as Exhibit 99.b is a supplemental information package prepared for use in connection with the financial results for the fourth quarter and the full year 2003. On February 13, 2004, Masco Corporation will hold an investor conference and web cast to discuss financial results for the fourth quarter and the full year 2003.

This information, including the Exhibits attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or the Securities Act of 1933 if such subsequent filing expressly references this Current Report on Form 8-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MASCO CORPORATION

By: */s/ Timothy Wadhams*

Name: *Timothy Wadhams*

Title: *Senior Vice President and
Chief Financial Officer*

February 13, 2004

EXHIBIT INDEX

99.a Press Release of Masco Corporation dated February 13, 2004, reporting Masco Corporation's financial results for the fourth quarter and the full year 2003 and certain other information.

99.b Supplemental Information Package prepared for use in connection with the financial results for the fourth quarter and the full year 2003.

FOR IMMEDIATE RELEASE Contact:

Samuel Cypert
313-792-6646

**MASCO CORPORATION REPORTS RECORD SALES AND EARNINGS FOR 2003,
ANNOUNCES DIVESTITURE PROGRAM
AND FORECASTS ANOTHER RECORD YEAR FOR 2004**

Taylor, Michigan (February 13, 2004) - Masco Corporation (NYSE: MAS) today reported that net sales from continuing operations for the year ended December 31, 2003, aided by acquisitions, increased 20 percent to a record \$10.9 billion compared with \$9.1 billion for 2002.

Income from continuing operations for the year ended December 31, 2003 was \$740 million or \$1.51 per common share, which includes the recognition of a non-cash, pre-tax goodwill impairment charge of \$142 million (\$118 million or \$.24 per common share, after tax), the majority of which relates to European businesses that the Company plans to divest. In addition, the Company's results include previously announced charges primarily related to certain European businesses and income from an adjustment of the Behr litigation accrual, which principally offset each other.

Excluding the impact of the goodwill impairment charge, income from continuing operations was \$1.75 per common share. This result is above the Company's previous guidance that earnings, excluding any fourth quarter 2003 unusual items, would be in the range of \$1.68 to \$1.70 per common share.

Fourth quarter 2003 net sales from continuing operations increased 18 percent to \$2.9 billion compared with \$2.4 billion in the 2002 fourth quarter. Income from continuing operations for the fourth quarter of 2003 was \$93 million or \$.19 per common share and included a non-cash, pre-tax charge for goodwill impairment of \$137 million (\$113 million or \$.24 per common share, after tax). Excluding such charge, income from continuing operations was \$.43 per common share.

The Company reviews its business portfolio on an ongoing basis as part of its corporate strategic planning and has determined that several of its European businesses are not core to the Company's long-term growth strategy and, accordingly, has embarked on a plan of disposition. These businesses had combined 2003 net sales in excess of \$350 million and the Company expects net proceeds from the dispositions to exceed \$300 million. The dispositions are expected to be completed within the next twelve months and the Company expects to recognize a modest net loss upon the disposition of all of these businesses. First quarter 2004 results will include a charge to reflect those businesses that are expected to be divested at a loss. Any gains resulting from the disposition of individual businesses will be recognized as such transactions are completed.

The Company continues to experience favorable sales performance in early 2004, and, based on current business trends, believes that it will achieve record sales and earnings for 2004 with full-year earnings from continuing operations in a range of \$1.80 to \$1.90 per common share. Earnings guidance for 2004 includes a reduction of approximately \$.05 per common share resulting from the absence of earnings related to the European businesses to be divested. These businesses will be treated as discontinued operations effective in the first quarter of 2004, which will include the reclassification of their prior period results to discontinued operations. This year's earnings guidance also reflects the Company's expectation that certain operating expenses will continue to increase in 2004, including such items as energy, insurance and certain material and freight costs.

Based on current business trends, the Company anticipates that first quarter 2004, earnings from continuing operations (seasonally the lowest quarter of the year) may be in a range of \$.36 to \$.38 per common share (excluding the disposition charge), compared with first quarter 2003 reported earnings of \$.32 per common share.

MASCO CORPORATION 2003 HIGHLIGHTS:

FULL-YEAR 2003

- Net sales from continuing operations increased 20 percent to a record \$10.9 billion.
- Key retailer sales were up 10 percent to approximately \$3.4 billion.
- Income from continuing operations was \$1.75 per common share excluding the impact of a goodwill impairment charge.
- The Company retired approximately \$430 million of Company debt during 2003.
- The Company repurchased 37 million shares in 2003 including approximately 2 million shares for employee long-term stock incentive plans.
- Working capital (defined as accounts receivable and inventories less accounts payable) as a percentage of sales improved to 18.1 percent of sales at December 31, 2003 from 22.5 percent of sales a year earlier.
- The Company has approximately \$1.3 billion of cash and marketable securities at year-end.

FOURTH QUARTER 2003

- Net sales from continuing operations increased 18 percent to a record \$2.9 billion.
- Key retailer sales were up 22 percent.
- Income from continuing operations was \$.43 per common share excluding the impact of a goodwill impairment charge compared to \$.36 per common share in 2002.

Headquartered in Taylor, Michigan, Masco Corporation is one of the world's leading manufacturers of home improvement and building products as well as a leading provider of services that include the installation of insulation and other building products.

A conference call regarding items contained in this release is scheduled for Friday, February 13, 2004 at 11:00 a.m. ET. Participants in the call are asked to register five to ten minutes prior to the scheduled start time by dialing (913) 981-4900 (confirmation #675846). The conference call will be webcast simultaneously on the Company's website at www.masco.com and supplemental material, including the financial data referred to on the call and a reconciliation of all non-GAAP information provided on the call, will also be available on the website. A replay of the call will be available on Masco's website or by phone by dialing (719) 457-0820 (replay access code #675846) approximately two hours after the end of the call and will continue through February 19, 2004.

Masco Corporation's press releases and other information are available through the Company's toll free number, 1-888-MAS-NEWS, or you may visit Masco's website at www.masco.com. For press releases, click on "Investor Relations" and then on "Link to News Center."

Statements contained herein may include certain forward-looking statements regarding Masco's future sales, earnings growth potential and other developments. Actual results may vary materially because of external factors such as interest rate fluctuations, changes in consumer spending and other factors over which management has no control. The Company believes that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP financial measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results. Additional information about our products, markets and conditions, which could affect our future performance, is contained in the Company's filings with the Securities and Exchange Commission and is available on Masco's website at www.masco.com. Masco undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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MASCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME FOR THREE MONTHS AND TWELVE MONTHS ENDED
12/31/03 AND 12/31/02

In millions, except per share data.

	Three Months Ended December 31		Twelve Months Ended December 31	
	2003	2002	2003	2002
Net Sales	\$ 2,862	\$ 2,421	\$ 10,936	\$ 9,149
Cost of Sales	1,982	1,685	7,586	6,258
Gross Profit	880	736	3,350	2,891
Selling, General and Administrative Expenses	490	390	1,856	1,459
Goodwill Impairment Charge	137	--	142	--
(Income) from Disposition of a Business	--	(16)	--	(16)
(Income) Charge Regarding Litigation Settlement, Net	(1)	(19)	(72)	147
Operating Profit	254	381	1,424	1,301
Other Income (Expense), Net	(57)	(90)	(208)	(300)
Income from Continuing Operations before Income Taxes and Minority Interest	197	291	1,216	1,001
Income Taxes	99	101	463	337
Income from Continuing Operations before Minority Interest	98	190	753	664
Minority Interest	5	--	13	--
Income from Continuing Operations	93	190	740	664
Income (Loss) from Discontinued Operations and Gain, Net of Income Taxes	(1)	5	66	18
Cumulative Effect of Accounting Change, Net	--	--	--	(92)
Net Income	\$ 92	\$ 195	\$ 806	\$ 590
	=====	=====	=====	=====
Earnings per Common Share (Diluted):				
Income from Continuing Operations	\$ 0.19	\$ 0.36	\$ 1.51	\$ 1.29
Income (Loss) from Discontinued Operations and Gain, Net of Income Taxes	--	0.01	0.13	0.04
Cumulative Effect of Accounting Change, Net	--	--	--	(0.18)
Net Income	\$ 0.19	\$ 0.37	\$ 1.64	\$ 1.15
	=====	=====	=====	=====
Average Diluted Common Shares Outstanding	481	529	491	514
	=====	=====	=====	=====

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

Note: 2002 results have been restated to exclude operations which were sold in 2003 and treated as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

FOURTH QUARTER 2003

- Net sales from continuing operations for the quarter, aided by acquisitions, increased 18 percent with North American sales increasing 13 percent and International sales increasing 44 percent.
- Excluding acquisitions and divestitures, consolidated net sales for the quarter increased 13 percent, with North American internal sales increasing 12 percent; International internal sales increased 18 percent. In local currencies, International sales increased two percent compared with the fourth quarter of 2002.
- Excluding acquisitions and divestitures, the increase in net sales for the fourth quarter of 2003 was primarily due to stronger sales of assembled cabinets, paints and stains, installation services, vinyl windows and faucets.
- Income from continuing operations for the quarter was \$93 million or \$.19 per common share, and included a non-cash, pre-tax charge for goodwill impairment of \$137 million (\$113 million or \$.24 per common share, after tax). Excluding the impairment charge, income from continuing operations was \$.43 per common share compared with the Company's previous guidance of \$.38 to \$.40 per common share.
- Key retailer sales (excluding discontinued operations) in the quarter increased 22 percent, compared with an eight percent increase in the third quarter of 2003, a seven percent increase in the second quarter of 2003 and a five percent increase in the 2003 first quarter. Combined sales to Home Depot, Lowe's and Wal-Mart in the fourth quarter of 2003 also increased 22 percent compared with an increase of eight percent in the 2003 third quarter, a six percent increase in the second quarter of 2003 and a four percent increase in the first quarter of 2003.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

FOURTH QUARTER 2003 (CONTINUED)

- Sales by segment in the 2003 fourth quarter versus the 2002 fourth quarter were:
- Cabinets and Related Products sales increased 13 percent;
- Plumbing Products sales increased 31 percent;
- Installation and Other Services sales increased 13 percent;
- Decorative Architectural Products sales increased 22 percent; and
- Other Specialty Products sales increased 16 percent.
- Gross margins were 30.7 percent in the 2003 fourth quarter compared with 30.4 percent in the fourth quarter of 2002.
- Operating profit margins as reported were 8.9 percent in the fourth quarter of 2003 compared with 15.7 percent in the fourth quarter of 2002. Operating profit margins, before the goodwill impairment charge in 2003, litigation income in 2003 and 2002, and income from the planned disposition of a business in 2002, were 13.6 percent and 14.3 percent in the fourth quarters of 2003 and 2002, respectively.
- SG&A expenses as a percent of sales, including general corporate expense, were 17.1 percent compared with 16.1 percent in the 2002 fourth quarter. The increase was principally the result of increased advertising and promotion costs.
- General corporate expense was 0.9 percent of sales in the fourth quarter of 2003 compared with 1.0 percent in the comparable period of 2002.
- The Company's tax rate was 50.3 percent in the 2003 fourth quarter reflecting the impact of the goodwill impairment charge (\$113 million after the tax benefit of \$24 million), which had a lower tax benefit than the statutory rate. Excluding the goodwill impairment charge, the Company's tax rate was 36.8 percent in the 2003 fourth quarter compared with 34.7 percent in the 2002 fourth quarter. The increase in the tax rate is due to an increase in domestic earnings (relative to total earnings), which are taxed at a higher rate than earnings from the Company's foreign operations.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

FOURTH QUARTER 2003 (CONCLUDED)

- The Company's diluted common shares for purposes of calculating earnings per common share were 481 million in the fourth quarter of 2003.

FULL-YEAR 2003

- Net sales from continuing operations for 2003, aided by acquisitions, increased 20 percent to over \$10.9 billion compared with \$9.1 billion for 2002. North American sales increased 14 percent and International sales increased 49 percent.
- Excluding acquisitions and divestitures, 2003 consolidated net sales increased 9 percent compared with 2002 sales. North American sales increased 8 percent and International sales increased 17 percent. In local currencies, International sales were flat compared with 2002.
- For the full-year 2003, income from continuing operations was \$740 million or \$1.51 per common share, and included a non-cash, pre-tax charge for goodwill impairment of \$142 million (\$118 million or \$.24 per common share, after tax). Excluding such charge, income from continuing operations was \$1.75 per common share.
- Sales of the Company's products continued strong in 2003 with a high single digit increase in combined internal sales growth of assembled cabinets, installation services, faucets, architectural coatings and vinyl windows.
- For the full-year 2003, key retailer sales were approximately \$3.4 billion, an increase of approximately 10 percent over \$3.1 billion for 2002.
- Combined sales to Home Depot, Lowe's and Wal-Mart also increased by approximately 10 percent compared with 2002.
- Sales by segment for 2003 versus 2002 were:
 - Cabinets and Related Products sales increased nine percent;
 - Plumbing Products sales increased 30 percent;
 - Installation and Other Services sales increased 31 percent;

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

FULL-YEAR 2003 (CONTINUED)

- Decorative Architectural Products sales increased 12 percent; and
- Other Specialty Products sales increased 16 percent.
- Gross margins were 30.6 percent in 2003 compared with 31.6 percent in 2002.
- Operating profit margins as reported were 13.0 percent in 2003 compared with 14.2 percent in 2002. Operating profit margins, before the goodwill impairment charge in 2003, litigation income/charge in 2003 and 2002, accelerated benefit expense in 2003, European charges in 2003 and income from the planned disposition of a business in 2002 were 14.3 percent in 2003 compared with 15.7 percent in 2002.
- Full-year 2003 gross margins and operating margins were adversely affected by:
 - Increased energy, insurance and pension costs;
 - Higher promotion and display costs;
 - Stronger foreign currencies resulting in increased International sales which have lower margins;
 - Product mix and relatively higher sales in product segments with somewhat lower margins; and
 - Recently acquired companies with lower operating margins.
- SG&A expenses as a percent of sales, including general corporate expense, were 17.0 percent in 2003 compared with 15.9 percent in 2002. The increase was principally the result of increased advertising, promotion and the accelerated benefit expense related to the unexpected passing of the Company's President and Chief Operating Officer.
- General corporate expense was 1.0 percent of sales in 2003 compared with 1.1 percent in 2002.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

FULL-YEAR 2003 (CONTINUED)

- The Company's tax rate for 2003 was 38.1 percent reflecting the impact of the goodwill impairment charge (\$118 million after the tax benefit of \$24 million), which had a lower tax benefit than the statutory rate. Excluding the goodwill impairment charge, the Company's tax rate was 35.9 percent for 2003 compared with 33.7 percent for 2002. The increase in the tax rate is due to an increase in domestic earnings (relative to total earnings), which are taxed at a higher rate than earnings from the Company's foreign operations. The Company anticipates that its tax rate for 2004 will approximate 36 percent.
- Accounts receivable at year-end were 54 days, which were comparable with last year.
- Year-end inventory improved to 47 days for 2003 compared with 56 days for 2002.
- Accounts payable days at year-end improved to 36 days from 33 days a year ago, as the Company continues to negotiate more favorable supplier terms.
- Working capital (defined as accounts receivable and inventories less accounts payable) improved to 18.1 percent of sales at December 31, 2003 from 22.5 percent of sales at December 31, 2002.
- Capital expenditures for 2003 were \$271 million or 2.5 percent of sales, compared with \$285 million or 3.1 percent of sales in 2002. Depreciation and amortization was \$244 million in 2003 compared with \$220 million for 2002.
- During 2003, the Company retired approximately \$430 million of its outstanding debt. Debt as a percent of total capitalization was 43 percent at December 31, 2003 compared with 47 percent at December 31, 2002.
- The Company repurchased approximately 37 million shares of its Common Stock during 2003, of which approximately 9 million shares were repurchased in the fourth quarter. Approximately 2 million of these shares were used for employee long-term stock incentive plans.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

FULL-YEAR 2003 (CONCLUDED)

- In December 2003, the Company's Board of Directors authorized the purchase of up to 50 million shares of Common Stock, there are approximately 48 million shares remaining under this authorization.
- Return on invested capital was 10.6 percent on an as-reported basis for both 2003 and 2002, and 11.5 percent on an as-reconciled basis for both 2003 and 2002. The Company continues to believe it will achieve its 15 percent return on invested capital target by 2008.
- The Company's liquidity was very strong at year-end with over \$1.3 billion in cash and marketable securities. In addition, the Company had unused bank lines of \$2 billion.
- The Company increased its quarterly dividend for the 2003 fourth quarter by 14 percent (a larger percentage increase than in recent years) from \$.14 to \$.16 per common share. The new quarterly dividend reflects the Company's favorable long-term outlook, strong balance sheet and cash flow and recent tax law changes, and makes this the 45th consecutive year in which dividends have been increased.
- The Company's diluted common shares for purposes of calculating earnings per common share were 491 million for the year ended December 31, 2003.
- Final court approval was received for the settlement of all class action lawsuits in the United States involving certain exterior wood coating products manufactured by the Company's subsidiary, Behr Process Corporation.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

2004 OUTLOOK

- The Company reviews its business portfolio on an ongoing basis as part of its corporate strategic planning and has determined that several of its European businesses are not core to the Company's long-term growth strategy and, accordingly, has embarked on a plan of disposition. These businesses had combined 2003 net sales in excess of \$350 million and the Company expects net proceeds from the dispositions to exceed \$300 million. The dispositions are expected to be completed within the next twelve months and the Company expects to recognize a modest net loss upon the disposition of all of these businesses. First quarter 2004 results will include a charge to reflect those businesses that are expected to be divested at a loss. Any gains resulting from the disposition of individual businesses will be recognized as such transactions are completed.

- The Company continues to experience favorable sales performance in early 2004, and, based on current business trends, believes that it will achieve record sales and earnings for 2004 with full-year earnings from continuing operations expected to be at an all-time record in a range of \$1.80 to \$1.90 per common share. This year's earnings guidance includes a reduction of approximately \$.05 per common share resulting from the absence of earnings related to the European businesses to be divested.

- Based on current business trends, the Company anticipates that first quarter 2004 earnings from continuing operations (seasonally the lowest quarter of the year) may be in a range of \$.36 to \$.38 per common share (excluding any disposition charge), compared with first quarter 2003 reported earnings of \$.32 per common share.

- Based on the current market price for the Company's common stock, diluted common shares for the computation of earnings per common share at January 1, 2004 are 478 million, this excludes the impact of any 2004 repurchases of common stock.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

Statements contained herein may include certain forward-looking statements regarding Masco's future sales, earnings growth potential and other developments. Actual results may vary materially because of external factors such as interest rate fluctuations, changes in consumer spending and other factors over which management has no control. The Company believes that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP financial measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results. Additional information about our products, markets and conditions, which could affect our future performance, is contained in the Company's filings with the Securities and Exchange Commission and is available on Masco's website at www.masco.com. Masco undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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EXHIBIT 99.b

MASCO CORPORATION - 4TH QUARTER 2003

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MASCO CORPORATION
CONDENSED STATEMENTS OF INCOME
2003 AND 2002 - BY QUARTER
RESTATED FOR DISCONTINUED OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	2003				
	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1
Net Sales:					
- North America	\$ 8,763	\$ 2,269	\$ 2,369	\$ 2,198	\$ 1,927
- International	2,173	593	549	526	505
- Consolidated	10,936	2,862	2,918	2,724	2,432
Cost of Sales	7,586	1,982	2,015	1,889	1,700
Gross Profit	3,350	880	903	835	732
(Gross Margin)	30.6%	30.7%	30.9%	30.7%	30.1%
S,G&A Expense (before GCE & Benefit (Income) Expense)	1,728	463	448	428	389
(S,G&A Expense as a % of Sales)	15.8%	16.2%	15.4%	15.7%	16.0%
Operating Profit (before GCE, Litigation (Income) Charge, Benefit (Income) Expense, Reversal of Disposition Charge & Goodwill Impairment Charge)	1,622	417	455	407	343
(Operating Margin)	14.8%	14.6%	15.6%	14.9%	14.1%
- North America	1,433	353	431	373	276
(Margin)	16.4%	15.6%	18.2%	17.0%	14.3%
- International	189	64	24	34	67
(Margin)	8.7%	10.8%	4.4%	6.5%	13.3%
General Corporate Expense (GCE)	112	27	28	29	28
S,G&A Expense as a % of Sales (including GCE and Benefit (Income) Expense)	17.0%	17.1%	16.3%	16.6%	18.0%
(Income) Charge Regarding Litigation Settlement, Net	(72)	(1)	(58)	-	(13)
Accelerated Benefit (Income) Expense	16	-	-	(5)	21
Reversal of Charge for the Planned Disposition of Business	-	-	-	-	-
Goodwill Impairment Charge	142	137	5	-	-
Operating Profit per F/S	\$ 1,424	\$ 254	\$ 480	\$ 383	\$ 307
	=====	=====	=====	=====	=====
Earnings per Common Share (Diluted):					
Income From Continuing Operations	\$ 1.51	\$ 0.19	\$ 0.53	\$ 0.45	\$ 0.31
Income From Discontinued Operations and Gain, Net	0.13	-	0.12	0.01	0.01
Cumulative Effect of Accounting Change, Net	-	-	-	-	-
Net Income	\$ 1.64	\$ 0.19	\$ 0.65	\$ 0.46	\$ 0.32
	=====	=====	=====	=====	=====
	2002				
	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1
Net Sales:					
- North America	\$ 7,686	\$ 2,008	\$ 2,043	\$ 1,904	\$ 1,731
- International	1,463	413	404	341	305
- Consolidated	9,149	2,421	2,447	2,245	2,036
Cost of Sales	6,258	1,685	1,667	1,500	1,406
Gross Profit	2,891	736	780	745	630
(Gross Margin)	31.6%	30.4%	31.9%	33.2%	30.9%
S,G&A Expense (before GCE & Benefit (Income) Expense)	1,361	365	344	333	319
(S,G&A Expense as a % of Sales)	14.9%	15.1%	14.1%	14.8%	15.7%
Operating Profit (before GCE, Litigation (Income) Charge, Benefit (Income) Expense, Reversal of Disposition Charge & Goodwill Impairment Charge)	1,530	371	436	412	311
(Operating Margin)	16.7%	15.3%	17.8%	18.4%	15.3%
- North America	1,331	312	380	366	273
(Margin)	17.3%	15.5%	18.6%	19.2%	15.8%

- International (Margin)	199 13.6%	59 14.3%	56 13.9%	46 13.5%	38 12.5%
General Corporate Expense (GCE)	98	25	25	24	24
S,G&A Expense as a % of Sales (including GCE and Benefit (Income) Expense)	15.9%	16.1%	15.1%	15.9%	16.8%
(Income) Charge Regarding Litigation Settlement, Net	147	(19)	166	-	-
Accelerated Benefit (Income) Expense	-	-	-	-	-
Reversal of Charge for the Planned Disposition of Business	(16)	(16)	-	-	-
Goodwill Impairment Charge	-	-	-	-	-
Operating Profit per F/S	----- \$ 1,301 =====	----- \$ 381 =====	----- \$ 245 =====	----- \$ 388 =====	----- \$ 287 =====
Earnings per Common Share (Diluted):					
Income From Continuing Operations	\$ 1.29	\$ 0.36	\$ 0.22	\$ 0.42	\$ 0.31
Income From Discontinued Operations and Gain, Net	0.04	0.01	0.01	0.01	-
Cumulative Effect of Accounting Change, Net	(0.18)	-	-	-	(0.19)
Net Income	----- \$ 1.15 =====	----- \$ 0.37 =====	----- \$ 0.24 =====	----- \$ 0.43 =====	----- \$ 0.12 =====

NOTES:

- Operating results for the fourth quarter of 2003 reflect a non-cash, pre-tax charge for goodwill impairment of \$137 million (\$.24 per common share, after tax).

- Operating results reflect charges of \$35 million (\$.05 per common share, after tax) and \$23 million (\$.03 per common share, after tax) in the third quarter and second quarter of 2003, respectively, for a business unit in the Decorative Architectural Products segment; and \$7 million (\$.01 per common share, after tax) in the third quarter of 2003 for a business unit in the Plumbing Products segment.

- Due to the unexpected passing of the Company's President and Chief Operating Officer, certain benefits were accelerated and expensed in the first quarter of 2003. A portion of the benefit liability (related to an investment in the Company's common stock) fluctuated based on the market price of Company common stock. In the second quarter of 2003, the Company recognized income relating to this liability as the obligation was marked to market, based on the Company's stock price. The liability was satisfied in the third quarter of 2003 with no impact on earnings.

- Income from discontinued operations sold in the third quarter of 2003 includes an after tax net gain from the sale of Baldwin, Weiser and Marvel totaling \$53.1 million (\$.11 per common share) and income from nine months of operations of \$21 million (\$.03 per common share, after tax).

- Data for 2002 exclude a first quarter, non-cash goodwill accounting change charge effective January 1, 2002 of \$.19 per common share. In addition, per common share amounts for the four quarters of 2003 and 2002 do not total to the per common share amount for the year due to the timing of capital stock transactions and the effect of contingently issuable shares.

- Earnings per common share in the third quarter of 2002 include a \$.20 charge for a litigation settlement.

- Earnings in the fourth quarter of 2002 include approximately \$35 million of income related to insurance proceeds and the reversal of a charge related to the planned disposition of a business and approximately \$36 million of charges related to non-operating asset impairments and realized losses on marketable securities.

- Excluding the effect of unusual items (principally the Behr litigation settlement charge, net and a non-cash accounting change charge related to goodwill impairment), income from continuing operations for the year 2002 was \$761 million or \$1.48 per common share (see page 13 for the GAAP reconciliation).

MASCO CORPORATION
SALES BY SEGMENT AND GEOGRAPHIC AREA
4TH QUARTER 2003 & 2002
(DOLLARS IN MILLIONS)

	4th Quarter		4th Qtr '03 vs. 4th Qtr '02	
	2003	2002		
Cabinets & Related Products	\$ 814	\$ 722	+	13%
Plumbing Products	683	523	+	31%
Installation & Other Services	642	568	+	13%
Decorative Architectural Products	367	302	+	22%
Other Specialty Products	356	306	+	16%
Total	\$2,862	\$2,421	+	18%
	=====	=====		
North America	\$2,269	\$2,008	+	13%
International, principally Europe	593	413	+	44%
Total, as above	\$2,862	\$2,421	+	18%
	=====	=====		

NOTES:

- 2002 net sales have been restated to exclude operations which were sold and treated as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

- Excluding acquisitions and divestitures, consolidated net sales increased 13 percent, North American net sales increased 12 percent and International net sales increased 18 percent. International sales in local currencies increased two percent compared with the fourth quarter of 2002 (see page 11 for the GAAP reconciliation).

MASCO CORPORATION
SALES BY SEGMENT AND GEOGRAPHIC AREA
YEAR 2003 & 2002
(DOLLARS IN MILLIONS)

	Year		2003
	2003	2002	vs. 2002
Cabinets & Related Products	\$ 3,058	\$ 2,798	+ 9%
Plumbing Products	2,645	2,031	+ 30%
Installation & Other Services	2,411	1,845	+ 31%
Decorative Architectural Products	1,522	1,358	+ 12%
Other Specialty Products	1,300	1,117	+ 16%
Total	\$10,936	\$ 9,149	+ 20%
	=====	=====	
North America	\$ 8,763	\$ 7,686	+ 14%
International, principally Europe	2,173	1,463	+ 49%
Total, as above	\$10,936	\$ 9,149	+ 20%
	=====	=====	

NOTES:

- Net sales exclude operations which were sold and treated as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

- Excluding acquisitions and divestitures, consolidated net sales increased 9 percent, North American net sales increased 8 percent and International net sales increased 17 percent. International sales in local currencies were flat compared with 2002 (see page 12 for the GAAP reconciliation).

MASCO CORPORATION
QUARTERLY SEGMENT DATA - 2003
EXCLUDING GOODWILL IMPAIRMENT CHARGE
(DOLLARS IN MILLIONS)

	Year	Qtr. 4	Qtr. 3	Qtr. 2	Qtr. 1
	----	-----	-----	-----	-----
Net Sales:					
- Cabinets and Related Products	\$ 3,058	\$ 814	\$ 802	\$ 743	\$ 699
- Plumbing Products	2,645	683	683	666	613
- Installation and Other Services	2,411	642	642	585	542
- Decorative Architectural Products	1,522	367	441	413	301
- Other Specialty Products	1,300	356	350	317	277
	-----	-----	-----	-----	-----
- TOTAL	10,936	2,862	2,918	2,724	2,432
	=====	=====	=====	=====	=====
- North America	8,763	2,269	2,369	2,198	1,927
- International, principally Europe	2,173	593	549	526	505
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	10,936	2,862	2,918	2,724	2,432
	=====	=====	=====	=====	=====
Operating Profit:					
- Cabinets and Related Products	447	128	122	113	84
- Plumbing Products	353	81	95	93	84
- Installation and Other Services	368	93	110	88	77
- Decorative Architectural Products	219	49	58	57	55
- Other Specialty Products	235	66	70	56	43
	-----	-----	-----	-----	-----
- TOTAL	1,622	417	455	407	343
	=====	=====	=====	=====	=====
- North America	1,433	353	431	373	276
- International, principally Europe	189	64	24	34	67
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	1,622	417	455	407	343
	=====	=====	=====	=====	=====
General Corporate Expense (GCE)	112	27	28	29	28
(Income) Related to Litigation Settlement	(72)	(1)	(58)	-	(13)
Accelerated Benefit (Income) Expense, Net	16	-	-	(5)	21
	-----	-----	-----	-----	-----
Operating Profit (after GCE and Adjustments)	1,566	391	485	383	307
Other Income (Expense), Net	(208)	(57)	(60)	(35)	(56)
	-----	-----	-----	-----	-----
Income from Continuing Operations Before					
Income Taxes and Minority Interest	\$ 1,358	\$ 334	\$ 425	\$ 348	\$ 251
	=====	=====	=====	=====	=====
Margins:					
- Cabinets and Related Products	14.6%	15.7%	15.2%	15.2%	12.0%
- Plumbing Products	13.3%	11.9%	13.9%	14.0%	13.7%
- Installation and Other Services	15.3%	14.5%	17.1%	15.0%	14.2%
- Decorative Architectural Products	14.4%	13.4%	13.2%	13.8%	18.3%
- Other Specialty Products	18.1%	18.5%	20.0%	17.7%	15.5%
- TOTAL	14.8%	14.6%	15.6%	14.9%	14.1%
- North America	16.4%	15.6%	18.2%	17.0%	14.3%
- International, principally Europe	8.7%	10.8%	4.4%	6.5%	13.3%
- TOTAL, AS ABOVE	14.8%	14.6%	15.6%	14.9%	14.1%

NOTES:

- Data for all quarters of 2003 exclude discontinued operations.

- Operating results for the fourth quarter of 2003 exclude a non-cash, pre-tax charge for goodwill impairment of \$137 million (\$.24 per common share, after tax). The charge related to certain of the Company's European business units and was allocated among the segments as follows, in millions: Cabinets - \$51; Plumbing Products - \$36; Decorative Architectural - \$19; and Other Specialty - \$31.

- Operating results reflect charges of \$35 million (\$.05 per common share, after tax), including \$5 million for impairment of goodwill, and \$23 million (\$.03 per common share, after tax) in the third quarter and second quarter of 2003, respectively, for a business unit in the Decorative Architectural Products segment; and \$7 million (\$.01 per common share, after tax) in the third quarter of 2003 for a business unit in the Plumbing Products segment.

- Due to the unexpected passing of the Company's President and Chief Operating Officer, certain benefits were accelerated and expensed in the first quarter of 2003. A portion of the benefit liability (related to an investment in the Company's common stock) fluctuated based on the

market price of Company common stock. In the second quarter of 2003, the Company recognized income relating to this liability as the obligation was marked to market, based on the Company's stock price. The liability was satisfied in the third quarter of 2003 with no impact on earnings.

- Operating profit and margins by segment and geographic area are before general corporate expense and exclude (income) related to litigation settlement, net.

MASCO CORPORATION
QUARTERLY SEGMENT DATA - 2003
INCLUDING GOODWILL IMPAIRMENT CHARGE
(DOLLARS IN MILLIONS)

	Year	Qtr. 4	Qtr. 3	Qtr. 2	Qtr. 1
	----	-----	-----	-----	-----
Net Sales:					
- Cabinets and Related Products	\$ 3,058	\$ 814	\$ 802	\$ 743	\$ 699
- Plumbing Products	2,645	683	683	666	613
- Installation and Other Services	2,411	642	642	585	542
- Decorative Architectural Products	1,522	367	441	413	301
- Other Specialty Products	1,300	356	350	317	277
	-----	-----	-----	-----	-----
- TOTAL	10,936	2,862	2,918	2,724	2,432
	=====	=====	=====	=====	=====
- North America	8,763	2,269	2,369	2,198	1,927
- International, principally Europe	2,173	593	549	526	505
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	10,936	2,862	2,918	2,724	2,432
	=====	=====	=====	=====	=====
Operating Profit:					
- Cabinets and Related Products	396	77	122	113	84
- Plumbing Products	317	45	95	93	84
- Installation and Other Services	368	93	110	88	77
- Decorative Architectural Products	195	30	53	57	55
- Other Specialty Products	204	35	70	56	43
	-----	-----	-----	-----	-----
- TOTAL	1,480	280	450	407	343
	=====	=====	=====	=====	=====
- North America	1,433	353	431	373	276
- International, principally Europe	47	(73)	19	34	67
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	1,480	280	450	407	343
	=====	=====	=====	=====	=====
General Corporate Expense (GCE)	112	27	28	29	28
(Income) Related to Litigation Settlement	(72)	(1)	(58)	-	(13)
Accelerated Benefit (Income) Expense, Net	16	-	-	(5)	21
	-----	-----	-----	-----	-----
Operating Profit (after GCE and Adjustments)	1,424	254	480	383	307
Other Income (Expense), Net	(208)	(57)	(60)	(35)	(56)
	-----	-----	-----	-----	-----
Income from Continuing Operations Before Income Taxes and Minority Interest	\$ 1,216	\$ 197	\$ 420	\$ 348	\$ 251
	=====	=====	=====	=====	=====
Margins:					
- Cabinets and Related Products	12.9%	9.5%	15.2%	15.2%	12.0%
- Plumbing Products	12.0%	6.6%	13.9%	14.0%	13.7%
- Installation and Other Services	15.3%	14.5%	17.1%	15.0%	14.2%
- Decorative Architectural Products	12.8%	8.2%	12.0%	13.8%	18.3%
- Other Specialty Products	15.7%	9.8%	20.0%	17.7%	15.5%
- TOTAL	13.5%	9.8%	15.4%	14.9%	14.1%
- North America	16.4%	15.6%	18.2%	17.0%	14.3%
- International, principally Europe	2.2%	-12.3%	3.5%	6.5%	13.3%
- TOTAL, AS ABOVE	13.5%	9.8%	15.4%	14.9%	14.1%

NOTES:

- Data for all quarters of 2003 exclude discontinued operations.

- Operating results for the fourth quarter of 2003 reflect a non-cash, pre-tax charge for goodwill impairment of \$137 million (\$.24 per common share, after tax). The charge related to certain of the Company's European business units and was allocated among the segments as follows, in millions: Cabinets - \$51; Plumbing Products - \$36; Decorative Architectural - \$19; and Other Specialty - \$31.

- Operating results reflect charges of \$35 million (\$.05 per common share, after tax), including \$5 million for impairment of goodwill, and \$23 million (\$.03 per common share, after tax) in the third quarter and second quarter of 2003, respectively, for a business unit in the Decorative Architectural Products segment; and \$7 million (\$.01 per common share, after tax) in the third quarter of 2003 for a business unit in the Plumbing Products segment.

- Due to the unexpected passing of the Company's President and Chief Operating Officer, certain benefits were accelerated and expensed in the first quarter of 2003. A portion of the benefit liability (related to an investment in the Company's common stock) fluctuated based on the market price of Company common stock. In the second quarter of 2003, the Company recognized income relating to this liability as the

obligation was marked to market, based on the Company's stock price. The liability was satisfied in the third quarter of 2003 with no impact on earnings.

- Operating profit and margins by segment and geographic area are before general corporate expense and exclude (income) related to litigation settlement, net.

MASCO CORPORATION
QUARTERLY SEGMENT DATA - 2002
(DOLLARS IN MILLIONS)

	Year ----	Qtr. 4 -----	Qtr. 3 -----	Qtr. 2 -----	Qtr. 1 -----
Net Sales:					
- Cabinets and Related Products	\$ 2,798	\$ 722	\$ 738	\$ 682	\$ 656
- Plumbing Products	2,031	523	535	509	464
- Installation and Other Services	1,845	568	489	398	390
- Decorative Architectural Products	1,358	302	376	378	302
- Other Specialty Products	1,117	306	309	278	224
	-----	-----	-----	-----	-----
- TOTAL	9,149	2,421	2,447	2,245	2,036
	=====	=====	=====	=====	=====
- North America	7,686	2,008	2,043	1,904	1,731
- International, principally Europe	1,463	413	404	341	305
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	9,149	2,421	2,447	2,245	2,036
	=====	=====	=====	=====	=====
Operating Profit:					
- Cabinets and Related Products	379	98	114	100	67
- Plumbing Products	334	92	83	87	72
- Installation and Other Services	304	87	82	71	64
- Decorative Architectural Products	311	55	88	99	69
- Other Specialty Products	218	55	69	55	39
	-----	-----	-----	-----	-----
- TOTAL	1,546	387	436	412	311
	=====	=====	=====	=====	=====
- North America	1,347	328	380	366	273
- International, principally Europe	199	59	56	46	38
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	1,546	387	436	412	311
	=====	=====	=====	=====	=====
General Corporate Expense (GCE)	98	25	25	24	24
(Income) Expense Related to Litigation Settlement, Net	147	(19)	166	-	-
	-----	-----	-----	-----	-----
Operating Profit (after GCE and Litigation (Income) Expense, Net	1,301	381	245	388	287
Other Income (Expense), Net	(300)	(90)	(76)	(71)	(63)
	-----	-----	-----	-----	-----
Income from Continuing Operations Before Income Taxes and Minority Interest	\$ 1,001	\$ 291	\$ 169	\$ 317	\$ 224
	=====	=====	=====	=====	=====
Margins:					
- Cabinets and Related Products	13.5%	13.6%	15.4%	14.7%	10.2%
- Plumbing Products	16.4%	17.6%	15.5%	17.1%	15.5%
- Installation and Other Services	16.5%	15.3%	16.8%	17.8%	16.4%
- Decorative Architectural Products	22.9%	18.2%	23.4%	26.2%	22.8%
- Other Specialty Products	19.5%	18.0%	22.3%	19.8%	17.4%
- TOTAL	16.9%	16.0%	17.8%	18.4%	15.3%
- North America	17.5%	16.3%	18.6%	19.2%	15.8%
- International, principally Europe	13.6%	14.3%	13.9%	13.5%	12.5%
- TOTAL, AS ABOVE	16.9%	16.0%	17.8%	18.4%	15.3%

NOTES:

- Data for 2002 exclude discontinued operations.

- Operating profit and margins by segment and geographic area are before general corporate expense and exclude the charge (income) for litigation settlement, net, which relates to the Decorative Architectural Products segment.

- Included in operating profit of the Plumbing Products segment for the fourth quarter and year is \$16 million of income related to the reversal of a charge for the 2000 planned disposition of a business. Excluding such income, operating profit margins in this segment were 14.5% and 15.7% for the quarter and year ended December 31, 2002, respectively.

MASCO CORPORATION
OTHER INCOME (EXPENSE), NET
2003 AND 2002 QUARTERS
(DOLLARS IN MILLIONS)

	2003				
	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1
Interest Expense	\$(262.0)	\$(60.2)	\$ (66.8)	\$ (67.4)	\$ (67.6)
Equity Earnings, Net	0.5	-	-	-	0.5
Income from Cash and Cash Investments	8.7	2.0	1.8	2.4	2.5
Other Interest Income	8.0	3.0	2.1	1.1	1.8
Income (Loss) from Financial Investments	64.8	13.3	18.9	19.1	13.5
Loss on Early Retirement of Debt	(6.9)	(4.2)	(2.7)	-	-
Gain from Sale of Equity Investment	4.8	-	-	4.8	-
Impairment Charge for Long-Term Investments	(19.2)	(9.9)	(9.3)	-	-
Other, Net	(6.4)	(1.0)	(4.3)	5.4	(6.5)
Total Other Income (Expense), Net	\$(207.7)	\$(57.0)	\$ (60.3)	\$ (34.6)	\$ (55.8)
	=====	=====	=====	=====	=====
	2002				
	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1
Interest Expense	\$(237.0)	\$(66.6)	\$ (61.1)	\$ (54.2)	\$ (55.1)
Equity Earnings, Net	14.3	1.3	5.7	5.4	1.9
Income from Cash and Cash Investments	7.8	3.9	2.1	1.1	0.7
Other Interest Income	6.0	2.7	1.8	0.6	0.9
Income (Loss) from Financial Investments	(35.5)	(4.1)	(8.4)	(15.4)	(7.6)
Loss on Early Retirement of Debt	-	-	-	-	-
Gain from Sale of Equity Investment	-	-	-	-	-
Impairment Charge for Long-Term Investments	(24.0)	(24.0)	-	-	-
Other, Net	(31.7)	(2.9)	(16.4)	(8.4)	(4.0)
Total Other Income (Expense), Net	\$(300.1)	\$(89.7)	\$ (76.3)	\$ (70.9)	\$ (63.2)
	=====	=====	=====	=====	=====

NOTES:

- Data for all quarters above exclude discontinued operations.

- Income (loss) from financial investments includes \$23 million of net realized gains related to the sale of marketable securities for the twelve months ended December 31, 2003.

MASCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002
(IN MILLIONS, EXCEPT PER SHARE DATA)

Line ----	% Change -----	Three Months Ended December 31		As a Percent of Sales Three Months Ended December 31	
		2003 -----	2002 -----	2003 -----	2002 -----
1 Net Sales	18%	\$ 2,862	\$ 2,421	100.0%	100.0%
2 Cost of Sales	18%	1,982	1,685	69.3%	69.6%
3 Gross Profit	20%	880	736	30.7%	30.4%
Operating Profit:		=====	=====	=====	=====
4 - Before GCE, Litigation (Income), Income from Planned Disposition and Goodwill Impairment Charge (3-7)	12%	417	371	14.6%	15.3%
5 - After GCE, Litigation (Income), Income from Planned Disposition and Goodwill Impairment Charge (3-8-9-10-11)	-33%	254	381	8.9%	15.7%
S,G&A Expense:					
6 - General Corporate Expense (GCE)	8%	27	25	0.9%	1.0%
7 - All Other	27%	463	365	16.2%	15.1%
8 - Total S,G&A Expense	26%	490	390	17.1%	16.1%
		=====	=====	=====	=====
9 (Income) for Litigation Settlement		(1)	(19)	0.0%	-0.8%
10 (Income) from Planned Disposition of Business (C)		-	(16)	0.0%	-0.7%
11 Goodwill Impairment Charge (A)		137	-	4.8%	0.0%
12 Other Income (Expense), Net	-37%	(57)	(90)	-2.0%	-3.7%
13 Income from Continuing Operations Before Income Taxes and Minority Interest (5+12)	-32%	197	291	6.9%	12.0%
14 Income Taxes (Tax Rate)	-2%	99 50.3%	101 34.7%	3.5%	4.2%
15 Income from Continuing Operations Before Minority Interest	-48%	98	190	3.4%	7.8%
16 Minority Interest (B)		(5)	-	-0.2%	0.0%
17 Income from Continuing Operations	-51%	93	190	3.2%	7.8%
18 (Expense) Income from Discontinued Operations, Net of Income Taxes		(1)	5	0.0%	0.2%
Net Income	-53%	\$ 92	\$ 195	3.2%	8.1%
		=====	=====	=====	=====
Earnings Per Common Share (Diluted):					
Income from Continuing Operations		\$ 0.19	\$ 0.36		
(Expense) Income from Discontinued Operations, Net of Income Taxes		(0.00)	0.01		
Net Income	-48%	\$ 0.19	\$ 0.37		
		=====	=====		
Average (Diluted) Common Shares	-9%	481	529		

NOTES:

Data for 2002 include the restatement for discontinued operations.

(A) The Company completed the goodwill impairment testing in the fourth quarter of 2003 and recorded a non-cash, pre-tax charge of \$137 million (\$113 million or \$.24 per common share, after tax) related to certain European business units.

(B) The Company owns 64 percent of Hansgrohe AG; this line is the reduction of income to reflect the minority interest.

(C) In the fourth quarter of 2002, the Company recognized \$16 million of income relating to a plan developed in 2000 for the disposition of businesses.

MASCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2003 AND 2002
(IN MILLIONS, EXCEPT PER SHARE DATA)

Line		% Change	Twelve Months Ended December 31		As a Percent of Sales Twelve Months Ended December 31	
			2003	2002	2003	2002
1	Net Sales	20%	\$ 10,936	\$ 9,149	100.0%	100.0%
2	Cost of Sales	21%	7,586	6,258	69.4%	68.4%
3	Gross Profit	16%	3,350	2,891	30.6%	31.6%
	Operating Profit (B):					
4	- Before GCE, Benefit Expense, Net, Litigation (Income) Charge, Income from Planned Disposition and Goodwill Impairment Charge (3-8)	6%	1,622	1,530	14.8%	16.7%
5	- After GCE, Benefit Expense, Net, Litigation (Income) Charge, Income from Planned Disposition and Goodwill Impairment Charge (3-9-10-11-12)	9%	1,424	1,301	13.0%	14.2%
	S,G&A Expense:					
6	- General Corporate Expense (GCE)	14%	112	98	1.0%	1.1%
7	- Accelerated Benefit Expense, Net (E)		16	-	0.1%	0.0%
8	- All Other	27%	1,728	1,361	15.8%	14.9%
9	- Total S,G&A Expense	27%	1,856	1,459	17.0%	15.9%
10	(Income) Charge for Litigation Settlement, Net (C)		(72)	147	-0.7%	1.6%
11	(Income) from Planned Disposition of Business (F)		-	(16)	0.0%	0.2%
12	Goodwill Impairment Charge (A)		142	-	1.3%	0.0%
13	Other Income (Expense), Net	-31%	(208)	(300)	-1.9%	-3.3%
14	Income from Continuing Operations Before Income Taxes and Minority Interest (5+13)	21%	1,216	1,001	11.1%	10.9%
15	Income Taxes (Tax Rate)	37%	463 38.1%	337 33.7%	4.2%	3.7%
16	Income from Continuing Operations Before Minority Int	13%	753	664	6.9%	7.3%
17	Minority Interest (D)		(13)	-	-0.1%	0.0%
18	Income from Continuing Operations	11%	740	664	6.8%	7.3%
19	Income from Discontinued Operations and Gain, Net of Income Taxes		66	18	0.6%	0.2%
20	Cumulative Effect of Accounting Change, Net		-	(92)	0.0%	-1.0%
	Net Income	37%	\$ 806	\$ 590	7.4%	6.4%
	Earnings Per Common Share (Diluted):					
	Income from Continuing Operations		\$ 1.51	\$ 1.29		
	Income from Discontinued Operation and Gain, Net of Income Taxes		0.13	0.04		
	Cumulative Effect of Accounting Change, Net		-	(0.18)		
	Net Income	43%	\$ 1.64	\$ 1.15		
	Average (Diluted) Common Shares	-5%	491	514		

NOTES:

Data for 2003 and 2002 include the restatement for discontinued operations.

(A) Operating results for 2003 reflect a non-cash, pre-tax charge for goodwill impairment of \$142 million (\$118 million or \$.24 per common share, after tax), including \$5 million recorded in the third quarter of 2003.

(B) Operating results for 2003 reflect charges of \$50 million (\$.07 per common share, after tax) for a business unit in the Decorative Architectural Products segment; and \$4 million (\$.01 per common share, after tax) for a business unit in the Plumbing Products segment.

(C) Results for 2003 and 2002 include \$72 million and \$(147) million of income (expense), respectively, related to the litigation settlement regarding the Company's subsidiary, Behr Process Corporation, in the Decorative Architectural Products segment.

(D) The Company owns 64 percent of Hansgrohe AG; this line is the reduction of income to reflect the minority interest.

(E) Due to the unexpected passing of the Company's President and Chief Operating Officer, certain benefits were accelerated and expensed in the first quarter of 2003. A portion of the benefit liability (related to an investment in the Company's common stock) fluctuated based on the market price of Company common stock. In the second quarter of 2003, the Company recognized income relating to this liability as the obligation was marked to market, based on the Company's stock price. The liability was satisfied in the third quarter of 2003 with no impact on earnings.

(F) In the fourth quarter of 2002, the Company recognized \$16 million of income relating to a plan developed in 2000 for the disposition of businesses.

MASCO CORPORATION
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS)

	December 31, 2003 -----	December 31, 2002 -----
ASSETS		
Current Assets:		
Cash and Cash Investments	\$ 795	\$ 1,067
Receivables	1,674	1,546
Inventories	1,019	1,056
Prepaid Expenses and Other	316	281
Total Current Assets	----- 3,804	----- 3,950
Property and Equipment, Net	2,339	2,315
Goodwill	4,491	4,297
Other Intangible Assets, Net	344	354
Other Assets	1,171	1,134
Total Assets	----- \$ 12,149 =====	----- \$ 12,050 =====
LIABILITIES		
Current Liabilities:		
Notes Payable	\$ 334	\$ 321
Accounts Payable	715	541
Accrued Liabilities	1,050	1,070
Total Current Liabilities	----- 2,099	----- 1,932
Long-Term Debt	3,848	4,316
Deferred Income Taxes and Other	746	508
Total Liabilities	----- 6,693	----- 6,756
SHAREHOLDERS' EQUITY	5,456	5,294
Total Liabilities and Shareholders' Equity	----- \$ 12,149 =====	----- \$ 12,050 =====

MASCO CORPORATION
GAAP RECONCILIATION OF SALES GROWTH
EXCLUDING EFFECT OF ACQUISITIONS, DIVESTITURES & CURRENCY TRANSLATION
(DOLLARS IN MILLIONS)

	Three Months Ended December 31	
	2003	2002
Consolidated Net Sales, as reported	\$ 2,862	\$ 2,421
- Acquisitions	(130)	-
- Divestitures (A)	-	-
Consolidated Net Sales (excl. acquisitions & divestitures)	\$ 2,732	\$ 2,421
	=====	=====
North American Net Sales, as reported	\$ 2,269	\$ 2,008
- Acquisitions	(25)	-
- Divestitures (A)	-	-
North American Net Sales (excl. acquisitions & divestitures)	\$ 2,244	\$ 2,008
	=====	=====
International Net Sales, as reported	\$ 593	\$ 413
- Acquisitions	(105)	-
- Divestitures (A)	-	-
International Net Sales (excl. acquisitions & divestitures)	488	413
- Currency Translation	(65)	-
International Net Sales (excl. acquisitions, divestitures & currency)	\$ 423	\$ 413
	=====	=====

NOTES:

(A) Refers to divestitures completed prior to January 1, 2003. Divestitures completed subsequent to January 1, 2003 are considered discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The sales of discontinued operations are not included in the Company's net sales, as reported, for any period presented.

The Company presents information comparing results from one period to another excluding the results of businesses acquired or disposed of in order to assess the performance of the underlying businesses and to assess to what extent acquisitions are driving growth.

The Company also presents information comparing results of International operations from one period to another using constant exchange rates. To present this information, current period results for foreign entities are converted into U.S. dollars using the prior period's exchange rates, rather than exchange rates for the current period. The Company presents this information in order to assess how the underlying businesses performed before taking into account currency fluctuations.

MASCO CORPORATION
GAAP RECONCILIATION OF SALES GROWTH
EXCLUDING EFFECT OF ACQUISITIONS, DIVESTITURES & CURRENCY TRANSLATION
(DOLLARS IN MILLIONS)

	Twelve Months Ended December 31	
	2003	2002
Consolidated Net Sales, as reported	\$10,936	\$ 9,149
- Acquisitions	(1,334)	(320)
- Divestitures (A)	-	(13)
Consolidated Net Sales (excl. acquisitions & divestitures)	\$ 9,602	\$ 8,816
	=====	=====
North American Net Sales, as reported	\$ 8,763	\$ 7,686
- Acquisitions	(743)	(213)
- Divestitures (A)	-	(13)
North American Net Sales (excl. acquisitions & divestitures)	\$ 8,020	\$ 7,460
	=====	=====
International Net Sales, as reported	\$ 2,173	\$ 1,463
- Acquisitions	(591)	(107)
- Divestitures (A)	-	-
International Net Sales (excl. acquisitions & divestitures)	1,582	1,356
- Currency Translation	(228)	-
International Net Sales (excl. acquisitions, divestitures & currency)	\$ 1,354	\$ 1,356
	=====	=====

NOTES:

(A) Refers to divestitures completed prior to January 1, 2003. Divestitures completed subsequent to January 1, 2003 are considered discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The sales of discontinued operations are not included in the Company's net sales, as reported, for any period presented.

The Company presents information comparing results from one period to another excluding the results of businesses acquired or disposed of in order to assess the performance of the underlying businesses and to assess to what extent acquisitions are driving growth.

The Company also presents information comparing results of International operations from one period to another using constant exchange rates. To present this information, current period results for foreign entities are converted into U.S. dollars using the prior period's exchange rates, rather than exchange rates for the current year. The Company presents this information in order to assess how the underlying businesses performed before taking into account currency fluctuations.

MASCO CORPORATION
GAAP RECONCILIATION OF OPERATING PROFIT, NET INCOME AND EARNINGS PER
COMMON SHARE
YEAR ENDED DECEMBER 31, 2002
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	EPS	OPERATING PROFIT	NET INCOME
	-----	-----	-----
As Reported, Excluding Discontinued Operations	\$ 1.11	\$ 1,301	\$ 572
Litigation Charge, Net	0.18	147	92
Goodwill Impairment Charge	0.18		92
(Income) from Planned Disposition of Business	(0.02)	(16)	(10)
Impairment Charge for Non-Operating Assets	0.03		15
	-----	-----	-----
As Reconciled	\$ 1.48	\$ 1,432	\$ 761
	=====	=====	=====

The Company believes that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP financial measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results.

MASCO CORPORATION
GAAP RECONCILIATION OF NET OPERATING PROFIT AND SHAREHOLDERS' EQUITY
(DOLLARS IN MILLIONS)

	YEAR ENDED DECEMBER 31	
	2003	2002
Net Operating Profit, Excluding Discontinued Operations	\$ 1,424	\$ 1,301
Goodwill Impairment Charge	142	-
European Charges	54	-
Accelerated Benefit Expense	16	-
Income from Planned Disposition of a Business	-	(16)
Behr Litigation (Income) Charge, Net	(72)	147
Net Operating Profit, As Reconciled	\$ 1,564	\$ 1,432
	=====	=====

	YEAR ENDED DECEMBER 31	
	2003	2002
Shareholders' Equity, As Reported	\$ 5,456	\$ 5,294
Goodwill Impairment Charge (after tax)	118	92
European Charges (after tax)	38	-
Accelerated Benefit Expense (after tax)	10	-
Income from Planned Disposition of a Business (after tax)	-	(10)
Behr Litigation (Income) Charge, Net (after tax)	(45)	92
Shareholders' Equity, As Reconciled	\$ 5,577	\$ 5,468
	=====	=====

The Company believes that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP financial measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results.

MASCO CORPORATION
GAAP RECONCILIATION OF NET OPERATING PROFIT AND MARGINS
(DOLLARS IN MILLIONS)

	TWELVE MONTHS ENDED DECEMBER 31			
	2003		2002	
	-----	-----	-----	-----
Net Operating Profit, Excluding Discontinued Operations	\$ 1,424	13.0%	\$ 1,301	14.2%
Goodwill Impairment Charge	142		-	
European Charges	54		-	
Accelerated Benefit Expense	16		-	
Income from Planned Disposition of a Business	-		(16)	
Behr Litigation (Income) Charge, Net	(72)		147	
	-----		-----	
Net Operating Profit, As Reconciled	\$ 1,564	14.3%	\$ 1,432	15.7%
	=====		=====	

	THREE MONTHS ENDED DECEMBER 31			
	2003		2002	
	-----	-----	-----	-----
Net Operating Profit, Excluding Discontinued Operations	\$ 254	8.9%	\$ 381	15.7%
Goodwill Impairment Charge	137		-	
Income from Planned Disposition of a Business	-		(16)	
Behr Litigation (Income)	(1)		(19)	
	-----		-----	
Net Operating Profit, As Reconciled	\$ 390	13.6%	\$ 346	14.3%
	=====		=====	

The Company believes that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP financial measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results.

MASCO CORPORATION
DISCONTINUED OPERATIONS - SELECTED FINANCIAL DATA
(DOLLARS IN MILLIONS)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2003	2002	2003	2002
Net Sales	\$ -	\$ 67	\$198	\$271
	====	====	====	====
Income Before Income Taxes	\$ -	\$ 8	\$ 21	\$ 29
(Expense) Gain on Disposal of Discontinued Operations	(1)	-	89	-
Income Taxes	-	(3)	(44)	(11)
	----	----	----	----
(Expense) Income and Gain From Discontinued Operations, Net	\$ (1)	\$ 5	\$ 66	\$ 18
	====	====	====	====

Data for 2003 represent results through the first nine months for businesses divested at September 30, 2003.