

MASCO CORP /DE/

FORM 8-K (Current report filing)

Filed 04/27/10 for the Period Ending 04/26/10

| | |
|-------------|---|
| 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) April 26, 2010

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)

48180

(Zip Code)

(313) 274-7400

Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 2.02. Results of Operations and Financial Condition.

Attached and incorporated herein by reference as Exhibit 99 is a copy of a press release dated April 27, 2010 reporting Masco Corporation's financial results for the first quarter of 2010 and certain other information and supplemental information prepared for use in connection with the financial results for the first quarter 2010. On April 27, 2010, Masco Corporation will hold an investor conference call and web cast to discuss financial results for the first quarter 2010.

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.

Item 2.05 Costs Associated with Exit or Disposal Activities.

As previously announced in February 2010, the Company is combining its Builder Cabinet Group and Retail Cabinet Group to form Masco Cabinetry. In connection with this combination, the Company anticipates that it will close two manufacturing facilities associated with ready-to-assemble and other non-core in-stock assembled product lines in the first half of 2011. For further information, please see the first paragraph under the caption "Subsequent Event" in our earnings release. A copy of our earnings release is attached as an exhibit to this Current Report on Form 8-K and such paragraph is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99 Press Release of Masco Corporation dated April 27, 2010 reporting Masco Corporation's financial results for the first quarter 2010 and certain other information and supplemental information prepared for use in connection with the financial results for the first quarter 2010.

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/ John G. Szniewajs

Name: John G. Szniewajs

Title: Vice President, Treasurer and
Chief Financial Officer

April 26, 2010

EXHIBIT INDEX

99 Press Release of Masco Corporation dated April 27, 2010 reporting Masco Corporation's financial results for the first quarter 2010 and certain other information and supplemental information prepared for use in connection with the financial results for the first quarter 2010.



FOR IMMEDIATE RELEASE

Investor / Media Contact

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MASCO CORPORATION REPORTS FIRST QUARTER RESULTS**2010 First Quarter Commentary**

- Sales increased three percent to \$1.9 billion.
- Markets for most of our products continue to show modest improvement.
- Comparing the first quarter of 2010 to the first quarter of 2009:
 - Sales to key retailers increased two percent.
 - Our International operations had another strong quarter.
 - Gross profit margins and operating profit improved significantly.
- Loss from continuing operations was \$(.02) per common share compared to a loss of \$(.24) in first quarter of 2009.
- We issued \$500 million of 7.125 percent ten-year notes and retired \$300 million of debt.
- We had \$1.4 billion of cash at March 31, 2010.

Taylor, Mich., (April 26, 2010) — Masco Corporation (NYSE: MAS) today reported that net sales from continuing operations for the quarter ended March 31, 2010 increased three percent to \$1.9 billion compared with \$1.8 billion for the first quarter of 2009. North American sales were flat and International sales increased 16 percent. In local currencies, International sales increased nine percent compared with the first quarter of 2009.

The first quarter of 2010 results were positively affected by increased sales volume of plumbing products and windows, a more favorable product mix of paints and stains, and the improved relationship between selling prices and commodity costs. First quarter 2010 results were also positively affected by the benefits associated with business rationalizations and other cost savings initiatives. Such increases were partially offset by lower sales volume of installation and other services and lower selling prices for certain products.

(Loss) from continuing operations was \$(.02) per common share in the first quarter of 2010 compared to (loss) from continuing operations of \$(.24) per common share in the first quarter of 2009.

“We are very pleased with our first quarter 2010 financial results. Excluding the benefit from foreign currency translation our sales increased modestly from the first quarter 2009 — the first positive quarterly sales comparison in the last several years. While the quarter started slowly, business activity picked up as the weather improved in both North America

and Europe and we have strong momentum going into the second quarter, particularly on the retail side of the business,” said Masco’s CEO Tim Wadhams. “Innovative new products drove market share gains and we continued to drive strong incremental margins in the quarter. We are proud of the Masco Team, worldwide, as we continue to focus on strengthening our leadership brands and enhancing customer experience with our products and services through innovation and quality while continuing to drive lean principles to improve our execution,” said Tim Wadhams.

We continue to focus on the rationalization of our businesses, including business consolidations, plant closures, headcount reductions, system implementations and other initiatives. During the first quarters of 2010 and 2009, we incurred costs and charges of \$14 million pre-tax (\$.03 per common share, after tax) and \$24 million pre-tax (\$.04 per common share, after tax), respectively, related to these initiatives.

The unusual relationship between pre-tax income and tax expense in the first quarter of 2010 principally reflects \$9 million (\$.03 per common share) of additional tax expenses related to previously established accruals for changes in uncertain tax positions. In the first quarter of 2009, although the Company had a loss before income tax of \$61 million, tax expense was \$17 million (\$.05 per common share) reflecting income tax liabilities in certain jurisdictions where losses provided no tax benefit.

We retired \$300 million of floating rate notes that matured in March. On March 10, 2010, we issued \$500 million of 7.125 percent ten-year notes. As a result, the Company’s interest expense is expected to increase by approximately \$30 million (\$.05 per common share, after tax) for the full-year 2010.

Subsequent Event

As previously announced in February 2010, the Company is combining its Builder Cabinet Group and Retail Cabinet Group to form Masco Cabinetry. Masco Cabinetry continues to review its product offerings and has determined in late April that it will discontinue the manufacture of ready-to-assemble and other non-core in-stock assembled product lines as they are not consistent with Masco Cabinetry’s strategy of growth through brand building and innovation. These product lines had aggregate annual sales of approximately \$200 million in 2009. The Company anticipates it will close two manufacturing facilities associated with these products in the first half of 2011. The Company expects to incur approximately \$115 million (principally recognized ratably over the next 15 months) of pre-tax charges related to the anticipated plant closures including approximately \$90 million related to non-cash charges principally associated with property, plant and equipment and approximately \$25 million of other cash charges. These charges, including the previously announced integration charges of approximately \$40 million, will result in aggregate pre-tax charges of approximately \$155 million related to the integration of the Builder and Retail Cabinet groups into Masco Cabinetry.

Based on the incremental actions outlined above, the Company anticipates that full year 2010 rationalization charges will aggregate approximately \$140 million compared with the previously announced \$70 million.

Outlook 2010

We expect that business conditions in 2010 will continue to show modest improvement compared to 2009. While we are concerned about the impact of current unemployment levels, foreclosure activity and access to financing, we believe that housing starts will improve in 2010 and will increase to a range of 600,000 to 700,000 units from 554,000 units in 2009.

While we anticipate that expenditures on repair and remodel activity will improve modestly in 2010 from 2009 levels, we believe that big-ticket items will continue to be deferred, in the short-term, until general economic conditions, credit availability and home prices improve.

We are confident that the long-term fundamentals for the new home construction and home improvement markets are positive. We believe that our strong financial position, together with our current strategy of investing in leadership brands (including: KraftMaid and Merillat cabinets, Delta and Hansgrohe faucets, Behr paint and Milgard windows), our continued focus on innovation and our commitment to lean principles will allow us to drive long-term growth and create value for our shareholders.

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.

The 2010 first quarter supplemental material, including a presentation in PDF format, will be distributed after the market closes on April 26, 2010 and will be available on the Company's Web site at www.masco.com.

A conference call regarding items contained in this release is scheduled for Tuesday, April 27, 2010 at 8:00 a.m. ET. Participants in the call are asked to register five to ten minutes prior to the scheduled start time by dialing (913) 905-3226 (confirmation #5831344). The conference call will be webcast simultaneously on the Company's Web site at www.masco.com and supplemental material, including the financial data referred to on the call and a reconciliation of non-GAAP information provided on the call, will also be available on the Web site. A replay of the call will be available on Masco's Web site or by phone by dialing (719) 457-0820 (replay access code #5831344) approximately two hours after the end of the call and will continue through May 4, 2010.

Masco Corporation's press releases and other information are available through the Company's toll free number, 1-888-MAS-NEWS, or under the Investor Relations section of Masco's Web site at www.masco.com.

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Statements contained herein, or otherwise made available, that reflect the Company's views about its future performance may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These views involve risks and uncertainties that are difficult to predict and the Company's results may differ materially from the results discussed in such forward-looking statements. For further information, refer to our most recent Annual Report on Form 10-K (particularly the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections) and to any subsequent Quarterly Reports on Form 10-Q, all of which are on file with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Certain of the financial and statistical data made available are non-GAAP financial measures as defined by the SEC's Regulation G. The Company believes that such non-GAAP performance measures and ratios used in managing the business may provide users with meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States. Additional information about the Company is contained in the Company's filings with the SEC and is available on Masco's Web site.

MASCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED
For the Three Months Ended March 31, 2010 and 2009
(In Millions, Except Per Common Share Data)

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------|
| | 2010 | 2009 |
| Net sales | \$ 1,852 | \$ 1,797 |
| Cost of sales | 1,360 | 1,384 |
| Gross profit | 492 | 413 |
| Selling, general and administrative expenses | 414 | 407 |
| Charge for defined-benefit plan curtailment | — | 8 |
| Operating profit (loss) | 78 | (2) |
| Other income (expense), net | (56) | (59) |
| Income (loss) from continuing operations before income taxes | 22 | (61) |
| Income tax expense | 18 | 17 |
| Income (loss) from continuing operations | 4 | (78) |
| Income from discontinued operations, net | — | 4 |
| Net income (loss) | 4 | (74) |
| Less: Net income attributable to non-controlling interest | 11 | 7 |
| Net (loss) attributable to Masco Corporation | \$ (7) | \$ (81) |
| Earnings (loss) per common share attributable to Masco Corporation (diluted): | | |
| (Loss) from continuing operations | \$ (0.02) | \$ (0.24) |
| Income from discontinued operations, net | — | 0.01 |
| Net (loss) attributable to Masco Corporation | \$ (0.02) | \$ (0.23) |
| Average diluted common shares outstanding | 350 | 351 |
| Amounts attributable to Masco Corporation: | | |
| (Loss) from continuing operations | \$ (7) | \$ (85) |
| Income from discontinued operations, net | — | 4 |
| Net (loss) attributable to Masco Corporation | \$ (7) | \$ (81) |

Masco Corporation
Key Financial Data As Reported — Unaudited
Q1 — 2010 and 2009 (In Millions, Except Earnings Per Share)

| Sales & Earnings | 3/31/2010 | 3/31/2009 | Change |
|---|------------------|------------------|---------------|
| Net Sales | \$ 1,852 | \$ 1,797 | 3 % |
| Operating Profit (Loss) | \$ 78 | \$ (2) | N/A |
| <i>Operating Profit (Loss) % of Net Sales</i> | 4.2 % | -0.1 % | 430 bps |
| Other Income (Expense), Net | \$ (56) | \$ (59) | 5 % |
| Income Tax Expense | \$ 18 | \$ 17 | N/A |
| (Loss) From Continuing Operations Attributable to Masco Corporation | \$ (7) | \$ (85) | N/A |
| Diluted EPS from Continuing Operations | \$ (0.02) | \$ (0.24) | N/A |
| Operating Expenses | 3/31/2010 | 3/31/2009 | Change |
| Cost of Sales | \$ 1,360 | \$ 1,384 | -2 % |
| <i>Gross Margin</i> | 26.6 % | 23.0 % | 360 bps |
| SG&A Expenses (Including GCE) | \$ 414 | \$ 407 | 2 % |
| <i>SG&A as a % of net sales</i> | 22.4 % | 22.6 % | 20 bps |
| General Corporate Expense (GCE) | \$ 30 | \$ 33 | -9 % |
| <i>General Corp Expense as a % of net sales</i> | 1.6 % | 1.8 % | 20 bps |
| Business Segments | 3/31/2010 | 3/31/2009 | Change |
| Cabinets and Related Products: | | | |
| Net Sales | \$ 403 | \$ 395 | 2 % |
| Operating (Loss) | \$ (15) | \$ (28) | N/A |
| <i>Operating (Loss) % of Net Sales</i> | -3.7 % | -7.1 % | 340 bps |
| Plumbing Products: | | | |
| Net Sales | \$ 663 | \$ 584 | 14 % |
| Operating Profit | \$ 84 | \$ 35 | N/A |
| <i>Operating Profit % of Net Sales</i> | 12.7 % | 6.0 % | 670 bps |
| Installation and Other Services: | | | |
| Net Sales | \$ 273 | \$ 317 | -14 % |
| Operating (Loss) | \$ (42) | \$ (36) | N/A |
| <i>Operating (Loss) % of Net Sales</i> | -15.4 % | -11.4 % | (400) bps |
| Decorative Architectural Products: | | | |
| Net Sales | \$ 389 | \$ 386 | 1 % |
| Operating Profit | \$ 87 | \$ 75 | N/A |
| <i>Operating Profit % of Net Sales</i> | 22.4 % | 19.4 % | 300 bps |
| Other Specialty Products: | | | |
| Net Sales | \$ 124 | \$ 115 | 8 % |
| Operating (Loss) | \$ (6) | \$ (7) | N/A |
| <i>Operating (Loss) % of Net Sales</i> | -4.8 % | -6.1 % | 130 bps |
| Total Segment Reported: | | | |
| Net Sales | \$ 1,852 | \$ 1,797 | 3 % |
| Operating Profit | \$ 108 | \$ 39 | N/A |
| <i>Operating Profit % of Net Sales</i> | 5.8 % | 2.2 % | 360 bps |
| Change in Key Retailer Sales | 2% | -11% | |

Masco Corporation
Key Financial Data As Reported — Unaudited
Q1 — 2010 and 2009 (In Millions, Except Earnings Per Share)

| Business Regions | 3/31/2010 | 3/31/2009 | Change |
|---|------------------|------------------|---------------|
| North America | | | |
| Net Sales | \$ 1,430 | \$ 1,434 | 0 % |
| Operating Profit | \$ 64 | \$ 19 | N/A |
| Operating Profit % of Net Sales | 4.5 % | 1.3 % | 320 bps |
| International, principally Europe | | | |
| Net Sales | \$ 422 | \$ 363 | 16 % |
| Operating Profit | \$ 44 | \$ 20 | N/A |
| Operating Profit % of Net Sales | 10.4 % | 5.5 % | 490 bps |
| Working Capital | | | |
| Receivable Days | 51 | 52 | (1) |
| Inventory Days | 53 | 50 | 3 |
| Payable Days | 49 | 46 | 3 |
| Working Capital (Receivables+Inventory-Payables) | \$ 1,279 | \$ 1,436 | -11 % |
| Working Capital as a % of Sales (As Reported TTM ¹) | 16.3 % | 16.0 % | (30) bps |
| Other | | | |
| Dividend Payments | \$ 27 | \$ 85 | |
| Cash Paid for Share Repurchases ² | \$ 45 | \$ 11 | |
| Common Shares Repurchased ² | 3 | 2 | |
| CAPEX | \$ 26 | \$ 27 | |
| Return on Invested Capital (As Reported TTM ¹) | 1.5% | -0.9% | |
| Return on Invested Capital (As Reconciled TTM ¹) | 4.3% | 3.7% | |
| Depreciation and Amortization | \$ 60 | \$ 62 | |
| Average diluted common shares outstanding | 350 | 351 | |
| Balance Sheet Information | | | |
| Long-Term Debt | \$ 4,100 | \$ 3,604 | |
| Notes Payable | \$ 66 | \$ 364 | |
| Total Debt | \$ 4,166 | \$ 3,968 | |
| Shareholders' Equity | \$ 2,703 | \$ 2,817 | |
| Debt to Capital | 61% | 58% | |
| Cash | \$ 1,378 | \$ 1,413 | |

¹ — Trailing twelve months.

² — Common shares were repurchased to offset the effect of stock award grants in the first quarters of 2010 and 2009.

Masco Corporation — 1st Quarter 2010

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MASCO CORPORATION
Condensed Consolidated Statements of Operations
2010 & 2009 — by Quarter — Unaudited
(dollars in millions, except per share data)

| | 2010 | | | | 2009 | | | | | |
|---|------|--------|--------|--------|------------------|------------------|------------------|----------------|----------------|------------------|
| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
| Net Sales | | | | | \$1,852 | \$7,792 | \$1,898 | \$2,084 | \$2,013 | \$1,797 |
| Cost of Sales | | | | | 1,360 | 5,774 | 1,403 | 1,517 | 1,470 | 1,384 |
| Gross Profit | | | | | 492 | 2,018 | 495 | 567 | 543 | 413 |
| (Gross Margin as a % of Sales) | | | | | 26.6% | 25.9% | 26.1% | 27.2% | 27.0% | 23.0% |
| SG&A Expense (before lines 1, 2, 3, 4) | | | | | 384 | 1,546 | 386 | 386 | 400 | 374 |
| (S,G&A Expense as a % of Sales) | | | | | 20.7% | 19.8% | 20.3% | 18.5% | 19.9% | 20.8% |
| Operating Profit (before lines 1, 2, 3, 4) | | | | | 108 | 472 | 109 | 181 | 143 | 39 |
| (Operating Margin as a % of Sales) | | | | | 5.8% | 6.1% | 5.7% | 8.7% | 7.1% | 2.2% |
| 1 General Corporate Expense (GCE), Net | | | | | 30 | 140 | 44 | 36 | 27 | 33 |
| S,G&A Expense as a % of Sales (including lines 1,2,3,4) | | | | | 22.4% | 25.2% | 36.5% | 20.6% | 21.2% | 23.1% |
| 2 Charge for Defined-Benefit Plan Curtailment | | | | | — | 8 | — | — | — | 8 |
| 3 Charge for Litigation Settlement | | | | | — | 7 | — | 7 | — | — |
| 4 Impairment Charges for Goodwill and Other Intangible Assets | | | | | — | 262 | 262 | — | — | — |
| Operating Profit (Loss) per F/S | | | | | <u>\$ 78</u> | <u>\$ 55</u> | <u>\$ (197)</u> | <u>\$ 138</u> | <u>\$ 116</u> | <u>\$ (2)</u> |
| Income (Loss) Per Common Share Attributable to Masco Corporation (Diluted): | | | | | | | | | | |
| Income (Loss) from Continuing Operations | | | | | \$ (0.02) | \$ (0.41) | \$ (0.49) | \$ 0.14 | \$ 0.19 | \$ (0.24) |
| (Loss) Income from Discontinued Operations, Net | | | | | — | (0.12) | (0.03) | (0.06) | (0.03) | 0.01 |
| Net Income (Loss) | | | | | <u>\$ (0.02)</u> | <u>\$ (0.53)</u> | <u>\$ (0.53)</u> | <u>\$ 0.08</u> | <u>\$ 0.15</u> | <u>\$ (0.23)</u> |

Please see page 2 for Notes.

MASCO CORPORATION
Notes To Condensed Consolidated Statements of Operations
2010 & 2009 — by Quarter — Unaudited

Notes:

- Data exclude discontinued operations.
- Operating results for the first quarter of 2010 include costs and charges related to business rationalizations and other initiatives of \$14 million pre-tax (\$.03 per common share, after tax).
- Operating results for the fourth quarter of 2009 include non-cash impairment charges for goodwill and other intangible assets of \$262 million pre-tax (\$.51 per common share, after tax).
- Operating results for the first, second, third and fourth quarters of 2009 include costs and charges related to business rationalizations and other initiatives of \$24 million pre-tax (\$.04 per common share, after tax), \$22 million pre-tax (\$.04 per common share, after tax), \$21 million pre-tax (\$.04 per common share, after tax), and \$27 million pre-tax (\$.05 per common share, after tax), respectively.
- Operating results for the third quarter of 2009 include litigation settlement expense of \$7 million pre-tax (\$.01 per common share, after tax).
- Operating results for the second quarter of 2009 include accelerated stock compensation expense of \$6 million pre-tax (\$.01 per common share, after tax).
- Operating results for the first quarter of 2009 include a non-cash charge of \$8 million pre-tax (\$.01 per common share, after tax) related to the curtailment and remeasurement of certain of the Company's defined-benefit pension plans.
- Income from continuing operations for the first and second quarters of 2009 includes non-cash impairment charges for financial investments of \$3 million pre-tax (\$.01 per common share, after tax) and \$7 million pre-tax (\$.01 per common share, after tax), respectively.
- (Loss) income from discontinued operations for the fourth quarter of 2009 include loss of \$19 million pre-tax (\$.04 per common share, after tax) on the disposition of a European business unit in the Plumbing Products segment.
- (Loss) income from discontinued operations for the third quarter of 2009 include loss of \$22 million pre-tax (\$.06 per common share, after tax) on the disposition of a European business unit in the Plumbing Products segment.

MASCO CORPORATION
Quarterly Segment Data — 2010
Excluding Costs and Charges for Business Rationalizations and Other Initiatives — Unaudited
(dollars in millions)

| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
|---|------|--------|--------|--------|-----------------|
| Net Sales: | | | | | |
| - Cabinets and Related Products | | | | | \$ 403 |
| - Plumbing Products | | | | | 663 |
| - Installation and Other Services | | | | | 273 |
| - Decorative Architectural Products | | | | | 389 |
| - Other Specialty Products | | | | | 124 |
| - Total | | | | | \$ 1,852 |
| | | | | | |
| - North America | | | | | \$ 1,430 |
| - International, principally Europe | | | | | 422 |
| - Total, as above | | | | | \$ 1,852 |
| Operating (Loss) Profit: | | | | | |
| - Cabinets and Related Products | | | | | \$ (4) |
| - Plumbing Products | | | | | 85 |
| - Installation and Other Services | | | | | (40) |
| - Decorative Architectural Products | | | | | 87 |
| - Other Specialty Products | | | | | (6) |
| - Total | | | | | \$ 122 |
| | | | | | |
| - North America | | | | | \$ 76 |
| - International, principally Europe | | | | | 46 |
| - Total, as above | | | | | \$ 122 |
| | | | | | |
| General Corporate Expense (GCE), Net | | | | | \$ 30 |
| Loss on Corporate Fixed Assets, Net | | | | | — |
| Charge for Litigation Settlement | | | | | — |
| Operating Profit (after GCE and Adjustments) | | | | | 92 |
| Other Income (Expense), Net | | | | | (56) |
| Income (Loss) from Continuing Operations before Income Taxes | | | | | \$ 36 |
| Margins: | | | | | |
| - Cabinets and Related Products | | | | | -1.0% |
| - Plumbing Products | | | | | 12.8% |
| - Installation and Other Services | | | | | -14.7% |
| - Decorative Architectural Products | | | | | 22.4% |
| - Other Specialty Products | | | | | -4.8% |
| - Total | | | | | 6.6% |
| | | | | | |
| - North America | | | | | 5.3% |
| - International, principally Europe | | | | | 10.9% |
| - Total, as above | | | | | 6.6% |

Notes:

- Data exclude discontinued operations.
- Operating (loss) profit and margins by segment and geographic area are before general corporate expense and loss on corporate fixed
- See 2010 Costs and Charges for Business Rationalizations and Other Initiatives — page 5.

MASCO CORPORATION
Quarterly Segment Data — 2010
Including Costs and Charges for Business Rationalizations and Other Initiatives — Unaudited
(dollars in millions)

| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
|---|------|--------|--------|--------|-----------------|
| Net Sales: | | | | | |
| - Cabinets and Related Products | | | | | \$ 403 |
| - Plumbing Products | | | | | 663 |
| - Installation and Other Services | | | | | 273 |
| - Decorative Architectural Products | | | | | 389 |
| - Other Specialty Products | | | | | 124 |
| - Total | | | | | \$ 1,852 |
| | | | | | |
| - North America | | | | | \$ 1,430 |
| - International, principally Europe | | | | | 422 |
| - Total, as above | | | | | \$ 1,852 |
| Operating (Loss) Profit: | | | | | |
| - Cabinets and Related Products | | | | | \$ (15) |
| - Plumbing Products | | | | | 84 |
| - Installation and Other Services | | | | | (42) |
| - Decorative Architectural Products | | | | | 87 |
| - Other Specialty Products | | | | | (6) |
| - Total | | | | | \$ 108 |
| | | | | | |
| - North America | | | | | \$ 64 |
| - International, principally Europe | | | | | 44 |
| - Total, as above | | | | | \$ 108 |
| | | | | | |
| General Corporate Expense (GCE), Net | | | | | \$ 30 |
| Loss on Corporate Fixed Assets, Net | | | | | — |
| Charge for Litigation Settlement | | | | | — |
| Operating Profit (after GCE and Adjustments) | | | | | 78 |
| Other Income (Expense), Net | | | | | (56) |
| Income (Loss) from Continuing Operations before Income Taxes | | | | | \$ 22 |
| Margins: | | | | | |
| - Cabinets and Related Products | | | | | -3.7% |
| - Plumbing Products | | | | | 12.7% |
| - Installation and Other Services | | | | | -15.4% |
| - Decorative Architectural Products | | | | | 22.4% |
| - Other Specialty Products | | | | | -4.8% |
| - Total | | | | | 5.8% |
| | | | | | |
| - North America | | | | | 4.5% |
| - International, principally Europe | | | | | 10.4% |
| - Total, as above | | | | | 5.8% |

Notes:

- Data exclude discontinued operations.
- Operating (loss) profit and margins by segment and geographic area are before general corporate expense and loss on corporate fixed
- See 2010 Costs and Charges for Business Rationalizations and Other Initiatives — page 5.

MASCO CORPORATION
Quarterly Segment Data — 2010
Costs and Charges for Business Rationalizations and Other Initiatives
(in millions)

| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
|---|------|--------|--------|--------|--------------|
| <i>Business Rationalizations & Other Initiatives</i> | | | | | |
| - Cabinets and Related Products | | | | | \$ 11 |
| - Plumbing Products | | | | | 1 |
| - Installation and Other Services | | | | | 2 |
| - Decorative Architectural Products | | | | | — |
| - Other Specialty Products | | | | | — |
| - Total | | | | | \$ 14 |
| <hr/> | | | | | |
| - North America | | | | | \$ 12 |
| - International, principally Europe | | | | | 2 |
| - Total, as above | | | | | \$ 14 |
| <hr/> | | | | | |
| General Corporate Expense (GCE), Net | | | | | — |
| - Total | | | | | \$ 14 |

Notes:

- Data exclude discontinued operations.
- Business rationalizations and other initiatives include costs and charges for business consolidations, plant closures, headcount reductions, system implementations and other initiatives.

MASCO CORPORATION
Quarterly Segment Data — 2009
Excluding Costs and Charges for Business Rationalizations and Other Initiatives
and Impairment Charges for Goodwill and Other Intangible Assets — Unaudited
(dollars in millions)

| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Sales: | | | | | |
| - Cabinets and Related Products | \$ 1,674 | \$ 426 | \$ 434 | \$ 419 | \$ 395 |
| - Plumbing Products | 2,564 | 671 | 678 | 631 | 584 |
| - Installation and Other Services | 1,256 | 295 | 332 | 312 | 317 |
| - Decorative Architectural Products | 1,714 | 349 | 474 | 505 | 386 |
| - Other Specialty Products | 584 | 157 | 166 | 146 | 115 |
| - Total | <u>\$ 7,792</u> | <u>\$ 1,898</u> | <u>\$ 2,084</u> | <u>\$ 2,013</u> | <u>\$ 1,797</u> |
| - North America | \$ 6,135 | \$ 1,441 | \$ 1,630 | \$ 1,630 | \$ 1,434 |
| - International, principally Europe | 1,657 | 457 | 454 | 383 | 363 |
| - Total, as above | <u>\$ 7,792</u> | <u>\$ 1,898</u> | <u>\$ 2,084</u> | <u>\$ 2,013</u> | <u>\$ 1,797</u> |
| Operating (Loss) Profit: | | | | | |
| - Cabinets and Related Products | \$ (21) | \$ 9 | \$ (9) | \$ (2) | \$ (19) |
| - Plumbing Products | 295 | 80 | 99 | 78 | 38 |
| - Installation and Other Services | (107) | (25) | (27) | (27) | (28) |
| - Decorative Architectural Products | 376 | 62 | 123 | 116 | 75 |
| - Other Specialty Products | 27 | 8 | 16 | 8 | (5) |
| - Total | <u>\$ 570</u> | <u>\$ 134</u> | <u>\$ 202</u> | <u>\$ 173</u> | <u>\$ 61</u> |
| - North America | \$ 394 | \$ 75 | \$ 139 | \$ 141 | \$ 39 |
| - International, principally Europe | 176 | 59 | 63 | 32 | 22 |
| - Total, as above | <u>\$ 570</u> | <u>\$ 134</u> | <u>\$ 202</u> | <u>\$ 173</u> | <u>\$ 61</u> |
| General Corporate Expense (GCE), Net | 136 | 42 | 36 | 27 | 31 |
| Accelerated Stock Compensation Expense | 6 | — | — | 6 | — |
| Loss on Corporate Fixed Assets, Net | 2 | — | — | 2 | — |
| Charge for Litigation Settlement | 7 | — | 7 | — | — |
| Charge for Defined-Benefit Plan Curtailment | 8 | — | — | — | 8 |
| Operating Profit (after GCE and Adjustments) | 411 | 92 | 159 | 138 | 22 |
| Other Income (Expense), Net | (206) | (49) | (49) | (49) | (59) |
| Income (Loss) from Continuing Operations before Income Taxes | <u>\$ 205</u> | <u>\$ 43</u> | <u>\$ 110</u> | <u>\$ 89</u> | <u>\$ (37)</u> |
| Margins: | | | | | |
| - Cabinets and Related Products | -1.3% | 2.1% | -2.1% | -0.5% | -4.8% |
| - Plumbing Products | 11.5% | 11.9% | 14.6% | 12.4% | 6.5% |
| - Installation and Other Services | -8.5% | -8.5% | -8.1% | -8.7% | -8.8% |
| - Decorative Architectural Products | 21.9% | 17.8% | 25.9% | 23.0% | 19.4% |
| - Other Specialty Products | 4.6% | 5.1% | 9.6% | 5.5% | -4.3% |
| - Total | 7.3% | 7.1% | 9.7% | 8.6% | 3.4% |
| - North America | 6.4% | 5.2% | 8.5% | 8.7% | 2.7% |
| - International, principally Europe | 10.6% | 12.9% | 13.9% | 8.4% | 6.1% |
| - Total, as above | 7.3% | 7.1% | 9.7% | 8.6% | 3.4% |

Notes:

- Data exclude discontinued operations.

- Operating (loss) profit and margins by segment and geographic area are before general corporate expense, charge for defined-benefit plan curtailment, accelerated stock compensation expense, loss on corporate fixed assets, net and charge for litigation settlement.
- See 2009 Costs and Charges for Business Rationalizations and Other Initiatives — page 8.

MASCO CORPORATION
Quarterly Segment Data — 2009
Including Costs and Charges for Business Rationalizations and Other Initiatives
and Impairment Charges for Goodwill and Other Intangible Assets — Unaudited
(dollars in millions)

| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Sales: | | | | | |
| - Cabinets and Related Products | \$ 1,674 | \$ 426 | \$ 434 | \$ 419 | \$ 395 |
| - Plumbing Products | 2,564 | 671 | 678 | 631 | 584 |
| - Installation and Other Services | 1,256 | 295 | 332 | 312 | 317 |
| - Decorative Architectural Products | 1,714 | 349 | 474 | 505 | 386 |
| - Other Specialty Products | 584 | 157 | 166 | 146 | 115 |
| - Total | <u>\$ 7,792</u> | <u>\$ 1,898</u> | <u>\$ 2,084</u> | <u>\$ 2,013</u> | <u>\$ 1,797</u> |
| - North America | \$ 6,135 | \$ 1,441 | \$ 1,630 | \$ 1,630 | \$ 1,434 |
| - International, principally Europe | 1,657 | 457 | 454 | 383 | 363 |
| - Total, as above | <u>\$ 7,792</u> | <u>\$ 1,898</u> | <u>\$ 2,084</u> | <u>\$ 2,013</u> | <u>\$ 1,797</u> |
| Operating (Loss) Profit: | | | | | |
| - Cabinets and Related Products | \$ (64) | \$ (8) | \$ (16) | \$ (12) | \$ (28) |
| - Plumbing Products | 237 | 35 | 93 | 74 | 35 |
| - Installation and Other Services | (131) | (27) | (34) | (34) | (36) |
| - Decorative Architectural Products | 375 | 62 | 122 | 116 | 75 |
| - Other Specialty Products | (199) | (215) | 16 | 7 | (7) |
| - Total | <u>\$ 218</u> | <u>\$ (153)</u> | <u>\$ 181</u> | <u>\$ 151</u> | <u>\$ 39</u> |
| - North America | \$ 93 | \$ (168) | \$ 123 | \$ 119 | \$ 19 |
| - International, principally Europe | 125 | 15 | 58 | 32 | 20 |
| - Total, as above | <u>\$ 218</u> | <u>\$ (153)</u> | <u>\$ 181</u> | <u>\$ 151</u> | <u>\$ 39</u> |
| General Corporate Expense (GCE), Net | 140 | 44 | 36 | 27 | 33 |
| Accelerated Stock Compensation Expense | 6 | — | — | 6 | — |
| Loss on Corporate Fixed Assets, Net | 2 | — | — | 2 | — |
| Charge for Litigation Settlement | 7 | — | 7 | — | — |
| Charge for Defined-Benefit Plan Curtailment | 8 | — | — | — | 8 |
| Operating (Loss) Profit (after GCE and Adjustments) | 55 | (197) | 138 | 116 | (2) |
| Other Income (Expense), Net | (206) | (49) | (49) | (49) | (59) |
| Income (Loss) from Continuing Operations before Income Taxes | <u>\$ (151)</u> | <u>\$ (246)</u> | <u>\$ 89</u> | <u>\$ 67</u> | <u>\$ (61)</u> |
| Margins: | | | | | |
| - Cabinets and Related Products | -3.8% | -1.9% | -3.7% | -2.9% | -7.1% |
| - Plumbing Products | 9.2% | 5.2% | 13.7% | 11.7% | 6.0% |
| - Installation and Other Services | -10.4% | -9.2% | -10.2% | -10.9% | -11.4% |
| - Decorative Architectural Products | 21.9% | 17.8% | 25.7% | 23.0% | 19.4% |
| - Other Specialty Products | -34.1% | -136.9% | 9.6% | 4.8% | -6.1% |
| - Total | 2.8% | -8.1% | 8.7% | 7.5% | 2.2% |
| - North America | 1.5% | -11.7% | 7.5% | 7.3% | 1.3% |
| - International, principally Europe | 7.5% | 3.3% | 12.8% | 8.4% | 5.5% |
| - Total, as above | 2.8% | -8.1% | 8.7% | 7.5% | 2.2% |

Notes:

- Data exclude discontinued operations.
- Operating (loss) profit and margins by segment and geographic area are before general corporate expense, charge for defined benefit plan curtailment, accelerated stock compensation expense, loss on corporate fixed assets, net and charge for litigation settlement.
- See 2009 Costs and Charges for Business Rationalizations and Other Initiatives — page 8.

MASCO CORPORATION
Quarterly Segment Data — 2009
Costs and Charges for Business Rationalizations and Other Initiatives
and Impairment Charges for Goodwill and Other Intangible Assets — Unaudited
(in millions)

| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
|---|---------------|---------------|--------------|--------------|--------------|
| <i>Business Rationalizations & Other Initiatives</i> | | | | | |
| - Cabinets and Related Products | \$ 43 | \$ 17 | \$ 7 | \$ 10 | \$ 9 |
| - Plumbing Products | 19 | 6 | 6 | 4 | 3 |
| - Installation and Other Services | 24 | 2 | 7 | 7 | 8 |
| - Decorative Architectural Products | 1 | — | 1 | — | — |
| - Other Specialty Products | 3 | — | — | 1 | 2 |
| - Total | \$ 90 | \$ 25 | \$ 21 | \$ 22 | \$ 22 |
| - North America | \$ 78 | \$ 20 | \$ 16 | \$ 22 | \$ 20 |
| - International, principally Europe | 12 | 5 | 5 | — | 2 |
| - Total, as above | \$ 90 | \$ 25 | \$ 21 | \$ 22 | \$ 22 |
| General Corporate Expense (GCE), Net | 4 | 2 | — | — | 2 |
| - Total | \$ 94 | \$ 27 | \$ 21 | \$ 22 | \$ 24 |
| <i>Goodwill and Other Intangible Assets Impairment</i> | | | | | |
| - Cabinets and Related Products | \$ — | \$ — | \$ — | \$ — | \$ — |
| - Plumbing Products | 39 | 39 | — | — | — |
| - Installation and Other Services | — | — | — | — | — |
| - Decorative Architectural Products | — | — | — | — | — |
| - Other Specialty Products | 223 | 223 | — | — | — |
| - Total | \$ 262 | \$ 262 | \$ — | \$ — | \$ — |
| - North America | \$ 223 | \$ 223 | \$ — | \$ — | \$ — |
| - International, principally Europe | 39 | 39 | — | — | — |
| - Total, as above | \$ 262 | \$ 262 | \$ — | \$ — | \$ — |

Notes:

- Data exclude discontinued operations.
- Business rationalizations and other initiatives include costs and charges for business consolidations, plant closures, headcount reductions, system implementations and other initiatives.

MASCO CORPORATION
Other Income (Expense), Net
2010 & 2009 — by Quarter — Unaudited
(in millions)

| | 2010 | | | | 2009 | | | | | |
|---|-------------|-------------|-------------|-------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 | Year | Qtr. 4 | Qtr. 3 | Qtr. 2 | Qtr. 1 |
| Interest Expense | | | | | \$ (58) | \$(225) | \$ (56) | \$ (56) | \$ (57) | \$ (56) |
| Income from Cash and Cash Investments | | | | | 1 | 7 | 1 | 2 | 1 | 3 |
| Other Interest Income | | | | | 1 | 2 | 1 | 1 | — | — |
| Realized Gains (Losses) from Financial Investments, Net | | | | | — | 3 | 3 | — | — | — |
| Impairment Charges for Financial Investments | | | | | — | (10) | — | — | (7) | (3) |
| Other, Net | | | | | — | 17 | 2 | 4 | 14 | (3) |
| Total Other Income (Expense), Net | \$ — | \$ — | \$ — | \$ — | \$ (56) | \$(206) | \$ (49) | \$ (49) | \$ (49) | \$ (59) |

Notes:

- Data exclude discontinued operations.
- Other, Net, includes currency (losses) gains of (\$1) million, for the first quarter of 2010.
- Other, Net, includes currency (losses) gains of (\$2) million, \$11 million, \$5 million, and \$3 million for the first, second, third and fourth quarters of 2009, respectively.

MASCO CORPORATION
Condensed Consolidated Balance Sheets — Unaudited
(in millions)

| | <u>March 31,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|--|---------------------------------|------------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and Cash Investments | \$ 1,378 | \$ 1,413 |
| Receivables | 1,147 | 983 |
| Prepaid Expenses and Other | 310 | 312 |
| Inventories | <u>805</u> | <u>743</u> |
| Total Current Assets | 3,640 | 3,451 |
| Property and Equipment, Net | 1,920 | 1,981 |
| Goodwill | 3,095 | 3,108 |
| Other Intangible Assets, Net | 286 | 290 |
| Other Assets | <u>345</u> | <u>345</u> |
| Total Assets | <u>\$ 9,286</u> | <u>\$ 9,175</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Notes Payable | \$ 66 | \$ 364 |
| Accounts Payable | 673 | 578 |
| Accrued Liabilities | <u>777</u> | <u>839</u> |
| Total Current Liabilities | 1,516 | 1,781 |
| Long-Term Debt | 4,100 | 3,604 |
| Deferred Income Taxes and Other | <u>967</u> | <u>973</u> |
| Total Liabilities | 6,583 | 6,358 |
| Shareholders' Equity | <u>2,703</u> | <u>2,817</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 9,286</u> | <u>\$ 9,175</u> |

MASCO CORPORATION
GAAP Reconciliation of Sales Growth
Excluding the Effect of Acquisitions and Currency Translation — Unaudited
(dollars in millions)

| | Three Months Ended | | % Δ |
|--|--------------------|-----------------|------------|
| | March 31, | | |
| | 2010 | 2009 | |
| Net Sales, As Reported | \$ 1,852 | \$ 1,797 | 3% |
| - Acquisitions | — | — | |
| - Currency Translation | (36) | — | |
| Net Sales, Excluding Acquisitions and Currency Translation | <u>\$ 1,816</u> | <u>\$ 1,797</u> | 1% |
| North America Net Sales, As Reported | \$ 1,430 | \$ 1,434 | 0% |
| - Acquisitions | — | — | |
| - Currency Translation | (10) | — | |
| North America Net Sales, Excluding Acquisitions and Currency Translation | <u>\$ 1,420</u> | <u>\$ 1,434</u> | -1% |
| International Net Sales, As Reported | \$ 422 | \$ 363 | 16% |
| - Acquisitions | — | — | |
| - Currency Translation | (26) | — | |
| International Net Sales, Excluding Acquisitions and Currency Translation | <u>\$ 396</u> | <u>\$ 363</u> | 9% |

Notes:

- Data exclude discontinued operations.
- The Company presents information comparing results from one period to another excluding the results of businesses acquired 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 local currencies before taking into account currency fluctuations.
- The currency translation effect on North American net sales includes currency translation related to Canadian business units.

MASCO CORPORATION
GAAP Reconciliation of Operating Profit (Loss) and Margins — Unaudited
(dollars in millions)

| | Three Months Ended March 31, | | | |
|---|------------------------------|--------|--------------|--------|
| | 2010 | | 2009 | |
| | \$ | Margin | \$ | Margin |
| Operating Profit (Loss), As Reported | \$ 78 | 4.2% | \$ (2) | -0.1% |
| Impairment Charges for Goodwill and Other | | | | |
| Intangible Assets | — | | — | |
| Business Rationalizations and Other Initiatives | 14 | | 24 | |
| Charge for Litigation Settlement | — | | — | |
| Charge for Defined-Benefit Plan Curtailment | — | | 8 | |
| Operating Profit, As Reconciled | <u>\$ 92</u> | 5.0% | <u>\$ 30</u> | 1.7% |

Notes:

- Data exclude discontinued operations.
- 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 performance measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States.

MASCO CORPORATION
GAAP Reconciliation of Operating Profit and Shareholders' Equity — Unaudited
(in millions)

| | Twelve Months Ended March 31, 2010 |
|--|---|
| Operating Profit, As Reported | \$ 131 |
| Impairment Charges for Goodwill and Other Intangible Assets, Continuing Operations | 262 |
| Charge for Defined-Benefit Plan Curtailment | — |
| Charge for Litigation Settlement | 7 |
| Operating Profit, As Reconciled | <u>\$ 400</u> |

| | Twelve Months Ended March 31, | |
|---|--|-----------------|
| | 2010 | 2009 |
| Shareholders' Equity, As Reported | \$ 2,703 | \$ 2,866 |
| Impairment Charges for Goodwill and Other Intangible Assets (after tax) | 180 | 445 |
| Charge for Defined-Benefit Plan Curtailment (after tax) | — | 5 |
| Charge for Litigation Settlement (after tax) | 4 | 6 |
| Shareholders' Equity, As Reconciled | <u>\$ 2,887</u> | <u>\$ 3,322</u> |

Notes:

- Data exclude discontinued operations.
- 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 performance measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States.
- This information is provided as detail for the calculation of return on invested capital ("ROIC") which is calculated as after-tax operating profit (last twelve months, as reconciled) divided by the total of average debt (net of average cash) and average shareholders' equity.