

MASCO INDUSTRIES

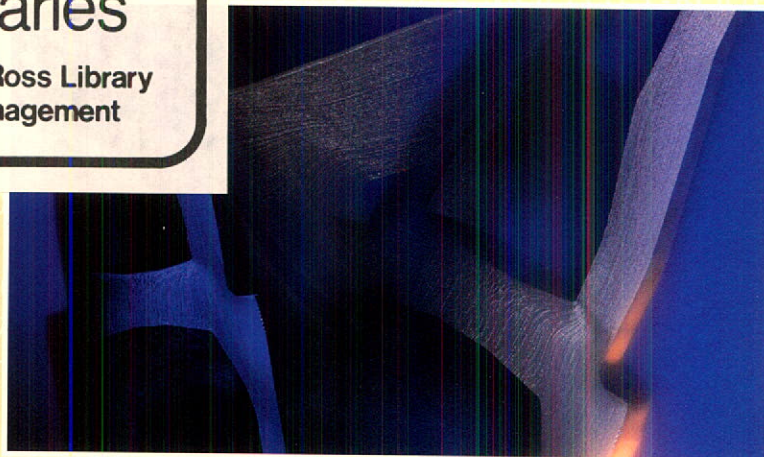
The background of the cover is a deep blue. A large, dark blue, textured shape resembling a stylized 'M' or a thick brushstroke dominates the left and center. A bright, diagonal streak of orange and red light cuts across the lower right portion of the image, adding a sense of energy and movement.

1990 ANNUAL REPORT

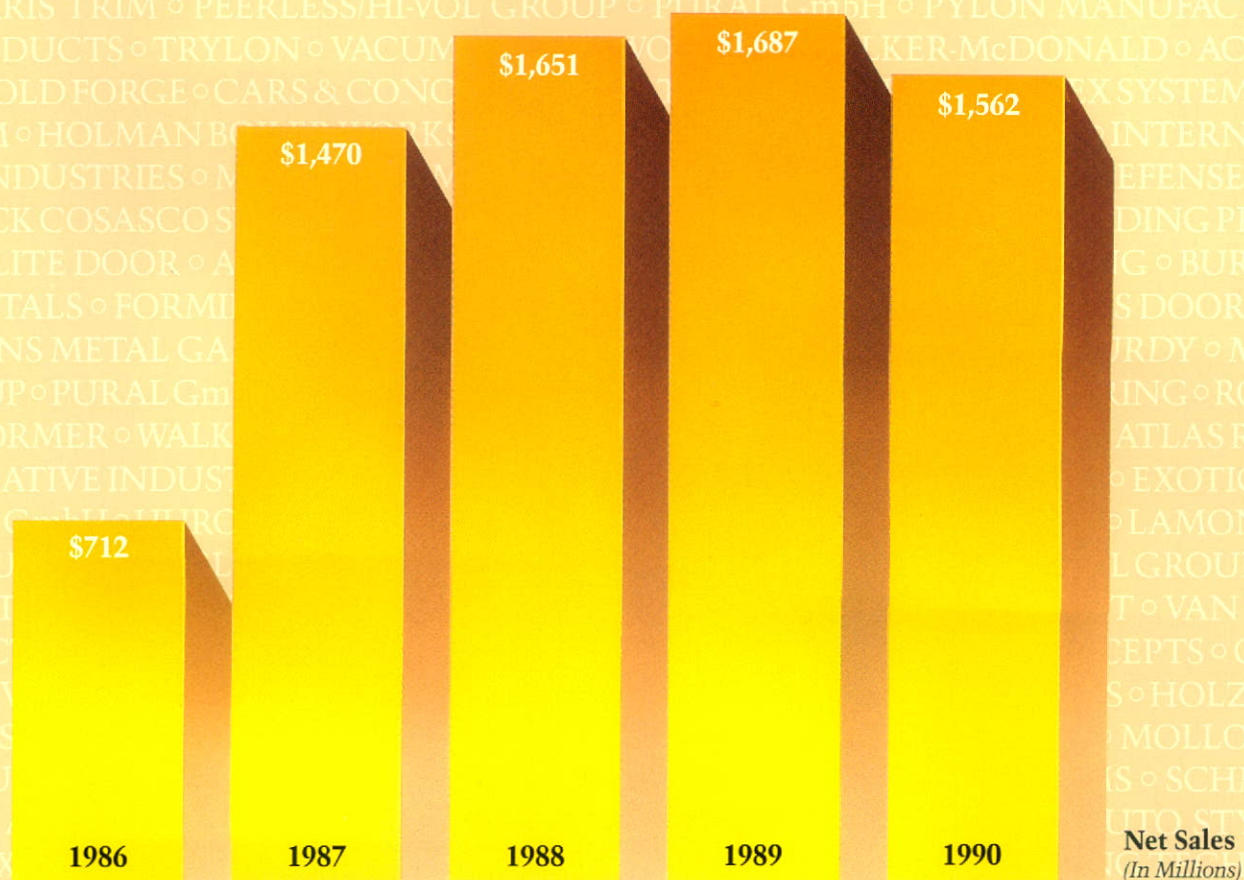


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Masco Industries is the technology leader in cold-, warm- and hot-forming. These processes enhance metal grain structure to produce industrial components which exhibit superior strength and reliability.



At Masco Industries, we believe that we are well prepared for the challenges and opportunities that lie ahead in an increasingly competitive marketplace. Our major investments in design, engineering and manufacturing technologies for a variety of niche markets have enabled us to establish significant positions of product and service leadership.

We are confident of our ability to expand upon these leadership positions in the future and to establish an even greater presence for Masco Industries in these markets as we continue to strive to build—a successful industrial growth company.

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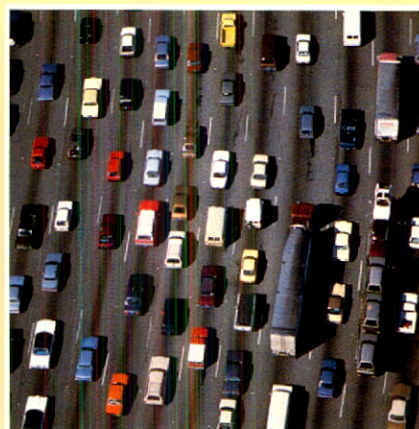
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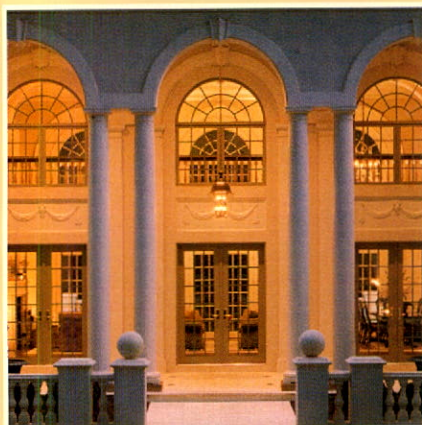
Current economic conditions, particularly in the automotive industry and in commercial and residential building markets, continue to have a negative impact on Masco Industries' sales. However, the Company is in a strong position to benefit from the anticipated turnaround in these markets.



Masco Industries is a technology-driven, global manufacturing organization. Through strategic investments and advanced technologies, Masco Industries has established leadership positions within selected niche markets that promise better than average long-term growth and profitability opportunities. We employ approximately 12,700 people at 87 manufacturing sites in 20 states and five countries.



Masco Industries is a world-class supplier of transportation products. Over the past 10 years, sales of our automotive components, subassemblies and assemblies have increased from \$11 per vehicle to \$94 per vehicle.



Architectural products sales have increased to \$304 million from \$16 million in 1986, when Masco Industries entered this market. New products, a stronger distribution system and effective cost-containment programs have enabled Masco Industries to strengthen its market position during the past year despite depressed market conditions.



Energy-related products, including our deep-well and horizontal drilling technologies, are in growing demand. This trend is expected to continue in the years ahead.



Specialty products sales for the automotive aftermarket and other niche markets remain strong. The Company continues to seek new product applications for technologies developed by our businesses.

FINANCIAL

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Our 1990 operating results were clearly unsatisfactory, but we expect to improve our performance through continued emphasis on profit margin improvement and increased internal cash flow.

FINANCIAL HIGHLIGHTS

(Dollars In Thousands Except Per Share Amounts)

	5-Year Growth Rate 1986-1990	1990 vs. 1989	1990	1989	1985
Net Sales	21%	-7%	\$1,562,330	\$1,686,560	\$599,080
Net Income (Loss)			\$ (16,180)	\$ 56,600	\$ 2,900
Earnings (Loss) Per Share			\$ (.22)	\$.70	\$.04
Return on Equity			-4%	15%	2%

A Time of Challenge

Last year was both a challenging and difficult period for Masco Industries. Net sales in 1990 declined 7 percent, and we experienced our first loss as a public company. While these results were disappointing, we believe that this setback is temporary. We expect that the growth initiatives that we have undertaken in recent years will provide a sound basis for an earnings recovery through increased future sales and profit growth.

During the past six years, we have invested over \$1 billion to augment our engineering and manufacturing technologies, expand our existing businesses and add to the scope of our products and niche markets that we serve, as well as to introduce significant new products.

The near-term costs of these programs as well as significant expenses related to cancellation and cost overruns on certain major contracts, combined with economic recessions in most of our major markets, have resulted in our disappointing sales and operating results, thereby masking the long-term benefits anticipated from these investments.

Sales and Earnings Results

- Net sales in 1990 declined 7 percent to \$1.6 billion from \$1.7 billion in 1989. Sales of Custom Engineered Products declined 7 percent, and sales of Specialty Products declined 9 percent as a 20 percent increase in energy-related products sales was more than offset by the absence of sales from Flo-Con Systems, Inc., which was sold in late 1989.



*Richard A. Manoogian
Chairman of the Board*

*Erwin H. Billig
President*

- Operating profit decreased from \$136 million in 1989 to \$90 million in 1990. Excluding the results of Flo-Con as well as losses in our vehicle conversion business and costs related to write-downs on certain assets, operating profit in 1990 would have been slightly less than the amount in 1989.
- Net income decreased from \$56.6 million or \$.70 per common share in 1989 to a net loss of \$16.2 million or \$.22 per common share in 1990.

Financial Position

In recent transactions, we divested three businesses that did not fit our long-term strategic plans, receiving consideration of approximately \$108 million and \$52 million in 1990 and 1991, respectively. In addition, in December 1990, we issued \$77.5 million of preferred stock to Masco Corporation. These transactions helped provide resources that facilitated our ability in 1990 to reduce long-term debt by approximately \$85 million and to repurchase and retire over 20 percent (16.7 million shares) of our outstanding Common Stock at prices that we believe will benefit our shareholders in the long-term.

During 1990, the Company extended its \$750 million bank revolving-credit agreement (which is convertible into a four-year term credit facility in 1993) by one year. At December 31, 1990, the Company had additional borrowing capacity of \$100 million available under this agreement. Of the Company's total long-term debt of approximately \$1,350 million, approximately \$740 million is subordinated and at fixed interest rates.

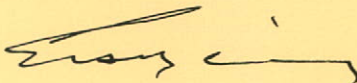
At December 31, 1990, the Company had cash and marketable securities of approximately \$92 million. Current assets were more than two-and-one-half times current liabilities. Although the Company's balance sheet continues to be highly leveraged, our cash and marketable securities, cash flow and available borrowings are expected to provide sufficient resources and flexibility to finance the Company's internal growth and corporate development needs.

Long-Term Perspective

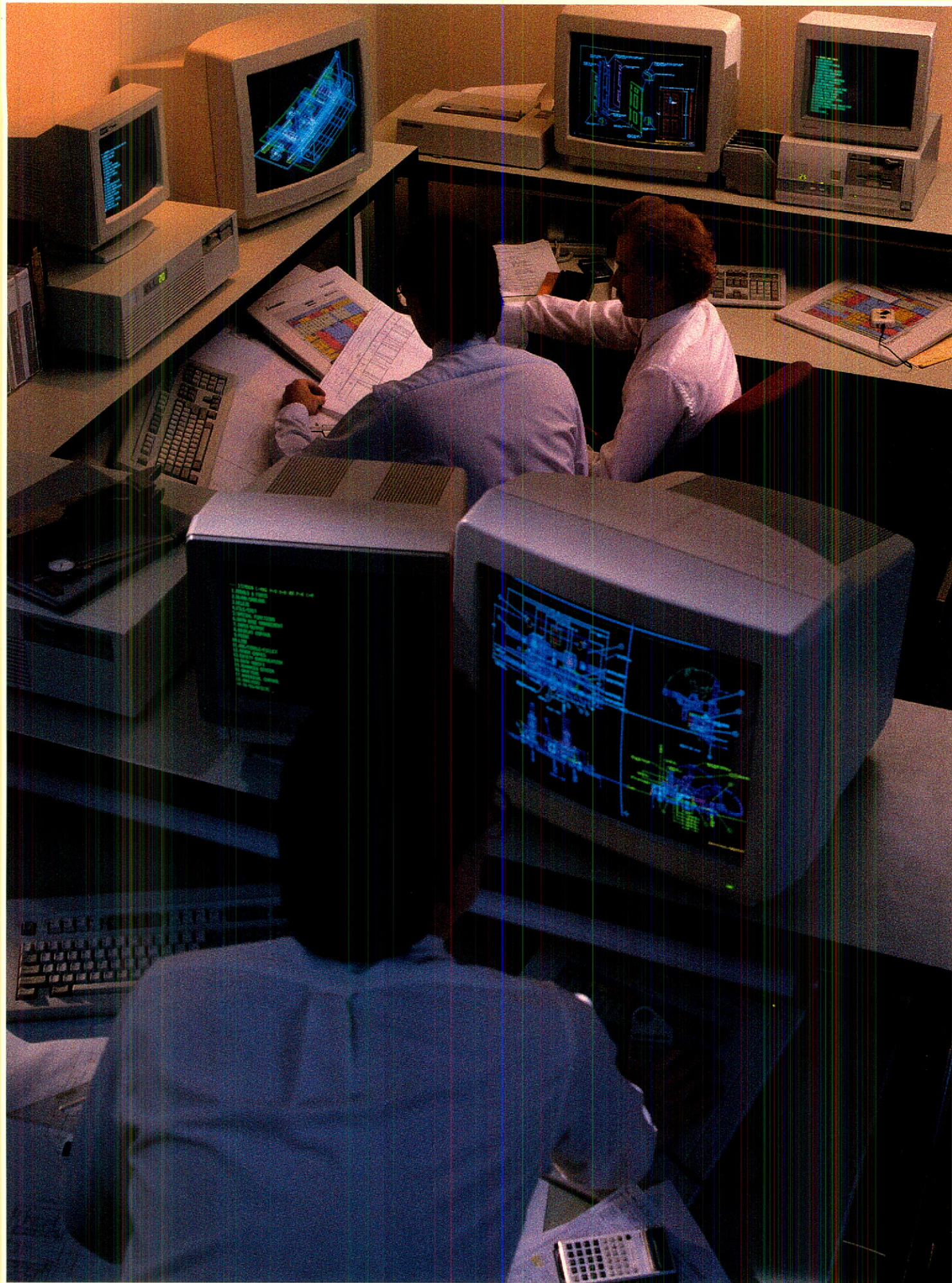
Our 1990 operating results were clearly unsatisfactory, but we expect to improve our performance through continued emphasis on profit margin improvement and increased internal cash flow. The economic recession, especially the current depressed level of automotive production, however, will continue to adversely affect our near-term results in 1991. By late 1991, and particularly in 1992 and future years, we believe that the major growth initiatives that we have undertaken and our strong product and technology positions will dramatically improve the future earnings of the Company.



Richard A. Manoogian
Chairman of the Board
and Chief Executive Officer



Erwin H. Billig
President and
Chief Operating Officer



This annual report comes at an important juncture in our history. It reflects upon our accomplishments during our formative years as a public company and highlights our challenges and growth opportunities in the years ahead. It also provides a perspective on how the current recession has adversely affected many of our markets and our current financial results.

We continue to believe that our future performance will be positively influenced by pursuing our business strategies, in good and bad times, by continuing to make profit-enhancing investments and by focusing on selective but dynamic programs that enhance our long-term growth and maximize shareholder value.

About Masco Industries

In mid-1984, Masco Industries represented the Products for Industry business units of Masco Corporation, a consumer products company that achieved over 30 consecutive years of growth. At that time, Masco Corporation transferred those businesses to a newly formed company—Masco Industries. We continue to build on many of the business strategies that have contributed to Masco Corporation's success, while pursuing opportunities unique to our markets and strengths.

Throughout our history, we have strived to anticipate and lead technological trends in the highly competitive industrial markets in which we operate. For Masco Industries, change has helped fuel opportunities for sales growth, enabling us to enhance our leadership positions over competitors in our typically slow-growth, cyclical and oftentimes mundane markets.

Evaluating Our Results

During the 6½ years that Masco Industries has been a public company, much has been accomplished. Net sales, aided by acquisitions, have increased over 185 percent to \$1.6 billion, compared to 44 percent for the Standard & Poor's (S&P) 500 companies.

Although the price of our Common Stock has declined significantly during the last two years from its high, in part due to the deteriorating economy and our poor earnings performance, we have experienced a significant increase in our share price since 1984, from \$1½ to \$6¾, adjusted for stock splits. This is equivalent to an average annual growth rate of 24 percent since we became a public company, compared to an average annual rate of 12 percent for the S&P 500.

"OUR FUTURE PERFORMANCE WILL BE POSITIVELY INFLUENCED BY PURSUING OUR BUSINESS STRATEGIES, BY CONTINUING TO MAKE PROFIT-ENHANCING INVESTMENTS AND BY FOCUSING ON SELECTIVE BUT DYNAMIC PROGRAMS THAT ENHANCE OUR LONG-TERM GROWTH AND MAXIMIZE SHAREHOLDER VALUE."



Workpiece characteristics can be evaluated by computers even before a part is manufactured.

State-of-the-art computer-aided design techniques enable engineers to explore a variety of solutions to a problem in a fraction of the time required when using conventional drafting methods.

In addition, we have taken advantage of opportunities to repurchase shares of our Common Stock and our convertible debt securities at prices that we believe will benefit our shareholders in the long-term. In aggregate, we have repurchased approximately 42 million shares of our Common Stock and in excess of \$140 million face amount of our convertible debt securities.

Further, we have narrowed our strategic focus, thereby utilizing the Company's resources more effectively. In 1988, we transferred several smaller businesses to a newly formed public company, TriMas Corporation, for \$128 million of 14% subordinated debentures, \$70 million of preferred stock and approximately 48 percent of TriMas common stock, and more recently have separately sold other business units for approximately \$160 million.

While our operating results for 1990 are disappointing, we continue to have confidence that our major growth initiatives, together with the disciplines inherent in our corporate objectives and strategies, will add to our future growth.

Corporate Development: Growth Objectives, Growth Strategies and Major Growth Initiatives

Masco Industries, both as a public company and as a part of Masco Corporation, has pursued definitive corporate growth objectives and strategies and major growth initiatives.

Growth Objectives

Our record of above-average growth, aided by acquisitions, has its roots in our corporate growth objectives. These are part of our corporate culture, committing us to high standards and to our key goal—the long-term maximization of our shareholders' investment. By continuing to adhere to the discipline that these objectives require, we believe that we will build a successful industrial growth company.

Masco Industries will continue to pursue its growth objectives of:

- Manufacturing quality, value-added products; and
- Building positions of technological and product leadership.

Manufacturing Quality, Value-Added Products

In the demanding, engineering-intensive markets in which we operate, quality is imperative. Providing consistent, reliable service to our customers and, at the same time, manufacturing quality, value-added products are a continuing Masco Industries' commitment. We are convinced that this total commitment to superior service and to our customers' quality needs will keep Masco Industries in the forefront of our markets.

This longstanding objective has resulted in customer-focused programs that address our customers' specific interests and needs. As American business has undertaken new initiatives to institutionalize quality, Masco Industries has formalized and documented its quality programs as they become part of our corporate culture. To ensure that we meet our customers' increasingly stringent product requirements and maintain our tradition of quality, we continually monitor and measure our performance. We have also developed training programs and encouraged other action programs to transfer the quality and management techniques developed within our engineering and manufacturing areas to other business disciplines.

The common denominator running through all of our customer-oriented efforts is one of continuous improvements in quality, product performance, cost and delivery, which are directed at providing our customers with quality, value-added products.

"THE COMMON DENOMINATOR RUNNING THROUGH ALL OF OUR CUSTOMER-ORIENTED EFFORTS IS ONE OF CONTINUOUS IMPROVEMENTS IN QUALITY, PRODUCT PERFORMANCE, COST AND DELIVERY, WHICH ARE DIRECTED AT PROVIDING OUR CUSTOMERS WITH QUALITY, VALUE-ADDED PRODUCTS."

Building Positions of Technological and Product Leadership

Highlighting Masco Industries' position as an industrial growth company is a commitment to establishing and maintaining positions of technological and product leadership. Of our 1990 sales, 84 percent were generated by products that we believe are leaders in their respective niche markets.

We focus on carefully selected segments within large markets such as automotive, truck, commercial and residential construction, and energy-related. By concentrating our efforts on specific segments (niche markets), we can realize the most efficient and best use of our human and physical resources. Additionally, we are better able to provide the innovative, high-quality, value-added products and services that are essential in addressing the needs of our diverse customer base.

Growth Strategies

Certain strategies have contributed significantly to the development and enhancement of our leadership positions, including:

- Encouraging disciplined entrepreneurship; and
- Committing the necessary capital to build, lead and innovate.

Encouraging Disciplined Entrepreneurship

Aggressive growth objectives require the best efforts of talented and dedicated people. At Masco Industries, people are nurtured in an entrepreneurial operating environment and supported by disciplined management professionals and corporate staff.

We encourage individual initiative and decision-making which enhance our prospects for growth. We strive to create a stimulating work atmosphere that encourages and rewards disciplined risk-taking.

Integral to our entrepreneurial culture is a decentralized structure consisting largely of autonomous business units. We believe that this organizational approach affords individual operating managers the necessary flexibility to pursue profitable growth within their own competitive arenas. Our corporate staff, with the assistance of the services provided by Masco Corporation support staff, fosters cross-fertilization and cooperative initiatives among our various business units.

MASCO INDUSTRIES LEADERSHIP PRODUCTS SALES

	(In Thousands)	
	1990 Sales	Percent of Total
Other Custom Engineered Products	\$ 452,000	29%
Hot- and Cold-Formed Products	341,000	22
Architectural Products	244,000	16
Energy-Related Products	189,000	12
Other	82,000	5
Leadership Products Sales	\$1,308,000	84%
Total Sales	\$1,562,000	100%

"84 PERCENT OF OUR 1990 SALES WERE GENERATED BY PRODUCTS THAT WE BELIEVE ARE LEADERS IN THEIR RESPECTIVE NICHE MARKETS."



Masco Industries encourages creative management through an entrepreneurial operating environment.

Our experience has also shown that equity participation can be a powerful motivator for highly capable, achievement-oriented individuals. Because our success is dependent upon their skill, creativity and zeal, we encourage stock ownership among our key employees and make this an important part of our overall compensation program.

Committing the Necessary Capital to Build, Lead and Innovate

We believe that our growth strategies must include the continuing commitment of sufficient capital to build for the future, in order to facilitate innovation and the attainment of leadership. Over the past six years, we have invested over \$1 billion in acquisitions, capital expenditures and a variety of pro-active growth investments that we expect will produce long-term benefits for our customers and shareholders alike.

To respond to changing markets and customer needs, we continue to broaden our design, engineering and manufacturing capabilities to complement our positions of product leadership. We are increasing our involvement with specific customer projects at the formative design stage, which enables us to fulfill our customers' needs on both current and long-range programs.

Today, we provide our customers in industries as diverse as automotive and aerospace with a complete range of concept-to-finished-product services, including conceptual design, styling, modeling, prototyping, engineering, tooling development, testing and manufacturing.

"MASCO INDUSTRIES IS THE ONLY INDEPENDENT COMPANY IN THE COUNTRY OFFERING BROAD-BASED, ADVANCED MANUFACTURING EXPERTISE IN COMPLEMENTARY METALWORKING PROCESS TECHNOLOGIES, AS WELL AS COMPREHENSIVE DESIGN AND ENGINEERING SERVICES."



Metallurgical evaluation of finished components provides clues to improving tooling and production methods.

Major Growth Initiatives

Masco Industries is the only independent company in the country offering broad-based, advanced manufacturing expertise in complementary metalworking process technologies, as well as comprehensive design and engineering services. Cross-fertilization among engineering and manufacturing disciplines stimulates innovation in product design and manufacturing methods, positioning us to respond to not only today's needs but tomorrow's as well.

Major growth initiatives that we have undertaken, while temporarily costly, have been designed to position us in the forefront of our markets. These include:

- Metalworking initiatives;
- Manufacturing initiatives;
- Design and engineering initiatives; and
- Research and development initiatives.

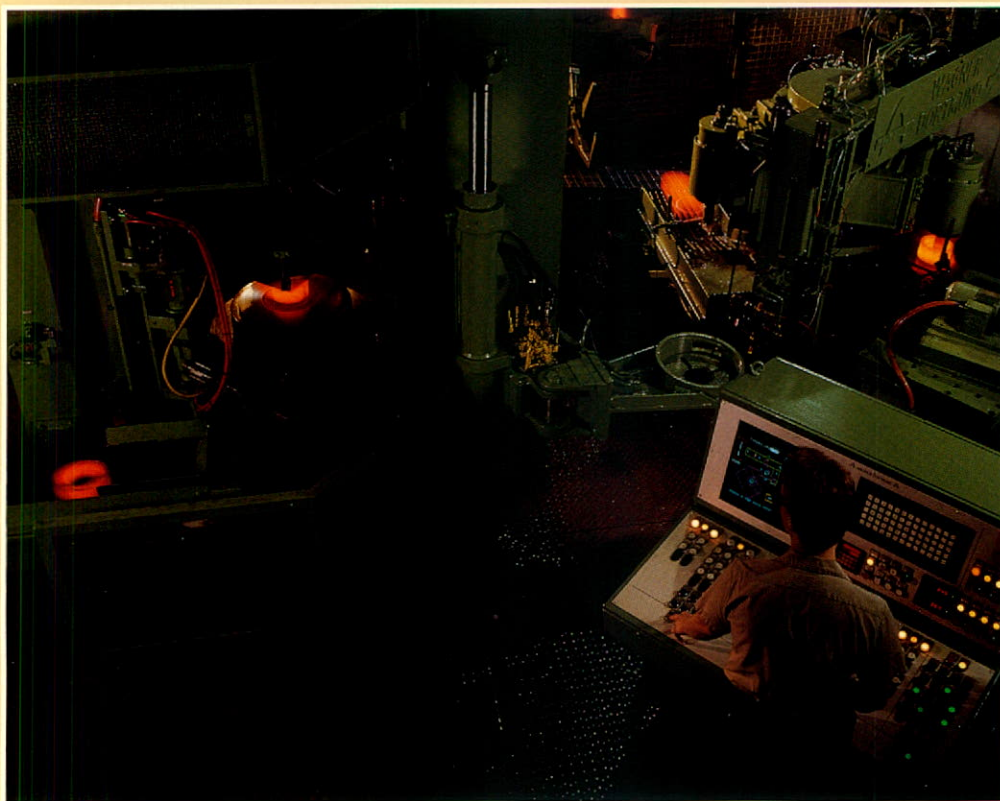
Metalworking Initiatives

To sustain our competitive advantages in the manufacture of metalworking-based industrial components, subassemblies and assemblies, Masco Industries has invested approximately \$600 million in capital expenditures and acquisitions. Additional technological capabilities, an important dividend from these investments, coupled with cross-fertilization efforts among business units, enable us to produce an expanding array of new components, subassemblies and assemblies for our customers.

We continue to strengthen our positions of leadership across a broad base of metalworking processes, including: machining; stamping; cold-heading; hot-heading; forging; powdered metal forming; bending and shaping; cold-, warm- and hot-forming; heat treating; and inertial welding.

"TO SUSTAIN OUR COMPETITIVE METALWORKING ADVANTAGES, WE HAVE INVESTED APPROXIMATELY \$600 MILLION IN CAPITAL EXPENDITURES AND ACQUISITIONS."

Computerized equipment measures the reflectivity of automotive headlamps.



Robotic systems have virtually eliminated weld quality problems.

Automated hot-forming techniques are used to produce close-tolerance parts that require minimal subsequent finishing operations.

We pioneered the development and application of two advanced metalworking technologies:

Hot-heading

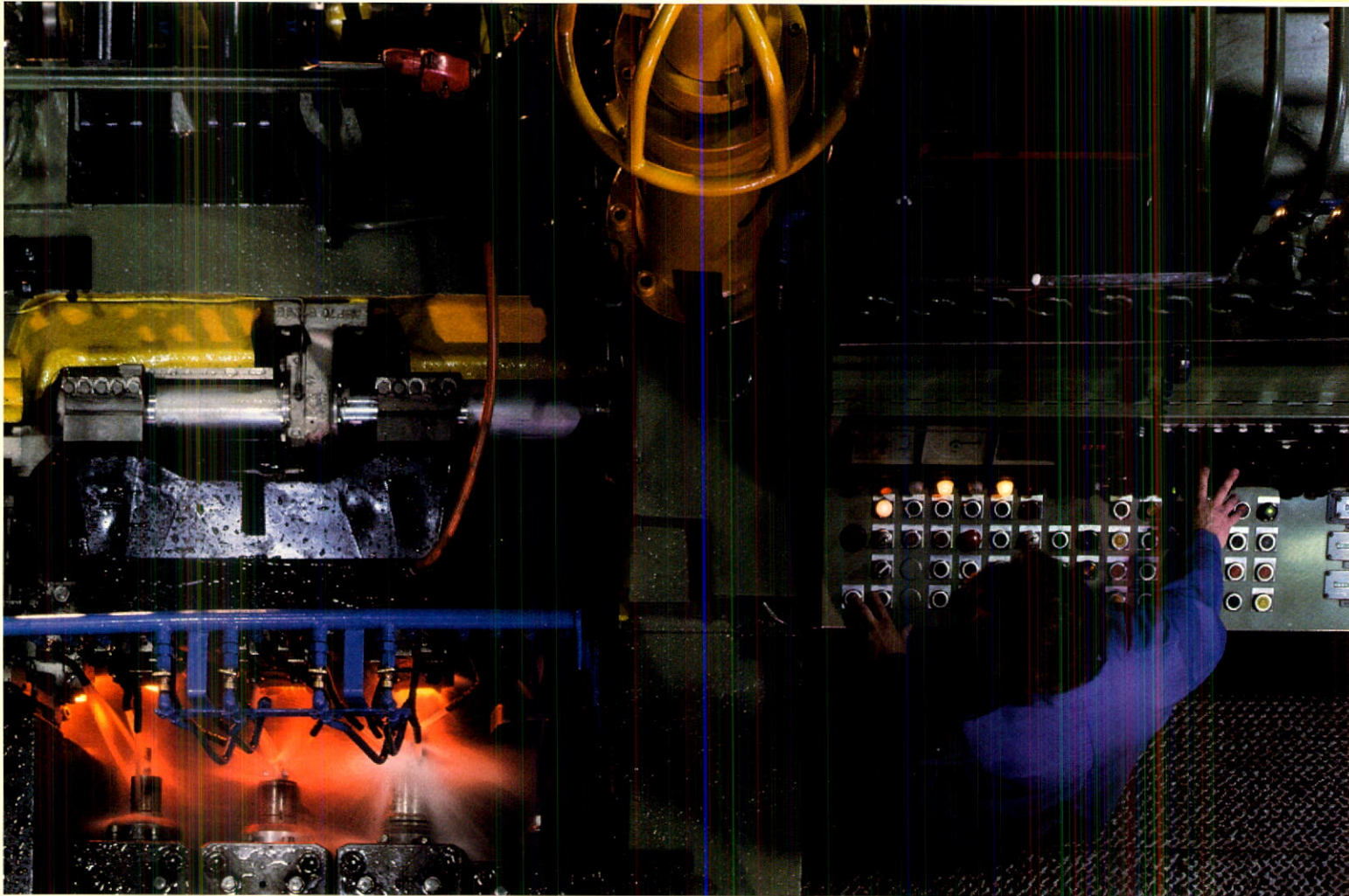
This sophisticated, high-volume technology, combined with our process engineering expertise, enables us to produce parts much closer to their final shape and size than conventional hot-forging processes. Hot-headed parts consistently meet specifications with near-optimum utilization of raw materials, thus minimizing energy and material waste and providing significant cost savings for our customers.

Cold-forming

This advanced metalworking process allows us to produce near-final shapes and maintain very precise tolerances, even in the production of components each weighing up to 80 pounds. As with hot-heading, this process greatly reduces the need for subsequent finishing operations, often eliminating them entirely. A cold-formed component's improved structural strength, along with its other metallurgical properties, may eliminate the need for annealing and permit the use of less-costly raw materials. Together, these factors reduce production costs for many complex, high-integrity components.

Manufacturing Initiatives

Important to our future manufacturing success is the CAD/CAM (computer-aided design/computer-aided manufacturing) equipment now in place in many of our opera-



Wherever possible, highly automated equipment is utilized to ensure consistent, part-to-part workpiece quality.

tions. This equipment improves our ability to design and evaluate new products, and we can quickly establish new programs and component designs that facilitate manufacturing process conversions. This CAD/CAM equipment has also increased the flexibility of our metalworking capabilities, which now can be rapidly adapted to the specific and varied needs of our customers.

State-of-the-art computer automation is only part of Masco Industries' available resources to improve and integrate manufacturing processes and provide improved response to customer needs. We have implemented advanced management techniques and equipment, including SPC (statistical process control) and JIT (just-in-time) manufacturing and CNC (computerized numerical control) machining.

We have also begun to take advantage of laser technology in our manufacturing processes. Recently, for instance, we developed the capability to apply laser beam cutting equipment to produce gaskets used in petroleum processing equipment. The speed and precision of this laser equipment offers more efficient, economical production, while ensuring improved quality and performance of our products.

Design and Engineering Initiatives

Responding quickly to changing design needs is essential to our customers, who must address niche markets with related sales volumes that may not justify, on a cost-benefit basis, commitment of their in-house engineering and other resources. Independent companies such as Masco Industries can often provide alternative resources for industrial customers who need flexibility, cost-effectiveness and shorter project lead times.

We have made major strategic acquisitions in recent years in anticipation of the increased design and engineering needs of tomorrow's markets. We are creating an important "window of opportunity" as we expand our capacity to convert design and engineering concepts, in partnership with our customers, to meet their product needs. As we build upon these capabilities, we expect to provide even more of our expanding expertise to both domestic and foreign automakers.

Our present design and engineering capabilities include the following:

- Through combining the talents and established expertise of C&C (Cars and Concepts) and our equity partner, Creative Industries, Inc., we can offer leadership in unique engineering services for a variety of industries from transportation to aerospace. We have also increased our access to worldwide technological developments and European design trends in part through a complementary affiliation in Europe; and
- Computer Design, Inc., a subsidiary of Masco Corporation, provides us access to Design Concept™, a proprietary design software program used to create on-screen visual fabric overlays of automobile interiors as well as fully surfaced exterior vehicle styling and design.

**"STATE-OF-THE-ART
COMPUTER AUTOMATION
IS ONLY PART OF MASCO
INDUSTRIES' AVAILABLE
RESOURCES TO IMPROVE
AND INTEGRATE
MANUFACTURING PRO-
CESSES AND PROVIDE
IMPROVED RESPONSE TO
CUSTOMER NEEDS."**



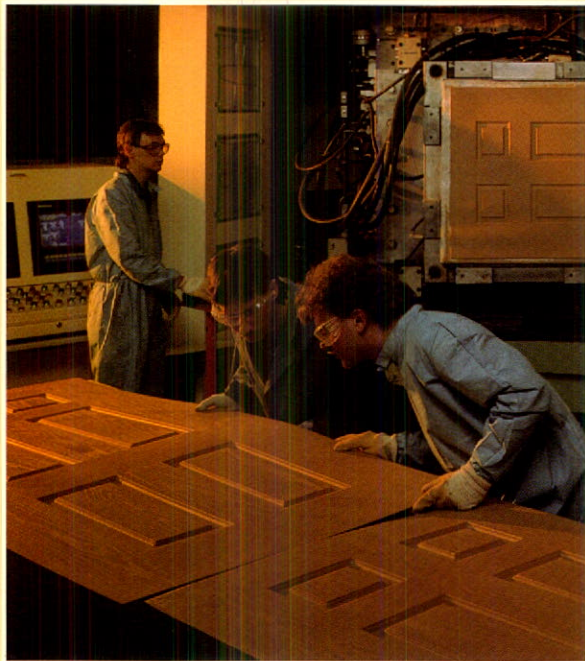
Through a series of progressive operations, a metal slug is shaped to near-final dimensions.

Important to our future growth prospects, we have facilitated the transfer of engineering know-how and technological capabilities among our operating units, resulting in the introduction of a number of new products and expanded competitive advantages as a company.

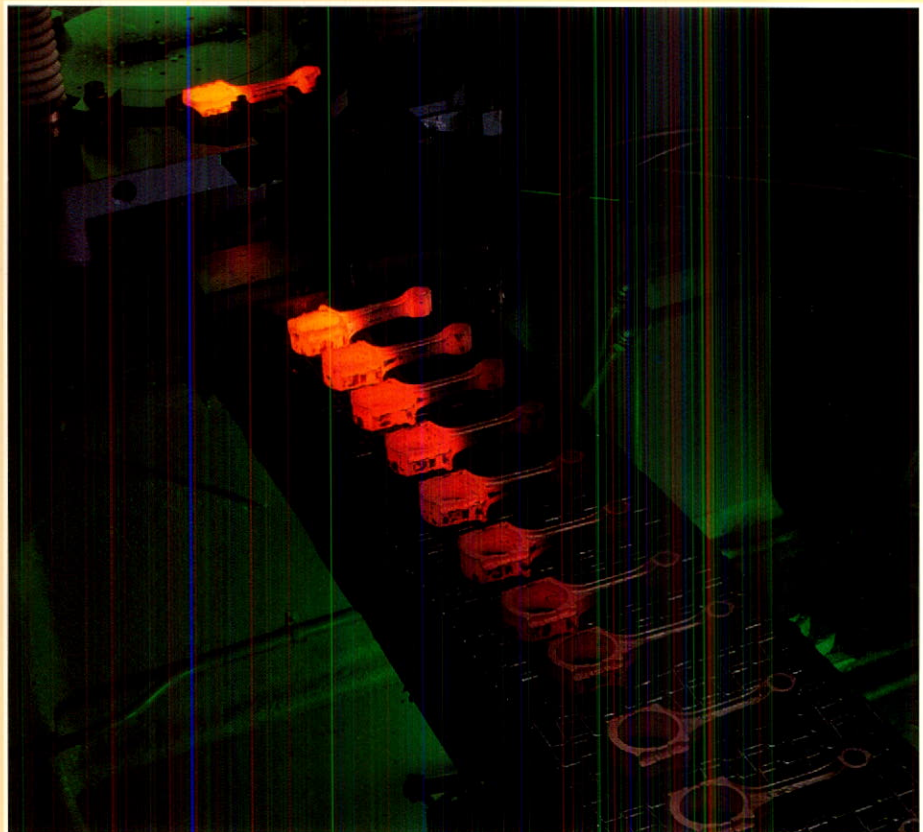
This cross-fertilization capability has influenced products designed and produced by our Architectural Products Group of companies. Many of our architectural design applications relate to materials innovations. For instance, wood has been replaced by alternative materials as the preferred commodity for many window and entry systems. Today, we are developing window and entry systems using fiberglass, aluminum, engineered plastics, pre-painted steel and metal composites, driven by the creative engineering skills from a cross-section of business units.

Masco Industries also has active engineering programs in its energy-related business units, particularly in deep-well and horizontal drilling activities. Our proprietary down-hole drilling motor allows drilling tool direction to be changed from the traditional vertical-only oriented approach. The application of this directional drilling technology provides access to oil and natural gas reserves that formerly required drilling additional vertical wells, and offers our customers significant savings in production costs. Horizontal drilling is revolutionizing drilling activities worldwide, and the Company is at the forefront of this technology. Another energy-related engineering advancement was the introduction of a proprietary dual-seal valve for critical liquid-flow applications. By redesigning the traditional gate-seal valve and adding a unique dual-seal mechanism, we have developed a valve that can provide a safer and longer-lasting seal over a wider range of pressures. The extra

"WE HAVE FACILITATED THE TRANSFER OF ENGINEERING KNOW-HOW AND TECHNOLOGICAL CAPABILITIES AMONG OUR OPERATING UNITS, RESULTING IN THE INTRODUCTION OF A NUMBER OF NEW PRODUCTS AND EXPANDED COMPETITIVE ADVANTAGES AS A COMPANY."



Plastic doors with the appearance of wood represent a new market opportunity for Masco Industries.



High-strength engine components produced from powdered metal are an example of world-class technology available through Masco Industries.

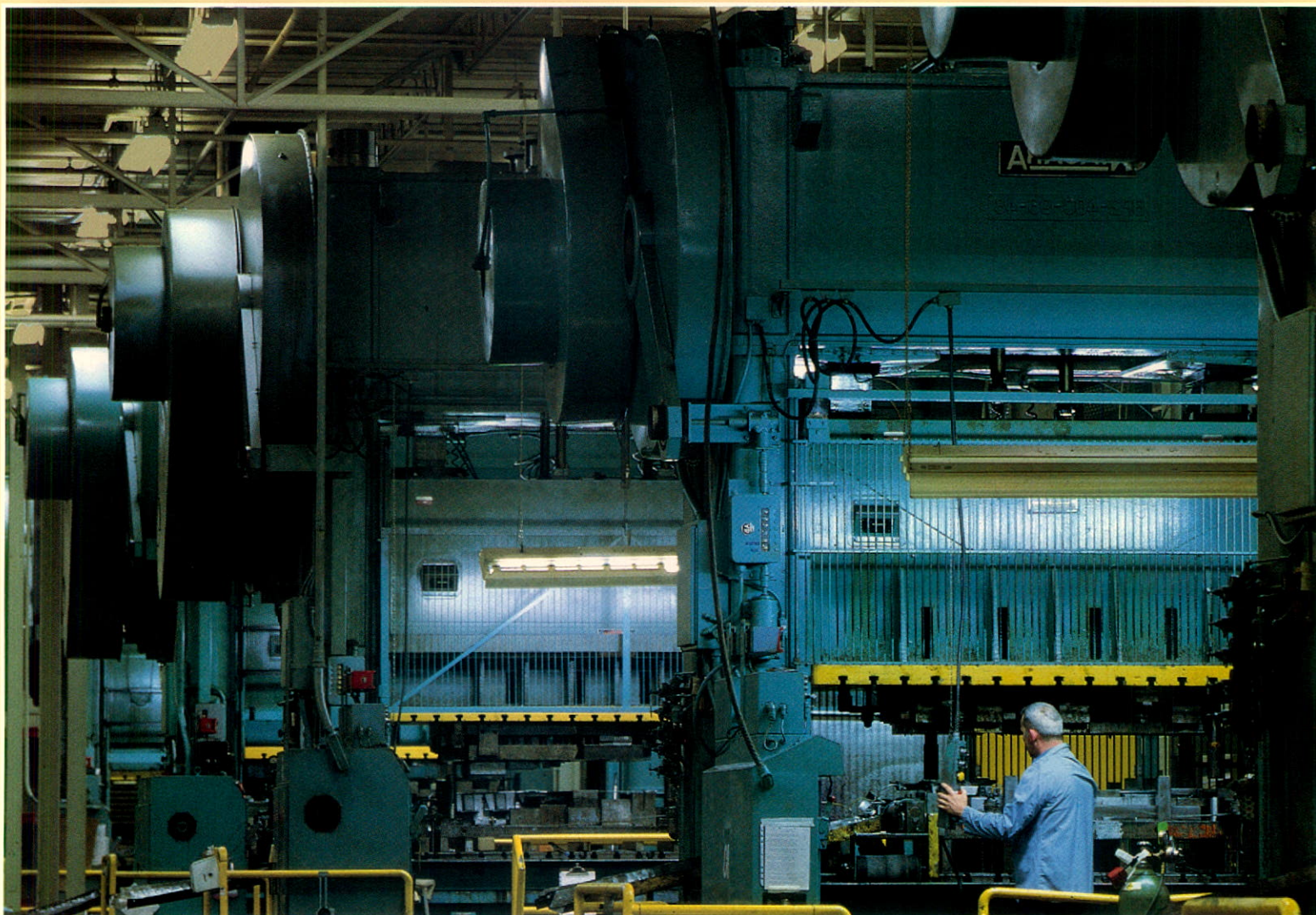
measure of safety that our dual-seal valve offers, makes it well suited to replace older, less effective valves currently in use in the petroleum and chemical industries, especially in environmentally sensitive applications such as offshore drilling.

Research and Development Initiatives

We have access to Masco Corporation's Corporate Research and Development Center, thereby giving us the capability, along with other resources, to provide materials analysis, finite element analysis, and component testing and documentation.

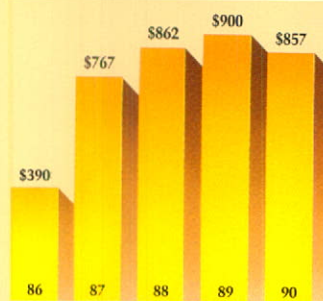
The Corporate Research and Development Center is staffed with individuals who have expertise in a variety of engineering disciplines, ranging from metallurgical and electrical engineering to product design and specialized technical problem-solving. This R&D facility also provides a forum for developing significant technological advancements that can result in major new products and processes, with applications beyond a single business unit.

"THE RESEARCH AND DEVELOPMENT CENTER PROVIDES A FORUM FOR DEVELOPING SIGNIFICANT TECHNOLOGICAL ADVANCEMENTS THAT CAN RESULT IN MAJOR NEW PRODUCTS AND PROCESSES."

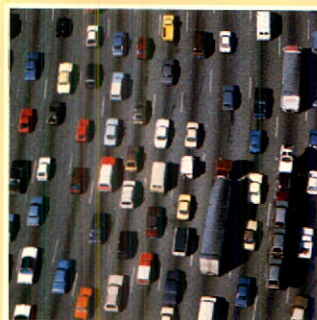


Progressive die metal stamping presses produce thousands of parts per minute with minimal operator involvement.

Masco Industries — Net Sales (In Millions)

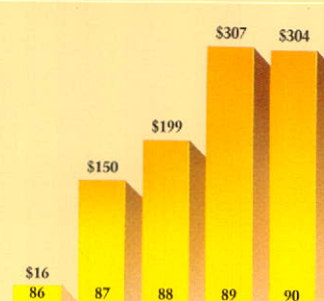


TRANSPORTATION



Masco Industries serves the automotive industry with a broad array of original equipment components, sub-assemblies and assemblies. We provide design and engineering support services, as well as manufactured products. Today, Masco Industries' customers include virtually all of the world's leading automotive companies.

Automotive products designed and manufactured by Masco Industries include convertible tops, drivetrain components, engine components, electronic sensors, emission-control devices and wire-wheel covers. More than 15,000 different components, subassemblies and assemblies are manufactured from metal and advanced polymeric materials for the transportation industry.



ARCHITECTURAL



Masco Industries is a leading manufacturer of commercial and residential steel doors, sectional and rolling doors, door frames, windows, security grilles, and modular metal office panels. Many of our architectural products use alternative materials such as plastic, wood and metal composites for superior strength, appearance and energy efficiency.

Architectural products designed and manufactured by Masco Industries are used worldwide. Sales to this multi-billion dollar market have significantly increased since 1986, to more than \$300 million annually. We believe that the combination of new products, broadened distribution channels and our expanded international presence should enhance the future growth of our leadership positions in this market.

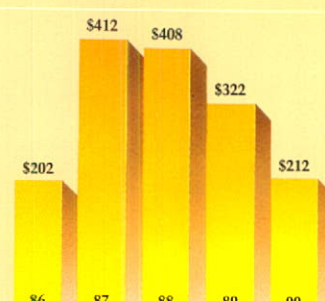


ENERGY-RELATED



Masco Industries serves the oil, natural gas and coal exploration and production markets with products including rotary bits, drilling motors, packers, pumping engines, drilling heads and other special-purpose tools.

As oil and natural gas prices increase and deep-well drilling again becomes economically attractive, we foresee our Energy-Related Products Group entering a period of increased market stability, which should lead to improved operating results.



SPECIALTY-OTHER



Masco Industries serves other specialty products markets such as defense and the automotive aftermarket.

For the defense industry, Masco Industries has proprietary technology for manufacturing ordnance products such as shell casings and missile housings.

Automotive aftermarket products include constant-velocity joints, electronic engine sensors, emission-control devices, windshield wiper blades, brake hardware repair kits, and stainless steel roof and rear-deck luggage racks.

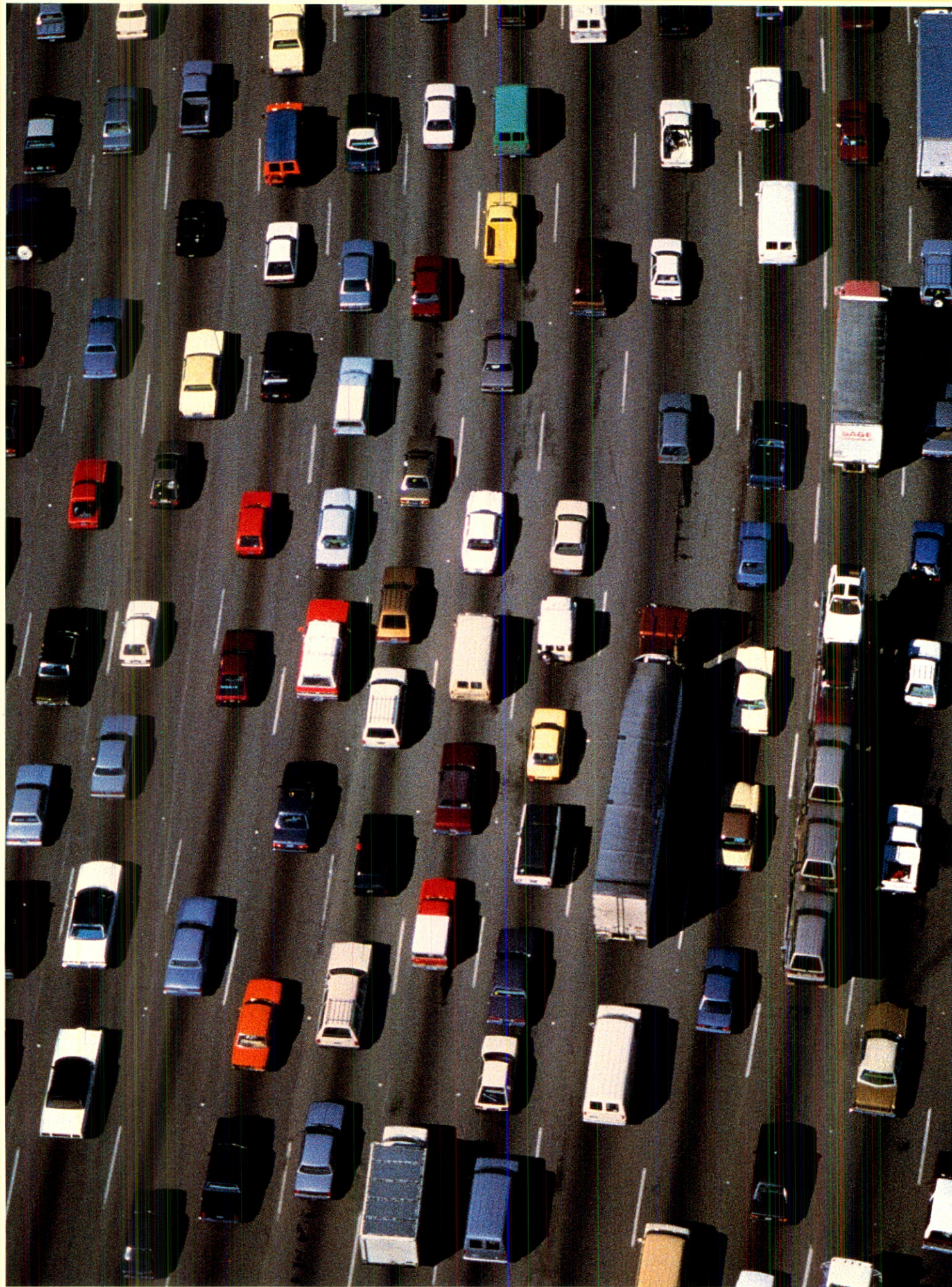
MASCO INDUSTRIES — PRODUCT AND MARKET PROFILE

(In Thousands)

	1990		1989	
	Sales	Percent of Total	Sales	Percent of Total
Sales By Products				
Custom Engineered Products:				
Transportation	\$ 857,000	55%	\$ 900,000	53%
Other, Primarily Defense	99,000	6	124,000	8
Specialty Products:				
Architectural	304,000	20	307,000	18
Energy-Related	189,000	12	158,000	9
Other	113,000	7	198,000	12
Total	\$1,562,000	100%	\$1,687,000	100%

	1990		1989	
	Sales	Percent of Total	Sales	Percent of Total
Sales By Markets				
Automotive	\$ 727,000	46%	\$ 741,000	44%
Truck, Trailer, Off-Road and Other Vehicle	215,000	14	249,000	15
Architectural	304,000	20	307,000	18
Energy-Related	189,000	12	158,000	9
Other	127,000	8	232,000	14
Total	\$1,562,000	100%	\$1,687,000	100%

"HIGHLIGHTING MASCO INDUSTRIES' POSITION AS AN INDUSTRIAL GROWTH COMPANY IS A COMMITMENT TO ESTABLISHING AND MAINTAINING POSITIONS OF TECHNOLOGICAL AND PRODUCT LEADERSHIP."



Transportation Products

Masco Industries' wide range of components, subassemblies and assemblies for OEM transportation markets include precision-formed gears, engine connecting rods, transmission shafts, manifolds, wheel spindles and hubs, and chassis and suspension system components. Other more visible automotive products include convertible top systems, plastic body panels and fascia, roof and rear-deck luggage racks, wire-wheel covers, gearshift levers, brake parts, and a broad array of mechanical and electromechanical components.

We are recognized as a world-class supplier of transportation components, subassemblies and assemblies, which comprise 55 percent of our total sales, including over \$200 million annually to producers of trucks, trailers, off-road and other vehicles.

The total domestic market for automotive products exceeds \$25 billion annually.

Masco Industries Sales Per U.S. Automotive Vehicle Produced

1990	\$93.90
1989	\$86.16
1988	\$81.01
1987	\$71.26
1986	\$34.28

Although our sales of these products have grown dramatically, we still represent a relatively small share of this market. Over the last five years, we have achieved a 30 percent average annual growth rate in sales of products and services per automotive vehicle produced in the U.S. In fact, we have increased our sales per domestic automotive vehicle produced for over 20 consecutive years.

"OVER THE LAST FIVE YEARS, WE HAVE ACHIEVED A 30 PERCENT AVERAGE ANNUAL GROWTH RATE IN SALES OF PRODUCTS AND SERVICES PER AUTOMOTIVE VEHICLE PRODUCED IN THE U.S."

Sales of Masco Industries' products and services to transportation markets decreased in 1990 to \$857 million, down from \$900 million a year earlier. The significant slowdown in domestic automotive production, combined with the difficulties associated with our vehicle conversion business, have resulted in less than acceptable 1990 profit performance for this business segment. These factors, while contributing to substantially reduced profits, have also masked exceptional performance by several of our automotive businesses, which have been able to increase market share and maintain satisfactory profit margins in this difficult environment. We expect that the decisive corrective actions underway to address the problem areas related to our vehicle conversion business, together with the expanding capabilities of our resource base, will enhance our ability to achieve continued sales growth in the 1990s at the profit margins that this business segment has historically achieved.

Original equipment components for transportation markets range from tiny gears to suspension system supports.



Additionally, we believe that in the years ahead there will be an expansion of the relationships and product opportunities that we have developed with the U.S. plants of Japanese automakers and suppliers. To this end, we formed a joint venture with Sumitomo Metal Industries, Inc. of Japan for the manufacture and marketing of forged crankshafts for the North American automotive market.

In addition to our engineering and design presence in Europe, Masco Industries currently has three metalworking operations located in Europe—in Germany, the United Kingdom and Italy—that provide a variety of components to European automotive manufacturers and to the aftermarket.

Recognizing the significant opportunities for growth in the international marketplace, we expect to increase our presence in Europe and Asia by creating strategic ventures with companies that can complement our technological and manufacturing capabilities.

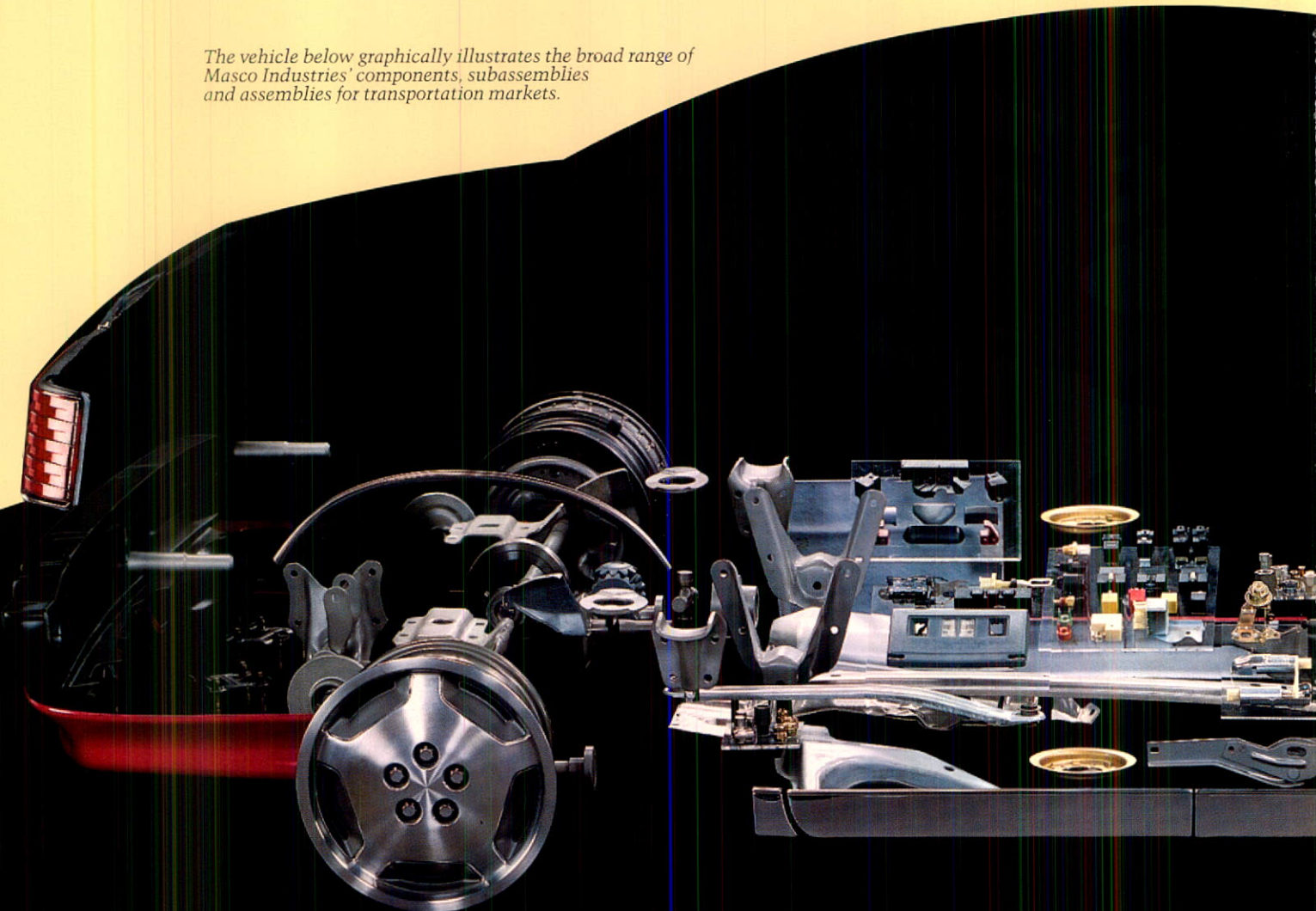
"WE EXPECT TO INCREASE OUR PRESENCE IN EUROPE AND ASIA BY CREATING STRATEGIC VENTURES WITH COMPANIES THAT CAN COMPLEMENT OUR TECHNOLOGICAL AND MANUFACTURING CAPABILITIES."

Transportation Products and Services

Automotive Support

Special vehicle designing, engineering, and conversions;
Product development, and contract engineering;
Computer graphics (CAD/CAM).

The vehicle below graphically illustrates the broad range of Masco Industries' components, subassemblies and assemblies for transportation markets.



Engine/Drivetrain

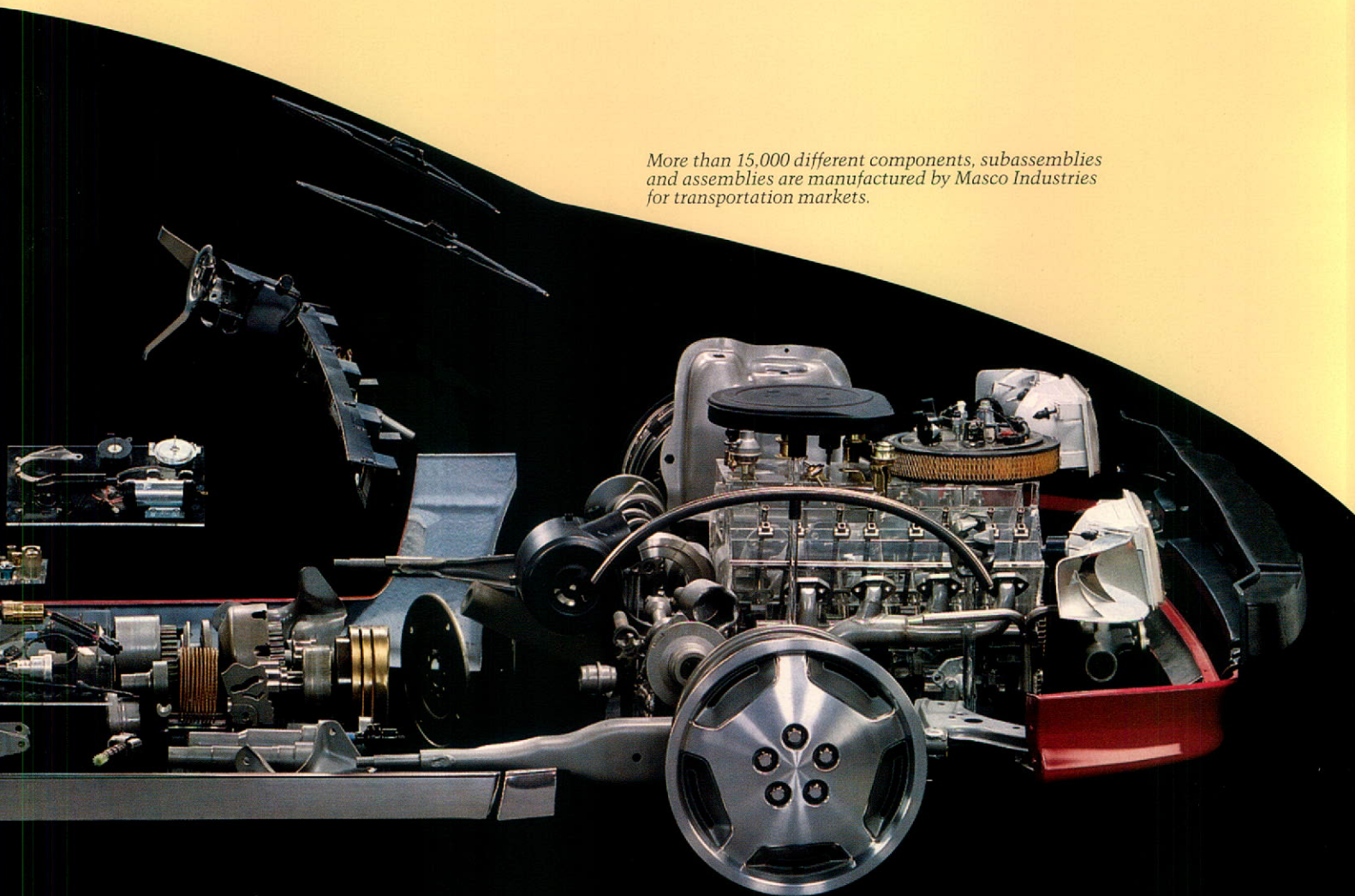
Transmission shafts, drive gears, powdered metal connecting rods, and timing sprockets;
Push rods, fuel controls, engine sensors, brake hardware, and vacuum devices;
Bearing races, piston pins, and U-joint crosses;
Constant-velocity joints, and front and rear wheel hubs and spindles;
Feedback actuators, choke thermostats, choke pull-offs, vacuum motors, transmission
modulators, throttle position sensors, and fuel pressure regulators;
Manifolds, and water and fuel lines.

Body/Chassis

Wire-wheel covers, and trim accessories;
Tube nuts, and fittings;
Electronic control relays, and solenoids;
Luggage racks, and air deflectors;
Disc brake and drum brake hardware, disc brake pistons, caliper repair kits,
and steel brake lines;
Automotive steel wheels, and aluminum rims;
Windshield wiper components.

**"MASCO INDUSTRIES IS
COMMITTED TO CONTIN-
UOUS IMPROVEMENTS IN
THE QUALITY, DESIGN,
COST AND DELIVERY OF
THE PRODUCTS AND
SERVICES REQUIRED BY
OUR CUSTOMERS."**

*More than 15,000 different components, subassemblies
and assemblies are manufactured by Masco Industries
for transportation markets.*





Architectural Products

In keeping with a Masco Industries' corporate growth objective, our architectural products generally are leaders in their respective market niches. Our business units manufacture commercial and residential steel doors, door frames and specialty aluminum-clad wood windows, security grilles, sectional and rolling doors, and modular metal office panels and partitions.

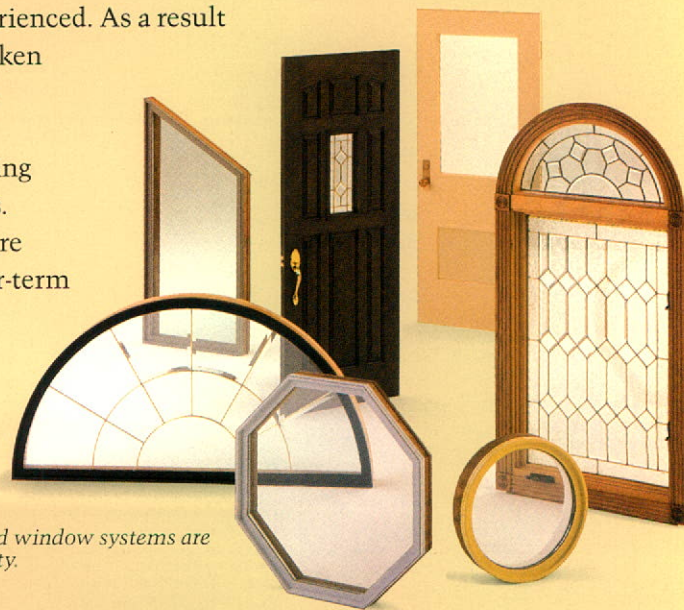
In 1990, Masco Industries' sales of architectural products were \$304 million, compared to \$307 million in 1989. We have built this line of business, via internal growth and acquisitions, from sales of \$16 million in 1986 when we entered this market. Despite the recession in both residential and commercial construction last year, we continue to increase our market share in this multi-billion dollar market, having recently expanded our market opportunities to institutional projects such as schools, hospitals, detainment facilities, and residences for the elderly.

In future years, we expect to increase our market penetration with many new maintenance-free architectural products by expanding intragroup marketing and distribution programs and by expansion into international markets. We have already opened distribution channels for hollow metal doors and frames in Hong Kong and Japan, with windows also now distributed through a Japanese window manufacturer. We are also pursuing similar opportunities in Europe.

In addition, we anticipate achieving growth from new products. Masco Industries remains in the forefront of developing products that utilize alternative materials such as plastic, wood and metal composites. New products include fiberglass doors with a high R-value (a measure of energy efficiency) urethane core; low-maintenance, aluminum-clad patio doors that eliminate the need for painting; finished, painted garage doors in a variety of custom colors; and a complete line of decorative leaded, etched and beveled glass for door and window applications. We also have the resources in place to support rapid and efficient new product development.

The recession in both residential and commercial construction has adversely impacted the operating performance of this business segment since early 1989. Competitive pressures and depressed market conditions have inhibited our ability to recapture, through price increases, material cost increases that we have experienced. As a result of this severe pressure on profit margins, we have undertaken several initiatives to enhance our operating performance, including joint purchasing programs, coordination of marketing and sales efforts, consolidation of manufacturing operations and continued quality improvement programs. These efforts should position us to take advantage of future market share growth opportunities, as well as realize near-term profit improvement.

"WE HAVE UNDERTAKEN SEVERAL INITIATIVES TO ENHANCE OUR OPERATING PERFORMANCE."



Commercial and residential door and window systems are designed for beauty as well as security.



Energy-Related Products

Our energy-related manufacturing businesses produce highly engineered, value-added products principally for use in the drilling of deep wells. These products include tri-cone rotary bits, drilling motors, packers, underreamers, pumping engines, rotating drilling heads, and other special-purpose tools for the exploration and production of oil, natural gas and coal.

Masco Industries' energy-related products sales increased 20 percent to \$189 million in 1990, up from \$158 million in 1989. Our 1990 results benefitted from increased exploration activity during the year, for both oil and natural gas. This increased activity stimulated demand for our down-hole drill bits and well completion equipment, and for our proprietary down-hole hydraulic directional motors used in horizontal drilling applications.

The geopolitical pressures that impacted the supply of oil and natural gas throughout most of the 1980s contributed to a period of unprecedented volatility in petroleum pricing. This eventually resulted in a sharp decline in drilling activity, particularly in the more costly deep wells. Since many of our energy-related products are designed specifically for deep-well use, we experienced modest growth during this period. Increased stability in energy prices, at levels that make deep-well drilling economically attractive, should increase drilling activity in the 1990s over the depressed levels of the 1980s, which should afford significant growth opportunities for our products.

Two products in particular offer promise for the 1990s—patented down-hole hydraulic directional motors for horizontal drilling and our proprietary dual-seal valves for critical liquid-flow control applications.

Horizontal drilling, specifically our hydraulic directional motors, represents one of the more significant recent technological advances in oil and natural gas exploration. Our down-hole drilling motors and services are important elements of this new and rapid growth technology, and should become a source of increased sales and profits for us in the 1990s.

**"OUR ENERGY-RELATED
MANUFACTURING
BUSINESSES PRODUCE
HIGHLY ENGINEERED,
VALUE-ADDED PRODUCTS."**

Masco Industries produces oil and natural gas well completion equipment, and down-hole drilling tools, pumps and motors.





Automotive Aftermarket Products

Products sold to the automotive aftermarket include electronic engine sensors, emission-control devices, fuel metering and control devices, windshield wipers and blades, brake hardware repair kits, diesel engine push rods, diesel engine water pumps, constant-velocity joints, and decorative accessories such as wire-wheel covers and stainless steel roof and rear-deck luggage racks.

Masco Industries' 1990 sales to the automotive aftermarket were \$85 million, compared to 1989 sales of \$90 million. Sales have grown to current levels from \$12 million in annual sales when we first entered this market in 1986.

Besides active expansion efforts for the domestic car market, we continue to focus on increasing our sales of foreign car replacement parts. Products for this market range from wiper blades and brake systems to tie rod ends for rack-and-pinion steering systems. Our expanded sales of parts and accessories to foreign manufacturers should contribute to increased aftermarket sales of wire-wheel covers, roof and rear-deck luggage racks, and body cladding products.

Products that we have recently introduced include a patented sound isolation relay and standard relays used to control many of the electrical functions in automobiles; a new high-quality, aerodynamically designed windshield wiper blade (Lexor™) to complement other product price points; and BATTERY BUDDY™, a monitoring device designed to ensure ample engine starting power, by disconnecting power from the battery if an electrical short or operator oversight (such as leaving on headlights) creates an excessive power drain.

Defense Products

Masco Industries' sales to the defense industry decreased in 1990, reflecting the downward trend in defense spending. Sales were \$99 million in 1990, compared to \$124 million in 1989.

We continue to explore commercial applications for the cold-forming metal-working technologies used in our ordnance (cartridge cases, projectiles and missile housings) business. Excellent opportunities to capitalize on our ordnance forming capabilities exist in the automotive and aerospace markets, as a result of our expertise in forming lightweight materials. We are exploring the production of aluminum automotive products for use in compressors, suspension systems and wheels, as well as airframe components.

As part of our ordnance activities, we have developed a state-of-the-art waste-water treatment facility to dispose of our own effluent waste. The excess capacity occasioned by reduced ordnance sales provides us with an opportunity to make this facility available to other industrial companies in the Los Angeles basin area that transport their waste long distances at considerable expense. In 1990, this treatment business generated initial sales revenues that were quite encouraging. We expect that this venture will significantly increase sales and profits in the future as we expand the market for this environmentally sound alternative to current treatment practices.

"MASCO INDUSTRIES' SALES TO THE AUTOMOTIVE AFTERMARKET HAVE GROWN TO \$85 MILLION IN 1990 FROM \$12 MILLION IN ANNUAL SALES WHEN WE FIRST ENTERED THIS MARKET IN 1986."



With Americans keeping their cars an average of seven years, the demand for replacement parts continues to rise.

MASCO INDUSTRIES 20 YEARS OF GROWTH

	Net Sales	(In Thousands) Operating Profit
Growth Rates:		
5-Year	21%	14%
20-Year	20%	14%
Years:		
1990	\$1,562,000	\$ 90,200
1989	1,687,000	136,000
1988	1,651,000	201,800
1987	1,470,000	207,800
1986	712,000	114,400
1985	599,000	46,100
1984	545,000	93,100
1983	425,000	58,100
1982	424,000	72,900
1981	462,000	105,300
1980	343,000	73,200
1979	340,000	67,700
1978	272,000	54,600
1977	179,000	38,700
1976	125,000	23,500
1975	89,000	12,800
1974	114,000	23,800
1973	104,000	16,800
1972	72,000	13,000
1971	55,000	8,200

SELECTED FINANCIAL DATA

(In Thousands Except Per Share Amounts)

	1990	1989	1988	1987	1986
Net sales	\$1,562,330	\$1,686,560	\$1,651,480	\$1,470,420	\$ 712,260
Operating profit	\$ 90,200	\$ 136,030	\$ 201,800	\$ 207,820	\$ 114,440
Before extraordinary and accounting change items:					
Income (loss)	\$ (24,420)	\$ 46,610	\$ 82,100	\$ 45,230	\$ 32,390
Earnings (loss) per common share	\$ (.33)	\$.58	\$.90	\$.46	\$.41
At December 31:					
Total assets	\$2,080,470	\$2,235,900	\$2,121,360	\$1,792,530	\$1,489,070
Long-term debt	\$1,349,510	\$1,435,860	\$1,351,920	\$1,099,230	\$ 931,510
Shareholders' equity	\$ 356,010	\$ 389,380	\$ 369,020	\$ 394,700	\$ 335,530

Results for 1990 include the effect of charges for restructurings and other costs, aggregating approximately \$40 million pre-tax, which reduced operating profit by \$38 million, net income by \$26 million and earnings per common share by \$.35.

Net loss in 1990 was \$16.2 million or \$.22 per common share after inclusion of extraordinary income related to the early extinguishment of debt.

Results for 1989 include the effect of charges for restructurings and other costs, aggregating \$62 million pre-tax, which reduced operating profit by \$45 million, net income by \$41 million and earnings per common share by \$.51.

Net income and earnings per common share in 1989 were \$56.6 million and \$.70, respectively, after inclusion of extraordinary income related to the early extinguishment of debt.

Earnings per common share in 1988 are presented on a fully diluted basis. Primary earnings per common share were \$.93 in 1988; there was no dilutive effect in the other years presented.

Net income and earnings per common share in 1987 were \$44.3 million and \$.45, respectively, after a net reduction for extraordinary and accounting change items.

Net income and earnings per common share in 1986 were \$9.4 million and \$.10, respectively, after being reduced for an extraordinary charge related to the early extinguishment of debt.

Masco Industries

Masco Corporation undertook a major corporate restructuring during 1984, transferring its Products for Industry businesses to the Company at their historical net book value. Masco Industries became a separate public company in mid-1984, when Masco Corporation distributed common shares of Masco Industries as a special dividend to its shareholders. At December 31, 1990, Masco Corporation's voting ownership in Masco Industries approximated 47 percent.

Corporate Development

The Company has maintained an active acquisition effort, which has contributed significantly to the Company's growth. The initial earnings benefit of acquisitions to the Company is less than the corresponding increase in sales since earnings are reduced by acquisition-related costs such as interest and added depreciation and amortization. Generally, the greater earnings benefit to the Company comes from subsequent growth of acquired companies, since future incremental sales are not handicapped by these costs.

Since mid-1984, the Company has acquired a number of businesses for approximately \$650 million in cash and Company Common Stock, with additional purchase price amounts payable contingent upon the future earnings of the acquired businesses and/or the future value of Company Common Stock. These acquisitions have contributed significantly to the approximate tripling of the sales volume of the Company since 1984.

Effective October 1, 1988, the Company transferred \$20 million of cash and several businesses to TriMas Corporation ("TriMas"). These businesses, which manufacture high-pressure gas cylinders, drum and pail closures, specialty fasteners and precision tools, had 1988 sales and operating profit of approximately \$150 million and \$30 million, respectively. In exchange, the Company received \$128 million of 14% Subordinated Debentures, \$70 million of preferred stock and approximately 48 percent of TriMas common stock. Although the Company received consideration which exceeded the net asset value of the businesses transferred by \$138 million, no gain was recognized at December 31, 1988. In mid-1989, the Company sold 660,000 shares of its TriMas common stock holdings resulting in a \$13.6 million pre-tax gain. At December 31, 1990, that portion of the excess consideration received from TriMas attributable to the Company's remaining approximate 41 percent common equity investment in TriMas is accounted for as a reduction in the carrying value of this investment. The remainder of the excess consideration received from TriMas (\$72 million) will be recognized as income on a pro rata basis as the 14% Subordinated Debentures are redeemed or sold.

In separate transactions (including one in early 1991), the Company has divested itself of three subsidiaries that did not fit its long-term strategic plans. The consideration received from the sales of these subsidiaries aggregated approximately \$160 million. These subsidiaries contributed aggregate sales revenues of approximately \$36 million and \$128 million in 1990 and 1989, respectively.

Included in other equity investments is Masco Capital Corp., a company owned 50 percent each by the Company and Masco Corporation. The principal assets of Masco Capital are junior subordinated debentures and preferred stock of Payless Cashways, Inc., a highly leveraged company. There is no readily available public market for these securities, the future value of which is dependent upon the future operations of Payless and the market for less than investment grade securities.

Profit Margins

Operating profit margin was 6 percent in 1990, 8 percent in 1989 and 12 percent in 1988. Margins in 1990 and 1989 were negatively impacted by significant charges to operating profit in each year, including approximately \$38 million in fourth quarter 1990 and approximately \$45 million in fourth quarter 1989. These charges reflect expenses related to the discontinuance of product lines, restructuring costs and the uncertain future recoverability of costs related to inventory, machinery and equipment, and tooling. Of these charges, the major portion in 1990 and approximately \$20 million in 1989 relate to our automotive vehicle conversion business. This business has experienced expenses on cancelled programs and significant cost overruns associated with several long-term contracts. Margins in 1990 and 1989 when compared to 1988 were reduced by the transfer of several high-margin businesses to TriMas effective October 1, 1988. Additionally, margins were negatively impacted in 1990 and 1989 as a result of reduced volumes in certain of our transportation-related operations due to production cutbacks by automotive customers and by margin pressures experienced by our architectural and certain other product groups due to softened market conditions which, in 1990, offset improved results from our energy-related operations.

Although the slowing of the general economy has only recently been classified a recession, many of our markets, including automotive, construction and defense, have experienced significant declines since mid-1989 or earlier. These declines have had an adverse effect on our 1989 and 1990 operating results. The Company anticipates that profit margins and near-term results will continue to be negatively impacted by depressed market conditions, including reduced automotive production levels, as a result of uncertainties associated with the general economic recession.

Financial Position and Liquidity

During 1990, the Company extended, by one year, its \$750 million bank revolving-credit agreement (which is now convertible into a four-year term credit facility in 1993). At December 31, 1990, the Company had additional borrowing capacity of approximately \$100 million available under this agreement. Of the Company's total long-term debt of approximately \$1,350 million at December 31, 1990, approximately \$740 million is subordinated and at fixed interest rates, with initial principal payments due in 1995.

At December 31, 1990, the Company had cash and marketable securities of approximately \$92 million. Current assets were greater than two-and-one-half times current liabilities. The marketable securities portfolio suffered unrealized losses during 1990 resulting in a year-end valuation allowance of \$13.7 million. It is anticipated that the Company and Masco Corporation will make additional cash investments in Masco Capital of approximately \$45 million each in 1991 to provide Masco Capital with adequate working capital to, among other things, pay interest and reduce debt. The Company's cash and marketable securities and the available borrowings should provide sufficient resources and flexibility to finance the Company's projected internal growth and corporate development needs.

Inventories

Inventories decreased from \$266 million at December 31, 1989 to \$243 million at December 31, 1990. Our continued emphasis on inventory management utilizing just-in-time (JIT) and other inventory management techniques has contributed to lower inventory levels. The Company maintains a higher investment in inventories, for certain of its businesses, than the average manufacturing company as one of its strategies, in order to provide better customer service, improve production scheduling and obtain the benefit of more cost-effective purchasing.

Cash Flows and Capital Expenditures

Net cash flow from operating activities in 1990 declined to \$72 million from \$84 million in 1989. Cash from operating activities in 1990 reflected a decline in net income of \$73 million from 1989. Included in income in 1989 were noncash gains of \$71 million related to the disposition of certain assets.

In 1990, the Company received approximately \$108 million of the proceeds from the sales of subsidiaries. The Company also received approximately \$23 million from the sales of marketable securities in 1990.

In late 1990, the Company issued 775,000 shares of 12% Exchangeable Preferred Stock to Masco Corporation in exchange for \$30 million of cash and 10 million shares of Company Common Stock (which were retired). This preferred stock requires approximately \$9 million of annual dividend payments. In addition, during 1990, the Company repurchased and retired approximately 6.7 million shares of Company Common Stock, through open-market transactions, for approximately \$36 million. At December 31, 1990, the Company may repurchase an additional 3 million shares of Company Common Stock, in accordance with a previously announced Board of Directors approved share repurchase program.

Capital expenditures totalled \$77 million in 1990; these expenditures compare with \$88 million in 1989 and \$97 million in 1988. The Company continues to invest in product line extensions and to improve its operating productivity and maintain a high level of sales per employee. In 1990, labor costs approximated 24 percent of sales.

Depreciation and amortization in 1990 totalled \$72 million as compared with \$77 million in 1989 and \$81 million in 1988.

General Financial Analysis**1990 versus 1989**

In 1990, net sales decreased 7 percent to \$1.56 billion from \$1.69 billion, while operating profit declined 34 percent to \$90 million from \$136 million. Net income decreased from \$56.6 million or \$.70 per common share in 1989 to a net loss of \$16.2 million or \$.22 per common share in 1990.

Sales of Custom Engineered Products declined 7 percent from 1989 as transportation-related products sales decreased 5 percent and sales of defense products decreased 20 percent. Operating profit declined 39 percent from 1989, as the result of significant charges to reflect expenses related to the discontinuance of product lines, restructuring costs and the uncertain future recoverability of costs related to inventory, machinery and equipment, and tooling. The major portion of these charges relate to our automotive vehicle conversion business which has experienced expenses on cancelled programs and significant cost overruns associated with several long-term contracts. This business unit has also suffered a substantial decline in sales volume, which is expected to continue into 1991, primarily as a result of a reduction in sales to Ford Motor Company of Mustang convertible conversions. In addition, 1990 margins were negatively impacted by reduced volumes at certain of our business units as a result of production cutbacks by automotive customers and by the substantial decline in sales of defense products.

Sales of Specialty Products declined 9 percent from 1989 as a 20 percent increase in energy-related products sales was more than offset by the absence of sales from Flo-Con Systems, Inc., which was sold in late 1989. Operating profit declined 14 percent from 1989 as the improved results of our energy-related operations were more than offset by the sale of Flo-Con and the continued severe margin pressures experienced by our architectural products group.

Other expense, net increased to \$114 million in 1990 from \$60 million in 1989. Other expense, net in 1989 benefitted from the inclusion of a \$57 million pre-tax gain from the sale of Flo-Con and a \$13.6 million pre-tax gain from the sale of 660,000 shares of the Company's TriMas common stock holdings. Miscellaneous expenses in 1989 included a \$17 million pre-tax charge to reflect disposition costs related to idle facilities and other long-term assets, and other expenses. Additionally, pre-tax losses from sales of marketable securities, including the effect of valuation allowances, aggregated approximately \$15 million in 1990 and \$4 million in 1989.

Net income (loss) for 1990 and 1989 include after-tax extraordinary gains of \$8 million and \$10 million, respectively, related to the early extinguishment of debt through the repurchase of convertible securities at less than face value.

The unusual relationship of income taxes to the pre-tax loss in 1990 results principally from significant state and foreign income taxes being incurred.

1989 versus 1988

In 1989, net sales increased 2 percent to \$1.69 billion from \$1.65 billion, while operating profit declined 33 percent from \$202 million to \$136 million. Net income decreased 31 percent to \$56.6 million or \$.70 per share, down from \$82.1 million or \$.90 per share in 1988.

Sales of Custom Engineered Products were comparable to 1988 as a 4 percent increase in transportation-related products sales was offset by a 23 percent decline in sales of defense products. Operating profit declined 24 percent from 1988, principally as a result of charges to reflect expenses associated with the discontinuance of product lines, restructuring costs and the uncertain future recoverability of costs related to inventory, machinery and equipment, and tooling. Excluding these charges, operating profit would have increased 6 percent. In addition, margins were negatively impacted by reduced volumes at certain of our business units as a result of second-half 1989 production cutbacks by automotive customers.

Sales of Specialty Products increased 6 percent from 1988. Operating profit decreased 42 percent principally as the result of the transfer of several businesses to TriMas and charges to reflect expenses associated with the discontinuance of product lines, restructuring costs and the uncertain future recoverability of costs related to inventory, machinery and equipment, and tooling. Excluding the above, operating profit would have declined 5 percent. Margins were hampered by material cost increases and softened market conditions experienced by our architectural, energy-related and certain other product groups.

Other expense, net decreased to \$60 million in 1989 from \$65 million in 1988. Included in other expense, net is a \$57 million pre-tax gain from the sale of Flo-Con and a \$13.6 million pre-tax gain from the sale of 660,000 shares of the Company's TriMas common stock holdings. In addition, other expense, net benefitted from increased interest, dividend and equity income related to the Company's investment in TriMas. Income was negatively impacted by increased interest expense of \$30 million resulting from additional borrowings for acquisitions and the repurchase of Company Common Stock, and higher average interest rates. In addition, miscellaneous expenses increased by \$15 million as the result of a \$17 million charge to reflect disposition costs related to idle facilities and other long-term assets, and other expenses. Other expense, net in 1988 benefitted from the recovery to income of a \$45 million valuation allowance for the marketable securities portfolio established in the fourth quarter of 1987.

Net income for 1989 reflects an extraordinary gain of \$10 million after-tax related to the early extinguishment of debt through the repurchase of convertible securities at less than face value.

General Information to Shareholders

Masco Industries has over 6,100 registered shareholders and approximately 12,700 employees and 87 manufacturing facilities located in 20 states and five countries.

Fortune magazine ranked Masco Industries 239th in sales, 276th in profits and 315th in profit as a percent of sales for 1989 among the "500" largest industrial companies in the United States.

Forbes magazine industry ratings in the Consumer Durables Group ranked Masco Industries 2nd in sales growth, 4th in earnings per share growth, and 11th in return on equity for the five-year period 1985-1989.

MASCO INDUSTRIES, INC. MARKET PRICE-P/E RATIO

Year	Market Price		Earnings (Loss) Per Share	Price Earnings Ratio	
	High	Low		High	Low
1990	\$ 8 1/2	\$3 5/8	\$(.22)	-	-
1989	10 5/8	6 3/4	.70	15	- 10
1988	14	9 1/8	.90	16	- 10
1987	18 3/4	8 7/8	.45	42	- 20
1986	13 7/8	4 1/2	.10	139	- 45

CONSOLIDATED STATEMENT OF OPERATIONS
for the years ended December 31, 1990, 1989 and 1988

	1990	1989	1988
Net sales	\$ 1,562,330,000	\$ 1,686,560,000	\$ 1,651,480,000
Cost of sales	(1,276,070,000)	(1,347,300,000)	(1,261,390,000)
Selling, general and administrative expenses	(196,060,000)	(203,230,000)	(188,290,000)
Operating profit	90,200,000	136,030,000	201,800,000
Other income (expense), net:			
Interest expense, Masco Corporation	(12,000,000)	(12,120,000)	(12,120,000)
Other interest expense	(115,920,000)	(120,430,000)	(90,510,000)
Re: TriMas Corporation:			
Interest and other income	30,120,000	30,510,000	6,780,000
Gain from sale of TriMas stock	—	13,600,000	—
Gain from sale of subsidiary	—	56,960,000	—
Other, net	(16,420,000)	(28,460,000)	30,850,000
	(114,220,000)	(59,940,000)	(65,000,000)
Income (loss) before income taxes and extraordinary income	(24,020,000)	76,090,000	136,800,000
Income taxes	400,000	29,480,000	54,700,000
Income (loss) before extraordinary income	(24,420,000)	46,610,000	82,100,000
Extraordinary income	8,240,000	9,990,000	—
Net income (loss)	\$ (16,180,000)	\$ 56,600,000	\$ 82,100,000
Earnings (loss) per common share:			
Primary:			
Before extraordinary income	\$ (.33)	\$.58	\$.93
Extraordinary income	.11	.12	—
Net income (loss)	\$ (.22)	\$.70	\$.93
Fully diluted:			
Before extraordinary income	\$ (.33)	\$.58	\$.90
Extraordinary income	.11	.12	—
Net income (loss)	\$ (.22)	\$.70	\$.90

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET
December 31, 1990 and 1989

ASSETS	1990	1989
Current assets:		
Cash and cash investments	\$ 42,390,000	\$ 17,830,000
Marketable securities	49,490,000	79,510,000
Note receivable, sale of subsidiary	20,000,000	95,000,000
Receivables	234,880,000	257,590,000
Inventories	243,000,000	265,550,000
Prepaid expenses	22,890,000	30,100,000
Total current assets	612,650,000	745,580,000
Equity and other investments in affiliates:		
TriMas Corporation:		
Common and preferred equity	84,750,000	79,550,000
Subordinated debentures	128,000,000	128,000,000
Other affiliates	115,160,000	102,870,000
Property and equipment	556,000,000	542,870,000
Excess of cost over net assets of acquired companies	502,710,000	532,850,000
Other assets	81,200,000	104,180,000
Total assets	\$2,080,470,000	\$2,235,900,000

LIABILITIES and SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 71,540,000	\$ 83,290,000
Accrued liabilities	139,270,000	148,600,000
Current portion of long-term debt	11,310,000	19,000,000
Total current liabilities	222,120,000	250,890,000
Long-term debt:		
Masco Corporation	130,000,000	166,000,000
Banks and others	1,219,510,000	1,269,860,000
Deferred income taxes and other deferred credits	152,830,000	159,770,000
Total liabilities	1,724,460,000	1,846,520,000
Shareholders' equity:		
Preferred stock, \$1 par, .8 million shares outstanding	780,000	—
Common stock, \$1 par, 59.5 million and 77.6 million shares outstanding	59,450,000	77,560,000
Paid-in capital	83,800,000	92,310,000
Retained earnings	192,100,000	208,280,000
Cumulative translation adjustments	19,880,000	11,230,000
Total shareholders' equity	356,010,000	389,380,000
Total liabilities and shareholders' equity	\$2,080,470,000	\$2,235,900,000

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended December 31, 1990, 1989 and 1988

	1990	1989	1988
CASH FROM (USED FOR):			
OPERATIONS:			
Net income (loss)	\$ (16,180,000)	\$ 56,600,000	\$ 82,100,000
Gain, sales of assets for notes	—	(70,560,000)	—
Extraordinary income	(8,240,000)	(9,990,000)	—
Depreciation and amortization	71,580,000	76,790,000	81,350,000
Equity earnings	(10,300,000)	(9,610,000)	(4,550,000)
Deferred taxes	(14,240,000)	(8,290,000)	4,400,000
Increase (decrease) in valuation allowance for marketable securities	7,130,000	6,600,000	(44,750,000)
Decrease (increase) in receivables	20,190,000	22,790,000	(81,360,000)
Decrease (increase) in inventories	19,640,000	17,150,000	(53,070,000)
Decrease (increase) in prepaid expenses	7,190,000	(8,310,000)	3,550,000
(Decrease) increase in accounts payable and accrued liabilities	(21,080,000)	6,950,000	16,940,000
Other, net	16,370,000	3,490,000	1,980,000
Net cash from operating activities	72,060,000	83,610,000	6,590,000
FINANCING:			
Long-term debt:			
Issuance	24,770,000	262,710,000	635,540,000
Retirement	(106,320,000)	(166,830,000)	(383,850,000)
Repurchase of common shares for cash	(35,840,000)	(33,790,000)	(107,560,000)
Issuance of preferred shares for cash	30,000,000	—	—
Other, net	(4,250,000)	(5,600,000)	(4,950,000)
Net cash (used for) from financing activities	(91,640,000)	56,490,000	139,180,000
INVESTMENTS:			
Net cash outlay for companies acquired	—	(44,850,000)	(144,620,000)
Cash investments in and advances to affiliates	(21,900,000)	—	(86,690,000)
Cash collected from sales of subsidiaries	108,200,000	—	—
Capital expenditures	(77,460,000)	(87,700,000)	(96,740,000)
Decrease (increase) in marketable securities, net	22,890,000	(17,990,000)	198,120,000
Other, net	12,410,000	(8,020,000)	(10,320,000)
Net cash from (used for) investing activities	44,140,000	(158,560,000)	(140,250,000)
CASH AND CASH INVESTMENTS:			
Increase (decrease) for the year	24,560,000	(18,460,000)	5,520,000
At January 1	17,830,000	36,290,000	30,770,000
At December 31	\$ 42,390,000	\$ 17,830,000	\$ 36,290,000

The accompanying notes are an integral part of the consolidated financial statements.

ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries. All significant intercompany transactions have been eliminated. Corporations that are 20 to 50 percent owned are accounted for by the equity method of accounting.

The Company has a corporate services agreement with Masco Corporation, which at December 31, 1990 owned approximately 47 percent of the Company's Common Stock. Under the terms of the agreement, the Company pays fees to Masco Corporation for various corporate staff support and administrative services, research and development and facilities. Such fees, which are determined principally as a percentage of net sales, aggregated \$11 million, \$13 million and \$12 million in 1990, 1989 and 1988, respectively.

Cash and Cash Investments

The Company considers all highly liquid debt instruments with a maturity of three months or less to be cash and cash investments.

Receivables

Receivables are presented net of allowances for doubtful accounts of \$8.2 million and \$9.4 million at December 31, 1990 and 1989, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined principally by use of the first-in, first-out method.

Property and Equipment

Property and equipment additions, including significant betterments, are recorded at cost. Upon retirement or disposal of properties and equipment, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Maintenance and repair costs are charged to expense as incurred.

Depreciation and Amortization

Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2½ to 10 percent, and machinery and equipment, 6⅔ to 33⅓ percent. The excess of cost over net assets of acquired companies is being amortized using the straight-line method over the period estimated to be benefitted, not exceeding 40 years. Deferred financing costs are amortized over the lives of the related debt securities. At December 31, 1990 and 1989, accumulated amortization of excess cost over net assets of acquired companies and patents was \$72.7 million and \$65.1 million, respectively. Amortization expense was \$20.6 million, \$24.2 million and \$17.7 million in 1990, 1989 and 1988, respectively.

Income Taxes

The Company utilizes the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 96.

Earnings (Loss) Per Common Share

Primary earnings (loss) per common share were calculated on the basis of 74.7 million, 80.8 million and 88.3 million weighted average common shares outstanding in 1990, 1989 and 1988, respectively. Fully diluted earnings per common share in 1988 include the dilutive effect of stock options and convertible securities and were calculated on the basis of 103.9 million weighted average common shares outstanding. Stock options and convertible securities did not have a dilutive effect on full-year earnings for 1990 or 1989.

SUPPLEMENTARY CASH FLOWS INFORMATION

Significant transactions not affecting cash were: in 1990: issuance of preferred shares in exchange for Company Common Stock (see "Shareholders' Equity" note); in 1989: sale of subsidiary for notes receivable (see "Sales of Subsidiaries" note), sale of TriMas Corporation ("TriMas") common shares for notes receivable (see "Equity and Other Investments in Affiliates" note), and the assumption of liabilities of \$14 million in partial exchange for the assets of companies acquired; and in 1988: transfer of a number of businesses to TriMas in partial exchange for certain securities (see "Equity and Other Investments in Affiliates" note), and the assumption of liabilities of \$18 million in partial exchange for the assets of companies acquired.

Income taxes paid were \$26 million, \$36 million and \$50 million in 1990, 1989 and 1988, respectively. Interest paid was \$125 million, \$130 million and \$95 million in 1990, 1989 and 1988, respectively.

ACQUISITIONS

In transactions accounted for as purchases, the Company acquired businesses in 1989 and 1988 for aggregate purchase prices of approximately \$53 million and \$145 million, respectively. The results of operations for these businesses have been included in the consolidated financial statements from the dates of acquisition.

SALES OF SUBSIDIARIES

In separate transactions (including one in early 1991), the Company has divested itself of three subsidiaries that did not fit its long-term strategic plans. The consideration received from the sales of these subsidiaries aggregated approximately \$160 million of which approximately \$108 million was received in 1990. The remaining \$52 million is due in early 1991. These transactions resulted in a fourth quarter 1989 pre-tax gain of \$57 million, and an approximate \$15 million pre-tax gain that will be recognized in first quarter 1991. These subsidiaries contributed aggregate sales revenues of approximately \$36 million and \$128 million in 1990 and 1989, respectively.

MARKETABLE SECURITIES

	<i>(In Thousands)</i>	
	At December 31	
	1990	1989
Marketable securities, principally equity, at cost	\$ 63,220	\$ 86,110
Valuation allowance	(13,730)	(6,600)
Marketable securities at carrying value	<u>\$ 49,490</u>	<u>\$ 79,510</u>

Marketable securities had unrealized gains of approximately \$2.4 million and \$5.8 million and unrealized losses, before application of the valuation allowances, of \$16.1 million and \$12.4 million at December 31, 1990 and 1989, respectively.

INVENTORIES

	<i>(In Thousands)</i>	
	At December 31	
	1990	1989
Finished goods	\$ 86,350	\$ 91,690
Work in process	58,050	62,780
Raw material	98,600	111,080
	<u>\$243,000</u>	<u>\$265,550</u>

EQUITY AND OTHER INVESTMENTS IN AFFILIATES

Effective October 1, 1988, the Company transferred \$20 million of cash and several businesses, which manufacture high-pressure gas cylinders, drum and pail closures, specialty fasteners and precision tools, and had 1988 sales of approximately \$150 million, to TriMas. In exchange, the Company received \$128 million principal amount of 14% Subordinated Debentures (due 2008), \$70 million (liquidation value) of 10% Convertible Participating Preferred Stock and 4.7 million shares of TriMas common stock (valued at \$70 million based on the same price per share as paid by Masco Corporation for its concurrent cash purchase of additional shares of TriMas common stock). TriMas preferred stock is convertible into TriMas common stock at \$18 per common share. TriMas has the option to redeem the preferred stock commencing in 1994 but may not do so if conversion would increase the Company's ownership interest to 50 percent or more of the outstanding TriMas common stock.

TriMas became a public company in February 1989 when Masco Corporation distributed approximately 28 percent of the outstanding TriMas common stock as a dividend to Masco Corporation shareholders. Masco Corporation's common equity investment in TriMas at December 31, 1990, is approximately 8 percent.

Since TriMas retained the Company's carrying value for the assets and liabilities of the businesses acquired from the Company, the excess of the consideration exchanged by TriMas over the cash and historical net asset value of these businesses has been accounted for as a \$138 million reduction of TriMas shareholders' equity. At December 31, 1990, that portion of the excess consideration received from TriMas attributable to the Company's remaining approximate 41 percent common equity investment in TriMas is accounted for as a reduction in the carrying value of this investment. The remainder of the excess consideration received from TriMas (\$72 million) will be recognized as income on a pro rata basis as the 14% Subordinated Debentures are redeemed or sold and has been included in deferred income taxes and other deferred credits.

The quoted market value of the Company's investment in TriMas common stock is approximately \$52 million at December 31, 1990 (which may differ from the amount that could have been realized upon disposition), as compared to the Company's carrying value of \$14.8 million for such common stock.

In mid-1989, the Company sold 660,000 shares of its TriMas common stock holdings for \$22½ per share (fair market value at date of transaction) to members of the Company's executive management group for approximately \$15 million of interest-bearing notes (included in other assets). The sale resulted in a \$13.6 million pre-tax gain (\$8 million after-tax or \$.10 per common share). Resale of these shares is restricted and subject to the continuing employment of these executives.

At December 31, 1990, a German subsidiary of the Company had an approximate \$10 million interest-bearing note receivable from a German subsidiary of Masco Corporation.

In addition to its ownership interest in TriMas, the Company has 50 percent or less ownership interests in several privately held companies including Creative Industries, Inc., a diversified engineering services group; AutoStyle, Inc., a manufacturer of reaction injection molded automotive components; and Masco Capital Corp., owned 50 percent each by the Company and Masco Corporation. The principal assets of Masco Capital are long-term debentures and preferred stock of Payless Cashways, Inc. These securities, which were purchased with \$210 million of borrowed funds, repayable through 1993, do not require current cash interest or dividend payments before 1993. Future investment contributions by the Company and Masco Corporation to provide Masco Capital with funds for debt payments and working capital are anticipated. The Company's existing equity investment in Masco Capital is approximately \$60 million.

(Equity and Other Investments in Affiliates contd.)

Approximate combined condensed financial data of TriMas and the Company's other equity affiliates are as follows:

	<i>(In Thousands)</i>	
	At December 31	
	1990	1989
Cash and cash investments	\$ 82,080	\$ 67,040
Receivables and inventories	225,450	145,850
Property and equipment	199,560	130,720
Investments	330,370	279,060
Other assets	128,800	70,530
Accounts payable and accrued liabilities	(104,640)	(77,520)
Bank and other debt	(437,860)	(281,350)
Subordinated debt held by the Company	(154,800)	(154,800)
Other liabilities	(30,360)	(12,900)
Shareholders' equity	<u>\$238,600</u>	<u>\$166,630</u>

	<i>(In Thousands)</i>		
	For The Years Ended December 31		
	1990	1989	1988
Net sales	<u>\$ 791,170</u>	<u>\$ 514,900</u>	<u>\$ 369,620</u>
Net income before preferred stock dividends	<u>\$ 35,510</u>	<u>\$ 26,570</u>	<u>\$ 17,100</u>
The Company's equity in affiliates' net income available for common shareholders	<u>\$ 10,300</u>	<u>\$ 9,610</u>	<u>\$ 4,550</u>
Dividends on TriMas preferred stock	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 1,750</u>

PROPERTY AND EQUIPMENT

	<i>(In Thousands)</i>	
	At December 31	
	1990	1989
Cost:		
Land and land improvements	\$ 41,190	\$ 39,090
Buildings	189,250	178,510
Machinery and equipment	640,970	603,280
	871,410	820,880
Less accumulated depreciation	315,410	278,010
	<u>\$556,000</u>	<u>\$542,870</u>

Depreciation expense totalled \$51 million, \$53 million and \$64 million in 1990, 1989 and 1988, respectively.

ACCRUED LIABILITIES

	<i>(In Thousands)</i>	
	At December 31	
	1990	1989
Salaries, wages and commissions	\$ 25,840	\$ 26,460
Income taxes	4,630	19,520
Interest	27,690	24,710
Insurance	10,250	14,160
Property, payroll and other taxes	9,990	10,010
Other	60,870	53,740
	<u>\$139,270</u>	<u>\$148,600</u>

Included in other accrued liabilities at December 31, 1990 and 1989 are approximately \$29 million and \$20 million, respectively, of accrued expenses related to the discontinuance of product lines, the costs of restructuring several businesses, and the uncertain future recoverability of costs related to inventory, machinery and equipment, and tooling.

LONG-TERM DEBT

	<i>(In Thousands)</i>	
	At December 31	
	1990	1989
Held by Masco Corporation:		
6% Convertible Subordinated Debentures, due 2011	\$ 130,000	\$ 130,000
12% Subordinated Debentures, paid 1990	—	36,000
	<u>\$ 130,000</u>	<u>\$ 166,000</u>
Held by Banks and Others:		
\$750 million bank revolver, due 1997	\$ 585,000	\$ 575,000
10% Senior Subordinated Notes, due 1995	300,000	300,000
10¼% Senior Subordinated Notes, due 1997	250,000	250,000
6% Convertible Subordinated Debentures, due 2011	57,790	94,890
Other, excluding current maturities	26,720	49,970
	<u>\$1,219,510</u>	<u>\$1,269,860</u>

The interest rates applicable to the bank revolving-credit agreement are principally at alternative floating rates provided for in the agreement (approximately 8 percent at December 31, 1990). During 1990, the agreement was extended by one year and is now convertible into a four-year term credit facility in 1993.

The 6% debentures are convertible into Company Common Stock at \$18 per share. Through December 31, 1990, the Company had repurchased, in open-market transactions, approximately \$142 million of these debentures (including \$37.1 million in 1990), which may be applied to satisfy future sinking fund requirements through 2004.

The senior subordinated notes contain limitations on the payment of cash dividends and the acquisition of Company Capital Stock. The bank revolving-credit agreement requires the maintenance of specified levels of shareholders' equity, with limitations on long-term debt (at December 31, 1990, additional borrowing capacity of approximately \$100 million was available under this agreement), intangible assets and the acquisition of Company Capital Stock. Under the most restrictive of these provisions, \$31 million of retained earnings was available at December 31, 1990 for the payment of dividends or the acquisition of Company Capital Stock.

The maturities of long-term debt during the next five years, assuming the Company exercises its option to convert the amounts outstanding at December 31, 1990 under the bank revolving-credit agreement to term loans due 1997, are as follows (in millions): 1991-\$11; 1992-\$14; 1993-\$82; 1994-\$157; and 1995-\$448.

SHAREHOLDERS' EQUITY

	1990	1989	(In Thousands) 1988
Preferred Stock			
Balance, January 1	—	—	—
Issuance	\$ 780	—	—
Balance, December 31	780	—	—
Common Stock			
Balance, January 1	77,560	\$ 81,870	\$ 90,100
Redemption and retirement of shares	(18,110)	(4,310)	(8,230)
Balance, December 31	59,450	77,560	81,870
Paid-in Capital			
Balance, January 1	92,310	121,790	221,120
Redemption and retirement of common shares	(85,230)	(29,480)	(99,330)
Issuance of preferred shares	76,720	—	—
Balance, December 31	83,800	92,310	121,790
Retained Earnings			
Balance, January 1	208,280	151,680	69,580
Net income (loss)	(16,180)	56,600	82,100
Balance, December 31	192,100	208,280	151,680
Cumulative Translation Adjustments			
Balance, January 1	11,230	13,680	13,900
Translation adjustments, net	8,650	(2,450)	(220)
Balance, December 31	19,880	11,230	13,680
Shareholders' Equity			
Balance, December 31	\$356,010	\$389,380	\$369,020

In late 1990, the Company issued 775,000 shares of its 12% Exchangeable Preferred Stock, with a liquidation value of \$100 per share, to Masco Corporation in exchange for \$30 million of cash and 10 million shares of Company Common Stock (which were retired). This preferred stock has no mandatory redemption provision, but at the Company's option it is redeemable at any time without premium, or exchangeable for junior subordinated debentures. This transaction resulted in part from the Company's obligation to repurchase shares of Company Common Stock from Masco Corporation pursuant to a long-standing stock repurchase agreement between the companies.

In addition, through open-market and tender-offer transactions in 1990, 1989 and 1988, approximately 6.7 million, 4.3 million and 8.2 million shares of Company Common Stock were repurchased and retired, respectively. At December 31, 1990, the Company may repurchase an additional 3 million shares of Company Common Stock, in accordance with a previously announced Board of Directors approved share repurchase program.

In connection with a 1987 acquisition, 1.4 million shares of Company Common Stock were placed in escrow and accounted for as issued, to reflect contingent purchase price amounts that were anticipated to result from the future operating performance of that subsidiary. In 1990, it was determined that the likelihood of achieving the operating performance levels required for contingent purchase price payments was remote; therefore, such shares were retired at December 31, 1990 for financial reporting purposes, and accordingly, excess of cost over net assets of acquired companies was reduced. Such shares continue to be legally outstanding and will be released from escrow and returned to the Company following the expiration of the contingent purchase price period at December 31, 1993. In addition, the Company's initial consideration for this acquisition included 2 million shares of Company Common Stock which is subject to a stock value guarantee agreement. The agreement provides that the Company satisfy in cash and/or through issuance of additional Company Common Stock any shortfall between the guaranteed value and the market value of such Company Common Stock in June 1994. To the extent a shortfall exists in June 1994, and is satisfied in whole or in part by a cash payment, such payment would be accounted for as a reduction of paid-in capital. At December 31, 1990, the guaranteed value of the 2 million shares of Company Common Stock exceeded the market value by approximately \$30 million.

At December 31, 1990, 25 million shares of preferred stock are authorized with approximately .8 million outstanding; 250 million shares of Company Common Stock are authorized with approximately 59.5 million outstanding.

STOCK OPTIONS AND AWARDS

The Company has a Restricted Stock Incentive Plan and a Stock Option Plan, which permit the grant of up to a total of 8,160,000 shares of Company Common Stock for awards or stock options to key employees of the Company and its affiliates, of which 2,370,000 shares remain available for grant. As of December 31, 1990, net options for 2,220,000 shares have been granted and are outstanding with exercise prices of \$9 $\frac{1}{8}$ and \$10 $\frac{1}{4}$, the fair market value at the dates of grant (options for 566,000 shares are currently exercisable). Restricted long-term incentive stock awards of a net total of 3,570,000 shares have been granted as of December 31, 1990.

RETIREMENT PLANS

The Company has noncontributory retirement plans, principally profit-sharing and other defined-contribution plans, for most of its employees. Aggregate charges to income under these plans were \$9.2 million, \$9.1 million and \$10.0 million in 1990, 1989 and 1988, respectively.

The Company does not anticipate that a material impact on its financial statements will occur in 1993 when the Company expects to adopt Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions.

SEGMENT INFORMATION

The Company's business segments involve the production and sale of the following:

Custom Engineered Products:

Precision products, generally produced using advanced metalworking technologies with significant proprietary content, for the transportation and other, primarily defense, industries.

Specialty Products:

Architectural — Doors, windows, security grilles, and office panels and partitions for commercial and residential markets.

Energy-related — Specialized tools, principally for the exploration and production of oil, natural gas and coal.

Other — Proprietary products principally for the automotive aftermarket, and prior to 1990, the steel industry, and in 1988, the chemical industry.

Corporate assets consist primarily of cash, marketable securities, and equity and other investments, and additionally at December 31, 1990 and 1989, notes receivable.

	Net Sales ^(B)			Operating Profit ^(B)			Assets Employed at December 31 ^(B)		
	1990	1989	1988	1990 ^(E)	1989 ^(E)	1988	1990	1989	1988
The Company's operations by industry segment are:									
Custom Engineered Products ^(A) :									
Transportation	\$ 857,000	\$ 900,000	\$ 862,000	\$ 60,000	\$ 90,000	\$120,000	\$ 733,000	\$ 775,000	\$ 715,000
Other, primarily defense	99,000	124,000	162,000	(3,000)	4,000	4,000	114,000	89,000	106,000
Specialty Products:									
Architectural	304,000	307,000	199,000	22,000	32,000	26,000	325,000	323,000	313,000
Energy-related	189,000	158,000	182,000	7,000	(8,000)	14,000	205,000	201,000	203,000
Other ^(C)	113,000	198,000	246,000	14,000	26,000	46,000	128,000	116,000	194,000
Total	<u>\$1,562,000</u>	<u>\$1,687,000</u>	<u>\$1,651,000</u>	<u>100,000</u>	<u>144,000</u>	<u>210,000</u>	<u>1,505,000</u>	<u>1,504,000</u>	<u>1,531,000</u>
Other expense, net				(114,000)	(60,000)	(65,000)			
General corporate expense				(10,000)	(8,000)	(8,000)			
Income (loss) before income taxes and extraordinary income				<u>\$ (24,000)</u>	<u>\$ 76,000</u>	<u>\$137,000</u>			
Corporate assets							575,000	732,000	590,000
Total assets							<u>\$2,080,000</u>	<u>\$2,236,000</u>	<u>\$2,121,000</u>
Foreign operations	<u>\$ 109,000</u>	<u>\$ 112,000</u>	<u>\$ 109,000</u>	<u>\$ 13,000</u>	<u>\$ 1,000</u>	<u>\$ 22,000</u>	<u>\$ 69,000</u>	<u>\$ 75,000</u>	<u>\$ 106,000</u>

	Property Additions ^(D)			Depreciation and Amortization		
	1990	1989	1988	1990	1989	1988
The Company's operations by industry segment are:						
Custom Engineered Products:						
Transportation	\$39,000	\$ 77,000	\$ 56,000	\$35,000	\$38,000	\$43,000
Other, primarily defense	3,000	4,000	5,000	6,000	6,000	6,000
Specialty Products:						
Architectural	18,000	11,000	43,000	12,000	9,000	6,000
Energy-related	7,000	12,000	17,000	13,000	13,000	13,000
Other ^(C)	10,000	9,000	21,000	6,000	11,000	13,000
Total	<u>\$77,000</u>	<u>\$113,000</u>	<u>\$142,000</u>	<u>\$72,000</u>	<u>\$77,000</u>	<u>\$81,000</u>

^(A)Included within this segment are sales to one customer of \$222 million, \$265 million and \$262 million in 1990, 1989 and 1988, respectively; sales to another customer in 1990, 1989 and 1988 of \$246 million, \$233 million and \$206 million, respectively; and in 1990, sales to another customer of \$161 million.

^(B)Effective October 1, 1988, the Company transferred several businesses, principally from the Specialty Products segment, to TriMas. The information presented above for 1988 includes sales and operating profit of \$111 million and \$26 million, respectively, for these businesses.

^(C)In late 1989, the Company sold Flo-Con Systems, Inc., included in Other Specialty Products.

^(D)Includes \$25 million and \$45 million from companies acquired in 1989 and 1988, respectively.

^(E)Included in 1990 and 1989 operating profit (principally Custom Engineered Products) are charges of \$38 million and \$45 million, respectively, to reflect the expenses related to the discontinuance of product lines, the costs of restructuring several businesses, and the uncertain future recoverability of costs related to inventory, machinery and equipment, and tooling. Other expense, net in 1990 and 1989 includes approximately \$2 million and \$17 million, respectively, to reflect disposition costs related to idle facilities and other long-term assets, and other expenses.

OTHER INCOME (EXPENSE), NET

	<i>(In Thousands)</i>		
	<u>1990</u>	<u>1989</u>	<u>1988</u>
Interest expense, Masco Corporation	\$ (12,000)	\$ (12,120)	\$ (12,120)
Other interest expense	<u>(115,920)</u>	<u>(120,430)</u>	<u>(90,510)</u>
Re: TriMas Corporation:			
Interest and other income	<u>30,120</u>	<u>30,510</u>	<u>6,780</u>
Gain from sale of TriMas common stock	<u>—</u>	<u>13,600</u>	<u>—</u>
Gain from sale of subsidiary	<u>—</u>	<u>56,960</u>	<u>—</u>
Other, net:			
Gains (losses) from sales of marketable securities (including the effect of valuation allowances)	(15,220)	(3,740)	38,180
Interest income	11,770	10,570	8,050
Dividend income	3,820	3,590	8,100
Other expense, net	<u>(16,790)</u>	<u>(38,880)</u>	<u>(23,480)</u>
	<u>\$ (114,220)</u>	<u>\$ (59,940)</u>	<u>\$ (65,000)</u>

Other expense, net above includes amortization and, additionally in 1990 and 1989, charges to reflect disposition costs related to idle facilities and other long-term assets, and other expenses.

INCOME TAXES

	<i>(In Thousands)</i>		
	<u>1990</u>	<u>1989</u>	<u>1988</u>
Income (loss) before income taxes and extraordinary income:			
Domestic	\$ (34,900)	\$ 64,300	\$ 117,310
Foreign	<u>10,880</u>	<u>11,790</u>	<u>19,490</u>
	<u>\$ (24,020)</u>	<u>\$ 76,090</u>	<u>\$ 136,800</u>
Provision for income taxes:			
Federal, current	\$ 2,590	\$ 24,590	\$ 30,500
State and local	6,750	8,310	10,170
Foreign	9,550	10,000	9,630
Deferred, principally federal	<u>(14,240)</u>	<u>(8,290)</u>	<u>4,400</u>
Net income taxes	4,650	34,610	54,700
Tax allocated to extraordinary income	<u>4,250</u>	<u>5,130</u>	<u>—</u>
Income taxes on income (loss) before income taxes and extraordinary income	<u>\$ 400</u>	<u>\$ 29,480</u>	<u>\$ 54,700</u>
Provision for deferred income taxes by temporary difference components:			
Accelerated depreciation	\$ 5,200	\$ 7,210	\$ 2,070
Marketable securities valuation	(2,420)	(2,240)	15,220
Charges for restructuring and other costs, net	<u>(5,580)</u>	<u>(21,210)</u>	<u>—</u>
Items deductible for financial statements earlier than for tax	(4,850)	2,230	(5,680)
Alternative minimum tax	<u>(5,860)</u>	<u>—</u>	<u>—</u>
Effect of transfer to TriMas	<u>—</u>	<u>—</u>	<u>(4,880)</u>
Installment sales	<u>—</u>	<u>3,920</u>	<u>—</u>
Other, net	<u>(730)</u>	<u>1,800</u>	<u>(2,330)</u>
	<u>\$ (14,240)</u>	<u>\$ (8,290)</u>	<u>\$ 4,400</u>

(Income Taxes contd.)

The following is a reconciliation of tax computed at the U.S. federal statutory rate (34 percent in each year) to the provision for income taxes allocated to income (loss) before income taxes and extraordinary income (in thousands):

	<u>1990</u>	<u>1989</u>	<u>1988</u>
Tax (credit) at U.S. federal statutory rate	\$ (8,170)	\$ 25,870	\$ 46,510
State and local taxes, net of federal tax benefit	4,460	5,480	6,710
Higher effective foreign tax rate	5,850	6,570	5,200
Benefit of foreign losses deductible in U.S., net	(360)	(3,050)	—
Effect of transfer to TriMas	—	—	(4,880)
Equity earnings not taxed	(3,500)	(3,270)	(1,290)
Dividends-received deduction	(2,870)	(2,780)	(2,150)
Amortization in excess of tax, net	4,290	3,170	2,870
Other, net	<u>700</u>	<u>(2,510)</u>	<u>1,730</u>
Income taxes on income (loss) before income taxes and extraordinary income	<u>\$ 400</u>	<u>\$ 29,480</u>	<u>\$ 54,700</u>

Provision is made for U.S. income taxes on the undistributed earnings of foreign subsidiaries unless such earnings are considered permanently reinvested. Deferred income tax liabilities of \$63 million and \$77 million are included in deferred income taxes and other deferred credits at December 31, 1990 and 1989, respectively.

EXTRAORDINARY INCOME

During 1990 and 1989, the Company repurchased approximately \$37.1 million and \$55.9 million, respectively, of its 6% Convertible Subordinated Debentures in open-market transactions at prices less than face value. These transactions resulted in extraordinary income of \$8.2 million or \$.11 per common share and \$10.0 million or \$.12 per common share in 1990 and 1989, respectively.

INTERIM AND OTHER SUPPLEMENTAL FINANCIAL DATA (UNAUDITED)

	Quarters Ended			
	December 31st	September 30th	June 30th	March 31st
1990:				
Net sales	\$374,380	\$381,650	\$418,330	\$387,970
Gross profit	\$ 35,600	\$ 81,720	\$ 87,930	\$ 81,010
Income (loss) before extraordinary income:				
Income (loss)	\$ (35,740)	\$ 660	\$ 9,420	\$ 1,240
Per common share	\$(.51)	\$.01	\$.12	\$.02
Net income (loss):				
Income (loss)	\$ (34,650)	\$ 660	\$ 11,100	\$ 6,710
Per common share	\$(.49)	\$.01	\$.14	\$.09
Market price per common share:				
High	\$ 5 $\frac{1}{4}$	\$ 7 $\frac{3}{8}$	\$ 8 $\frac{1}{2}$	\$ 7 $\frac{3}{4}$
Low	\$ 3 $\frac{5}{8}$	\$ 4 $\frac{3}{4}$	\$ 5 $\frac{5}{8}$	\$ 6
1989:				
Net sales	\$387,400	\$390,190	\$460,200	\$448,770
Gross profit	\$ 40,580	\$ 84,230	\$109,850	\$104,600
Income (loss) before extraordinary income:				
Income (loss)	\$ (12,610)	\$ 9,720	\$ 28,480	\$ 21,020
Per common share	\$(.16)	\$.12	\$.32	\$.25
Net income (loss):				
Income (loss)	\$ (9,310)	\$ 16,410	\$ 28,480	\$ 21,020
Per common share	\$(.12)	\$.20	\$.32	\$.25
Market price per common share:				
High	\$ 7 $\frac{5}{8}$	\$ 9 $\frac{1}{8}$	\$10 $\frac{1}{4}$	\$10 $\frac{5}{8}$
Low	\$ 6 $\frac{3}{4}$	\$ 7 $\frac{1}{2}$	\$ 8 $\frac{3}{4}$	\$ 9

Amounts are in thousands except per common share amounts.

In 1990 and 1989, principally in the fourth quarters, the Company charged income approximately \$40 million (\$26 million after-tax or \$.35 per common share) and \$62 million (\$41 million after-tax or \$.51 per common share), respectively, to reflect expenses related to the discontinuance of product lines, the costs of restructuring several businesses, and the uncertain future recoverability of costs related to inventory, machinery and equipment, and tooling.

In 1990, the Company repurchased a portion of its 6% Convertible Subordinated Debentures at less than face value. These repurchases resulted in extraordinary after-tax gains of \$5.4 million, \$1.7 million and \$1.1 million (\$.07, \$.02 and \$.02 per common share) in the first, second and fourth quarters, respectively. Similar repurchases in 1989 resulted in extraordinary after-tax gains of \$6.7 million and \$3.3 million (\$.08 and \$.04 per common share), in the third and fourth quarters, respectively.

The third quarter of 1990 results include the effect of a \$16.1 million valuation allowance related to the marketable securities portfolio (\$10.6 million after-tax or \$.14 per common share).

In the fourth quarter of 1989 the Company sold Flo-Con Systems, Inc., resulting in a gain of approximately \$57 million pre-tax (\$38 million after-tax or \$.47 per common share).

The fourth quarter of 1989 results include the effects of a \$6.6 million valuation allowance and \$9.4 million of realized losses related to marketable securities (\$10.6 million after-tax or \$.13 per common share in the aggregate).

The second quarter of 1989 includes a gain from the sale of TriMas common stock of approximately \$13.6 million pre-tax (\$8 million after-tax or \$.08 per common share).

1990 and 1989 income (loss) per common share amounts for the quarters do not total to the full year amounts due to the changes in the number of shares outstanding occurring during the year and the dilutive effect of first and second quarter 1989 results. Primary earnings per common share were \$.26 and \$.35 in the first and second quarters of 1989, respectively.

(Interim and Other Supplemental Financial Data contd.)

The following supplemental unaudited financial data combine the Company with TriMas commencing October 1, 1988 (the effective date of the Company's investment in TriMas), and have been presented for analytical purposes. The Company had a voting interest in TriMas of approximately 41 percent at December 31, 1990 and 1989, and 48 percent at December 31, 1988; the interests of the other common shareholders are reflected below as a "Majority interest in TriMas." Intercompany transactions have been eliminated.

	<i>(In Thousands)</i>	
	At December 31	
	1990	1989
Current assets	\$ 793,130	\$ 883,780
Current liabilities	(254,200)	(283,060)
Working capital	538,930	600,720
Property and equipment	662,410	614,490
Excess of cost over net assets of acquired companies	607,810	565,650
Other assets	221,200	229,550
Long-term debt	(1,478,200)	(1,437,670)
Deferred income taxes and other deferred credits	(175,380)	(170,400)
Majority interest in TriMas	(20,760)	(12,960)
Equity of shareholders of Masco Industries	\$ 356,010	\$ 389,380

	<i>(In Thousands)</i>		
	For The Years Ended December 31		
	1990	1989	1988
Net sales	\$1,892,840	\$1,907,270	\$1,704,030
Operating profit	\$ 145,550	\$ 179,260	\$ 212,510
Net income (loss)	\$ (16,180)	\$ 56,600	\$ 82,100

**Coopers
& Lybrand**

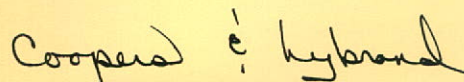
certified public accountants

To the Board of Directors
and Shareholders of Masco Industries, Inc.:

We have audited the accompanying consolidated balance sheet of Masco Industries, Inc. and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Masco Industries, Inc. and subsidiaries as of December 31, 1990 and 1989, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.



Coopers & Lybrand

Detroit, Michigan
February 15, 1991

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 assure that each is meeting its responsibilities.

CORPORATE OFFICERS AND OPERATING EXECUTIVES

Richard A. Manoogian
*Chairman of the Board
and Chief Executive Officer*

Erwin H. Billig
*President and
Chief Operating Officer*

Lee M. Gardner
President-Automotive

Alan K. Hegedus
Group President

James W. Hook
Group President

James J. Sigouin
Group President

L. Gene Stohler
*Vice President-Automotive
Marketing and Planning*

Timothy Wadhams
*Vice President-Controller
and Treasurer*

DIVISIONAL OPERATING EXECUTIVES

Louis A. Abate
Raymond R. Allen
Dean H. Anderson
Luca Belli
Benjamin C. Benjamin
Bruce R. Bisballe
Donald H. Burgess
Jerry A. Carlson
Byron W. Chitwood
David J. Cripps
Thomas B. Crossland
Tom L. Davis
Herbert Dieterle
David L. Dirkse
John Forrest
Marshall D. Gladchun
Alfred H. Grava
Joseph R. Grewe
Kenneth L. Haas
David M. Hickey
Raymon E. Hunt
Keith N. Junk
Ronald J. Klemick
Wolfgang R. Knispel
Allan H. Leech

Rodney K. Longman
James E. Lyle
George Manoogian
John C. McCurdy
John L. McLane
Louis R. Merz
J. William Mills
William P. Moore
Rex A. Ogg
Richard S. Owen
Hans-Dieter Paulsen
William R. Price
James M. Ruef
William J. Storen
John C. Straub
Robert M. Swope
Jack Teich
David M. Tenniswood
Henry J. Thiele
Robert J. Toering
Roy T. Trent
Ray K. Trentham
William T. Trice
Frank L. Warchol

EXECUTIVE OFFICES

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Taylor, Michigan 48180
(313) 274-7405

TRANSFER AGENTS AND REGISTRARS FOR COMMON STOCK

National Bank of Detroit
611 Woodward Avenue
Detroit, Michigan 48226

The Chase Manhattan
Bank, N.A.
1 New York Plaza
New York, New York 10081

MASX

Masco Industries, Inc.
Common Stock is traded over
the counter in the National
Association of Securities
Dealers' Automated Quotation
System ("NASDAQ") with the
symbol MASX.

AUDITORS

Coopers & Lybrand
400 Renaissance Center
Detroit, Michigan 48243

10-K REPORT

A copy of the Form 10-K
annual report filed with
the Securities and Exchange
Commission for the year
ended December 31, 1990 is
available at no charge to
shareholders who direct a
request in writing to:

Kenneth J. Zak
Investor Relations
Masco Industries, Inc.
21001 Van Born Road
Taylor, Michigan 48180

CORPORATE DIRECTORS



Eugene A. Gargaro, Jr.
*Director and Secretary
Partner, Dykema
Gossett
Attorneys*

Peter R. Fink
*Director
President of
Quantum
Corporation
Investment and
Management
Firm*

Erwin H. Billig
*Director
President and
Chief Operating
Officer*

Richard A. Manoogian
*Chairman of the
Board and
Chief Executive Officer
Chairman of the Board
of Masco Corporation
Chairman of the Board
of TriMas Corporation*

Richard G. Mosteller
*Director
Sr. Vice President-
Finance of Masco
Corporation*

John A. Morgan
*Director
Partner, Morgan
Lewis Githens
& Ahn
Investment
Bankers*

An abstract background featuring a large, stylized, light blue geometric shape, possibly a stylized letter 'M' or a series of overlapping planes, set against a dark blue background. The shape has a textured, almost fabric-like appearance with fine lines and shadows. The overall composition is minimalist and modern.

MASCO INDUSTRIES, INC.
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(313) 274-7405