



ANNUAL REPORT 2000

2000

1957

**MASCO** CORPORATION

# MASCO CORPORATION 2000

PRODUCTS AND SERVICES FOR THE HOME AND FAMILY MASCO CORPORATION IS A WORLD LEADER IN THE MANUFACTURE OF HOME IMPROVEMENT AND BUILDING PRODUCTS. WE PROVIDE BRAND-NAME, VALUE-ADDED PRODUCTS AND SERVICES FOR THE HOME AND FAMILY THAT CAN BE USED WITH CONFIDENCE AND DISPLAYED WITH PRIDE.

OUR VISION . . . COMMITMENT TO EXCELLENCE MASCO'S COMMITMENT TO BEING A PREMIER GROWTH COMPANY WITH ABOVE-AVERAGE INCREASES IN EARNINGS AND VALUE FOR OUR SHAREHOLDERS IS DRIVEN BY OUR FOCUS ON EXCELLENCE IN PEOPLE, PRODUCTS, SERVICE AND PARTNERING RELATIONSHIPS.

ON THE COVER . . . NET SALES GROWTH SINCE 1956.

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Form 10-K	

### FORWARD-LOOKING STATEMENTS:

Our Annual Report to Shareholders contains statements reflecting our views about the Company's future performance. These statements are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Readers should refer to the comment at the beginning of "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K, which explains that various factors may affect our projected performance. The forward-looking statements include the Five-Year Sales and Cash Flow Forecasts on page 11, which are not intended to represent a full presentation of a financial forecast. The Company's independent accountants have neither examined nor compiled the accompanying forward-looking statements and, accordingly, do not provide any assurance with respect to such statements.

# FINANCIAL HIGHLIGHTS

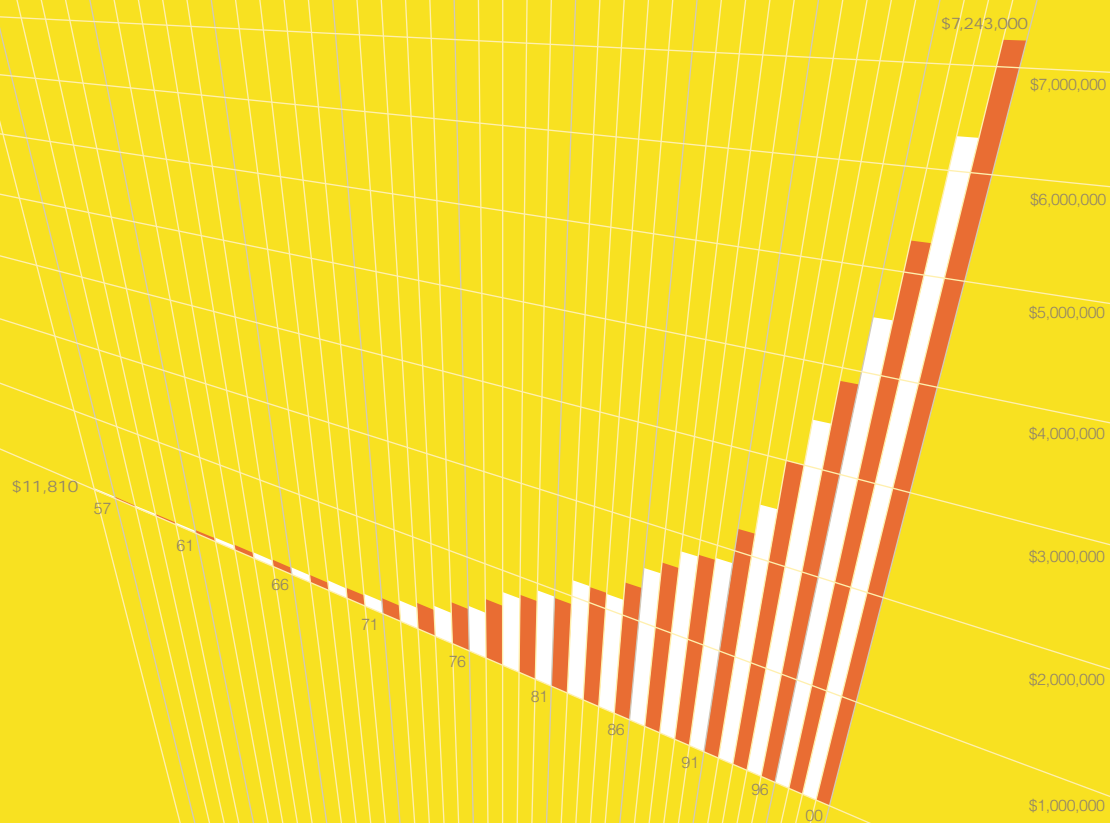
Dollars in Thousands Except Per Share Data

	44-Year Growth Rate	5-Year Growth Rate	2000 vs 1999	2000	1999	1995	1956
Net Sales	16%	16%	+15%	\$7,243,000	\$6,307,000	\$3,435,000	\$10,670
Income from Continuing Operations	18%	20%	+ 4%	\$ 591,700	\$ 569,600	\$ 237,500	\$ 450
Income from Continuing Operations as a % of:							
Net Sales				8.2%	9.0%	6.9%	4.2%
Shareholders' Equity <sup>1</sup>				18.9%	20.5%	10.5%	9.0%
Shareholders' Equity	16%	13%	+ 9%	\$3,426,060	\$3,136,500	\$1,820,710	\$ 5,420
Per Share Data:							
Net Income	15%	19%	+ 2%	\$1.31	\$1.28	\$.56	\$.00 <sup>5</sup> / <sub>16</sub>
Cash Dividends Paid	16%	6%	+ 9%	\$ .49	\$ .45	\$.36 <sup>1</sup> / <sub>2</sub>	\$.00 <sup>1</sup> / <sub>16</sub>

<sup>1</sup> Based on shareholders' equity as of the beginning of the year.

## 44 YEARS OF SALES GROWTH

Dollars in Thousands





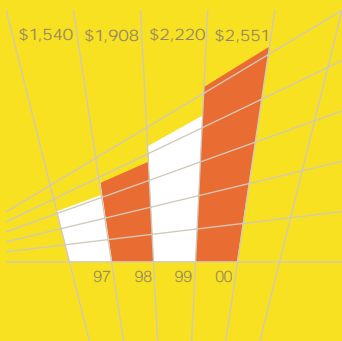
# MASCO CORPORATION LEADERSHIP COMPANIES



Net Sales in Millions

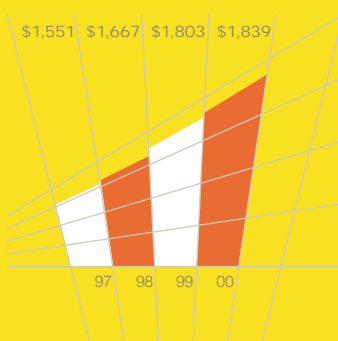
## CABINETS AND RELATED PRODUCTS

This segment includes assembled and ready-to-assemble kitchen and bath cabinets; home office workstations; entertainment centers; storage products; bookcases; and kitchen utility products. Masco is the largest U.S. manufacturer of kitchen and bath cabinetry, offering approximately 300 styles in more than 20 lines from our U.S. companies KraftMaid, Merillat, Mill's Pride, StarMark and Texwood and European leaders Alma Küchen, The Alvic Group, The GMU Group, The Moores Group and Tvilum-Scanbirk.



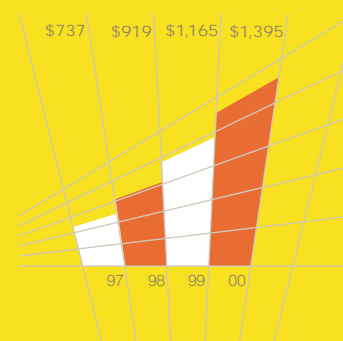
## PLUMBING PRODUCTS

Masco is a world leader in the manufacture of plumbing products. This segment includes faucets; plumbing fittings and valves; bathtubs and shower enclosures; and whirlpools and spas. Premier faucet brands include Damixa®, Delta®, Mariani® and Peerless®. Leading plumbing specialty brands include Alsons®, Aqua Glass®, Brass Craft®, Heritage™, Hot Spring®, NewTeam™ and Plumb Shop®.



## DECORATIVE ARCHITECTURAL PRODUCTS

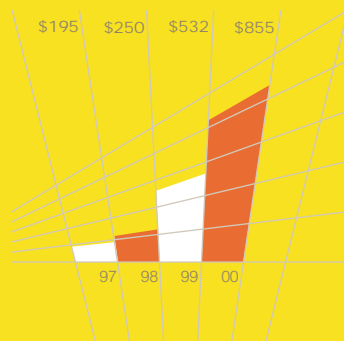
The Decorative Architectural Products segment includes paints and stains; mechanical and electronic lock sets; and door, window and other hardware. Market leaders in paints and stains include Behr Process Corporation and Masterchem Industries. Well-known hardware brands include Baldwin®, Franklin Brass®, Ginger®, Liberty®, Melard™ and Weiser® in the U.S. and Avocet Hardware in Europe. This segment also includes Vapor Technologies, which provides coatings technology and equipment for many Masco products.





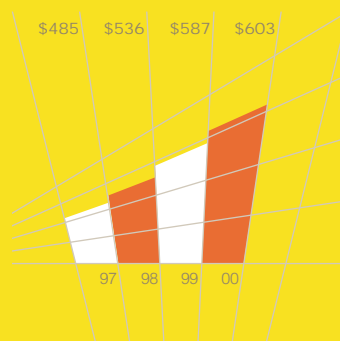
### INSULATION INSTALLATION AND OTHER SERVICES

Masco provides a variety of installation and insurance restoration services across the U.S. and in Canada through more than 300 branch locations with almost 12,000 employees. This segment includes the sale and installation of insulation and other products and the restoration of facilities damaged principally by natural disasters. This segment includes industry leaders such as BSI Holdings (acquired in early 2001), The Cary Group, Gale Industries, and INRECON.



### OTHER SPECIALTY PRODUCTS

The Other Specialty Products segment includes staple gun tackers; staples and other fastening tools; hydronic radiators and heat convectors; venting and ventilation systems; modular office workstations; and grilles, registers and diffusers for heating and cooling systems. Companies in this segment include American Metal Products, Arrow Fastener, Cobra and Faucet Queens in the U.S. and The Brugman Group, Gebhardt, Jung Pumpen, Superia Radiatoren and Vasco in Europe.





## TO OUR SHAREHOLDERS:

ALTHOUGH WE ACHIEVED SIGNIFICANT SALES GROWTH IN THE YEAR 2000, IT WAS A DISAPPOINTING YEAR IN TERMS OF INITIAL SALES EXPECTATIONS AND ACTUAL EARNINGS. DEMAND FOR OUR PRODUCTS WAS REDUCED BECAUSE OF THE NEGATIVE WEALTH EFFECT OF THE DECLINING STOCK MARKET, LOWER CONSUMER CONFIDENCE AND HIGHER ENERGY COSTS THAT NEGATIVELY IMPACTED CONSUMER DISPOSABLE INCOME. IN ADDITION, OUR EARNINGS WERE IMPACTED BY GREATER-THAN-EXPECTED COSTS FOR A NEW PRODUCT LINE, HIGHER INTEREST RATES, HIGHER ENERGY COSTS AND THE DECLINE IN THE VALUE OF EUROPEAN CURRENCIES. ALL OF THESE FACTORS CONTRIBUTED TO OUR LOWER-THAN-EXPECTED SALES AND EARNINGS RESULTS.

### FINANCIAL HIGHLIGHTS

Despite the negative factors that affected our performance, Masco posted gains in sales, net income and earnings per share for the full year 2000. Financial highlights include:

- Net sales were a record \$7.2 billion, a 15 percent increase over the \$6.3 billion we achieved in 1999;
- Net income increased four percent to a record \$592 million from \$570 million in 1999;
- Earnings per share increased two percent to \$1.31 in 2000 from \$1.28 in 1999;
- After-tax return on shareholders' equity approximated 19 percent for 2000, just below our 20 percent goal;
- The quarterly cash dividend was increased to \$.13 per common share, marking the 42nd consecutive year in which dividends have been increased; and
- Capital expenditures for the year were \$388 million compared with \$351 million in 1999, reflecting major expansion programs.

In April 2000, the Company's Board of Directors authorized the repurchase of up to 40 million shares of Masco Common Stock.



RICHARD A. MANOOGIAN

RAYMOND F. KENNEDY

Approximately 12.6 million common shares were repurchased in 2000, including shares purchased to offset 8.4 million shares of Masco Common Stock that we issued in July 2000 as a result of the adoption of an Executive Stock Purchase Program. This voluntary Program was made available worldwide to Masco's senior divisional and corporate management members who are key to leading Masco Corporation to long-term success.

Approximately 300 employees participated in the Program and invested approximately \$156 million in shares of Masco Common Stock. The Program represents a major financial commitment on the part of its participants, thus further aligning Masco's key management with the interests of its shareholders.

## OPERATING RESULTS

Specific factors that contributed to our lower-than-anticipated sales and earnings included:

- Lower demand for home improvement products, in both North America and Europe, and corresponding inventory reduction programs undertaken by our retail and wholesale customers;
- Greater-than-expected start-up costs associated with the introduction of a major line of cabinetry at one of our cabinet divisions;

- Higher interest rates, which resulted in increased interest expense on the Company's bank debt;
- Higher energy costs, which negatively affected virtually every area of our business, particularly freight and raw materials;
- Weaker European currencies that resulted in a reduction in European sales and net income when translated to U.S. dollars; and
- Lower margins in several of our business segments, which were also adversely affected by the pre-tax charges discussed later.

The combination of the above factors resulted in year 2000 earnings being approximately \$385 million pre-tax, or \$.50 per share, below what the Company expected at the beginning of the year.

## BUSINESS SEGMENTS

The Company recently redefined its business segments for financial reporting purposes and began reporting its results accordingly. Following is a brief overview of each business segment.

### CABINETS AND RELATED PRODUCTS

Included in this segment are assembled and ready-to-assemble kitchen and bath cabinets; home office workstations; entertainment centers; storage products; bookcases; and kitchen utility products.



Net sales of cabinets and related products increased approximately 15 percent to \$2,551 million in 2000 from \$2,220 million in 1999.

#### **PLUMBING PRODUCTS**

This segment includes faucets; plumbing fittings and valves; bathtubs and shower enclosures; and whirlpools and spas.

Net sales of plumbing products increased two percent to \$1,839 million in 2000 from \$1,803 million in 1999.

#### **DECORATIVE ARCHITECTURAL PRODUCTS**

This segment includes paints and stains; mechanical and electronic lock sets; and door, window and other hardware.

Net sales of decorative architectural products increased 20 percent to \$1,395 million in 2000 from \$1,165 million in 1999.

#### **INSULATION INSTALLATION AND OTHER SERVICES**

Included in this segment are the sale and installation of insulation and other products and the restoration of facilities damaged principally by natural disasters.

Net sales of insulation installation and other services increased 61 percent to \$855 million in 2000 from \$532 million in 1999.

#### **OTHER SPECIALTY PRODUCTS**

This segment includes staple gun tackers; staples and other fastening tools; hydronic radiators and heat convectors; venting and ventilation systems; modular office workstations; and grilles, registers and diffusers for heating and cooling systems.

Net sales of other specialty products increased three percent to \$603 million in 2000 from \$587 million in 1999.

#### **GEOGRAPHIC RESULTS**

More than 80 percent of the Company's sales are generated by operations in North America, primarily in the United States. A brief overview of the Company's sales by geographic region follows:

- Net sales in North America increased 14 percent to \$5,947 million in 2000 from \$5,238 million in 1999.
- Net sales of international operations, principally in Europe, increased 21 percent to \$1,296 million in 2000 from \$1,069 million in 1999. Sales growth in Europe continued to be acquisition driven, offsetting both unfavorable currency exchange rates and unfavorable market conditions, particularly in Germany where new construction and renovation activities declined significantly from 1999 levels.



## NET SALES & OPERATING PROFIT <sup>1-3</sup>

Dollars in Thousands

Year	Net Sales	Operating Profit <sup>2</sup>	Margin
2000	\$7,193,000	\$1,070,000	14.9%
1999	6,243,000	1,009,000	16.2%
1998	5,163,000	942,000	18.2%
1997	4,341,000	775,000	17.9%
1996	3,670,000	656,000	17.9%
1995	3,239,000	549,000	16.9%
1994	2,821,000	542,000	19.2%
1993	2,358,000	441,000	18.7%
1992	2,067,000	384,000	18.6%
1991	1,749,000	288,000	16.5%

10-Year Annual Growth Rate	16%	14%	17%
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<sup>1</sup> Excludes discontinued product lines.

<sup>2</sup> Excludes general corporate expense, but includes goodwill amortization.

<sup>3</sup> Includes restatement for poolings of interests in 1999.

<sup>4</sup> Average 10-year margin.



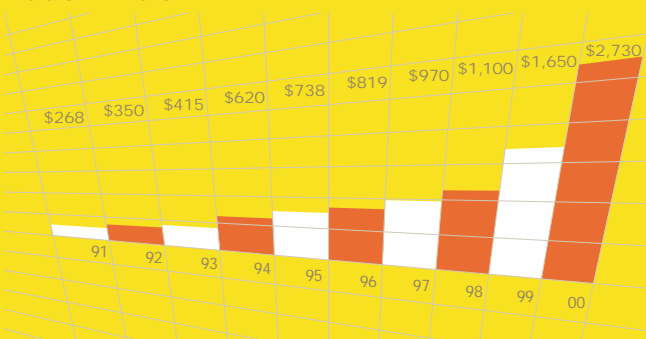
## FOCUS ON GROWTH

We continue to focus on our strategies to achieve consistent, predictable growth and high cash flow. Through a combination of cost containment and aggressive marketing and merchandising initiatives, our annual goal is to achieve the following objectives:

- 7–11 percent average annual internal sales growth;
- 5–10 percent or greater average annual sales growth through acquisition;
- 15 percent or greater average annual growth in earnings per share;
- 15–18 percent annual operating margins;
- Annual after-tax return on equity of 20 percent;
- After-tax return on sales above 10 percent; and
- High cash flow.

## KEY RETAILER SALES<sup>1</sup>

Dollars in Millions



<sup>1</sup> Includes sales from acquired companies from date of acquisition.

## KEY RETAILER PROGRAM

Initiated in 1986 to capitalize on the exceptional growth of then-emerging home centers and other large retailers, the Key Retailer Program has been a significant driver of incremental growth and market share gains. In addition, the Program has provided a competitive advantage for Masco by developing coordinated programs for key customers that leverage the collective strength of our individual operating companies.

Since this Program's inception, aided by strategic acquisitions and mergers of companies that serve these large retailers, our key retailer sales have increased at an average annual rate of 26 percent.

We greatly value our partnerships with large national and international retailers who participate in this Program. Examples of key retail customers include ACE Hardware, The Home Depot, The Kingfisher Group, Lowe's, Sears, TruServ and Wal-Mart.

In 2000, partnerships with our key retail customers resulted in sales of \$2.73 billion. The largest portion of our key retailer sales are to the three fastest-growing retailers and our three largest retail customers—The Home Depot, Lowe's and Wal-Mart, with 2000 sales approximating \$2.2 billion.

## INTERNAL GROWTH

Our average annual internal sales growth of nine percent for the past 10 years has been achieved through brand leadership, coordinated marketing initiatives, new product offerings and a broad range of home improvement and building products that far exceeds that of any single competitor.

We believe that approximately 90 percent of our products are brand leaders in their categories, and Masco products are now sold through home improvement retailers and builders, contractors and distributors around the world.

## LEADERSHIP PRODUCTS<sup>1</sup>

Dollars in Thousands

	2000 Sales	Percent of Total
Cabinets and Related Products	\$2,435,000	34%
Plumbing Products	1,520,000	21
Decorative Architectural Products	1,230,000	17
Insulation Installation and Other Services	855,000	12
Other Specialty Products	440,000	6
Leadership Products Sales	\$6,480,000	90%
Total Home Improvement and Building Products Sales	\$7,193,000	100%

<sup>1</sup> Excludes discontinued product lines.

## GROWTH THROUGH ACQUISITION

A key component of Masco's growth strategy has been growth through acquisition of leading, high-margin home improvement and building products companies. Our acquisition strategy is to acquire companies with annual sales in the range of approximately \$100 million to \$500 million or more and operating profit margins of at least 15 percent.

We seek entrepreneurially-oriented companies that have established positions of product, brand and customer service leadership in the markets we serve—homebuilders, wholesale distributors, home centers, mass merchants and other retail home improvement outlets.

Masco's own entrepreneurial philosophy, along with our professional management strengths and capabilities in marketing, manufacturing, engineering and systems, creates an environment for successful synergy and continued growth and development of our acquired companies.

Since 1982, we have invested more than \$7.0 billion by acquiring more than 53 home improvement and building products companies.

Aided by acquisitions, our sales of home improvement (repair and remodeling) products have grown at an average annual rate of approximately 16 percent during the past 10 years, while the industry has grown at an average annual rate of five percent. In building products (new construction),



including acquisitions, our sales have grown at a 10-year average annual rate of approximately 14 percent, compared with industry average annual growth of seven percent.

During 2000 and early 2001, Masco acquired the following companies with combined annual sales of approximately \$1.3 billion:

- BSI Holdings, a leading provider of installed insulation and other products within the United States and Canada, acquired in January 2001;
- Davenport Insulation Group, one of the Northeast's leading providers of building products and insulation installation services;
- Ginger, a designer and distributor of high-end decorative bath accessories, lighting and related products;
- Glass Idromassaggio SpA, a manufacturer of acrylic bathtubs, shower trays and whirlpools and steam shower enclosures, based in Italy;
- Masterchem Industries, a national leader in the manufacture of specialty paint products; and
- Tvilum-Scanbirk A/S, a leading European manufacturer of ready-to-assemble products, including cabinetry, shelving, storage units and workstations.

## FOCUS ON THE FUTURE

In the second half of 2000, our businesses were negatively impacted by the factors mentioned previously, including the decline in the stock market, the economic slowdown and lower consumer confidence. We expect the impact of these factors to continue for most of 2001, resulting in a year of below-average internal growth for Masco.

Due to our less-than-satisfactory performance for the year and changing business conditions, we are reviewing all aspects of our businesses to improve our financial and operating performance. Our focus is on creating increased value for our shareholders through a number of cost reduction, sales growth, profit and cash flow improvement and other initiatives.

In the Fall of 2000, corporate teams were assigned to focus on specific areas of our businesses that will improve our long-term performance, including: acquisitions, business consolidation, business portfolios, cash generation, compensation, corporate departmental functions and expense, purchasing, customer initiatives, e-commerce, financial strategies, management development and succession planning and new product research and development.

The initial decisions of certain of these teams, as well as other factors, resulted in an approximate \$145 million non-cash pre-tax charge that the



Company recorded in the fourth quarter of 2000. These charges include the writedown of certain investments (\$55 million pre-tax) and a charge regarding the planned disposition of certain operating divisions that the Company believes are not core to its long-term growth strategies (\$90 million pre-tax). These divisions have annual sales of approximately \$600 million and the Company expects cash proceeds upon disposition to exceed \$400 million.

Despite the weakened economy and correspondingly lower sales and profitability that we experienced during the fourth quarter of 2000 and into the first quarter of 2001, we remain optimistic about our future prospects.

The Company is taking a number of steps to improve its performance. We believe that these steps, when combined with our aggressive cost-reduction programs and proven strategies aimed at expanding our market share during economic downturns, should result in better performance for the Company late in 2001, and particularly in 2002.

Our intent is to maintain and enhance our product and market leadership positions through market share gains, product innovation and manufacturing excellence. Through the successful implementation of our proven strategies over the years, which is the basis for our internal growth objectives outlined in our five-year sales forecast, our goal is to generate sales of approximately \$11.5 billion by the year 2005.

We greatly appreciate the commitment of all of our 48,600 employees. Their capabilities, initiative and enthusiasm, particularly during these challenging times, provide the foundation upon which we will build our future successes. We look forward to their continued efforts as we all work together to strive to meet our financial and operational goals and achieve above-average returns for our shareholders.



Richard A. Manoogian  
Chairman and Chief Executive Officer



Raymond F. Kennedy  
President and Chief Operating Officer



## INTERNAL SALES GROWTH—FIVE-YEAR FORECAST

Dollars in Thousands

	Internal Growth Sales Forecast		Actual Sales		
	5-Year Growth Rate 2001-2005	2005	5-Year Growth Rate 1996-2000	2000	1995
	Cabinets and Related Products	6%	\$ 3,360,000	18%	\$ 2,526,000
Plumbing Products	5%	2,360,000	7%	1,839,000	1,326,000
Decorative Architectural Products	15%	2,770,000	25%	1,395,000	463,000
Insulation Installation and Other Services	21%	2,250,000	61%	855,000	79,000
Other Specialty Products	5%	740,000	16%	578,000	273,000
Total Home Improvement and Building Products	10% <sup>1</sup>	<u>\$11,480,000</u>	17%	<u>\$ 7,193,000</u>	<u>\$3,239,000</u>

The year 2005 does not include any acquisitions or divestitures after January 2001.

The year 1995 has been restated for poolings of interests.

All years above exclude discontinued product lines.

<sup>1</sup> 8% growth rate if recent acquisition of BSI Holdings in January 2001 is excluded.

## FIVE-YEAR CASH FLOW FORECAST

In Thousands	2001–2005
Net income	\$4,260,000
Depreciation and amortization	1,290,000
PIK interest income	(260,000)
	<u>5,290,000</u>
Working capital, net	(720,000)
Debt, net	—
Capital expenditures	(1,470,000)
Dividends	(1,360,000)
Positive cash flow	<u>\$1,740,000</u>

## ASSUMPTIONS USED IN FORECAST

1. Average 2 percent annual real growth in GDP.
2. Average 3 percent annual inflation.
3. Present tax structure to continue.
4. No significant acquisitions, divestitures or share repurchases after January 2001.
5. No equity financing.
6. Average interest rate of 6 percent on bank debt and 5 percent on excess cash.
7. No change in currency exchange rates.
8. Cash dividend rate increasing on average 8 percent annually.
9. Long-term debt to be refinanced.
10. No change in securities of affiliates.
11. No change in historical profit margins.

# MASCO CORPORATION FORTY-FOUR YEARS OF GROWTH

## AS REPORTED IN THE COMPANY'S ANNUAL REPORT

In Thousands Except Per Share Amounts

	Net Sales	Income Before Taxes	Income Taxes	Net Income	Deprec. & Amort.	Working Capital	Shareholders' Equity	Net Income as a Percent of		Per Share Data		
								Net Sales	Shareholders' Equity <sup>1</sup>	Net Income <sup>2, 3</sup>	Dividends Paid <sup>2</sup>	Average Common Shares <sup>2</sup>
<b>Growth Rates:</b>												
5-Year	20%	19%	12%	23%	21%	19%	16%	-	-	15%	6%	-
10-Year	8%	14%	12%	16%	10%	4%	7%	-	-	11%	6%	-
44-Year	19%	24%	23%	24%	19%	17%	18%	-	-	17%	16%	-
<b>Years</b>												
2000	\$7,243,000	\$893,400	\$301,700	\$591,700	\$238,330	\$1,230,110	\$3,426,060	8.2%	18.9%	\$1.31	\$0.49	449,270
1999	6,307,000	904,100	334,500	569,600	181,820	1,263,350	3,136,500	9.0%	20.9%	1.28	0.45	442,880
1998	4,345,000	755,000	279,000	476,000	136,320	1,016,040	2,728,580	11.0%	21.4%	1.39	0.43	338,900
1997	3,760,000	630,900	248,500	382,400	116,050	1,006,720	2,229,020	10.2%	20.8%	1.15	0.40 <sup>1/2</sup>	326,000
1996	3,237,000	502,700	207,500	295,200	99,680	911,330	1,839,810	9.1%	17.8%	0.92	0.38 <sup>1/2</sup>	321,200
1995 <sup>4</sup>	2,927,000	382,050	173,730	208,320	90,090	518,650	1,655,430	7.1%	9.9%	0.65	0.36 <sup>1/2</sup>	319,200
1994	4,468,000	322,600	128,900	193,700	120,630	1,290,150	2,112,680	4.3%	9.7%	0.61	0.34 <sup>1/2</sup>	317,600
1993	3,886,000	362,600	141,500	221,100	115,990	1,153,380	1,998,430	5.7%	11.7%	0.72	0.32 <sup>1/2</sup>	305,400
1992	3,525,000	304,800	121,700	183,100	114,450	974,030	1,886,880	5.2%	10.2%	0.60	0.30 <sup>1/2</sup>	303,400
1991	3,141,000	97,600	52,700	44,900	102,690	862,060	1,798,910	1.4%	2.5%	0.15	0.28 <sup>1/2</sup>	299,800
1990	3,209,000	235,900	97,100	138,800	93,490	813,340	1,774,040	4.3%	7.5%	0.45	0.27	305,200
1989	3,150,500	327,100	106,200	220,900	89,080	853,710	1,858,430	7.0%	14.3%	0.71	0.25	311,200
1988	2,438,600	421,400	133,060	288,340	74,600	760,190	1,546,090	11.8%	21.0%	1.05	0.22	274,960
1987	2,023,300	334,520	115,680	218,840	63,280	619,270	1,370,870	10.8%	18.9%	0.82 <sup>1/2</sup>	0.19	264,920
1986	1,452,010	330,910	127,490	203,420	43,790	577,100	1,157,070	14.0%	20.8%	0.78	0.17	261,180
1985	1,153,960	268,780	104,300	164,480	34,490	569,420	978,970	14.3%	21.5%	0.64	0.14 <sup>1/2</sup>	257,200
1984	1,019,730	190,050	74,170	115,880	33,710	434,500	765,280	11.4%	15.9%	0.50	0.12 <sup>1/2</sup>	231,600
1983	1,059,450	176,320	69,760	106,560	48,860	539,710	728,800	10.1%	18.1%	0.48	0.11	221,200
1982	855,740	150,850	58,700	92,150	41,400	386,550	589,390	10.8%	18.7%	0.44 <sup>1/2</sup>	0.10	207,600
1981	876,530	150,740	62,420	88,320	36,350	381,440	492,260	10.1%	21.8%	0.43	0.09	199,960
1980	766,440	136,890	59,710	77,180	30,000	349,190	405,590	10.1%	22.8%	0.38	0.08	196,680
1979	726,430	132,460	59,400	73,060	24,890	339,030	339,090	10.1%	23.7%	0.35	0.07 <sup>1/2</sup>	202,120
1978	585,660	114,090	53,910	60,180	18,410	267,520	308,600	10.3%	23.1%	0.28 <sup>1/2</sup>	0.06	204,040
1977	450,730	93,100	43,420	49,680	14,070	199,820	259,990	11.0%	22.7%	0.24	0.04 <sup>1/2</sup>	204,000
1976	423,230	88,070	41,020	47,050	10,230	177,080	218,520	11.1%	26.9%	0.22 <sup>1/2</sup>	0.03	203,920
1975	310,860	62,810	29,140	33,670	9,160	126,200	175,060	10.8%	23.4%	0.16 <sup>1/2</sup>	0.02	203,400
1974	255,850	51,580	24,730	26,850	7,530	101,660	144,020	10.5%	22.4%	0.13 <sup>1/2</sup>	0.02	195,600
1973	210,560	43,250	21,240	22,010	6,340	85,440	119,970	10.5%	24.2%	0.11 <sup>1/2</sup>	0.01 <sup>1/2</sup>	194,720
1972	134,290	28,780	14,390	14,390	4,150	48,240	91,100	10.7%	26.0%	0.08	0.01	174,840
1971	90,690	18,310	8,660	9,650	3,550	42,170	55,380	10.6%	22.4%	0.06	0.01	161,360
1970	69,390	14,350	7,100	7,250	2,990	35,770	43,100	10.4%	23.5%	0.05	0.00 <sup>3/4</sup>	151,880
1969	59,450	13,260	7,000	6,260	1,960	28,150	30,880	10.5%	24.3%	0.04 <sup>1/2</sup>	0.00 <sup>3/4</sup>	139,760
1968	55,340	11,580	6,000	5,580	2,150	10,020	25,730	10.1%	31.4%	0.04	0.00 <sup>3/4</sup>	139,200
1967	36,930	7,080	3,370	3,710	1,660	6,190	17,770	10.1%	25.3%	0.03	0.00 <sup>3/4</sup>	121,120
1966	31,010	6,790	3,200	3,590	840	6,620	14,680	11.6%	30.8%	0.03	0.00 <sup>3/4</sup>	120,800
1965	24,060	6,020	2,840	3,180	480	6,750	11,650	13.2%	35.5%	0.02 <sup>1/2</sup>	0.00 <sup>1/2</sup>	120,480
1964	18,180	5,110	2,580	2,530	360	5,930	8,970	13.9%	38.6%	0.02	0.00 <sup>3/4</sup>	119,880
1963	14,370	3,820	2,000	1,820	260	4,250	6,550	12.6%	36.1%	0.01 <sup>1/2</sup>	0.00 <sup>3/4</sup>	108,000
1962	10,800	2,840	1,450	1,390	230	2,700	5,040	12.9%	36.9%	0.01 <sup>1/2</sup>	0.00 <sup>3/4</sup>	107,040
1961	6,820	1,580	810	770	160	2,190	3,770	11.3%	24.8%	0.00 <sup>23/32</sup>	0.00 <sup>3/4</sup>	105,720
1960	6,420	970	490	480	150	1,780	3,110	7.4%	17.7%	0.00 <sup>7/16</sup>	0.00 <sup>1/4</sup>	105,720
1959	5,550	710	360	350	150	1,530	2,710	6.3%	14.5%	0.00 <sup>11/32</sup>	0.00 <sup>1/16</sup>	105,720
1958	3,980	210	90	120	140	1,150	2,410	3.0%	5.2%	0.00 <sup>1/8</sup>	0.00 <sup>1/32</sup>	105,720
1957	4,990	205	90	115	130	970	2,330	2.3%	5.1%	0.00 <sup>1/8</sup>	0.00 <sup>1/16</sup>	105,720

<sup>1</sup> Based on shareholders' equity as of the beginning of the year.

<sup>2</sup> After giving effect to 100 percent stock distributions in 1998, 1986, 1982, 1975, 1971, 1963 and 1961, and 50 percent stock distributions in 1968 and 1967.

<sup>3</sup> Years 1976 through 1981 and after 1996 include the effect of share dilution.

<sup>4</sup> For 1995, net sales, depreciation and amortization and working capital exclude discontinued home furnishings operations; income before taxes, income taxes and net income exclude the effect of the \$650 million loss on disposition of such operations.



# MASCO CORPORATION FORTY-FOUR YEARS OF GROWTH

## AS RESTATED TO REFLECT POOLINGS OF INTERESTS

In Thousands Except Per Share Amounts

	Net Sales <sup>5</sup>	Income Before Taxes	Income Taxes	Net Income	Deprec. & Amort.	Working Capital	Shareholders' Equity	Net Income as a Percent of Shareholders' Equity <sup>1</sup>	Per Share Data		
									Net Income <sup>2, 3</sup>	Dividends Paid <sup>2, 6</sup>	Average Common Shares <sup>2</sup>
<b>Growth Rates:</b>											
5-Year	16%	16%	10%	20%	17%	16%	13%	-	19%	6%	-
10-Year	15%	15%	12%	17%	9%	4%	6%	-	16%	6%	-
44-Year	16%	17%	16%	18%	15%	15%	16%	-	15%	16%	-
<b>Years</b>											
2000	\$7,243,000	\$893,400	\$301,700	\$591,700	\$238,330	\$1,230,110	\$3,426,060	18.9%	\$1.31	\$0.49	449,270
1999	6,307,000	904,100	334,500	569,600	181,820	1,263,350	3,136,500	20.5%	1.28	0.45	442,900
1998	5,280,000	905,540	340,440	565,100	156,670	1,105,660	2,774,040	25.4%	1.26	0.43	442,700
1997	4,508,000	733,830	289,730	444,100	131,510	1,049,690	2,224,820	21.5%	1.02	0.40½	429,800
1996	3,854,000	577,150	222,050	355,100	111,620	1,019,940	2,064,040	19.5%	0.83	0.38½	425,000
1995 <sup>4</sup>	3,435,000	427,820	190,320	237,500	108,370	585,810	1,820,710	10.5%	0.56	0.36½	423,000
1994	2,988,260	354,200	134,970	219,240	130,710	1,278,160	2,257,710	10.3%	0.52	0.34½	421,400
1993	2,507,740	384,740	145,070	239,670	123,160	1,161,960	2,121,120	12.2%	0.59	0.32½	409,200
1992	2,218,050	310,260	123,920	186,350	120,390	975,870	1,963,280	10.0%	0.46	0.30½	407,200
1991	1,876,050	92,840	54,180	38,660	107,350	863,030	1,865,930	2.1%	0.10	0.28½	403,600
1990	1,854,790	221,240	98,180	123,070	97,310	822,350	1,841,220	6.6%	0.30	0.27	409,000
1989	1,835,880	301,820	107,060	194,770	89,080	859,840	1,865,870	11.1%	0.47	0.25	415,000
1988	1,669,320	442,390	139,650	302,740	86,570	849,270	1,750,160	19.7%	0.73	0.22	416,000
1987	1,554,400	360,380	118,920	241,460	69,170	691,290	1,537,730	18.8%	0.69	0.19	349,800
1986	1,344,610	350,860	129,390	221,470	48,430	641,840	1,287,390	21.0%	0.64	0.17	344,600
1985	1,165,260	283,310	106,040	177,270	38,690	613,410	1,056,010	19.9%	0.52	0.14½	338,400
1984	1,174,360	229,260	86,780	142,480	42,340	499,160	888,850	17.3%	0.42	0.12½	337,800
1983	1,184,800	210,150	81,060	129,090	54,640	592,940	824,340	19.5%	0.39	0.11	327,400
1982	929,640	167,520	64,020	103,500	46,330	433,420	663,140	18.6%	0.33	0.10	313,800
1981	943,860	170,940	68,630	102,310	40,450	421,840	555,100	22.5%	0.33	0.09	306,100
1980	826,040	152,260	64,870	87,390	33,950	388,530	454,590	23.0%	0.29	0.08	302,900
1979	785,390	145,830	63,270	82,560	28,080	362,380	379,140	24.3%	0.27	0.07½	308,300
1978	636,240	124,740	57,300	67,440	20,530	284,810	339,390	23.9%	0.22	0.06	310,200
1977	486,530	102,260	45,890	56,370	15,390	213,990	282,340	24.3%	0.18	0.04½	310,200
1976	449,040	94,550	42,520	52,030	11,260	184,420	231,840	28.4%	0.17	0.03	310,100
1975	327,860	63,670	29,880	33,790	10,060	130,600	183,510	22.0%	0.11	0.02	309,600
1974	279,560	53,030	25,010	28,020	8,340	105,510	153,620	22.2%	0.09	0.02	309,000
1973	224,230	45,260	21,960	23,310	6,650	89,990	126,350	22.3%	0.08	0.01½	301,300
1972	162,480	34,650	17,040	17,610	5,010	55,380	104,760	26.6%	0.06	0.01	291,800
1971	121,130	23,470	11,250	12,220	4,370	49,520	66,280	22.1%	0.04	0.01	284,300
1970	99,090	20,260	9,860	10,400	3,720	44,310	55,210	22.3%	0.04	0.00¾	282,200
1969	96,850	21,700	11,810	9,890	2,950	37,220	46,630	25.4%	0.04	0.00⅝	281,500
1968	86,530	18,530	10,050	8,480	3,100	17,440	38,880	27.0%	0.03	0.00⅙	281,000
1967	66,190	13,450	6,210	7,240	2,570	14,540	31,440	27.9%	0.03	0.00½	280,100
1966	56,520	12,510	5,780	6,720	1,690	13,350	25,920	32.9%	0.02	0.00½	275,800
1965	44,720	10,050	4,680	5,380	1,240	11,590	20,420	33.6%	0.02	0.00⅙	275,500
1964	35,360	8,140	3,960	4,190	970	9,650	16,020	32.7%	0.02	0.00⅝	273,000
1963	27,820	6,200	3,150	3,050	760	7,700	12,800	28.2%	0.01	0.00⅙	261,100
1962	22,840	4,350	2,160	2,190	820	6,330	10,800	24.6%	0.01	0.00⅙	260,100
1961	16,760	2,530	1,270	1,270	710	5,060	8,890	16.2%	0.00½	0.00⅙	258,800
1960	15,740	2,000	980	1,020	870	4,350	7,830	14.4%	0.00⅝	0.00⅙	258,800
1959	15,550	1,920	960	960	790	3,940	7,060	15.1%	0.00⅝	0.00⅙	258,800
1958	11,760	1,110	520	590	700	3,220	6,360	10.1%	0.00¼	0.00⅓	228,400
1957	11,810	1,030	480	550	620	2,640	5,870	10.1%	0.00¼	0.00⅙	205,900

<sup>1</sup> Based on shareholders' equity as of the beginning of the year.

<sup>2</sup> After giving effect to 100 percent stock distributions in 1998, 1986, 1982, 1975, 1971, 1963 and 1961, and 50 percent stock distributions in 1968 and 1967.

<sup>3</sup> Years 1976 through 1981 and after 1996 include the effect of share dilution.

<sup>4</sup> For 1995, net sales, depreciation and amortization and working capital exclude discontinued home furnishings operations; income before taxes, income taxes and net income exclude the effect of the \$650 million loss on disposition of such operations.

<sup>5</sup> Net sales prior to 1995 exclude discontinued home furnishings operations; other data prior to 1995 include discontinued home furnishings operations.

<sup>6</sup> Dividends per share have not been adjusted for poolings of interests.

## FINANCIAL REVIEW 2000

### SELECTED FINANCIAL DATA—CONTINUING OPERATIONS (CONSOLIDATED)

In Thousands Except Per Share Data

	2000	1999	1998	1997	1996
Net sales	\$7,243,000	\$ 6,307,000	\$ 5,280,000	\$ 4,508,000	\$ 3,854,000
Income from continuing operations	\$ 591,700	\$ 569,600	\$ 565,100	\$ 444,100	\$ 355,100
Per share of common stock <sup>1</sup> :					
Income from continuing operations:					
Basic	\$1.34	\$1.31	\$1.30	\$1.05	\$0.85
Diluted	\$1.31	\$1.28	\$1.26	\$1.02	\$0.83
Dividends declared	\$0.50	\$0.46	\$0.43 <sup>1/2</sup>	\$0.41	\$0.39
Dividends paid	\$0.49	\$0.45	\$0.43	\$0.40 <sup>1/2</sup>	\$0.38 <sup>1/2</sup>
Income from continuing operations as a % of:					
Net sales	8.2%	9.0%	10.7%	9.9%	9.2%
Shareholders' equity <sup>2</sup>	18.9%	20.5%	25.4%	21.5%	19.5%
Capital expenditures	\$ 388,030	\$ 350,850	\$ 243,380	\$ 215,190	\$ 161,120
At December 31:					
Total assets	\$7,744,000	\$ 6,634,920	\$ 5,618,850	\$ 4,696,600	\$ 4,030,340
Long-term debt	\$3,018,240	\$ 2,431,270	\$ 1,638,290	\$ 1,553,950	\$ 1,279,740
Shareholders' equity	\$3,426,060	\$ 3,136,500	\$ 2,774,040	\$ 2,224,820	\$ 2,064,040
Book value per common share <sup>1</sup>	\$7.70	\$7.07	\$6.26	\$5.12	\$4.85

Includes restatement for 1999 poolings of interests, except for dividends.

<sup>1</sup> After giving effect to 100 percent stock distribution in July 1998.

<sup>2</sup> Based on shareholders' equity as of the beginning of the year.

### OPERATING PROFIT AS A % OF NET SALES

	2000	1999	1998	1997	1996
Continuing Operations, As Reported:					
Before general corporate expense	14.7%	15.9%	18.0%	17.5%	17.3%
Before goodwill amortization and general corporate expense	15.6%	16.6%	18.6%	17.9%	17.6%

Includes restatement for 1999 poolings of interests.

### MARKET PRICE—P/E RATIO<sup>1</sup>

Year	Market Price		Earnings Per Share As Reported <sup>2</sup>	Price/Earnings Ratio	
	High	Low		High	Low
2000	\$27	\$14 <sup>1/2</sup>	\$1.31	21	11
1999	33 <sup>11/16</sup>	22 <sup>1/2</sup>	1.28	26	18
1998	33	20 <sup>3/4</sup>	1.26	26	16
1997	26 <sup>29/32</sup>	16 <sup>7/8</sup>	1.02	26	17
1996	18 <sup>7/16</sup>	13 <sup>5/16</sup>	.83	22	16
Five-Year Average				24	16

<sup>1</sup> After giving effect to 100 percent stock distribution in July 1998.

<sup>2</sup> Includes restatement for 1999 poolings of interests.

## CORPORATE DIRECTORS

THOMAS G. DENOMME<sup>1</sup>  
Retired Vice Chairman and Chief Administrative Officer  
Chrysler Corporation  
Director since 1998

JOSEPH L. HUDSON, JR.<sup>1</sup>  
Trustee  
Hudson-Webber Foundation  
Philanthropic Organization  
Director since 1996

VERNE G. ISTOCK<sup>1</sup>  
Retired Chairman/President  
Bank One Corporation  
Director since 1997

RAYMOND F. KENNEDY<sup>3</sup>  
President and Chief Operating Officer  
Masco Corporation  
Director since 1998

WAYNE B. LYON  
Chairman  
LifeStyle Furnishings International Ltd.  
Director since 1988

RICHARD A. MANOOGIAN<sup>3</sup>  
Chairman of the Board and Chief Executive Officer  
Masco Corporation  
Director since 1964

JOHN A. MORGAN<sup>2,3</sup>  
Managing Director  
Morgan Lewis Githens & Ahn  
Investment Bankers  
Director since 1969

ARMAN SIMONE<sup>2</sup>  
Retired President  
Simone Corporation  
Commercial Builders and Developers  
Director 1952–1969 and since 1972

PETER W. STROH<sup>1,2,3</sup>  
Retired Chairman and Chief Executive Officer  
The Stroh Companies, Inc.  
Director since 1992

MARY ANN KREY VAN LOKEREN<sup>2</sup>  
Chairman and Chief Executive Officer  
Krey Distributing Company  
Director since 1997

<sup>1</sup> Member of Audit Committee

<sup>2</sup> Member of Compensation Committee

<sup>3</sup> Member of Executive Committee

## CORPORATE OFFICERS

WILLIAM T. ANDERSON  
Group Vice President

RONALD W. AYERS  
Group President

ALAN H. BARRY  
Group President

DR. LILLIAN BAUDER  
Vice President — Corporate Affairs

KLAUS BOCH  
Vice President — Controller  
European Operations

J. MICHAEL CAMPBELL  
Group President

SAM A. CRACCHIOLO  
Director of Corporate Development

SAMUEL A. CYPERT  
Vice President — Investor Relations

DAVID A. DORAN  
Vice President — Taxes

CHARLES A. DOWD, JR.  
Group President

DANIEL R. FOLEY  
Vice President — Human Resources

LAU FRANDBEN  
Group President — Europe

EUGENE A. GARGARO, JR.  
Vice President and Secretary

TED GOOLD  
Group Vice President

ROLAND GRASSBERGER  
Group Vice President

RAYMOND F. KENNEDY  
President and Chief Operating Officer

JOHN J. KIMES  
Group Vice President

ALAN J. KRAUSS  
Senior Group President

LARRY J. LA BO  
Vice President — Controller  
North American Operations

JOHN R. LEEKLEY  
Senior Vice President and  
General Counsel

RICHARD A. MANOOGIAN  
Chairman of the Board and  
Chief Executive Officer

KAREN R. MENDELSON  
Vice President — Sales and Marketing

DONALD J. MILROY  
Group Vice President

RICHARD G. MOSTELLER  
Senior Vice President — Finance

ROBERT B. ROSOWSKI  
Vice President — Controller and  
Treasurer

R. HAMILTON SCHIRMER  
Vice President — Business Development

BARRY J. SILVERMAN  
Vice President — Associate  
General Counsel

JOHN C. WILLS  
President — Plumbing Products

DAVID W. VAN HISE  
Vice President — International



## DIVISION OPERATING EXECUTIVES

Allan Abrams	Ronald J. Foy	Bob C. Ladd	Bastian Schaefer
Vasken Altounian	Geoff Freestone	Ronald C. Lazof	William F. Schmidt
A. James Aruffo	Stephen Gannon	Saul Levitt	Vernon S. Schroeder
Marc Bickler	Esmerelda Goncalves	Robert Manroe	Ronald D. Smith
Nicholas Billig	Steven M. Hammock	R. Bruce Martin	Larry Solari
Thomas Breuer	Larry B. Higgins	Lothar Mayer	Giuliano Spina
Charles M. Brown	Werner Hornschemeyer	Nicholas McGrellis	John M. Swedeen
Roger A. Carlson	P. Kevin Jaffé	Reinhard Metzger	Todd Talbot
Thomas N. Chieffe	Villy Jensen	Bernd Möhner	Jochen Tappmeier
John J. Dellamore	Eckhard Keill	Nicholas W. Moss	Jos Vaessen
Donald J. DeMarie, Jr.	David J. Kent	Michael Perpeet	Alfons Walder
Lawrence W. Denbrock	Clay H. Kiefaber	Luciano Pianezzola	Brian P. Walsh
Herbert Dieterle	Stanley G. Korte	Dominic Primucci	Michael S. Walsh
Michael P. Duggan	Dieter E. Krist	Steven P. Raia	Jose Zubizarreta
Andoni Eizmendi	William J. Kushlick	Alejandro Rosales	
Randall J. Fenton		Peter Schabos	

## RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the fairness and integrity of the Company's financial statements. In order to meet this responsibility, management maintains formal policies and procedures that are consistent with high standards of accounting and administrative practices, which are regularly communicated within the organization. In addition, management maintains a program of internal auditing within the Company to examine and evaluate the adequacy and effectiveness of established internal controls as related to Company policies, procedures and objectives. The accompanying report of the Company's independent accountants states their opinion on the Company's financial statements, based on audits conducted in accordance with generally accepted auditing standards.

The Audit Committee of the Board of Directors meets periodically with both management and the independent accountants to provide oversight with respect to the Company's financial reporting process and system of internal control.

## INFORMATION FOR SHAREHOLDERS

### COMPANY PROFILE

Masco Corporation is one of the world's largest manufacturers of brand-name consumer products for the home and family. Masco Corporation is also a leading provider of services that include the installation of insulation and other building products.

Our products include faucets, kitchen and bath cabinets, architectural coatings, bath and shower units, spas and hot tubs, showering and plumbing specialties, lock sets and other builders' hardware, air treatment products, ventilating equipment and pumps.

The Company has approximately 6,600 shareholders of record, and 48,600 employees. The Company's principal manufacturing facilities are located throughout the United States; international operations are primarily located in Europe, particularly Denmark, Germany and England.

### EXECUTIVE OFFICES

Corporate Headquarters  
Masco Corporation  
21001 Van Born Road  
Taylor, MI 48180  
313-274-7400  
Fax 313-792-6135

### INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP  
400 Renaissance Center  
Detroit, MI 48243

### STOCK EXCHANGE INFORMATION

Masco Corporation common stock is traded on the New York Stock Exchange with the symbol MAS.

### TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSING AGENT

The Bank of New York  
Shareholder Relations Department-11E  
P.O. Box 11258  
Church Street Station  
New York, NY 10286

### SHAREHOLDER INQUIRIES CAN BE ANSWERED BY CONTACTING:

The Bank of New York  
1-800-524-4458  
E-Mail Address: [shareowner-svcs@bankofny.com](mailto:shareowner-svcs@bankofny.com)

Send certificates for transfer and address changes to:

The Bank of New York  
Receive and Deliver Department-11W  
P.O. Box 11002  
Church Street Station  
New York, NY 10286

Send all other shareholder inquiries, including lost, stolen or destroyed stock certificates, to:

The Bank of New York  
Shareholder Relations Department-11E  
P.O. Box 11258  
Church Street Station  
New York, NY 10286

Answers to many of your shareholder questions and requests for forms are available by visiting The Bank of New York's website at <http://stock.bankofny.com>

### DUPLICATE MAILINGS

Shares owned by one person, but held in different forms of the same name (e.g., John Smith, John B. Smith, J.B. Smith), result in duplicate mailings of stockholder information at added expense to the Company. By law, such duplication can be eliminated only at the request of the shareholder.

Please notify The Bank of New York by calling 1-800-524-4458 if you wish to eliminate such duplication.

### DIVIDEND REINVESTMENT PLAN

Masco Corporation has appointed The Bank of New York to serve as agent for our Dividend Reinvestment Plan. All enrollments, terminations, sales, requests for certificates and optional cash payments regarding the Plan should be sent to:

The Bank of New York  
Dividend Reinvestment Department  
P.O. Box 1958  
Church Street Station  
Newark, NJ 07101-9774

### INTERNET

Current information on Masco Corporation can be found by visiting our home page on the internet at <http://www.masco.com>

### INVESTOR RELATIONS CONTACT

Additional information about the Company is available without charge to shareholders who direct a request to:

Samuel A. Cypert  
Vice President-Investor Relations  
Masco Corporation  
21001 Van Born Road  
Taylor, MI 48180

### ANNUAL MEETING OF SHAREHOLDERS

The 2001 Annual Meeting of Shareholders of Masco Corporation will be held at the offices of the Company on May 16, 2001 at 10:00 a.m. local time.



MASCO

Masco Corporation | 21001 Van Born Road | Taylor, Michigan 48180 | [www.masco.com](http://www.masco.com)