

Masco Corporation

*Building a Dynamic Future...
from a Proud Legacy*



2003 ANNUAL REPORT

About Masco

Masco Corporation is a world leader in the manufacture of home improvement and building products. Masco is also a leading provider of services that include the sale and installation of insulation and other 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.

ON THE COVER

Celebrating its 50th anniversary this year, Delta Faucet continues to be a trend setter in the introduction of innovative faucets and coordinating accessories. Part of the Brizo™ branded Floriano Collection, the Floriano faucet is no exception, offering Delta's first pull-down wand with an ergonomic toggle switch and a twist and lock mechanism to hold it in place. The unique bud vase is either interchangeable with a soap/lotion dispenser or can be displayed separately elsewhere in the home.

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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. Actual results may differ materially from the results discussed in such forward-looking statements. 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 included herein, which explains that various factors may affect our projected performance. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

NON-GAAP DISCLOSURE

The Company believes that certain non-GAAP (Generally Accepted Accounting Principles) 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 of ongoing operations. 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. For a reconciliation of 2003 sales growth excluding acquisitions and divestitures, please refer to page 18 of the Form 10-K included herein.

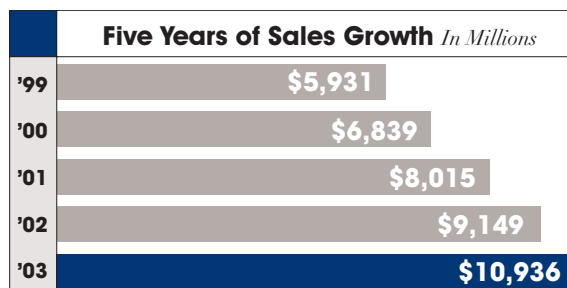
Financial Highlights

*Dollars in Millions
Except Per Common Share Data*

	47-Year Growth Rate	5-Year Growth Rate	2003 vs 2002	2003	2002	1998	1956
Net Sales	16%	17%	20%	\$10,936	\$9,149	\$4,941	\$ 11
Operating Profit ^{1,2}	17%	12%	9%	\$ 1,424	\$1,301	\$ 822	\$ 1
Income from Continuing Operations ^{1,2,3}	17%	7%	29%	\$ 740	\$ 572	\$ 536	\$ 0
Income from Continuing Operations as a % of: ^{1,2,3}							
Net Sales				7%	6%	11%	4%
Shareholders' Equity ⁴				14%	14%	25%	9%
Shareholders' Equity	16%	16%	3%	\$ 5,456	\$5,294	\$2,647	\$ 5
Per Common Share Data:							
Income from Continuing Operations ^{1,2,3}	14%	5%	36%	\$ 1.51	\$1.11	\$1.20	\$ 0.00 ^{5/16}
Cash Dividends Paid	16%	6%	6%	\$ 0.58	\$0.54 ^{1/2}	\$0.43	\$ 0.00 ^{1/16}

Amounts, except for shareholders' equity, have been restated to exclude the operations of businesses sold in 2003; 1998 and 1956 amounts have been restated for the 1999 poolings of interests, except for dividends.

- ¹ The year 2003 includes a non-cash goodwill impairment charge of \$118 million after-tax (\$142 million pre-tax) and income of \$45 million after-tax (\$72 million pre-tax) related to the Behr litigation settlement.
- ² The year 2002 includes a \$92 million after-tax (\$147 million pre-tax), net charge for the Behr litigation settlement, including \$19 million of pre-tax income recorded for the reimbursement from liability insurers.
- ³ The year 2002 includes a \$92 million after-tax (\$117 million pre-tax), non-cash goodwill impairment charge recognized as a cumulative effect of a change in accounting principle.
- ⁴ Based on shareholders' equity as of the beginning of the year.





Milgard



Delta



Ginger, Newport Brass



The Aran Group



Behr

2003 BUILDING ON STRONG BRANDS

CABINETS AND RELATED 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, Texwood and Zenith. Our European cabinet companies include Alma Küchen, The Alvic Group, The Aran Group, The GMU Group, The Moores Group and Tvilum-Scanbirk. This segment includes assembled and ready-to-assemble kitchen and bath cabinets; entertainment centers; storage products; bookcases; and kitchen utility products.

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 spas. Leading faucet brands include Britan™, Damixa®, Delta®, Hansgrohe®, Mariani™, Newport Brass® and Peerless®. Leading plumbing specialty brands include Alsons®, Aqua Glass®, BrassCraft®, Brasstech®, Gummers®, Hansgrohe®, Heritage™, Hot Spring®, NewTeam™ and PlumbShop®.

INSTALLATION AND OTHER SERVICES

Masco provides a variety of installation services for home builders across the U.S. and in Canada. Included in this segment are the sale and installation principally of insulation, fireplaces, cabinetry, gutters, bath accessories, garage doors, shelving and windows. Under the Masco Contractor Services umbrella, this segment includes industry leaders Cary Insulation, Davenport Insulation, Gale Industries and Service Partners.

NET SALES *In Millions*

Amounts have been restated to exclude the operations of businesses sold in 2003.

	Cabinets and Related Products
'99	\$2,207
'00	\$2,536
'01	\$2,567
'02	\$2,798
'03	\$3,058

	Plumbing Products
'99	\$1,793
'00	\$1,828
'01	\$1,742
'02	\$2,031
'03	\$2,645

	Installation and Other Services
'99	\$532
'00	\$855
'01	\$1,692
'02	\$1,845
'03	\$2,411



Hot Spring



Arrow Fastener



Delta



Aqua Glass, Delta, Ginger, KraftMaid, Liberty



American Shower and Bath



Newport Brass

2003 BUILDING ON STRONG BRANDS

DECORATIVE ARCHITECTURAL PRODUCTS

This segment includes paints and stains; and door, window and other hardware. Market leaders in paints and stains include Behr Process Corporation and Masterchem Industries with top-selling brands Behr®, Behr Premium Plus®, Kilz® and Hammerite®. Leading hardware brands include Bath Unlimited®, Brainerd®, Franklin Brass®, Ginger® and Liberty® in the U.S. and Avocet™ in Europe. This segment also includes Vapor Technologies, which provides coatings technology and manufacturing process equipment for many Masco products.

OTHER SPECIALTY PRODUCTS

The Other Specialty Products segment includes windows, window frame components and patio doors; electronic locksets; staple guns and tackers, staples and other fastening tools; hydronic radiators and heat convectors; venting and ventilation systems; and pumps. Companies in this segment include Arrow Fastener, Cobra, Computerized Security Systems, Faucet Queens and Milgard Manufacturing in the U.S., and The Brugman Group, Cambrian Windows, Duraflex, Gebhardt, Griffin Windows, Jung Pumpen, Premier Manufacturing, Superia Radiatoren and Vasco in Europe.

NET SALES *In Millions*

Amounts have been restated to exclude the operations of businesses sold in 2003.

	Decorative Architectural Products
'99	\$856
'00	\$1,060
'01	\$1,229
'02	\$1,358
'03	\$1,522

	Other Specialty Products
'99	\$543
'00	\$560
'01	\$785
'02	\$1,117
'03	\$1,300

A New Focus for the Company

AS WE CELEBRATE MASCO'S 75TH ANNIVERSARY, WE ARE AT AN EXCITING TIME IN OUR COMPANY'S HISTORY FOR OUR SHAREHOLDERS, EMPLOYEES AND CUSTOMERS.

For the six years from 1997 through 2002, Masco invested over \$10 billion in acquisitions,* capital expenditures and new product development to build the “critical mass” that we thought was important, given the business and macro-economic conditions that we believed would impact our businesses (e.g., increased consolidation among our customer base, including home centers and home builders; and the increasing globalization of our markets).

RICHARD A. MANOOGIAN
Chairman and
Chief Executive Officer

ALAN H. BARRY
President and
Chief Operating Officer



** Includes poolings of interests.*

This major investment resulted in our Company more than doubling its sales from less than \$4 billion to over \$10 billion and earned Masco the distinction of being one of the most important suppliers serving the home improvement and building products markets.

During this expansion period, we moved profitably into new leadership positions such as architectural coatings, windows, installation services and other markets.

On the other hand, during these years we did not create adequate shareholder value, we increased debt as a percentage of total capitalization and we experienced a decline in return on invested capital (ROIC).

In the spring of 2003, we made a major decision to refocus our strategies to better utilize our assets in ways that we believe should create more shareholder value.

These strategies will result in a greater focus on internal growth, and correspondingly fewer acquisitions, with increased emphasis on cash flow, share buybacks and improving return on invested capital.

This new focus contributed to our Company achieving record sales and earnings in 2003.

NET SALES & OPERATING PROFIT

Dollars in Millions

Year	Net Sales	Operating Profit
2003	\$10,936	\$1,424
2002	9,149	1,301
2001	8,015	1,042
2000	6,839	939
1999	5,931	867
1998	4,941	822
5-Year Growth Rate	17%	12%

Amounts have been restated to exclude the operations of businesses sold in 2003 and for the 1999 poolings of interests.



Merillat



Delta

STRATEGIC DIRECTION FOR THE FUTURE

The strategic goals that we have embraced through Masco's current strategic planning process are designed to help ensure that Masco will be a preferred provider of products and services within our chosen markets, and that our Company will be an invaluable partner and integral to the business of our customers in our key product and services markets.

ASSESSING MASCO'S RECENT ACCOMPLISHMENTS AND CHALLENGES

During the past decade, change has been occurring within the home improvement and new construction markets, producing both significant challenges and opportunities:

- *Customer consolidation of large retailers, home centers and home builders accelerated, enhancing their buying power;*
- *Foreign competition became a major competitive threat as foreign producers found it easier to penetrate the U.S. market by selling to a few large customers, while larger customers found it easier to source directly from foreign countries;*

- *New home construction and home renovation remained strong, even within a wavering U.S. economy; and*
- *Americans, more than ever, chose to invest in their homes.*

To address both the challenges and opportunities in this dynamic environment, we invested significantly to build the critical mass that we thought was necessary to strategically position the Company for future success. While acquisitions contributed to our growth in sales, product development, markets and distribution channels, increasing our importance to our customers, we have experienced a decline in return on invested capital due, in large part, to that significant investment.

During this time, Masco's growth also added organizational and financial complexity to our Company. In addition, we maintained our historic, decentralized operating model, thus not maximizing opportunities for synergies among business units as we grew larger. We are now focused on leveraging that critical mass to drive greater shareholder value.

DURING THE PAST DECADE, CHANGE HAS BEEN OCCURRING WITHIN THE HOME IMPROVEMENT AND NEW CONSTRUCTION MARKETS, PRODUCING BOTH SIGNIFICANT CHALLENGES AND OPPORTUNITIES.



MASCO'S STRATEGIC EVOLUTION

In order for Masco to address the challenges that we face and continue to grow successfully, our strategies have evolved in a number of important areas.

We are shifting our focus from many to fewer operating companies, from complexity to simplicity, from acquisition growth to more active management of our business unit portfolio to drive greater organic growth, from division autonomy to synergy, and we have focused more on improving ROIC by increasing absolute profits with less emphasis on profit margins.

Because of this assessment and as part of our strategic evolution, we have reorganized our businesses into five product and services platforms:

- *Cabinets;*
- *Plumbing Products;*
- *Coatings (included in Decorative Architectural Products);*

- *Windows (included in Other Specialty Products); and*
- *Installation Services.*

As a result, we have already seen significant improvements within each of these platforms.

Cabinets, for example, is now organized into two domestic sub-groups: retail and builder, each under the direction of a group vice president. Through this and other consolidation efforts, we have leveraged our strengths, simplified manufacturing, reduced costs, and improved quality and efficiency throughout our cabinet businesses.

In Plumbing Products, creating one cohesive domestic platform has enabled the Company to reduce costs, improve working capital management and enhance product development opportunities. A recently launched and already popular line of faucet products is one example of our innovative new plumbing products.



2003 LETTER TO SHAREHOLDERS



Masco Contractor Services



Milgard



In Coatings, we have literally reinvented the paint-buying process through the introduction of the in-store Color Solutions Centers™, and we are now one of North America’s largest architectural coatings companies.

In Windows, we continue to achieve significant growth through geographic expansion and new products, including an exciting new fiberglass patio door program.

The Installation Services businesses have increased sales and profits through consolidating locations, improving supply-chain efficiency, expanding non-insulation product installed sales and building on our partnerships with large builders to increase their total purchases of Masco products and services. Masco’s services workforce is now helping to build more than half of all new homes being constructed in the U.S.

MASCO’S STRATEGIC AGENDA

In addition to reorganizing our Company around the five product and services platforms, we are increasing our focus on:

- *Managing our business portfolio of leadership companies to improve overall profitability and return on invested capital;*
- *Enhancing our internal growth rate;*
- *Reducing our rate of sales growth from acquisitions;*
- *Maximizing opportunities for potential synergies among our business units;*
- *Continuing to provide leadership development programs for high-potential people throughout the organization; and*
- *Anticipating and responding to strategic challenges affecting Masco’s future growth.*

Portfolio Management: We are managing our business portfolio of leadership

LEADERSHIP PRODUCTS & SERVICES*		
<i>Dollars in Millions</i>		
	2003 Sales	Percent of Total
Cabinets and Related Products	\$ 2,884	26%
Installation and Other Services	2,411	22%
Plumbing Products	2,140	20%
Decorative Architectural Products	1,422	13%
Other Specialty Products	1,028	9%
Leadership Sales	\$ 9,885	90%
Other Sales	1,051	10%
Total Sales	\$ 10,936	100%

* We estimate that approximately 90 percent of our sales are from products and services that represent leadership positions in their market segments.

2003 LETTER TO SHAREHOLDERS



Alsons, Ginger, Mirolin





companies to improve overall profitability and return on invested capital by:

- Retaining those companies that complement our business strategy; and
- Consolidating existing companies where appropriate.

In 2003, the Company divested three divisions: Baldwin Hardware, Marvel and Weiser Lock. These companies had combined 2003 annualized net sales of approximately \$250 million. In addition, Masco divested its 42 percent equity interest in Emco Limited.

In early 2004, we announced the planned divestiture of several European divisions with 2003 net sales in excess of \$350 million. We have also identified five of our operating companies for consolidation with other Masco business units and, as a direct result, we anticipate considerable annual cost savings.

Internal Growth: We are increasing our focus on strengthening our rate of organic (internal) growth, including the following areas:

- New product development;
- Product line extensions;
- New models or finishes;
- Aggressive marketing and merchandising programs; and
- Customer incentive programs to strengthen our partnerships with valued builder and retailer customers.

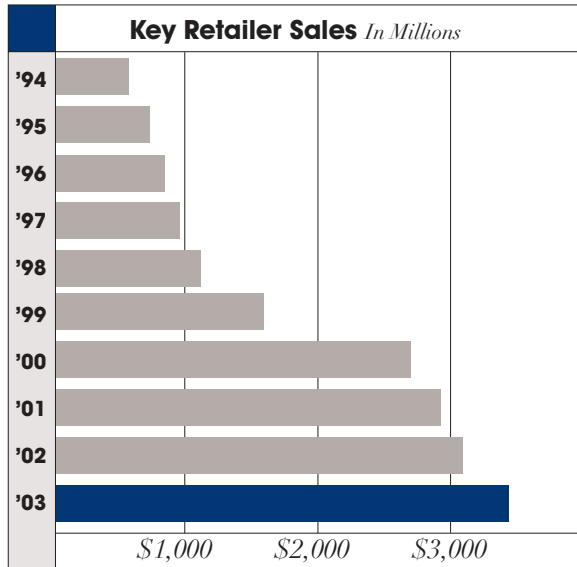
Two examples of existing programs that offer our customers improved efficiency, better service and cost savings are our Key Retailer and Builder Alliance programs.

In 2003, the Key Retailer Program, which offers customized programs that align with the diverse goals of this customer group, helped us achieve record Key Retailer sales of \$3.4 billion, compared with \$3.1 billion in 2002.

The Masco Builder Alliance Program has helped us achieve sales of Masco products and services approximating \$3,000, on average, for each new single-family home built in the U.S. In 2003, under this Program we launched agreements with a number of key national builders to make us their primary installer of insulation and selected other building products.

External Growth: Our acquisition program has been refocused to target those companies that:

- Meet our criteria for return on assets with operating margins of at least 15 percent of sales; and
- Have dynamic growth potential; and/or
- Have the potential for significant synergies with our existing companies; or
- Are “bolt-on” acquisitions for one of our existing companies.



Historically, our goal has been to grow sales at an average annual rate of five to 10 percent through acquisitions. Generally, in recent years our average has been at the upper end of that range. Going forward, we expect that our re-focused strategy will result in acquisitions at a slower rate with a more positive impact on our financial performance, particularly on our return on invested capital.

Leveraging Synergies: Masco’s operating model brings a renewed focus to leveraging efficiencies and other synergies across business units by:

- Reducing costs through overhead consolidation, inter-company sourcing and shared manufacturing technologies;
- Forming worldwide steering committees to leverage the size and capabilities of our cabinet, plumbing,

installation services and windows platforms; and

- Enhancing the exchange of best practices.

Examples of leveraging initiatives already underway include:

- Moving the manufacturing of our Premier® assembled cabinetry line from Mill’s Pride to KraftMaid to take advantage of manufacturing efficiencies;
- Significantly increasing inter-company sourcing within Masco; and
- Opening a new Masco inter-company sourcing and distribution center in China that draws on and coordinates the expertise and capabilities of all Masco companies in China.

Leadership Development: To effectively execute Masco’s strategies going forward, we are developing future generations of leaders by continuing to recruit, train, motivate and retain high-potential candidates to manage the Company.

Programs designed to enhance leadership development include an in-house M.B.A. Program conducted for the Company by an accredited university exclusively for Masco candidates. Other internal leadership development programs are also tailored to meet specific Company objectives. To date, 165 people have graduated from these programs and 96 employees are currently enrolled.



We have also more closely aligned the compensation of Masco executives with Company performance. Approximately two-thirds of the potential annual earned compensation for our senior executives is performance-based and reflects Masco's increased focus on return on invested capital and growth in earnings per common share.

Strategic Initiatives: Masco's future sales and profitability growth will be enhanced by anticipating, identifying and addressing strategic opportunities, such as:

- Taking advantage of extraordinary opportunities in China: While many of our businesses are not subject to import competition, we are positioned to capitalize on opportunities in China for both sourcing from and selling products within China. With over 1,000 Masco employees and 645,000 square feet of manufacturing and distribution space in China as

well as business relationships with literally dozens of Chinese companies, we have an established base of operations from which to expand.

- Growing profitability with large retailers: As our major retailer customers evolve to meet ever-higher consumer expectations, we must respond with the products and services that meet their needs.
- Using Masco Contractor Services as an added driver for organic growth: Today, this services segment is composed of more than 330 branch offices, over 50 distribution centers, approximately 9,000 service vehicles and over 15,000 Masco employees, giving the Company a unique competitive advantage. We are leveraging that capability to sell and install a broader array of products, including Masco-manufactured products, thereby increasing our importance to our large builder customers.

If we are successful in executing the strategies outlined in this Letter, we believe that we will continue to achieve above-average sales and earnings growth and improve our return on invested capital from approximately 11 percent in 2003 to our goal of 15 percent by 2008, thereby creating significant value for our shareholders.

2003 LETTER TO SHAREHOLDERS



Behr



Masco Contractor Services, Milgard



Delta, KraftMaid



The Moores Group

Corporate Governance

During 2003, we also took steps to enhance our corporate governance, including:

- Adding two new independent directors, increasing the number of independent directors from five to seven. All members of the Audit Committee, Organization and Compensation Committee and Corporate Governance and Nominating Committee are independent;
- Adding share ownership guidelines for directors to those already in effect for officers;
- Adopting New York Stock Exchange governance standards for committee charters, board guidelines and codes of conduct and business ethics well in advance of the required date for adoption of such standards; and
- Installing a toll-free employee ethics hotline and complementing our existing legal compliance training for our employees with the introduction of a comprehensive Internet-based ethical and legal compliance training program.



Financial Highlights for 2003

Net sales from continuing operations, aided by acquisitions, were a record \$10.9 billion in 2003, a 20 percent increase over the \$9.1 billion that we achieved in 2002. Excluding acquisitions and divestitures, net sales increased nine percent over the prior year.

Net sales from our North American operations, accounting for approximately 80 percent of the Company's sales, increased 14 percent to \$8.8 billion in 2003 from \$7.7 billion in 2002.

Aided by acquisitions, net sales from International operations, principally in Europe and benefiting from strong European currencies, increased 49 percent to \$2.2 billion in 2003 from \$1.5 billion in 2002.

Operating profit margins were 13.0 percent in 2003, compared with 14.2 percent in 2002. Margins in 2003 include the effect of increased energy, insurance and pension costs; higher promotion and display expense to gain additional market share; the impact of foreign currency changes; and product mix.

Income from continuing operations for the year was \$740 million or \$1.51 per common share. This includes the recognition of a non-cash, pre-tax goodwill impairment charge of \$142 million (\$118 million or \$.24 per common share, after-tax), the majority of which relates to European businesses that the Company plans to divest. Excluding the impact of the goodwill impairment charge, income from continuing operations was \$1.75 per common share.

CASH FLOW AND LIQUIDITY

Cash Flow

In 2003, the Company achieved record free cash flow (cash from operations less capital expenditures and before cash dividends) of \$1,150 million, compared with \$940 million in 2002.

This free cash flow included the benefit of a reduction in working capital (defined as accounts receivable and inventories less accounts payable). Working capital at year-end 2003 was reduced to 18.1 percent of sales, compared with 21.9 percent at year-end 2002.

Capital Expenditures

Capital expenditures for the year were \$271 million, compared with \$285 million for 2002. Depreciation and amortization for 2003 was \$244 million, compared with \$220 million for 2002.

Liquidity

The Company ended 2003 in a strong financial position with cash and marketable securities in excess of \$1.3 billion, even after retiring approximately \$430 million of our outstanding debt and using approximately \$780 million to repurchase common shares. Masco also has unused bank credit lines of \$2 billion.

At year-end, the Company's total debt as a percent of total capitalization improved to 43 percent, compared with 47 percent at the end of 2002.

SHARE REPURCHASES

The Company repurchased and retired approximately 35 million common shares in 2003. During the first two months of 2004, an additional 10 million common shares have been repurchased by the Company. There were approximately 478 million diluted common shares at the beginning of 2004.



DIVIDEND INCREASE

The quarterly cash dividend was increased 14 percent to \$.16 from \$.14 per common share, making 2003 the 45th consecutive year in which dividends have been increased. This increase, which was larger than in recent years, reflects our favorable long-term outlook, strong balance sheet and cash flow as well as recent U.S. tax law changes, which reduced the dividend tax rate for individuals.

Outlook

We are excited and energized by our new strategic focus and believe that it will have a dramatic effect on our future performance. Going forward, our more balanced growth strategy and increased emphasis on organic growth, cash flow and return on invested capital should result in increased returns for our shareholders.

We take great pride in our heritage and our 75-year history, but our focus is on the future. We are committed to achieving our objectives, and we believe that our refocused strategic direction provides us with unique competitive advantages. More importantly, we are creating a strategic framework that will facilitate the refinement of our strategies to enhance our competitiveness as we face the challenges of tomorrow.

The changes that we have made are having a favorable impact on Company performance in early 2004. During the first few months of the year, we experienced strong growth in our businesses and, if present business trends continue,



we believe that we will again achieve record sales and earnings from continuing operations for the full-year 2004.

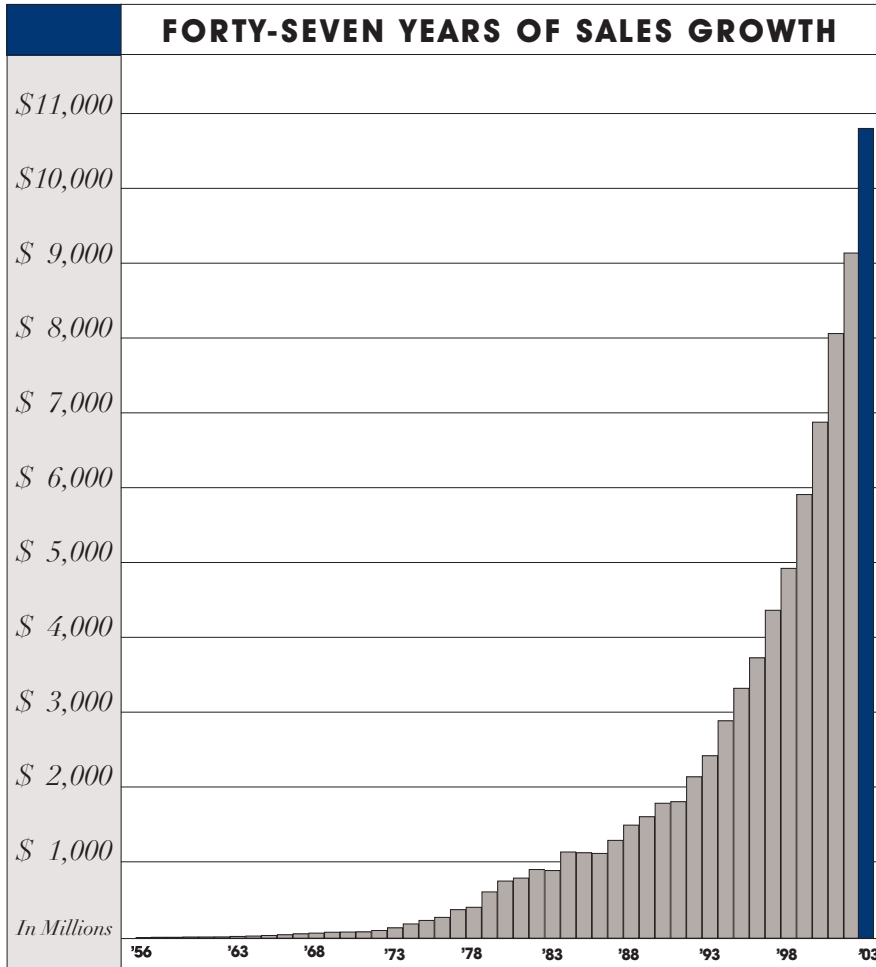
We are also very proud of and grateful to our employees whose proven commitment, capabilities and initiative continue to play a tremendous role in Masco's success.

Richard A. Manoogian
Chairman and Chief Executive Officer

Alan H. Barry
President and Chief Operating Officer

2003 GROWTH HIGHLIGHTS

03



Masco at 75

- 1929** *Alex Manoogian organizes Masco Screw Products Company in Detroit, Michigan, machining parts for the automotive industry.*
- 1936** *Masco becomes a public company and is listed on the Detroit Stock Exchange.*
- 1942** *Masco's annual sales exceed \$1 million.*
- 1952** *Masco acquires rights to a single-handle washerless faucet and Alex Manoogian begins redesigning the product.*
- 1954** *Masco begins production and marketing of the Delta single-handle faucet.*
- 1958** *Delta Faucet annual sales exceed \$1 million.*
- 1961** *Masco Screw Products Company changes its name to Masco Corporation.*
- 1969** *Masco Corporation is listed on the New York Stock Exchange.*
- 1975** *Masco joins the Fortune 500 list of the largest U.S. corporations.*
- 1983** *Masco's annual sales exceed \$1 billion.*
- 1985** *Masco enters the cabinet manufacturing business.*
- 1995** *Masco enters the services business.*
- 1999** *Masco enters the architectural coatings business. Masco's annual sales exceed \$5 billion.*
- 2001** *Masco enters the windows business. Masco's operating profit exceeds \$1 billion.*
- 2003** *Masco increases its quarterly dividend for the 45th consecutive year. Masco's annual sales exceed \$10 billion.*

2003 MASCO BRANDS



2003 FINANCIAL REVIEW

SELECTED FINANCIAL DATA (CONSOLIDATED)

Dollars In Millions Except Per Common Share Data

	2003	2002	2001	2000	1999
Net sales ¹	\$ 10,936	\$ 9,149	\$ 8,015	\$ 6,839	\$ 5,931
Operating profit ^{1,2,3,4,7}	\$ 1,424	\$ 1,301	\$ 1,042	\$ 939	\$ 867
Income from continuing operations ^{1,2,3,5,6,7}	\$ 740	\$ 572	\$ 203	\$ 581	\$ 541
Per share of common stock:					
Income from continuing operations ^{1,2,3,5,6,7} :					
Basic	\$ 1.54	\$ 1.18	\$ 0.44	\$ 1.32	\$ 1.24
Diluted	\$ 1.51	\$ 1.11	\$ 0.43	\$ 1.29	\$ 1.21
Dividends declared	\$ 0.60	\$ 0.55	\$ 0.53	\$ 0.50	\$ 0.46
Dividends paid	\$ 0.58	\$ 0.54 ^{1/2}	\$ 0.52 ^{1/2}	\$ 0.49	\$ 0.45
Income from continuing operations as a % of ^{1,2,3,5,6,7} :					
Net sales	7%	6%	3%	8%	9%
Shareholders' equity ⁸	14%	14%	6%	19%	20%
At December 31:					
Total assets	\$ 12,149	\$ 12,050	\$ 9,021	\$ 7,604	\$ 6,517
Long-term debt	\$ 3,848	\$ 4,316	\$ 3,628	\$ 3,018	\$ 2,431
Shareholders' equity	\$ 5,456	\$ 5,294	\$ 3,958	\$ 3,286	\$ 3,019
Book value per common share	\$ 11.90	\$ 10.83	\$ 8.62	\$ 7.39	\$ 6.81

1 Amounts have been restated to exclude the operations of businesses sold in 2003.

2 The year 2003 includes a non-cash goodwill impairment charge of \$118 million after-tax (\$142 million pre-tax) and income of \$45 million after-tax (\$72 million pre-tax) related to the Behr litigation settlement.

3 The year 2002 includes a \$92 million after-tax (\$147 million pre-tax), net charge for the Behr litigation settlement, including \$19 million of pre-tax income recorded for reimbursements from liability insurers.

4 Operating profit for 1999-2001 includes goodwill amortization as follows: 2001 - \$93 million, 2000 - \$66 million and 1999 - \$45 million.

5 The year 2002 includes a \$92 million after-tax (\$117 million pre-tax), non-cash goodwill impairment charge recognized as a cumulative effect of a change in accounting principle.

6 The year 2001 includes a \$344 million after-tax (\$530 million pre-tax), non-cash charge for the write-down of certain investments, principally securities of Furnishings International Inc.

7 The year 2000 includes a \$94 million after-tax (\$145 million pre-tax), non-cash charge for the planned disposition of businesses and the write-down of certain investments.

8 Based on shareholders' equity as of the beginning of the year.

OPERATING PROFIT AS A PERCENT OF NET SALES¹

	2003	2002	2001	2000	1999
As reported	13.0%	14.2%	13.0%	13.7%	14.6%
Before general corporate expense ^{2,4}	14.0%	15.3%	14.2%	15.2%	16.2%
Before goodwill amortization and general corporate expense ^{2,3,4}	14.7%	16.9%	15.4%	16.1%	16.9%

1 Amounts have been restated to exclude the operations of businesses sold in 2003.

2 General corporate expense is reported in Note P to the Consolidated Financial Statements contained in our Annual Report on Form 10-K included herein.

3 The year 2003 excludes the \$142 million pre-tax goodwill impairment charge and \$72 million pre-tax income related to the litigation settlement. The year 2002 excludes the \$147 million pre-tax net charge for the litigation settlement.

4 These non-GAAP measures provide additional information regarding the results of ongoing operations. These measures may not be comparable to similarly titled measures reported by other companies and should not be considered as an alternative or superior to amounts reported under accounting principles generally accepted in the United States.

**MASCO COMMON SHARE
MARKET PRICE—P/E RATIO**

Year	Market Price		Earnings Per Common Share ¹	Price/Earnings Ratio	
	High	Low		High	Low
2003	\$28.44	\$16.59	\$1.51	19	11
2002	29.43	17.25	1.11	27	16
2001	26.94	17.76	0.43	63	41
2000	27.00	14.50	1.29	21	11
1999	33.69	22.50	1.21	28	19
Five-Year Average				32 - 20	

1 Amounts are calculated using income from continuing operations and have been restated to exclude the operations of businesses sold in 2003.

DIRECTORS**THOMAS G. DENOMME^{1,3}**

Retired Vice Chairman and Chief Administrative Officer
Chrysler Corporation
Director since 1998

PETER A. DOW^{1,2}

Retired Vice Chairman, Chief Operating Officer and
Executive Committee Chairman
Campbell-Ewald, an advertising company
Director since 2001

ANTHONY F. EARLEY, JR.^{1,4}

Chairman, Chief Executive Officer,
President and Chief Operating Officer
DTE Energy Company
Director since 2001

VERNE G. ISTOCK^{1,2,4}

Retired Chairman/President
Bank One Corporation
Director since 1997

DAVID L. JOHNSTON⁴

President and Vice Chancellor of the
University of Waterloo in Ontario, Canada
Director since 2003

J. MICHAEL LOSH¹

Retired Executive Vice President and Chief Financial Officer
General Motors Corporation
Director since 2003

WAYNE B. LYON

Retired Chairman
LifeStyle Furnishings International Ltd.
Director since 1988

RICHARD A. MANOOGIAN³

Chairman of the Board and Chief Executive Officer
Masco Corporation
Director since 1964

MARY ANN VAN LOKEREN²

Chairman and Chief Executive Officer
Krey Distributing Company, a beverage
distribution firm
Director since 1997

¹ Member of Audit Committee

² Member of Organization and Compensation Committee

³ Member of Executive Committee

⁴ Member of Corporate Governance and Nominating Committee

CORPORATE OFFICERS AND OPERATING EXECUTIVES**WILLIAM T. ANDERSON**

Vice President–Controller
European Operations

RONALD W. AYERS

Group President

ALAN H. BARRY

President and
Chief Operating Officer

DR. LILLIAN BAUDER

Vice President–Corporate
Affairs

KLAUS BOCH

Vice President–Europe

J. MICHAEL CAMPBELL

Group President

THOMAS N. CHIEFFE

Group Vice President

SAMUEL A. CYPERT

Vice President–Investor
Relations

DONALD J. DEMARIE, JR.

Group President

WAYNE DEVINE

Group Vice President

DAVID A. DORAN

Vice President–Taxes

CHARLES A. DOWD, JR.

Group President

DANIEL R. FOLEY

Vice President–Human
Resources

LAU FRANDSEN

Group President–Europe

EUGENE A. GARGARO, JR.

Vice President and Secretary

TED GOOLD

Group Vice President

ROLAND GRASSBERGER

Group Vice President

CLAY H. KIEFABER

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

JERRY W. MOLLIE

Vice President–Corporate Taxes

RICHARD G. MOSTELLER

Vice President and
Senior Financial Advisor

ROBERT B. ROSOWSKI

Vice President and Treasurer

R. HAMILTON SCHIRMER

Vice President

BARRY J. SILVERMAN

Vice President–Associate
General Counsel

JOHN G. SZNEWAJS

Vice President–Business
Development

DAVID W. VAN HISE

Vice President–International

THOMAS VOSS

Executive Vice
President–Europe

TIMOTHY WADHAMS

Senior Vice President and
Chief Financial Officer

ALFONS WALDER

Group Vice President

JOHN C. WILLS

Group President

DIVISION OPERATING EXECUTIVES

Allan Abrams	Andoni Eizmendi	Saul Levitt	Steven P. Raia
Vasken Altounian	Jeffrey D. Filley	Nicholas Matten	Javier Rosales
Ole Lund Andersen	Ronald J. Foy	Jim McCarthy	Peter Schabos
Antonio Arangiario	Esmerelda Goncalves	Nicholas McGrellis	Bastian Schaefer
A. James Aruffo	Scott Gordon	Reinhard Metzger	William F. Schmidt
Robert Ball	Klaus Grohe	Gary E. Milgard	Helmut Schweitzer
Nicholas Billig	Steven M. Hammock	Bernd Möhner	Ronald D. Smith
Thomas Breuer	Larry B. Higgins	Mark Moore	James J. Sweeney, Jr.
Frank Busam	David B. Humenik	Peter Morgan	Todd Talbot
Roger A. Carlson	Joaquin Alberro Irizar	Chris Morris	Gareth Thomas
Joseph H. Carrington	Eckhard Keill	Jan Nuyts	Jerry Volas
Rob Carter	Stanley G. Korte	Michael Perpeet	Donald K. Woody
Brandon Cook	Dieter E. Krist	Chris Phillips	Chris Yankowich
Herbert Dieterle	Bob C. Ladd	Luciano Pianezzola	
Claus Eberling	Steve Lee	Dominic Primucci	

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the fairness and integrity of the Company's consolidated 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 auditors states their opinion on the Company's consolidated financial statements, based on audits conducted in accordance with auditing standards generally accepted in the United States of America.

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

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 sale and installation of insulation and other building products.

Our products include faucets, kitchen and bath cabinets, architectural coatings (paints and stains), bath and shower units, spas and hot tubs, showering and plumbing specialties, windows, electronic locksets and other hardware, air treatment products, ventilating equipment and pumps.

The Company has approximately 6,500 shareholders of record and 61,000 employees. Masco's principal manufacturing facilities are located throughout the United States; International operations are primarily located in Europe, particularly Belgium, Denmark, Germany, Holland, Italy, Spain and the United Kingdom.

EXECUTIVE OFFICES

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

INDEPENDENT AUDITORS

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
P.O. Box 11258
Church Street Station
New York, NY 10286

SHAREHOLDER INQUIRIES CAN BE ANSWERED BY CONTACTING:

The Bank of New York
Phone: 800-524-4458
E-Mail Address: shareowners@bankofny.com

Send certificates for transfer and address changes to:

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

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

The Bank of New York
Shareholder Relations Department
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 www.stockbny.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), may result in duplicate mailings of shareholder information at added expense to the Company.

Please notify The Bank of New York by calling 800-524-4458 in order to eliminate such duplication.

Multiple shareholders who reside at one address and hold their shares through a bank or broker will receive only one Annual Report and Proxy Statement. This "householding" procedure reduces duplicate mailings and Company expenses. Shareholders who wish to opt out of householding should contact their bank or broker.

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
Newark, NJ 07101-9774

INTERNET

Current information on Masco Corporation can be found by visiting our home page on the Internet at 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 2004 Annual Meeting of Shareholders of Masco Corporation will be held at the offices of the Company on May 11, 2004 at 10:00 A.M. local time.

MASCO

MASCO CORPORATION

21001 Van Born Road

Taylor, MI 48180

313.274.7400

www.masco.com