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## Grace Reports First Quarter 2015 Results

*Adjusted EPS of \$0.82; Affirms Constant Currency Earnings and Cash Flow Outlook*

- **Adjusted EBIT of \$117.0 million up 5%, and up approximately 15% at constant currency**
- **Adjusted Free Cash Flow up 32%**
- **Grace's low cash tax rate resulted in a favorable impact to cash flow of \$19.8 million, equivalent to \$0.27 per share**
- **Plan to separate Grace into two industry-leading public companies on track**

**Columbia, MD - April 23, 2015 - W. R. Grace & Co. (NYSE: GRA)** announced first quarter net income of \$52.7 million, or \$0.72 per diluted share. Net income for the prior-year quarter was \$50.1 million, or \$0.64 per diluted share.

"We are on track to meet our 2015 goals," said Fred Festa, Grace's Chairman and Chief Executive Officer. "We achieved good earnings growth and very good cash flow growth. Our team is managing the volatility in oil prices and currencies well, and turning it into competitive advantage where we can. Catalysts Technologies delivered over 6% volume growth in specialty catalysts. Construction Products delivered double-digit growth in North America."

### First Quarter Results

First quarter net sales of \$720.6 million decreased 3.2% compared with the prior-year quarter due to unfavorable currency translation (-5.9%), partially offset by higher sales volumes (+2.1%) and improved pricing (+0.6%).

Segment Gross Margin (which excludes pension costs) of 36.8% increased 50 basis points compared with the prior-year quarter.

Adjusted EBIT of \$117.0 million increased 5.1% from the prior-year quarter, or approximately 15% at constant currency. Adjusted EBIT margin of 16.2% increased 130 basis points compared with the prior-year quarter.

Adjusted EBIT Return On Invested Capital was 32.2% on a trailing four-quarter basis, compared with 27.2% as of March 31, 2014.

### Grace Catalysts Technologies

First quarter sales for the Catalysts Technologies operating segment, which includes specialty catalysts and additives for refinery, plastics and other chemical process applications, were \$281.0 million, a decrease of 1.2% compared with the prior-year quarter due to unfavorable currency translation (-5.1%), partially offset by higher sales volumes (+3.7%) and improved pricing (+0.2%).

Sales volumes of refining catalysts and specialty catalysts increased 2.6% and 6.5% respectively, compared with the prior-year quarter driven by customer demand for new and existing products.

Segment gross margin was 38.8% compared with 39.0% in the prior-year quarter. The decline in gross margin primarily was due to unfavorable product mix and higher manufacturing costs.

Segment operating income of \$73.7 million increased 3.5%, or approximately 11% at constant currency, primarily due to higher sales volumes and higher contribution from the ART joint venture, which more than offset the unfavorable currency translation. Segment operating margin was 26.2%, an increase of 120 basis points compared with the prior-year quarter due to higher ART income and lower operating expenses. The ART joint venture contributed \$6.2 million to segment operating income compared with \$3.7 million in the prior-year quarter.

### **Grace Materials Technologies**

First quarter sales for the Materials Technologies operating segment, which includes engineered materials for consumer, industrial, coatings and pharmaceutical applications, and packaging technologies, were \$200.3 million, a decrease of 8.9% compared with the prior-year quarter due to unfavorable currency translation (-8.2%) and lower sales volumes (-1.6%), partially offset by improved pricing (+0.9%).

Segment gross margin was 35.2%, an increase of 30 basis points compared with the prior-year quarter. The increase in gross margin primarily was due to improved pricing.

Segment operating income of \$41.0 million decreased 9.9%, and increased approximately 1% at constant currency. The benefit of improved pricing was more than offset by lower sales volumes and unfavorable currency translation. Segment operating margin was 20.5%, a decrease of 20 basis points from the prior-year quarter.

### **Grace Construction Products**

First quarter sales for the Construction Products operating segment, which includes Specialty Construction Chemicals (SCC) products and Specialty Building Materials (SBM) products used in commercial, infrastructure, and residential construction, were \$239.3 million, a decrease of 0.4% compared with the prior-year quarter due to unfavorable currency translation (-4.9%), partially offset by higher sales volumes (+3.7%) and improved pricing (+0.8%).

SCC and SBM sales volumes increased 3.6% and 3.8%, respectively. Segment sales volumes increased 13.4% in North America and 5.6% in Asia Pacific.

Segment gross margin of 35.8% increased 140 basis points compared with the prior-year quarter primarily due to higher sales volumes, improved pricing, and lower costs.

Segment operating income of \$29.4 million increased 15.7%, or approximately 25% at constant currency, primarily due to higher gross profit and lower operating expenses. Segment operating margin was 12.3%, an increase of 170 basis points from the prior-year quarter.

### **Other Expenses in Adjusted EBIT**

Total corporate costs were \$20.6 million for the first quarter, a decrease of \$1.9 million primarily due to a lower cost of retiree benefits and incentive plans.

Certain pension costs of \$6.5 million decreased \$1.8 million compared with the prior-year quarter largely due to lower interest costs.

### **Restructuring and Repositioning Expenses**

Restructuring expenses were \$9.5 million for the first quarter, primarily related to work force reductions initiated in the quarter.

Repositioning expenses were \$6.9 million for the first quarter, primarily related to the company's planned separation into two independent companies.

### **Interest Expense**

Net interest expense was \$24.9 million for the first quarter compared with \$18.9 million for the prior-year quarter. The increase in net interest expense primarily was due to the \$1.0 billion debt offering in September 2014. The weighted average cash interest rate for the first quarter was 4.1%.

### **Income Taxes**

Income taxes on adjusted pre-tax income were recorded at a global effective tax rate of 34.2%. Grace generally has not had to pay U.S. federal income taxes in recent years, and does not expect to pay such taxes until 2021, due to available tax deductions and credits that fully offset its U.S. tax liability.

Income taxes paid in cash, net of refunds, were \$9.0 million during the first quarter, or approximately 11% of income before income taxes. For the quarter ended March 31, 2015, Grace's low cash tax rate resulted in a favorable impact to cash flow of \$19.8 million, equivalent to \$0.27 per share.

### **Cash Flow**

Net cash used for operating activities for the quarter ended March 31, 2015, was \$373.6 million compared with net cash used for operating activities of \$1.25 billion in the prior year. In the 2014 first quarter, Grace paid \$1.36 billion in connection with its emergence from Chapter 11. In the 2015 first quarter, Grace paid \$490 million to repurchase the warrant issued at emergence.

Adjusted Free Cash Flow was \$87.4 million for the quarter ended March 31, 2015, an increase of 32% over the prior-year quarter.

### **Share Repurchase Program**

In the first quarter, Grace spent \$55.6 million to repurchase approximately 581,000 shares of its outstanding common stock at an average price of \$95.60.

### **2015 Outlook**

As of April 23, 2015, Grace affirms its outlook for 2015 Adjusted EBIT in the range of \$675 million to \$705 million on a constant currency basis, an increase of 8% to 13% compared with 2014. The company expects 2015 Adjusted EBITDA to be in the range of \$815 million to \$845 million on a constant currency basis, an increase of 7% to 11% compared with 2014. The company expects Adjusted EPS to be in the range of \$5.05 to \$5.45 per share on a constant currency basis, an increase of 14% to 23% over 2014. Using current exchange rates, including the euro at \$1.07, we would expect a currency headwind to Adjusted EBIT of approximately \$60 million and to Adjusted EPS of approximately \$0.55 per share.

The company continues to expect 2015 Adjusted Free Cash Flow to be at least \$430 million, including a favorable impact to 2015 cash flow of approximately \$120 million, equivalent to \$1.65 per share, due to Grace's low cash tax rate compared with its expected effective tax rate.

The company is unable to make an estimate of the amount of the annual mark-to-market pension adjustment or 2015 net income.

### **Update on Separation into Two Companies**

On February 5, 2015, Grace announced its plan to separate into two independent, publicly traded companies. The company is on track to complete the separation by the first quarter of 2016.

### **Investor Call**

Grace will discuss these results during an investor conference call and webcast today starting at 11:00 a.m. ET. To access the call and webcast, interested participants should go to the Investors portion of the company's website, [www.grace.com](http://www.grace.com), and click on the webcast link.

Those without access to the Internet can participate by dialing +1 866.515.2915 (U.S.) or +1 617.399.5129 (International). The participant passcode is 72005879. Investors are advised to dial into the call at least ten minutes early in order to register.

An audio replay will be available after 3:00 p.m. ET on April 23. For one week, the replay will be accessible by dialing +1 888.286.8010 (U.S.) or +1 617.801.6888 (International) and entering the participant passcode 29688757. The webcast replay or transcript will be available for one year on the company's website.

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## About Grace

Built on talent, technology, and trust, Grace is a leading global supplier of catalysts; engineered and packaging materials; and specialty construction chemicals and building materials. The company's three industry-leading business segments—Grace Catalysts Technologies, Grace Materials Technologies, and Grace Construction Products—provide innovative products, technologies, and services that improve the products and processes of our customer partners in over 150 countries around the world. Grace employs approximately 6,500 people in over 40 countries and had 2014 net sales of \$3.2 billion. More information is available at [grace.com](http://grace.com).

*This announcement contains forward-looking statements, that is, information related to future, not past, events. Such statements generally include the words "believes," "plans," "intends," "targets," "will," "expects," "suggests," "anticipates," "outlook," "continues," or similar expressions. Forward-looking statements include, without limitation, expected financial positions; results of operations; cash flows; financing plans; business strategy; operating plans; capital and other expenditures; competitive positions; growth opportunities for existing products; benefits from new technology and cost reduction initiatives, plans and objectives; and markets for securities. For these statements, Grace claims the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act. Like other businesses, Grace is subject to risks and uncertainties that could cause its actual results to differ materially from its projections or that could cause other forward-looking statements to prove incorrect. Factors that could cause actual results to materially differ from those contained in the forward-looking statements include, without limitation: risks related to foreign operations, especially in emerging regions; the cost and availability of raw materials and energy; the effectiveness of its research and development and growth investments; acquisitions and divestitures of assets and gains and losses from dispositions; developments affecting Grace's outstanding indebtedness; developments affecting Grace's funded and unfunded pension obligations; its legal and environmental proceedings; uncertainties that may delay or negatively impact the separation transaction or cause the separation transaction to not occur at all; uncertainties related to the company's ability to realize the anticipated benefits of the separation transaction; the inability to establish or maintain certain business relationships and relationships with customers and suppliers or the inability to retain key personnel during the period leading up to and following the separation transaction; costs of compliance with environmental regulation; and those additional factors set forth in Grace's most recent Annual Report on Form 10-K, quarterly report on Form 10-Q and current reports on Form 8-K, which have been filed with the Securities and Exchange Commission and are readily available on the Internet at [www.sec.gov](http://www.sec.gov). Reported results should not be considered as an indication of future performance. Readers are cautioned not to place undue reliance on Grace's projections and forward-looking statements, which speak only as the date thereof. Grace undertakes no obligation to publicly release any revision to the projections and forward-looking statements contained in this announcement, or to update them to reflect events or circumstances occurring after the date of this announcement.*

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**W. R. Grace & Co. and Subsidiaries**  
**Consolidated Statements of Operations (unaudited)**

(In millions, except per share amounts)	Three Months Ended March 31,	
	2015	2014
Net sales	\$ 720.6	\$ 744.5
Cost of goods sold	462.3	475.3
Gross profit	258.3	269.2
Selling, general and administrative expenses	137.2	136.8
Research and development expenses	17.9	20.5
Interest expense and related financing costs	24.8	11.2
Interest accretion on deferred payment obligations	0.2	8.2
Chapter 11 expenses, net	1.6	6.1
Equity in earnings of unconsolidated affiliate	(6.2)	(3.7)
Other expense, net	1.3	10.0
Total costs and expenses	176.8	189.1
Income before income taxes	81.5	80.1
Provision for income taxes	(28.7)	(29.8)
Net income	52.8	50.3
Less: Net income attributable to noncontrolling interests	(0.1)	(0.2)
<b>Net income attributable to W. R. Grace &amp; Co. shareholders</b>	<b>\$ 52.7</b>	<b>\$ 50.1</b>
<b>Earnings Per Share Attributable to W. R. Grace &amp; Co. Shareholders</b>		
<b>Basic earnings per share:</b>		
Net income attributable to W. R. Grace & Co. shareholders	\$ 0.72	\$ 0.65
Weighted average number of basic shares	72.8	77.0
<b>Diluted earnings per share:</b>		
Net income attributable to W. R. Grace & Co. shareholders	\$ 0.72	\$ 0.64
Weighted average number of diluted shares	73.5	78.1

The Notes to the Financial Information are included as part of the Earnings Release.

**W. R. Grace & Co. and Subsidiaries**  
**Analysis of Operations (unaudited)**

(In millions, except per share amounts)	Three Months Ended March 31,		
	2015	2014	% Change
<b>Net sales:</b>			
Catalysts Technologies	\$ 281.0	\$ 284.5	(1.2)%
Materials Technologies	200.3	219.8	(8.9)%
Construction Products	239.3	240.2	(0.4)%
<b>Total Grace net sales</b>	<b>\$ 720.6</b>	<b>\$ 744.5</b>	<b>(3.2)%</b>
<b>Net sales by region:</b>			
North America	\$ 232.4	\$ 222.6	4.4 %
Europe Middle East Africa	235.2	274.9	(14.4)%
Asia Pacific	176.6	164.9	7.1 %
Latin America	76.4	82.1	(6.9)%
<b>Total net sales by region</b>	<b>\$ 720.6</b>	<b>\$ 744.5</b>	<b>(3.2)%</b>
<b>Profitability performance measures:</b>			
<b>Adjusted EBIT(A)(B):</b>			
Catalysts Technologies segment operating income	\$ 73.7	\$ 71.2	3.5 %
Materials Technologies segment operating income	41.0	45.5	(9.9)%
Construction Products segment operating income	29.4	25.4	15.7 %
Corporate costs	(20.6)	(22.5)	8.4 %
Certain pension costs(C)	(6.5)	(8.3)	21.7 %
<b>Adjusted EBIT</b>	<b>117.0</b>	<b>111.3</b>	<b>5.1 %</b>
Benefit (costs) related to Chapter 11 and asbestos, net	9.7	(15.5)	
Pension MTM adjustment and other related costs, net	(4.7)	4.8	
Restructuring expenses	(9.5)	(0.7)	
Repositioning expenses	(6.9)	—	
Income and expense items related to divested businesses	0.7	(1.1)	
Interest expense, net	(24.9)	(18.9)	(31.7)%
Provision for income taxes	(28.7)	(29.8)	3.7 %
<b>Net income attributable to W. R. Grace &amp; Co. shareholders</b>	<b>\$ 52.7</b>	<b>\$ 50.1</b>	<b>5.2 %</b>
<b>Diluted EPS (GAAP)</b>	<b>\$ 0.72</b>	<b>\$ 0.64</b>	<b>12.5 %</b>
<b>Adjusted EPS (non-GAAP)</b>	<b>\$ 0.82</b>	<b>\$ 0.77</b>	<b>6.5 %</b>

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**W. R. Grace & Co. and Subsidiaries**  
**Analysis of Operations (unaudited) (continued)**

(In millions)	Three Months Ended March 31,		
	2015	2014	% Change
<b>Profitability performance measures (A)(B)(C):</b>			
<b>Gross margin:</b>			
Catalysts Technologies	38.8 %	39.0 %	(0.2) pts
Materials Technologies	35.2 %	34.9 %	0.3 pts
Construction Products	35.8 %	34.4 %	1.4 pts
Segment Gross Margin	36.8 %	36.3 %	0.5 pts
Pension costs in cost of goods sold	(1.0)%	(0.1)%	(0.9) pts
Total Grace	35.8 %	36.2 %	(0.4) pts
<b>Adjusted profitability performance measures (A)(B)(C):</b>			
<b>Adjusted EBIT:</b>			
Catalysts Technologies	\$ 73.7	\$ 71.2	3.5 %
Materials Technologies	41.0	45.5	(9.9)%
Construction Products	29.4	25.4	15.7 %
Corporate	(27.1)	(30.8)	12.0 %
Total Grace	117.0	111.3	5.1 %
<b>Depreciation and amortization:</b>			
Catalysts Technologies	\$ 17.1	\$ 16.6	3.0 %
Materials Technologies	7.5	8.0	(6.3)%
Construction Products	7.4	7.6	(2.6)%
Corporate	1.5	1.8	(16.7)%
Total Grace	33.5	34.0	(1.5)%
<b>Adjusted EBITDA:</b>			
Catalysts Technologies	\$ 90.8	\$ 87.8	3.4 %
Materials Technologies	48.5	53.5	(9.3)%
Construction Products	36.8	33.0	11.5 %
Corporate	(25.6)	(29.0)	11.7 %
Total Grace	150.5	145.3	3.6 %
<b>Adjusted EBIT margin:</b>			
Catalysts Technologies	26.2 %	25.0 %	1.2 pts
Materials Technologies	20.5 %	20.7 %	(0.2) pts
Construction Products	12.3 %	10.6 %	1.7 pts
Total Grace	16.2 %	14.9 %	1.3 pts
<b>Adjusted EBITDA margin:</b>			
Catalysts Technologies	32.3 %	30.9 %	1.4 pts
Materials Technologies	24.2 %	24.3 %	(0.1) pts
Construction Products	15.4 %	13.7 %	1.7 pts
Total Grace	20.9 %	19.5 %	1.4 pts

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**W. R. Grace & Co. and Subsidiaries**  
**Analysis of Operations (unaudited) (continued)**

(In millions)	Three Months Ended March 31,	
	2015	2014
<b>Cash flow measure (A):</b>		
<b>Net cash used for operating activities</b>	<b>\$ (373.6)</b>	<b>\$ (1,253.3)</b>
Capital expenditures	(40.7)	(40.1)
<b>Free Cash Flow</b>	<b>(414.3)</b>	<b>(1,293.4)</b>
Cash paid for Chapter 11 and asbestos, including accounts payable	491.4	1,356.1
Cash paid for restructuring	3.1	1.9
Cash paid for repositioning	3.1	—
Cash paid for legacy items	4.1	1.8
<b>Adjusted Free Cash Flow</b>	<b>\$ 87.4</b>	<b>\$ 66.4</b>

(In millions)	Four Quarters Ended March 31,	
	2015	2014
<b>Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):</b>		
Adjusted EBIT	<b>\$ 631.9</b>	<b>\$ 545.3</b>
<b>Invested Capital:</b>		
Trade accounts receivable	447.9	504.7
Inventories	325.1	324.8
Accounts payable	(258.2)	(305.4)
	<b>514.8</b>	<b>524.1</b>
Other current assets (excluding income taxes)	74.9	89.3
Properties and equipment, net	813.1	832.7
Goodwill	443.2	455.7
Technology and other intangible assets, net	278.3	310.1
Investment in unconsolidated affiliate	106.6	99.7
Other assets (excluding capitalized financing fees)	25.8	43.3
Other current liabilities (excluding income taxes, environmental remediation related to asbestos and divested businesses, Chapter 11, restructuring, and accrued interest)	(216.0)	(257.8)
Other liabilities (excluding environmental remediation related to asbestos and divested businesses)	(80.2)	(93.6)
<b>Total invested capital</b>	<b>\$ 1,960.5</b>	<b>\$ 2,003.5</b>
<b>Adjusted EBIT Return On Invested Capital</b>	<b>32.2%</b>	<b>27.2%</b>

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**W. R. Grace & Co. and Subsidiaries**  
**Consolidated Statements of Cash Flows (unaudited)**

(In millions)	Three Months Ended March 31,	
	2015	2014
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 52.8	\$ 50.3
<b>Reconciliation to net cash used for operating activities:</b>		
Depreciation and amortization	33.5	34.0
Equity in earnings of unconsolidated affiliate	(6.2)	(3.7)
Chapter 11 expenses, net	1.6	6.1
Asbestos and bankruptcy-related charges, net	(8.7)	8.8
Cash paid for Chapter 11 and asbestos	(491.4)	(1,323.9)
Provision for income taxes	28.7	29.8
Cash paid for income taxes, net of refunds	(9.0)	(16.1)
Cash paid for interest on credit arrangements	(16.8)	(1.6)
Defined benefit pension expense	11.2	3.5
Cash paid under defined benefit pension arrangements	(4.6)	(8.8)
Cash paid for restructuring	(3.1)	(1.9)
Cash paid for repositioning	(3.1)	—
Cash paid for environmental remediation	(4.2)	(1.8)
<b>Changes in assets and liabilities, excluding effect of currency translation:</b>		
Trade accounts receivable	11.3	(21.1)
Inventories	(2.5)	(30.2)
Accounts payable	19.2	13.5
All other items, net	17.7	9.8
<b>Net cash used for operating activities</b>	<b>(373.6)</b>	<b>(1,253.3)</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(40.7)	(40.1)
Transfer from restricted cash and cash equivalents	—	395.4
Other investing activities	0.1	(2.6)
<b>Net cash (used for) provided by investing activities</b>	<b>(40.6)</b>	<b>352.7</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings under credit arrangements	265.0	979.2
Repayments under credit arrangements	(24.1)	(543.2)
Cash paid for debt financing costs	(0.4)	(23.7)
Proceeds from exercise of stock options	13.7	7.7
Cash paid for repurchases of common stock	(55.6)	(60.5)
Other financing activities	0.2	1.3
<b>Net cash provided by financing activities</b>	<b>198.8</b>	<b>360.8</b>
Effect of currency exchange rate changes on cash and cash equivalents	(15.3)	(2.1)
<b>Decrease in cash and cash equivalents</b>	<b>(230.7)</b>	<b>(541.9)</b>
Cash and cash equivalents, beginning of period	557.5	964.8
Cash and cash equivalents, end of period	<b>\$ 326.8</b>	<b>\$ 422.9</b>

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**W. R. Grace & Co. and Subsidiaries**  
**Consolidated Balance Sheets (unaudited)**

(In millions, except par value and shares)	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 326.8	\$ 557.5
Trade accounts receivable, less allowance of \$6.1 (2014—\$5.8)	447.9	481.1
Inventories	325.1	332.8
Deferred income taxes	143.7	235.4
Other current assets	82.8	84.1
<b>Total Current Assets</b>	<b>1,326.3</b>	<b>1,690.9</b>
Properties and equipment, net of accumulated depreciation and amortization of \$1,770.1 (2014—\$1,818.4)	813.1	833.5
Goodwill	443.2	452.9
Technology and other intangible assets, net	278.3	288.0
Deferred income taxes	682.7	612.0
Overfunded defined benefit pension plans	43.1	44.1
Investment in unconsolidated affiliate	106.6	113.1
Other assets	62.3	60.7
<b>Total Assets</b>	<b>\$ 3,755.6</b>	<b>\$ 4,095.2</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities Not Subject to Compromise</b>		
<b>Current Liabilities</b>		
Debt payable within one year	\$ 88.8	\$ 96.8
Accounts payable	258.2	255.3
PI warrant liability	—	490.0
Other current liabilities	303.4	340.0
<b>Total Current Liabilities</b>	<b>650.4</b>	<b>1,182.1</b>
Debt payable after one year	2,143.8	1,919.0
Deferred income taxes	17.8	19.3
Income tax contingencies	23.1	24.0
Underfunded and unfunded defined benefit pension plans	428.9	457.5
Other liabilities	123.4	124.3
<b>Total Liabilities</b>	<b>3,387.4</b>	<b>3,726.2</b>
<b>Equity</b>		
Common stock issued, par value \$0.01; 300,000,000 shares authorized; outstanding: 72,766,606 (2014—72,922,565)	0.7	0.7
Paid-in capital	498.5	526.1
Retained earnings	344.8	292.1
Treasury stock, at cost: shares: 4,680,641 (2014—4,524,688)	(442.2)	(429.2)
Accumulated other comprehensive loss	(36.9)	(23.8)
<b>Total W. R. Grace &amp; Co. Shareholders' Equity</b>	<b>364.9</b>	<b>365.9</b>
Noncontrolling interests	3.3	3.1
<b>Total Equity</b>	<b>368.2</b>	<b>369.0</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,755.6</b>	<b>\$ 4,095.2</b>

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**W. R. Grace & Co. and Subsidiaries**  
**Adjusted Earnings Per Share (unaudited)**

Three Months Ended March 31,

(In millions, except per share amounts)	2015				2014			
	Pre-Tax	Tax Effect	After-Tax	Per Share	Pre-Tax	Tax Effect	After-Tax	Per Share
Diluted Earnings Per Share (GAAP)				\$ 0.72				\$ 0.64
Benefit (costs) related to Chapter 11 and asbestos, net	\$ (9.7)	\$ (3.6)	\$ (6.1)	(0.08)	\$ 15.5	\$ 5.8	\$ 9.7	0.12
Pension MTM adjustment and other related costs, net	4.7	1.7	3.0	0.04	(4.8)	(1.8)	(3.0)	(0.04)
Restructuring expenses	9.5	3.3	6.2	0.08	0.7	0.2	0.5	0.01
Repositioning expenses	6.9	1.6	5.3	0.07	—	—	—	—
Income and expense items related to divested businesses	(0.7)	(0.3)	(0.4)	(0.01)	1.1	0.4	0.7	0.01
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		(0.3)	0.3	—		(2.0)	2.0	0.03
Adjusted EPS (non-GAAP)				<u>\$ 0.82</u>				<u>\$ 0.77</u>
<u>Certain items included in Adjusted EPS:</u>								
Interest accretion on deferred payment obligations				\$ —				\$ 0.07
Differential between effective tax rate and cash tax rate				0.27				0.37
Total				<u>\$ 0.27</u>				<u>\$ 0.44</u>

The Notes to the Financial Information are included as part of the Earnings Release.

**W. R. Grace & Co. and Subsidiaries**  
**Notes to the Financial Information**

**(A):** In the above charts, Grace presents its results of operations by operating segment and for adjusted operations. Adjusted EBIT means net income adjusted for: interest income and expense; income taxes; costs related to Chapter 11 and asbestos; restructuring and repositioning expenses and related asset impairments; pension costs other than service and interest costs, expected returns on plan assets, and amortization of prior service costs/credits; income and expense items related to divested businesses, product lines, and certain other investments; gains and losses on sales of businesses, product lines, and certain other investments; and certain other unusual or infrequent items that are not representative of underlying trends. Adjusted EBITDA means Adjusted EBIT adjusted for depreciation and amortization. Grace uses Adjusted EBIT as a performance measure in significant business decisions. Adjusted Free Cash Flow means net cash provided by or used for operating activities minus capital expenditures plus cash flows related to Chapter 11 and asbestos, cash paid for restructuring and repositioning, accelerated payments under defined benefit pension arrangements, and expenditures for legacy items. Grace uses Adjusted Free Cash Flow as a liquidity measure to evaluate its ability to generate cash to support its ongoing business operations, to invest in its businesses, and to provide a return of capital to shareholders. Adjusted EPS means Diluted EPS adjusted for costs related to Chapter 11 and asbestos; restructuring and repositioning expenses and related asset impairments; pension costs other than service and interest costs, expected returns on plan assets, and amortization of prior service costs/credits; income and expense items related to divested businesses, product lines, and certain other investments; gains and losses on sales of businesses, product lines, and certain other investments; certain other unusual or infrequent items that are not representative of underlying trends; and certain discrete tax items. Adjusted EBIT Return On Invested Capital means Adjusted EBIT divided by the sum of net working capital, properties and equipment and certain other assets and liabilities. Segment Gross Margin means gross margin adjusted for pension-related costs included in cost of goods sold. Adjusted EBIT, Adjusted EBITDA, Adjusted Free Cash Flow, Adjusted EPS, Adjusted EBIT Return On Invested Capital, and Segment Gross Margin do not purport to represent income or liquidity measures as defined under United States generally accepted accounting principles, and should not be considered as alternatives to such measures as an indicator of Grace's performance. These measures are provided to distinguish the operating results of Grace's current business base from the costs of Grace's Chapter 11 proceedings, asbestos liabilities, restructuring and repositioning activities, and divested businesses.

**(B):** Grace's segment operating income includes only Grace's share of income from consolidated and unconsolidated joint ventures.

**(C):** Certain pension costs include only ongoing costs recognized quarterly, which include service and interest costs, expected returns on plan assets, and amortization of prior service costs/credits. Catalysts Technologies, Materials Technologies, and Construction Products segment operating income and corporate costs do not include any amounts for pension expense. Other pension related costs including annual mark-to-market adjustments and actuarial gains and losses are excluded from Adjusted EBIT. These amounts are not used by management to evaluate the performance of Grace's businesses and significantly affect the peer-to-peer and period-to-period comparability of our financial results. Mark-to-market adjustments and actuarial gains and losses relate primarily to changes in financial market values and actuarial assumptions and are not directly related to the operation of Grace's businesses.

**NM** - Not Meaningful