

MASCO CORP /DE/

FORM 8-K (Current report filing)

Filed 08/01/06 for the Period Ending 08/01/06

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

MASCO CORP /DE/

FORM 8-K (Current report filing)

Filed 8/1/2006 For Period Ending 8/1/2006

Address	21001 VAN BORN RD TAYLOR, Michigan 48180
Telephone	313-274-7400
CIK	0000062996
Industry	Furniture & Fixtures
Sector	Consumer Cyclical
Fiscal Year	12/31

Powered By **EDGAR**Online

<http://www.edgar-online.com/>

© Copyright 2006. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Onlines Terms of Use.

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) August 1, 2006

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 August 1, 2006 reporting Masco Corporation's financial results for the second quarter of 2006 and certain other information and supplemental information prepared for use in connection with the financial results for the second quarter of 2006. On August 1, 2006, Masco Corporation will hold an investor conference and web cast to discuss financial results for the second quarter of 2006.

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 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99 Press Release of Masco Corporation dated August 1, 2006 reporting Masco Corporation's financial results for the second quarter of 2006 and certain other information and supplemental information prepared for use in connection with the financial results for the second quarter of 2006.

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

August 1, 2006

EXHIBIT INDEX

- 99 Press Release of Masco Corporation dated August 1, 2006 reporting Masco Corporation's financial results for the second quarter of 2006 and certain other information and supplemental information prepared for use in connection with the financial results for the second quarter of 2006.

EXHIBIT 99

FOR IMMEDIATE RELEASE Contact:

Maria Duey
313-792-5500

MASCO CORPORATION REPORTS SECOND QUARTER RESULTS

MASCO CORPORATION HIGHLIGHTS:

SECOND QUARTER 2006

o Net sales from continuing operations increased three percent to a second quarter record of \$3.4 billion.

o Income from continuing operations was \$289 million or \$.72 per common share, excluding a \$78 million non-cash, pre-tax impairment charge for financial investments and \$26 million pre-tax of costs and charges related to profit improvement programs; including such charges, income was \$217 million or \$.54 per common share.

o The Company returned \$380 million to shareholders through dividends and share repurchases.

o The Company had approximately \$700 million in cash and marketable securities at June 30, 2006.

Taylor, Michigan (August 1, 2006) - Masco Corporation (NYSE: MAS) today reported that net sales from continuing operations for the quarter ended June 30, 2006 increased three percent to a second quarter record of \$3.4 billion compared with \$3.3 billion for the second quarter of 2005. North American net sales increased four percent and International net sales were flat. In local currencies, International net sales increased one percent compared with the second quarter of 2005.

Income from continuing operations, excluding the non-cash impairment charge for financial investments and costs and charges related to profit improvement programs in the second quarter of 2006, was \$289 million or \$.72 per common share compared with \$267 million or \$.62 per common share for the comparable period of 2005. The second quarters of 2006 and 2005 benefited from net gains from the sale of financial investments of \$.02 and \$.04 per common share, respectively.

Income from continuing operations for the second quarter of 2006 was \$217 million or \$.54 per common share, including a \$78 million non-cash, pre-tax impairment charge for financial investments and \$26 million pre-tax of costs and charges related to profit improvement programs.

In the second quarter of 2006, the Company determined that a decline was other-than-temporary in the estimated value of certain of its financial investments. Accordingly, the Company recognized a \$78 million non-cash, pre-tax impairment charge for its investments, primarily related to Metaldyne Corporation and the Heartland Industrial Partners private equity fund.

Net income for the second quarter of 2006 was \$219 million or \$.54 per common share and included \$2 million of income related to discontinued operations. Net income for the second quarter of 2005 was \$274 million or \$.64 per common share and included \$7 million of income related to discontinued operations.

As part of its profit improvement programs, the Company announced a plant closure in the Plumbing Products segment in January 2006. In the second quarter of 2006, the Company incurred \$11 million pre-tax of costs and charges related to this plant closure and other profit improvement programs in the Plumbing Products segment. In addition, the Company incurred \$15 million pre-tax of costs and charges related to the closure of a relatively small ready-to-assemble cabinet manufacturing facility in the Cabinets and Related Products segment. The Company expects to incur additional costs and charges throughout 2006 for its profit improvement programs and currently anticipates that total costs and charges related to these programs for the full-year 2006, will aggregate approximately \$70 million pre-tax, as previously announced. Implementing these programs should improve the Company's earnings outlook for 2007 and beyond.

While the Company's 2006 second quarter operating earnings exceeded its expectations, nevertheless results continued to be adversely affected by increases in commodity, energy and freight costs, as well as recent declines in housing activity and a moderation in consumer spending, partially offset by profit improvement programs and selling price increases. The Company has implemented and continues to implement additional selling price increases in an effort to offset commodity and energy-related cost increases.

Assuming no further significant commodity and energy-related cost increases and excluding costs and charges related to its profit improvement programs and any other items, the Company continues to believe, based on current business trends, that it will achieve 2006 full-year earnings from continuing operations in a range of \$2.40 to \$2.50 per common share, as previously announced. Including the \$78 million non-cash, pre-tax (\$.13 per common share) impairment charge for financial investments and the costs and charges related to plant closures and other profit improvement programs, which are expected to aggregate approximately \$70 million pre-tax (\$.11 per common share) in 2006, earnings from continuing operations are expected to be in a range of \$2.16 to \$2.26 per common share.

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 Tuesday, August 1, 2006 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 #8001504). 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 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 #8001504) approximately two hours after the end of the call and will continue through August 8, 2006.

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 website at www.masco.com.

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 housing starts, commodity costs, 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 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's products, markets and conditions, which could affect the Company's 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.

###

MASCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(IN MILLIONS EXCEPT PER COMMON SHARE DATA)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net sales	\$ 3,389	\$ 3,286	\$ 6,575	\$ 6,200
Cost of sales	2,403	2,318	4,709	4,404
Gross profit	986	968	1,866	1,796
Selling, general and administrative expenses	532	508	1,055	1,003
Goodwill impairment charge	10	--	10	--
(Income) regarding litigation settlement	--	(3)	--	(5)
Operating profit	444	463	801	798
Other income (expense), net	(99)	(41)	(129)	(63)
Income from continuing operations before income taxes, minority interest and cumulative effect of accounting change, net	345	422	672	735
Income taxes	120	150	233	251
Income from continuing operations before minority interest and cumulative effect of accounting change, net	225	272	439	484
Minority interest	8	5	14	10
Income from continuing operations before cumulative effect of accounting change, net	217	267	425	474
Income from discontinued operations, net	2	7	1	31
Cumulative effect of accounting change, net	--	--	(3)	--
Net income	\$ 219	\$ 274	\$ 423	\$ 505
Earnings per common share (diluted):				
Income from continuing operations before cumulative effect of accounting change, net	\$ 0.54	\$ 0.62	\$ 1.04	\$ 1.08
Income from discontinued operations, net	--	0.01	--	0.07
Cumulative effect of accounting change, net	--	--	(0.01)	--
Net income	\$ 0.54	\$ 0.64	\$ 1.04	\$ 1.15
Average diluted common shares outstanding	402	430	407	437

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

SECOND QUARTER 2006

o Net sales from continuing operations increased three percent with North American sales increasing four percent. International sales were flat; in local currencies, International sales increased one percent compared with the second quarter of 2005. Net sales growth slowed from the 2006 first quarter rate as a result of recent declines in housing activity and a moderation in consumer spending.

o Key retailer sales from continuing operations increased one percent in the 2006 second quarter compared with an increase of nine percent in the 2005 second quarter and an increase of seven percent in the 2006 first quarter. The Company believes that retail sales in the second quarter of 2006 were negatively impacted by higher energy costs, which adversely affected consumers, particularly those with lower incomes.

o Sales of North American assembled cabinets and non-insulation installation products both were particularly strong with double-digit increases. Sales of major faucet brands were up a combined mid-single digit. Sales of certain products were negatively impacted by slowing housing starts and, in addition, Installation Services were impacted by shortages of materials.

o While the Company's 2006 second quarter operating earnings exceeded its expectations, nevertheless results continued to be adversely affected by increases in commodity, energy and freight costs, as well as recent declines in housing activity and a moderation in consumer spending, partially offset by profit improvement programs and selling price increases. The Company has implemented and continues to implement additional selling price increases in an effort to offset continuing commodity and energy-related cost increases.

o Sales changes by segment in the 2006 second quarter versus the 2005 second quarter were:

- Cabinets and Related Products sales increased three percent;
- Plumbing Products sales increased two percent;
- Installation and Other Services sales increased six percent;
- Decorative Architectural Products sales increased four percent; and
- Other Specialty Products sales declined two percent.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

SECOND QUARTER 2006 (CONTINUED)

o Income from continuing operations for the second quarter of 2006, excluding the non-cash impairment charge for financial investments and the costs and charges related to profit improvement programs, was \$289 million or \$.72 per common share. Income from continuing operations for the second quarter of 2005 was \$267 million or \$.62 per common share.

o Income from continuing operations for the second quarter of 2006 was \$217 million or \$.54 per common share, including a \$78 million non-cash, pre-tax impairment charge for financial investments and \$26 million pre-tax of costs and charges related to profit improvement programs.

o Based on a review of new information from a private equity fund manager and the continued deterioration of conditions in the automotive supplier and transportation products markets, the Company determined that the decline in the estimated value of certain of its financial investments was other-than-temporary. Accordingly, in the second quarter of 2006, the Company recognized a non-cash, pre-tax impairment charge aggregating \$78 million for its investments, primarily related to Metaldyne Corporation and the Heartland Industrial Partners private equity fund.

o As part of its profit improvement programs, the Company announced a plant closure in the Plumbing Products segment in January 2006. In the second quarter of 2006, the Company incurred \$11 million (\$28 million year-to-date) pre-tax of costs and charges related to this plant closure and other profit improvement programs in the Plumbing Products segment. In addition, in the second quarter of 2006, the Company incurred \$15 million pre-tax of costs and charges related to the closure of a relatively small ready-to-assemble cabinet manufacturing facility in the Cabinets and Related Products segment.

o The second quarters of 2006 and 2005 benefited from net gains from the sale of financial investments of \$.02 and \$.04 per common share, respectively.

o The second quarters of 2006 and 2005 included currency transaction gains (losses) of \$.01 and (\$.02) per common share, respectively.

o Net income for the second quarter of 2006 was \$219 million or \$.54 per common share and included \$2 million of income related to discontinued operations. Net income for the second quarter of 2005 was \$274 million or \$.64 per common share and included \$7 million of income related to discontinued operations.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

SECOND QUARTER 2006 (CONTINUED)

o On January 1, 2003, the Company elected to prospectively change its method of accounting for stock-based compensation; accordingly, stock options granted, modified or settled subsequent to January 1, 2003 were accounted for using the fair value method and have been expensed in the Company's financial statements. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," ("SFAS No. 123R") and began recording expense for unvested stock options awarded prior to January 1, 2003 through the remaining vesting periods. The Company currently estimates that stock-based compensation expense for the full-year 2006 will approximate \$100 million pre-tax compared with \$75 million pre-tax for 2005.

o Gross margins were 29.1 percent in the 2006 second quarter compared with 29.5 percent in the 2005 second quarter. Operating profit margins, as reported, were 13.1 percent in the second quarter of 2006 compared with 14.1 percent in the second quarter of 2005. Operating profit margins in the second quarter of 2006 were negatively affected by the costs and charges related to the Company's profit improvement programs. Excluding these charges of \$26 million pre-tax in 2006 and the income regarding litigation settlement of \$3 million pre-tax in 2005, operating profit margins were 13.9 percent and 14.0 percent for the second quarters of 2006 and 2005, respectively.

o SG&A expenses as a percent of sales, including general corporate expense, were 15.7 percent in the 2006 second quarter compared with 15.5 percent in the 2005 second quarter.

o General corporate expense was 1.6 percent of sales in the second quarter of 2006 compared with 1.5 percent in the comparable period of 2005.

o In April 2006, the Company completed the sale of two relatively small businesses for net proceeds of \$50 million; aggregate net sales for these businesses were \$46 million for the year ended December 31, 2005 and \$11 million in 2006 through the date of sale. The Company recognized a net gain of \$2 million in the second quarter of 2006 from these transactions included in other, net, from continuing operations.

o Accounts receivable days at the end of the second quarter were 49 days compared with 50 days a year ago.

**MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS**

SECOND QUARTER 2006 (CONTINUED)

- o Inventory days at the end of the second quarter were 51 days compared with 50 days a year ago.
- o Accounts payable days at the end of the second quarter were 36 days compared with 38 days a year ago.
- o Working capital at June 30, 2006 (defined as accounts receivable and inventories less accounts payable) was 18.1 percent of the last twelve months' sales compared with 17.8 percent a year earlier.
- o The Company's tax rate was 34.8 percent for the second quarter of 2006, compared with 35.5 percent for the comparable period of the prior year. The Company currently estimates that its tax rate for the full-year 2006 should approximate 34 to 35 percent. The Company's 2005 tax rate on income from continuing operations, excluding goodwill impairment charges and the adjustment of deferred taxes related to certain European operations, would have been 35 percent.
- o At the end of the quarter, the Company had a strong balance sheet with approximately \$700 million in cash and marketable securities and \$2 billion in unused bank lines.
- o Debt as a percent of total capitalization was 46 percent at June 30, 2006 compared with 49 percent at June 30, 2005.
- o For the twelve months ended June 30, 2006 and June 30, 2005, return on invested capital (as reported) was 12.9 percent and 11.7 percent, respectively. For the twelve months ended June 30, 2006 and June 30, 2005, return on invested capital (as reconciled) was 13.4 percent and 12.9 percent, respectively. The Company continues to believe that, excluding the costs and charges related to the plant closures and other profit improvement programs, which are expected to aggregate approximately \$70 million pre-tax in 2006, it will approximate its 15 percent return on invested capital goal by the end of 2006, and its approximate 18 percent goal by 2010.
- o In May 2006, the Company's Board of Directors authorized the repurchase of up to 50 million shares for retirement of the Company's common stock in open-market transactions or otherwise, replacing the previous Board of Directors' authorization established in 2005.

**MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS**

SECOND QUARTER 2006 (CONCLUDED)

o The Company repurchased and retired approximately 10 million shares of Company common stock in each of the first and second quarters of 2006. The Company had approximately 45 million common shares remaining under its repurchase authorization at June 30, 2006.

o The Company's diluted common shares for purposes of calculating earnings per common share were 402 million for the second quarter of 2006 compared with 430 million for the second quarter of 2005.

FULL-YEAR OUTLOOK

o The Company continues to believe that it will achieve mid-single digit organic sales growth in 2006. The Company's previously communicated full-year earnings guidance of \$2.40 to \$2.50 per common share was based on housing starts declining five percent from 2005 levels. Based on current business trends, the Company now expects that full-year housing starts will experience a greater decline than previously forecast of approximately eight percent and, as a result, its earnings may be closer to the lower-end of its guidance range of \$2.40 to \$2.50 per common share. This guidance includes share repurchases of 20 million common shares through June 30, 2006 and assumes no additional share repurchases, no further significant commodity and energy-related cost increases, and excludes costs and charges related to profit improvement programs and any other items.

o The Company expects to incur additional costs and charges throughout 2006 for its profit improvement programs and currently anticipates that total costs and charges related to these programs for the full-year 2006 will aggregate approximately \$70 million pre-tax, as previously announced. Including this \$70 million of anticipated costs (\$.11 per common share), and the non-cash, pre-tax impairment charge for financial investments of \$78 million (\$.13 per common share), earnings from continuing operations are expected to be in a range of \$2.16 to \$2.26 per common share for the full-year 2006.

o As previously announced the Company now provides annual earnings guidance and will no longer provide quarterly earnings guidance.

MASCO CORPORATION
BUSINESS AND FINANCIAL HIGHLIGHTS

FULL-YEAR OUTLOOK (CONCLUDED)

o The Company expects to continue to return a minimum of \$1 billion annually to shareholders, on average, through dividends and share repurchases as part of its ongoing commitment to value creation. The Company has returned \$3.6 billion to shareholders over the last three calendar years, including dividends and 97 million of share repurchases. In the second quarter of 2006, the Company returned \$380 million to shareholders through dividends and share repurchases and has returned \$788 million in the first half of 2006.

o Diluted common shares for the computation of earnings per common share at July 1, 2006 are 398 million. This excludes the impact of any third quarter repurchases of common stock.

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 housing starts, commodity costs, 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 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 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.

MASCO CORPORATION - 2ND QUARTER 2006

Page

1	Condensed Statements of Income - 2006 & 2005 Quarters
2	Notes to Condensed Statements of Income - 2006 & 2005 Quarters
3	Sales by Segment and Geographic Area - Three Months Ended June 30, 2006 & 2005
4	Sales by Segment and Geographic Area - Six Months Ended June 30, 2006 & 2005
5	2006 Quarterly Segment Data - Excluding Costs and Charges for Profit Improvement Initiatives
6	2006 Quarterly Segment Data - Including Costs and Charges for Profit Improvement Programs
7	2005 Quarterly Segment Data - Excluding Goodwill Impairment Charge
8	2005 Quarterly Segment Data - Including Goodwill Impairment Charge
9	Other Income (Expense), Net - 2006 & 2005 Quarters
10	Consolidated Statements of Income - Three Months Ended June 30, 2006 & 2005
11	Consolidated Statements of Income - Six Months Ended June 30, 2006 & 2005
12	Consolidated Balance Sheets
	GAAP Reconciliations:
13	Sales Growth Excluding Effect of Acquisitions & Currency Translation
14	Operating Profit and Margins
15	Operating Profit and Shareholders' Equity
16	Discontinued Operations

MASCO CORPORATION
CONDENSED STATEMENTS OF INCOME
2006 & 2005 - BY QUARTER
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	2006				2005					
	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1
Net Sales:										
- North America				\$2,848	\$2,669	\$10,513	\$2,633	\$2,766	\$2,745	\$2,369
- International				541	517	2,129	513	530	541	545
- Consolidated				3,389	3,186	12,642	3,146	3,296	3,286	2,914
Cost of Sales				2,403	2,306	9,033	2,279	2,350	2,318	2,086
Gross Profit (Gross Margin)				986	880	3,609	867	946	968	828
				29.1%	27.6%	28.5%	27.6%	28.7%	29.5%	28.4%
S,G&A Expense (before GCE & (Gain) Loss on Sale of Corporate Fixed Assets) (S,G&A Expense as a % of Sales)				479	475	1,785	438	438	460	449
				14.1%	14.9%	14.1%	13.9%	13.3%	14.0%	15.4%
Operating Profit (before GCE, (Gain) Loss on Sale of Corporate Fixed Assets, Litigation (Income) & Goodwill Impairment Charge) (Operating Margin)				507	405	1,824	429	508	508	379
				15.0%	12.7%	14.4%	13.6%	15.4%	15.5%	13.0%
- North America (Margin)				435	348	1,577	377	441	440	319
				15.3%	13.0%	15.0%	14.3%	15.9%	16.0%	13.5%
- International (Margin)				62	57	247	52	67	68	60
				11.5%	11.0%	11.6%	10.1%	12.6%	12.6%	11.0%
General Corporate Expense (GCE)				53	48	192	47	51	48	46
S,G&A Expense as a % of Sales (including GCE & (Gain) Loss on Sale of Corporate Fixed Assets)				15.7%	16.4%	15.6%	15.2%	14.8%	15.5%	17.0%
(Gain) Loss on Sale of Corporate Fixed Assets, Net				--	--	(8)	(8)	--	--	--
(Income) Regarding Litigation Settlement				--	--	(6)	--	(1)	(3)	(2)
Goodwill Impairment Charge				10	--	69	69	--	--	--
Operating Profit per F/S				\$ 444	\$ 357	\$ 1,577	\$ 321	\$ 458	\$ 463	\$ 335
Earnings per Common Share (Diluted):				=====	=====	=====	=====	=====	=====	=====
Income from Continuing Operations before Cumulative Effect of Accounting Change, Net				\$ 0.54	\$ 0.51	\$ 2.03	\$ 0.34	\$ 0.60	\$ 0.62	\$ 0.47
Income from Discontinued Operations, Net of Income Taxes				--	--	0.16	0.07	0.01	0.01	0.06
Cumulative Effect of Accounting Change, Net				--	(0.01)	--	--	--	--	--
Net Income				\$ 0.54	\$ 0.50	\$ 2.19	\$ 0.41	\$ 0.61	\$ 0.64	\$ 0.52
				=====	=====	=====	=====	=====	=====	=====

PLEASE SEE PAGE 2 FOR NOTES.

MASCO CORPORATION
NOTES TO CONDENSED STATEMENTS OF INCOME
2006 & 2005 - BY QUARTER

NOTES:

- Operating results for the first and second quarters of 2006 include \$17 million pre-tax and \$26 million pre-tax (including impairment of goodwill of \$10 million), respectively, of costs and charges related to the Company's profit improvement programs.
- Income from continuing operations for the second quarter of 2006 includes a \$78 million non-cash, pre-tax (\$.13 per common share) impairment charge for certain investments primarily related to Metaldyne Corporation and Heartland Industrial Partners private equity fund.
- Operating results exclude operations which were sold in 2005, all of which were treated as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."
- Operating results for the fourth quarter of 2005 reflect a non-cash, pre-tax charge for goodwill impairment of \$69 million (\$69 million or \$.16 per common share, after tax) pertaining to European operations.
- Income from continuing operations in the third quarter of 2005 includes \$43 million of pre-tax impairment charges (\$.07 per common share, after tax) related to the Company's investments in certain marketable securities and private equity funds.
- Income from discontinued operations in the first quarter of 2005 (\$.04 per common share, after tax) includes a net \$10 million pre-tax gain from the sale of two businesses. Income from discontinued operations in the fourth quarter of 2005 includes a net \$50 million pre-tax gain from the sale of two businesses.
- Per common share amounts for the first two quarters of 2006 and the four quarters of 2005 do not total to the per common share amount for the year-to-date primarily due to the timing of capital stock transactions.

MASCO CORPORATION
SALES BY SEGMENT AND GEOGRAPHIC AREA
THREE MONTHS ENDED JUNE 30, 2006 & 2005
(DOLLARS IN MILLIONS)

	Three Months Ended June 30,		2nd Qtr '06 vs. 2nd Qtr '05
	2006	2005	
Cabinets & Related Products	\$ 863	\$ 838	+ 3%
Plumbing Products	842	823	+ 2%
Installation & Other Services	812	764	+ 6%
Decorative Architectural Products	525	506	+ 4%
Other Specialty Products	347	355	- 2%
	-----	-----	
Total	\$3,389	\$3,286	+ 3%
	=====	=====	
North America	\$2,848	\$2,745	+ 4%
International, principally Europe	541	541	- 0%
	-----	-----	
Total, as above	\$3,389	\$3,286	+ 3%
	=====	=====	

NOTES:

- Data exclude discontinued operations.

- Excluding acquisitions, consolidated net sales increased three percent, North American net sales increased four percent, and International net sales were flat compared with the second quarter of 2005 (please see page 13 for the GAAP reconciliation).

- International net sales in local currencies increased one percent compared with the second quarter of 2005 (please see page 13 for the GAAP reconciliation).

MASCO CORPORATION
SALES BY SEGMENT AND GEOGRAPHIC AREA
SIX MONTHS ENDED JUNE 30, 2006 & 2005
(DOLLARS IN MILLIONS)

	Six Months Ended June 30,		6 Months '06 vs. 6 Months '05
	2006	2005	
Cabinets & Related Products	\$1,715	\$1,621	+ 6%
Plumbing Products	1,639	1,583	+ 4%
Installation & Other Services	1,618	1,457	+ 11%
Decorative Architectural Products	934	877	+ 6%
Other Specialty Products	669	662	+ 1%
	-----	-----	
Total	\$6,575	\$6,200	+ 6%
	=====	=====	
North America	\$5,517	\$5,114	+ 8%
International, principally Europe	1,058	1,086	- 3%
	-----	-----	
Total, as above	\$6,575	\$6,200	+ 6%
	=====	=====	

NOTES:

- Data exclude discontinued operations.

- Excluding acquisitions, consolidated net sales increased six percent, North American net sales increased eight percent and International net sales decreased three percent (please see page 13 for the GAAP reconciliation).

- International net sales in local currencies increased two percent compared with the six months ended June 30, 2005 (please see page 13 for the GAAP reconciliation).

MASCO CORPORATION
QUARTERLY SEGMENT DATA - 2006
EXCLUDING COSTS AND CHARGES FOR PROFIT IMPROVEMENT PROGRAMS
(DOLLARS IN MILLIONS)

	Year	Qtr. 4	Qtr. 3	Qtr. 2	Qtr. 1
	-----	-----	-----	-----	-----
Net Sales:					
- Cabinets and Related Products				\$ 863	\$ 852
- Plumbing Products				842	797
- Installation and Other Services				812	806
- Decorative Architectural Products				526	409
- Other Specialty Products				347	322
				-----	-----
- TOTAL				3,389	3,186
				=====	=====
- North America				2,848	2,669
- International, principally Europe				541	517
				-----	-----
- TOTAL, AS ABOVE				3,389	3,186
				=====	=====
Operating Profit:					
- Cabinets and Related Products				138	121
- Plumbing Products				101	83
- Installation and Other Services				96	95
- Decorative Architectural Products				120	77
- Other Specialty Products				69	46
				-----	-----
- TOTAL				523	422
				=====	=====
- North America				409	331
- International, principally Europe				62	57
				-----	-----
- TOTAL, AS ABOVE				471	388
				=====	=====
General Corporate Expense (GCE)				53	48
(Gain) Loss on Sale of Corporate Fixed Assets, Net				--	--
(Income) Regarding Litigation Settlement				--	--
				-----	-----
Operating Profit (after GCE and Adjustments)				418	340
Other Income (Expense), Net				(99)	(30)
				-----	-----
Income from Continuing Operations before Income Taxes, Minority Interest and Cumulative Effect of Accounting Change, Net				\$ 319	\$ 310
				=====	=====
Margins:					
- Cabinets and Related Products				16.0%	14.2%
- Plumbing Products				12.0%	10.4%
- Installation and Other Services				11.7%	11.8%
- Decorative Architectural Products				22.9%	18.8%
- Other Specialty Products				19.9%	14.3%
- TOTAL				15.4%	13.2%
- North America				14.4%	12.4%
- International, principally Europe				11.6%	11.0%
- TOTAL, AS ABOVE				13.9%	12.2%

NOTES:

- Operating profit and margins by segment and geographic area are before general corporate expense.

- Operating profit margins for the first and second quarters of 2006 for the Plumbing Products segment exclude \$17 million pre-tax and \$11 million pre-tax, respectively, of costs and charges related to the Company's profit improvement programs.

- Operating profit margin for the second quarter of 2006 for the Cabinets and Related Products segment excludes \$15 million pre-tax (including impairment of goodwill of \$10 million), of costs and charges related to the planned closure of a relatively small ready-to-assemble cabinet manufacturing facility.

MASCO CORPORATION
QUARTERLY SEGMENT DATA - 2006
INCLUDING COSTS AND CHARGES FOR PROFIT IMPROVEMENT PROGRAMS
(DOLLARS IN MILLIONS)

	Year	Qtr. 4	Qtr. 3	Qtr. 2	Qtr. 1
	-----	-----	-----	-----	-----
Net Sales:					
- Cabinets and Related Products				\$ 863	\$ 852
- Plumbing Products				842	797
- Installation and Other Services				812	806
- Decorative Architectural Products				525	409
- Other Specialty Products				347	322
				-----	-----
- TOTAL				3,389	3,186
				=====	=====
- North America				2,848	2,669
- International, principally Europe				541	517
				-----	-----
- TOTAL, AS ABOVE				3,389	3,186
				=====	=====
Operating Profit:					
- Cabinets and Related Products				123	121
- Plumbing Products				90	66
- Installation and Other Services				95	95
- Decorative Architectural Products				120	77
- Other Specialty Products				69	46
				-----	-----
- TOTAL				497	405
				=====	=====
- North America				435	348
- International, principally Europe				62	57
				-----	-----
- TOTAL, AS ABOVE				497	405
				=====	=====
General Corporate Expense (GCE)				53	48
(Gain) Loss on Sale of Corporate Fixed Assets, Net				--	--
(Income) Regarding Litigation Settlement				--	--
				-----	-----
Operating Profit (after GCE and Adjustments)				444	357
Other Income (Expense), Net				(99)	(30)
				-----	-----
Income from Continuing Operations before Income Taxes, Minority Interest and Cumulative Effect of Accounting Change, Net				\$ 345	\$ 327
				=====	=====
Margins:					
- Cabinets and Related Products				14.3%	14.2%
- Plumbing Products				10.7%	8.3%
- Installation and Other Services				11.7%	11.8%
- Decorative Architectural Products				22.9%	18.8%
- Other Specialty Products				19.9%	14.3%
- TOTAL				14.7%	12.7%
- North America				15.3%	13.0%
- International, principally Europe				11.5%	11.0%
- TOTAL, AS ABOVE				14.7%	12.7%

NOTES:

- Operating profit and margins by segment and geographic area are before general corporate expense.

- Operating profit margins for the first and second quarters of 2006 for the Plumbing Products segment include \$17 million pre-tax and \$11 million pre-tax, respectively, of costs and charges related to the Company's profit improvement programs. Excluding such costs and charges, the operating profit margins in the Plumbing Products segment was 10.4 percent and 12.0 percent for the first and second quarters of 2006, respectively.

- Operating profit margin for the second quarter of 2006 for the Cabinets and Related Products segment includes \$15 million pre-tax (including impairment of goodwill of \$10 million), of costs and charges related to the planned closure of a relatively small ready-to-assemble cabinet manufacturing facility. Excluding such costs and charges, the operating profit margin in the Cabinets and Related Products segment was 16.0 percent.

MASCO CORPORATION
QUARTERLY SEGMENT DATA - 2005
EXCLUDING GOODWILL IMPAIRMENT CHARGE
(DOLLARS IN MILLIONS)

	Year	Qtr. 4	Qtr. 3	Qtr. 2	Qtr. 1
	-----	-----	-----	-----	-----
Net Sales:					
- Cabinets and Related Products	\$ 3,324	\$ 842	\$ 861	\$ 838	\$ 783
- Plumbing Products	3,176	786	807	823	760
- Installation and Other Services	3,063	799	807	764	693
- Decorative Architectural Products	1,681	351	453	506	371
- Other Specialty Products	1,398	368	368	355	307
	-----	-----	-----	-----	-----
- TOTAL	12,642	3,146	3,296	3,286	2,914
	=====	=====	=====	=====	=====
- North America	10,513	2,633	2,766	2,745	2,369
- International, principally Europe	2,129	513	530	541	545
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	12,642	3,146	3,296	3,286	2,914
	=====	=====	=====	=====	=====
Operating Profit:					
- Cabinets and Related Products	515	128	137	134	116
- Plumbing Products	374	84	103	108	79
- Installation and Other Services	382	90	110	102	80
- Decorative Architectural Products	278	45	78	96	59
- Other Specialty Products	275	82	80	68	45
	-----	-----	-----	-----	-----
- TOTAL	1,824	429	508	508	379
	=====	=====	=====	=====	=====
- North America	1,577	377	441	440	319
- International, principally Europe	247	52	67	68	60
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	1,824	429	508	508	379
	=====	=====	=====	=====	=====
General Corporate Expense (GCE)	192	47	51	48	46
(Gain) Loss on Sale of Corporate Fixed Assets, Net	(8)	(8)	--	--	--
(Income) Regarding Litigation Settlement	(6)	--	(1)	(3)	(2)
	-----	-----	-----	-----	-----
Operating Profit (after GCE and Adjustments)	1,646	390	458	463	335
Other Income (Expense), Net	(165)	(43)	(59)	(41)	(22)
	-----	-----	-----	-----	-----
Income from Continuing Operations Before Income Taxes and Minority Interest	\$ 1,481	\$ 347	\$ 399	\$ 422	\$ 313
	=====	=====	=====	=====	=====
Margins:					
- Cabinets and Related Products	15.5%	15.2%	15.9%	16.0%	14.8%
- Plumbing Products	11.8%	10.7%	12.8%	13.1%	10.4%
- Installation and Other Services	12.5%	11.3%	13.6%	13.4%	11.5%
- Decorative Architectural Products	16.5%	12.8%	17.2%	19.0%	15.9%
- Other Specialty Products	19.7%	22.3%	21.7%	19.2%	14.7%
- TOTAL	14.4%	13.6%	15.4%	15.5%	13.0%
	-----	-----	-----	-----	-----
- North America	15.0%	14.3%	15.9%	16.0%	13.5%
- International, principally Europe	11.6%	10.1%	12.6%	12.6%	11.0%
- TOTAL, AS ABOVE	14.4%	13.6%	15.4%	15.5%	13.0%

NOTES:

- Data exclude discontinued operations.

- Operating results above for the fourth quarter of 2005 exclude a non-cash, pre-tax charge for goodwill impairment of \$69 million. The charge related to certain of the Company's European business units and was allocated among the Plumbing Products segment (\$7 million); Decorative Architectural Products segment (\$26 million); and Other Specialty Products segment (\$36 million).

- Operating profit margin for the third quarter of 2005 for the Plumbing Products segment includes \$12 million pre-tax of costs and charges related to the Company's profit improvement programs. Excluding such costs and charges, the operating profit margin in the Plumbing Products segment was 14.3 percent.

- Operating profit and margins by segment and geographic area are before general corporate expense, (gain) on sale of Corporate fixed assets and (income) regarding the litigation settlement.

MASCO CORPORATION
QUARTERLY SEGMENT DATA - 2005
INCLUDING GOODWILL IMPAIRMENT CHARGE
(DOLLARS IN MILLIONS)

	Year	Qtr. 4	Qtr. 3	Qtr. 2	Qtr. 1
	-----	-----	-----	-----	-----
Net Sales:					
- Cabinets and Related Products	\$ 3,324	\$ 842	\$ 861	\$ 838	\$ 783
- Plumbing Products	3,176	786	807	823	760
- Installation and Other Services	3,063	799	807	764	693
- Decorative Architectural Products	1,681	351	453	506	371
- Other Specialty Products	1,398	368	368	355	307
	-----	-----	-----	-----	-----
- TOTAL	12,642	3,146	3,296	3,286	2,914
	=====	=====	=====	=====	=====
- North America	10,513	2,633	2,766	2,745	2,369
- International, principally Europe	2,129	513	530	541	545
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	12,642	3,146	3,296	3,286	2,914
	=====	=====	=====	=====	=====
Operating Profit:					
- Cabinets and Related Products	515	128	137	134	116
- Plumbing Products	367	77	103	108	79
- Installation and Other Services	382	90	110	102	80
- Decorative Architectural Products	252	19	78	96	59
- Other Specialty Products	239	46	80	68	45
	-----	-----	-----	-----	-----
- TOTAL	1,755	360	508	508	379
	=====	=====	=====	=====	=====
- North America	1,577	377	441	440	319
- International, principally Europe	178	(17)	67	68	60
	-----	-----	-----	-----	-----
- TOTAL, AS ABOVE	1,755	360	508	508	379
	=====	=====	=====	=====	=====
General Corporate Expense (GCE)	192	47	51	48	46
(Gain) Loss on Sale of Corporate Fixed Assets, Net	(8)	(8)	--	--	--
(Income) Regarding Litigation Settlement	(6)	--	(1)	(3)	(2)
	-----	-----	-----	-----	-----
Operating Profit (after GCE and Adjustments)	1,577	321	458	463	335
Other Income (Expense), Net	(165)	(43)	(59)	(41)	(22)
	-----	-----	-----	-----	-----
Income from Continuing Operations Before Income Taxes and Minority Interest	\$ 1,412	\$ 278	\$ 399	\$ 422	\$ 313
	=====	=====	=====	=====	=====
Margins:					
- Cabinets and Related Products	15.5%	15.2%	15.9%	16.0%	14.8%
- Plumbing Products	11.6%	9.8%	12.8%	13.1%	10.4%
- Installation and Other Services	12.5%	11.3%	13.6%	13.4%	11.5%
- Decorative Architectural Products	15.0%	5.4%	17.2%	19.0%	15.9%
- Other Specialty Products	17.1%	12.5%	21.7%	19.2%	14.7%
- TOTAL	13.9%	11.4%	15.4%	15.5%	13.0%
	-----	-----	-----	-----	-----
- North America	15.0%	14.3%	15.9%	16.0%	13.5%
- International, principally Europe	8.4%	-3.3%	12.6%	12.6%	11.0%
- TOTAL, AS ABOVE	13.9%	11.4%	15.4%	15.5%	13.0%

NOTES:

- Data exclude discontinued operations.

- Operating results above for the fourth quarter of 2005 include a non-cash, pre-tax charge for goodwill impairment of \$69 million. The charge related to certain of the Company's European business units and was allocated among the Plumbing Products segment (\$7 million); Decorative Architectural Products segment (\$26 million); and Other Specialty Products segment (\$36 million).

- Operating profit margin for the third quarter of 2005 for the Plumbing Products segment includes \$12 million pre-tax of costs and charges related to the Company's profit improvement programs. Excluding such costs and charges, the operating profit margin in the Plumbing Products segment was 14.3 percent.

- Operating profit and margins by segment and geographic area are before general corporate expense, (gain) on sale of Corporate fixed assets and (income) regarding the litigation settlement.

MASCO CORPORATION
OTHER INCOME (EXPENSE), NET
2006 & 2005 - BY QUARTER
(IN MILLIONS)

	2006				2005					
	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1	YEAR	QTR. 4	QTR. 3	QTR. 2	QTR. 1
Interest Expense				\$ (53)	\$ (64)	\$ (247)	\$ (66)	\$ (64)	\$ (58)	\$ (59)
Income from Cash and Cash Investments				5	14	36	14	11	6	5
Other Interest Income				1	1	7	2	3	1	1
Realized Gains from Financial Investments, Net				11	6	98	6	23	28	41
Dividend Income				1	6	16	4	4	4	4
Impairment Charge for Financial Investment				(78)	--	(45)	--	(43)	(2)	--
Other, Net				14	7	(30)	(3)	7	(20)	(14)
Total Other Income (Expense), Net				\$ (99)	\$ (30)	\$ (165)	\$ (43)	\$ (59)	\$ (41)	\$ (22)

NOTES:

- Data exclude discontinued operations.

- Other, net, for the second quarter of 2006 includes \$8 million of realized currency transaction gains; the second quarter of 2005 includes \$14 million of realized currency transaction losses.

MASCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2006 & 2005
(DOLLARS AND SHARES IN MILLIONS, EXCEPT PER SHARE DATA)

Line	% Change	Three Months Ended June 30,		As a Percent of Sales 3 Months Ended June 30,	
		2006	2005	2006	2005
1 Net Sales	3%	\$3,389	\$3,286	100.0%	100.0%
2 Cost of Sales	4%	2,403	2,318	70.9%	70.5%
3 Gross Profit	2%	986	968	29.1%	29.5%
Operating Profit:					
4 - Before GCE, Litigation (Income), (Gain) on Sale of Corporate Fixed Assets and Goodwill Impairment Charge (3-8)	0%	507	508	15.0%	15.5%
5 - After GCE, Litigation (Income), (Gain) on Sale of Corporate Fixed Assets and Goodwill Impairment Charge (3-9-10-11)	-4%	444	463	13.1%	14.1%
S,G&A Expense:					
6 - General Corporate Expense (GCE)	10%	53	48	1.6%	1.5%
7 - (Gain) loss on Sale of Corporate Fixed Assets, Net		--	--	--	--
8 - All Other	4%	479	460	14.1%	14.0%
9 - Total S,G&A Expense	5%	532	508	15.7%	15.5%
10 Goodwill Impairment Charge		10	--	0.3%	0.0%
11 (Income) Regarding Litigation Settlement		--	(3)	--	-0.1%
12 Other Income (Expense), Net		(21)	(41)	-0.6%	-1.2%
13 Impairment Charge for Investments		(78)	--	-2.3%	0.0%
14 Income from Continuing Operations before Income Taxes, Minority Interest and Cumulative Effect of Accounting Change, Net (5+12+13)	-18%	345	422	10.2%	12.8%
15 Income Taxes (Tax Rate)	-20%	120	150	3.5%	4.6%
		34.8%	35.5%		
16 Income from Continuing Operations before Minority Interest and Cumulative Effect of Accounting Change, Net	-17%	225	272	6.6%	8.3%
17 Minority Interest		(8)	(5)	-0.2%	-0.2%
18 Income from Continuing Operations before Cumulative Effect of Accounting Change, Net	-19%	217	267	6.4%	8.1%
19 Income from Discontinued Operations, Net of Income Taxes		2	7	0.1%	0.2%
20 Cumulative Effect of Accounting Change, Net		--	--	0.0%	0.0%
21 Net Income	-20%	\$ 219	\$ 274	6.5%	8.3%
Earnings Per Common Share (Diluted):					
Income from Continuing Operations before Cumulative Effect of Accounting Change, Net	-13%	\$ 0.54	\$ 0.62		
Income from Discontinued Operations, Net of Income Taxes		--	0.02		
Cumulative Effect of Accounting Change, Net		--	--		
Net Income	-15%	\$ 0.54	\$ 0.64		
Average (Diluted) Common Shares	-7%	402	430		

MASCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2006 & 2005
(DOLLARS AND SHARES IN MILLIONS, EXCEPT PER SHARE DATA)

Line	% Change	Six Months Ended June 30,		As a Percent of Sales 6 Months Ended June 30,	
		2006	2005	2006	2005
1 Net Sales	6%	\$6,575	\$6,200	100.0%	100.0%
2 Cost of Sales	7%	4,709	4,404	71.6%	71.0%
3 Gross Profit	4%	1,866	1,796	28.4%	29.0%
Operating Profit:					
4 - Before GCE, Litigation (Income), (Gain) on Sale of Corporate Fixed Assets and Goodwill Impairment Charge (3-8)	3%	912	887	13.9%	14.3%
5 - After GCE, Litigation (Income), (Gain) on Sale of Corporate Fixed Assets and Goodwill Impairment Charge (3-9-10-11)	0%	801	798	12.2%	12.9%
S,G&A Expense:					
6 - General Corporate Expense (GCE)	7%	101	94	1.5%	1.5%
7 - (Gain) on Sale of Corporate Fixed Assets, Net		--	--	0.0%	0.0%
8 - All Other	5%	954	909	14.5%	14.7%
9 - Total S,G&A Expense	5%	1,055	1,003	16.0%	16.2%
10 Goodwill Impairment Charge		10	--	0.2%	0.0%
11 (Income) Regarding Litigation Settlement		--	(5)	0.0%	-0.1%
12 Other Income (Expense), Net		(51)	(63)	-0.8%	-1.0%
13 Impairment Charge for Investments		(78)	--	-1.2%	0.0%
14 Income from Continuing Operations Before Income Taxes and Minority Interest (5+12+13)	-9%	672	735	10.2%	11.9%
15 Income Taxes (Tax Rate)	-7%	233	251	3.5%	4.0%
		34.7%	34.1%		
16 Income from Continuing Operations Before Minority Interest	-9%	439	484	6.7%	7.8%
17 Minority Interest		(14)	(10)	-0.2%	-0.2%
18 Income from Continuing Operations	-10%	425	474	6.5%	7.6%
19 Income from Discontinued Operations, Net of Income Taxes		1	31	0.0%	0.5%
20 Cumulative Effect of Accounting Change, Net		(3)	--	0.0%	0.0%
21 Net Income	-16%	\$ 423	\$ 505	6.4%	8.1%
Earnings Per Common Share (Diluted):					
Income from Continuing Operations	-4%	\$ 1.04	\$ 1.08		
Income from Discontinued Operations, Net of Income Taxes		0.00	0.07		
Cumulative Effect of Accounting Change, Net		(0.01)	--		
Net Income	-10%	\$ 1.04	\$ 1.16		
Average (Diluted) Common Shares	-7%	407	437		

MASCO CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	June 30, 2006	December 31, 2005
	-----	-----
ASSETS		
Current Assets:		
Cash and Cash Investments	\$ 606	\$ 1,964
Receivable, Net	2,023	1,716
Inventories	1,313	1,127
Prepaid Expenses and Other	319	316
	-----	-----
Total Current Assets	4,261	5,123
Property and Equipment, Net	2,284	2,173
Goodwill	4,196	4,171
Other Intangible Assets, Net	303	307
Other Assets	723	785
	-----	-----
Total Assets	\$11,767	\$12,559
	=====	=====
LIABILITIES		
Current Liabilities:		
Notes Payable	\$ 1,184	\$ 832
Accounts Payable	979	837
Accrued Liabilities	1,263	1,225
	-----	-----
Total Current Liabilities	3,426	2,894
Long-Term Debt	2,810	3,915
Deferred Income Taxes and Other	899	902
	-----	-----
Total Liabilities	7,135	7,711
SHAREHOLDERS' EQUITY	4,632	4,848
	-----	-----
Total Liabilities and Shareholders' Equity	\$11,767	\$12,559
	=====	=====

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

	THREE MONTHS ENDED JUNE 30,			
	2006		2005	
	\$	Margin	\$	Margin
Operating Profit, As Reported	\$444	13.1%	\$463	14.1%
Profit Improvement Programs, Plumbing Products Segment	11		--	
Profit Improvement Programs, Cabinets & Related Products Segment	15		--	
(Income) Regarding Litigation Settlement	--		(3)	
Operating Profit, As Reconciled	\$470	13.9%	\$460	14.0%
	=====		=====	

	SIX MONTHS ENDED JUNE 30,			
	2006		2005	
	\$	Margin	\$	Margin
Operating Profit, As Reported	\$801	12.2%	\$798	12.9%
Profit Improvement Programs, Plumbing Products Segment	28		--	
Profit Improvement Programs, Cabinets & Related Products Segment	15		--	
(Income) Regarding Litigation Settlement	--		(5)	
Operating Profit, As Reconciled	\$844	12.8%	\$793	12.8%
	=====		=====	

NOTE:

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
(IN MILLIONS)

	TWELVE MONTHS ENDED JUNE 30, 2006	
Operating Profit from Continuing Operations	\$1,580	
Goodwill Impairment Charge	79	
(Income) Regarding Litigation Settlement	(1)	
Operating Profit, As Reconciled	\$1,658	
	=====	
	TWELVE MONTHS ENDED JUNE 30,	
	2006	2005
Shareholders' Equity, As Reported	\$4,632	\$4,979
Goodwill Impairment Charge (after tax)	79	104
(Income) Regarding Litigation Settlement (after tax)	(1)	(4)
Shareholders' Equity, As Reconciled	\$4,710	\$5,079
	=====	=====

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.

MASCO CORPORATION
DISCONTINUED OPERATIONS
(IN MILLIONS)

	Three Months Ended June 30,	
	2006	2005
Net Sales	\$--	\$62
	===	===
Income from Discontinued Operations	\$--	\$10
Gain (Loss) on Disposal of Discontinued Operations, Net	2	(1)
	---	---
Income Before Income Taxes	2	9
Income Tax (Expense) Benefit	--	(2)
	---	---
Income from Discontinued Operations, Net of Income Taxes	\$ 2	\$ 7
	===	===

	Six Months Ended June 30,	
	2006	2005
Net Sales	\$--	\$135
	===	====
Income from Discontinued Operations	\$--	\$ 21
Gain on Disposal of Discontinued Operations, Net	1	10
	---	---
Income Before Income Taxes	1	31
Income Tax (Expense) Benefit	--	--
	---	---
Income from Discontinued Operations, Net of Income Taxes	\$ 1	\$ 31
	===	====

NOTES:

The information for discontinued operations is for the period prior to the respective dates of disposition.

The Company recognized additional income in discontinued operations in 2006 to reflect the receipt of final purchase price payments, net of additional expenses related to the disposition of businesses completed in 2005.