



## Masco Corporation Reports Third Quarter 2008 Results

### Third Quarter 2008

- Net sales from continuing operations declined 16 percent to \$2.5 billion.
- Income from continuing operations was \$36 million or \$.10 per common share.
- The Company increased the quarterly dividend to \$.235 per common share, making 2008 the 50th consecutive year in which dividends have been increased.
- The Company completed the previously announced divestiture plan, generating total net proceeds of \$174 million.
- The Company had over \$1 billion of cash at September 30, 2008.

**Taylor, Mich., (October 28, 2008)** - Masco Corporation (NYSE: MAS) today reported that net sales from continuing operations for the quarter ended September 30, 2008 declined 16 percent to \$2.5 billion compared with \$3.0 billion for the third quarter of 2007. North American sales declined 18 percent and International sales declined six percent. In local currencies, International sales declined 11 percent compared with the third quarter of 2007.

Income from continuing operations was \$36 million or \$.10 per common share and \$206 million or \$.56 per common share in the third quarters of 2008 and 2007, respectively.

The third quarter of 2008 results were adversely affected by significantly lower sales volume to the new home construction market and a continued decline in consumer spending for home improvement products.

The Company continues to focus on the rationalization of its businesses, including sourcing programs, business consolidations, plant closures, headcount reductions and other initiatives. During the third quarters of 2008 and 2007, the Company incurred costs and charges of \$16 million pre-tax (\$.03 per common share, after tax) and \$12 million pre-tax (\$.02 per common share, after tax), respectively, related to these initiatives. Since late 2006, the Company has aggressively reduced its cost structure including closing 14 manufacturing facilities, reducing headcount by 20,000 (which includes an approximate 33 percent of its North American workforce) and reducing installation branches by over 25 percent.

The third quarter of 2008 was also impacted by a higher tax rate which reduced earnings by \$.13 per common share compared with the third quarter of 2007.

As previously disclosed, in the first quarter of 2008, the Company determined that several European business units were not core to the Company's long-term growth strategy and, accordingly, embarked on a plan of disposition which was completed in the third quarter of 2008. Proceeds of \$174 million (including \$28 million in the third quarter) were generated through the disposition of these business units.

Business conditions remain difficult in the Company's markets, as the Company experienced a further significant reduction in sales of its products and services late in the third quarter of 2008, which has continued into October. The Company continues to estimate that 2008 housing starts will decline to a range of 900,000 to 1,000,000 units, compared to 1.3 million units in 2007. In the first nine months of 2008, housing starts declined 31 percent from 2007. However, the Company anticipates that consumer spending for home improvement products and demand for certain of the Company's International products will continue to decline more than previously anticipated in the near term.

While the unprecedented changes in the global economic and financial market environment make forecasting future business conditions extremely difficult, the Company currently estimates that its fourth quarter sales will decline approximately 20 percent compared to 2007. As a result, the Company currently estimates that its full-year 2008 sales will decline by mid-teens compared to 2007. The Company's previous guidance estimated that its full-year 2008 percentage sales decline would be low-double digits to mid-teens.

The Company currently estimates that its 2008 full-year earnings will be in a range of \$.25 to \$.30 per common share, reflecting the additional sales decline. The guidance also includes approximately \$22 million pretax (\$.04 per common share, after tax) of additional costs and charges for plans undertaken to further rationalize the Company's business, but does not include any additional costs and charges that may result from the continued evaluation of the Company's businesses or any other charges. The Company's previous earnings guidance was a range of \$.50 to \$.65 per common share for the full-year 2008.

The Company continues to estimate that 2008 free cash flow (cash from operations, after capital expenditures and before

dividends) will be relatively strong and approximate \$600 million.

The Company's guidance also reflects increasingly competitive market conditions for its services and products and higher costs for freight and logistics and for certain materials, including commodities impacted by energy costs.

The Company's guidance includes the Company's estimate that its full-year tax rate will approximate 56 to 57 percent (due to the U.S. tax on the anticipated repatriation of low-taxed foreign earnings to utilize the Company's foreign tax credit carryforward) which, compared to the Company's normalized tax rate of approximately 36 percent, will reduce earnings by approximately \$.18 per common share.

The Company's guidance includes impairment charges for financial investments and currency losses incurred in the first nine months of 2008 which, together with the expected increase in the tax rate, decrease full-year estimated earnings by approximately \$.27 per common share.

Although the Company expects market conditions in its industry, over the next several quarters, to be very challenging, the Company is confident that the long-term fundamentals for the new home construction and home improvement products markets are positive. The Company believes that its strong financial position (including cash of over \$1 billion at September 30, 2008, modest debt maturities until 2012, unused bank lines and its ability to generate strong cash flow) together with its current strategy of investing in leadership brands, innovative growth and flexible and scalable supply chains, along with a strong focus on cash flow to fund our dividend, will allow us to drive long-term growth and incremental leverage for our shareholders.

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

The Company is providing an Earnings Presentation, in a PDF format, on its Web site by 9:00 a.m. ET, October 28, 2008, that can be viewed as part of the conference call. Please refer to the Earnings Presentation for additional Business Highlights.

A conference call regarding items contained in this release is scheduled for Tuesday, October 28, 2008 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 (719) 325-2433 (confirmation #7942632). The conference call will be webcast simultaneously on the Company's Web site at [www.masco.com](http://www.masco.com) and supplemental material, including the financial data referred to on the call and a reconciliation of non-GAAP information provided on the call, will also be available on the Web site. A replay of the call will be available on Masco's Web site or by phone by dialing (719) 457-0820 (replay access code #7942632) approximately two hours after the end of the call and will continue through November 4, 2008.

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

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

Please [click here](#) to view Income Statement.

Please [click here](#) to view Financial Summary.

Please [click here](#) to view Analyst Package.

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