



W. R. Grace & Co.

**Second Quarter 2015
Business Update**

Investor Presentation
July 29, 2015

GRACE

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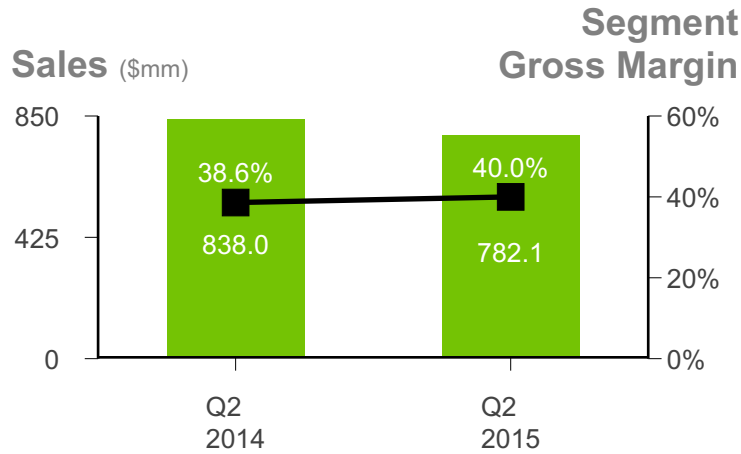
Non-GAAP Financial Terms

These slides contain certain “non-GAAP financial terms” which are defined in the Appendix. Reconciliations of non-GAAP terms to the closest GAAP term (i.e., net income) are provided in the Appendix.

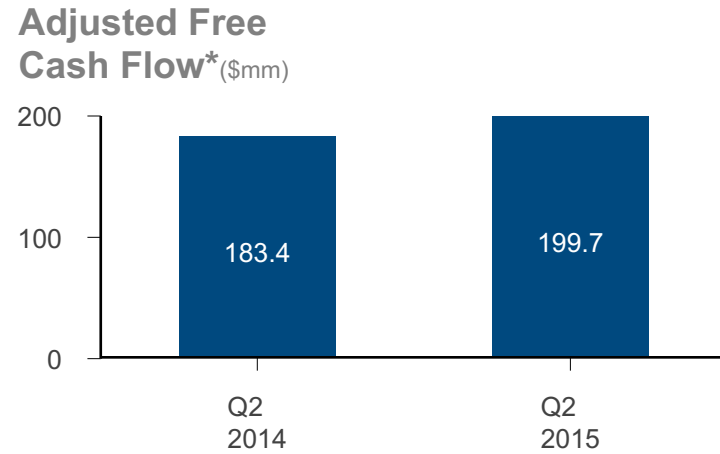
Q2 2015 Highlights

- **Sales up 1 percent constant currency**
 - Strong performance in Construction Products with sales up 7.4% constant currency
 - Q2 FX unfavorable impact to sales of ~\$65 mm
- **Adjusted EBIT, up 5 percent constant currency**
 - Segment gross margin +140 bps, operating margins +20 bps
 - Construction Products segment operating income up 19.8%
- **Adjusted Free Cash Flow of \$200 mm YTD, up 9%**
 - Net working capital days improved over 5 days since YE14
 - Strong cash generation despite FX headwinds
- **Full Year 2015 constant currency outlook tightened**
 - Adjusted EBIT of \$675 mm - \$685 mm, an increase of 8% - 9% constant currency
 - Adjusted EPS of \$5.15 - \$5.25 per share, an increase of 16% - 19% constant currency
 - Estimated FX headwind to Adjusted EBIT of approximately \$60 mm and Adjusted EPS of approximately \$0.55 per share
 - Continue to expect Adjusted Free Cash Flow to be at least \$430 mm
- **Separation transaction is on track**

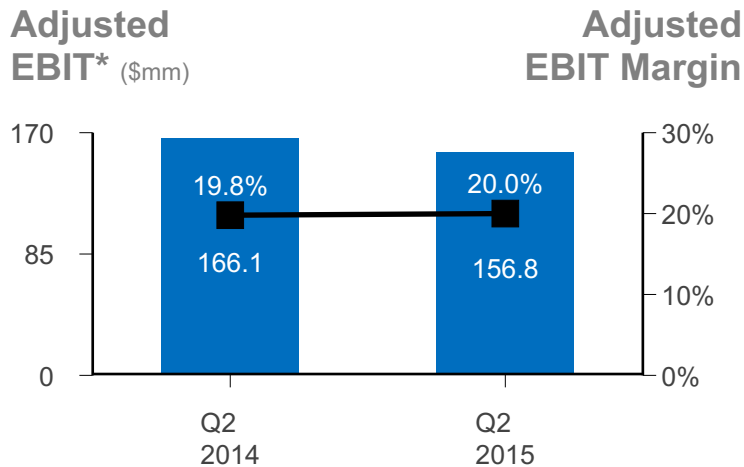
Q2 2015 Financial Performance



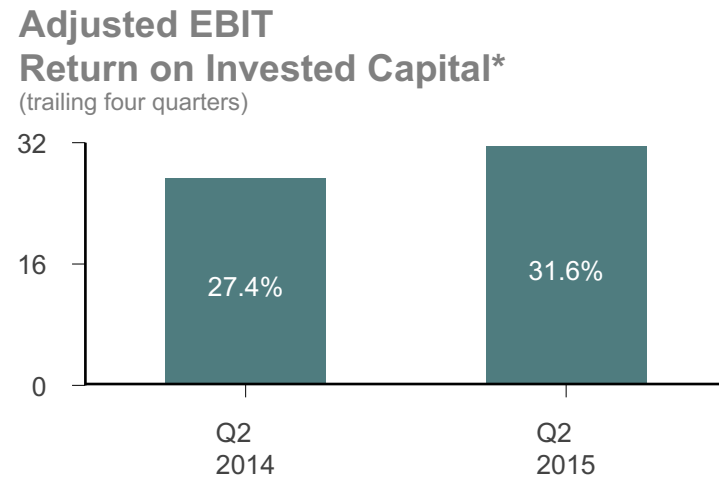
Segment gross margin up 140 bps



Cash Flow up 9% YoY



Margin up 20 bps



ROIC up 420 bps

Grace Business Results* – Q2 2015

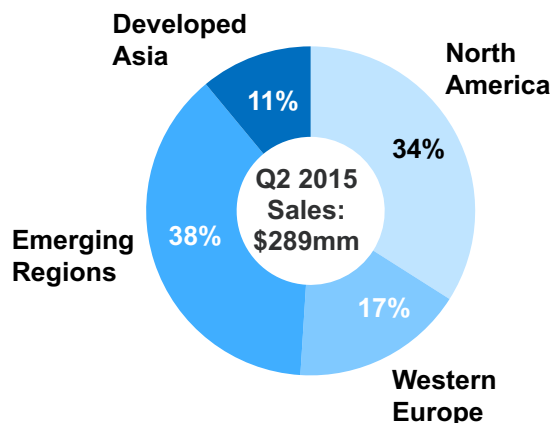
(in millions of dollars except EPS)	Q2 2014	Q2 2015	Y/Y Change	Q1 2015	Q/Q Change
Net Sales	838.0	782.1	(6.7)%	720.6	8.5%
Segment Gross Margin	38.6%	40.0%	140 bps	36.8%	320 bps
Adjusted EBIT	166.1	156.8	(5.6)%	117.0	34.0%
Adjusted EBIT Margin	19.8%	20.0%	20 bps	16.2%	380 bps
Adjusted EBITDA Margin	23.9%	24.3%	40 bps	20.9%	340 bps
Adjusted EBIT ROIC	27.4%	31.6%	420 bps	32.2%	(60) bps
Diluted EPS	1.77	0.78	(55.9)%	0.72	8.3%
Adjusted EPS	1.22	1.19	(2.5)%	0.82	45.1%

Strong Margins; Good Sequential Improvement

Catalysts Technologies – Q2 2015 Results

- Significant progress positioning FCC for the future
 - Secured strategic commercial positions in growth regions
 - Optimizing business base for 2016 and beyond
- Strong Specialty Catalysts sales
 - Good polyolefin utilization rates in NA and Western Europe
- Investment in the energy sector has slowed, effecting timing of new licenses and some ART first fills

(in millions of dollars)	Q2 2014	Q2 2015	Q1 2015	Y/Y Change	Q/Q Change
Sales	313.2	289.3	281.0	(7.6)%	3.0%
Segment Gross Margin	43.6%	43.3%	38.8%	(30) bps	450 bps
Operating Income	97.5	86.6	73.7	(11.2)%	17.5%
Operating Margin	31.1%	29.9%	26.2%	(120) bps	370 bps



Factors Impacting Sales

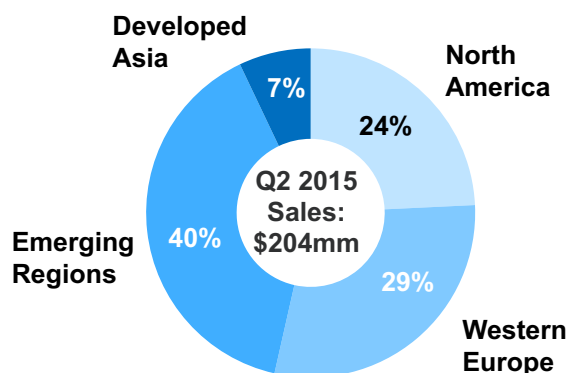
Y/Y Change	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Volume (A)	8.6%	22.0%	11.4%	3.7%	(1.5)%
Price	(2.6)%	(2.0)%	0.4%	0.2%	(0.1)%
Currency	1.7%	0.3%	(2.6)%	(5.1)%	(6.0)%
Total	7.7%	20.3%	9.2%	(1.2)%	(7.6)%

Note (A): 2Q15 Volume includes catalyst sales volume (0.3%) and licensing sales volume (1.2%)

Materials Technologies – Q2 2015 Results

- Segment gross margin up 220 bps YoY and 200 bps QoQ
- Sales volumes down, with North America strong, Europe unchanged, China slowing, LATAM challenging
- YTD cash flow up 10%

(in millions of dollars)	Q2 2014	Q2 2015	Q1 2015	Y/Y Change	Q/Q Change
Sales	236.1	204.2	200.3	(13.5)%	1.9%
<i>Segment Gross Margin</i>	35.0%	37.2%	35.2%	220 bps	200 bps
Operating Income	49.7	45.7	41.0	(8.0)%	11.5%
<i>Operating Margin</i>	21.1%	22.4%	20.5%	130 bps	190 bps



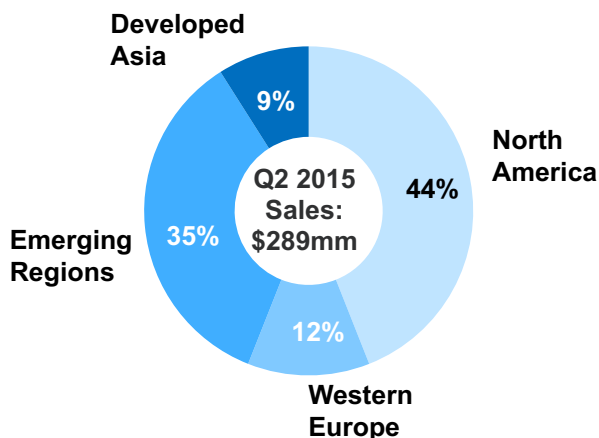
Factors Impacting Sales

Y/Y Change	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Volume	1.3%	3.1%	(1.4)%	(1.6)%	(3.6)%
Price	0.8%	0.8%	1.3%	0.9%	0.8%
Currency	1.1%	0.2%	(4.2)%	(8.2)%	(10.7)%
Total	3.2%	4.1%	(4.3)%	(8.9)%	(13.5)%

Construction Products – Q2 2015 Results

- Sales volumes up 6% YoY
 - Sales volumes up double digits in North America, emerging Asia, and the Middle East
- Segment gross margin up 240 bps YoY and 280 bps QoQ
- Full year segment operating margins remain on track for mid-cycle goal of 16-18%

(in millions of dollars)	Q2 2014	Q2 2015	Q1 2015	Y/Y Change	Q/Q Change
Sales	288.7	288.6	239.3	NA	20.6%
Segment Gross Margin	36.2%	38.6%	35.8%	240 bps	280 bps
Operating Income	45.0	53.9	29.4	19.8%	83.3%
Operating Margin	15.6%	18.7%	12.3%	310 bps	640 bps



Factors Impacting Sales

Y/Y Change	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Volume	1.4%	4.5%	4.2%	3.7%	5.6%
Price	2.4%	2.9%	2.7%	0.8%	1.8%
Currency	(1.9)%	NA	(3.3)%	(4.9)%	(7.4)%
Total	1.9%	7.4%	3.6%	(0.4)%	NA

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Appendix: Definitions and Reconciliations of Non-GAAP Measures

Non-GAAP Financial Terms

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.

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 Earnings Per Share (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 (on a trailing four quarters basis) 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.

We use Adjusted EBIT as a performance measure in significant business decisions and in determining certain incentive compensation. We use Adjusted EBIT as a performance measure because it provides improved period-to-period comparability for decision making and compensation purposes, and because it better measures the ongoing earnings results of our strategic and operating decisions by excluding the earnings effects of our Chapter 11 proceedings, asbestos liabilities, restructuring activities, and divested businesses.

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 measures as defined under U.S. GAAP, and should not be used as alternatives to such measures as an indicator of our performance. These measures are provided to investors and others to improve the period-to-period comparability and peer-to-peer comparability of our financial results, and to ensure that investors understand the information we use to evaluate the performance of our businesses. We have provided in the following tables a reconciliation of these non-GAAP measures to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP.

Adjusted EBIT has material limitations as an operating performance measure because it excludes Chapter 11- and asbestos-related costs and may exclude income and expenses from restructuring activities and divested businesses, which historically have been material components of our net income. Adjusted EBITDA also has material limitations as an operating performance measure because it excludes the impact of depreciation and amortization expense. Our business is substantially dependent on the successful deployment of capital, and depreciation and amortization expense is a necessary element of our costs. We compensate for the limitations of these measurements by using these indicators together with net income as measured under U.S. GAAP to present a complete analysis of our results of operations. Adjusted EBIT and Adjusted EBITDA should be evaluated together with net income measured under U.S. GAAP for a complete understanding of our results of operations.

Appendix: Reconciliation of Non-GAAP Financial Measures (continued)

<u>Adjusted EBIT by Operating Segment:</u>	<u>2014</u>	<u>Q1 2014</u>	<u>Q2 2014</u>	<u>Q3 2014</u>	<u>Q4 2014</u>	<u>Q1 2015</u>	<u>Q2 2015</u>
Catalysts Technologies segment operating income	378.3	71.2	97.5	100.9	108.7	73.7	86.6
Materials Technologies segment operating income	185.2	45.5	49.7	48.7	41.3	41.0	45.7
Construction Products segment operating income	161.7	25.4	45.0	48.9	42.4	29.4	53.9
Corporate costs	(90.6)	(22.5)	(22.8)	(23.8)	(21.5)	(20.6)	(23.1)
Gain on termination of postretirement plans related to current businesses	23.6	—	4.7	14.2	4.7	—	—
Certain pension costs	(32.0)	(8.3)	(8.0)	(8.0)	(7.7)	(6.5)	(6.3)
Adjusted EBIT	626.2	111.3	166.1	180.9	167.9	117.0	156.8
(Costs) benefit related to Chapter 11 and asbestos, net	(26.3)	(15.5)	(1.5)	(4.7)	(4.6)	9.7	(2.7)
Pension MTM adjustment and other related costs, net	(128.3)	4.8	—	—	(133.1)	(4.7)	—
Gain on termination of postretirement plans related to divested businesses	15.9	—	3.2	9.5	3.2	—	—
Restructuring expenses and asset impairments	(22.4)	(0.7)	(11.7)	(5.4)	(4.6)	(9.5)	(4.4)
Repositioning expenses	—	—	—	—	—	(6.9)	(13.4)
Gain on sale of product line	0.2	—	0.2	—	—	—	—
Income and expense items related to divested businesses	(5.2)	(1.1)	(3.6)	(2.1)	1.6	0.7	(0.4)
Interest expense, net	(125.8)	(18.9)	(24.2)	(58.1)	(24.6)	(24.9)	(24.9)
Currency and other financial losses in Venezuela	(1.0)	—	—	(1.0)	—	—	—
Provision for income taxes	(57.0)	(29.8)	7.7	(44.6)	9.7	(28.7)	(53.6)
Net income attributable to W. R. Grace & Co. shareholders	276.3	50.1	136.2	74.5	15.5	52.7	57.4

Appendix: Reconciliation of Non-GAAP Financial Measures (continued)

Adjusted Free Cash Flow:

Net cash used for operating activities

Capital expenditures

Free Cash Flow

Cash paid for Chapter 11 and asbestos, including accounts payable

Cash paid to settle deferred payment obligation

Cash paid for restructuring

Cash paid for repositioning

Capital expenditures related to repositioning

Accelerated defined benefit pension plan contributions

Cash paid for legacy items

Adjusted Free Cash Flow

Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):

Adjusted EBIT

Invested Capital:

Trade accounts receivable

Inventories

Accounts payable

Other current assets (excluding income taxes)

Properties and equipment, net

Goodwill

Technology and other intangible assets, net

Investment in unconsolidated affiliate

Other assets (excluding capitalized financing fees)

Other current liabilities (excluding income taxes, environmental remediation related to asbestos and divested businesses, Chapter 11, restructuring, and accrued interest)

Other liabilities (excluding environmental remediation related to asbestos and divested businesses)

Total invested capital

Adjusted EBIT Return On Invested Capital

	2013	2014	Q2 2014	Q2 2015
Adjusted Free Cash Flow:				
Net cash used for operating activities	515.9	(1,472.1)	(1,186.3)	(244.1)
Capital expenditures	(156.2)	(169.8)	(81.5)	(73.9)
Free Cash Flow	359.7	(1,641.9)	(1,267.8)	(318.0)
Cash paid for Chapter 11 and asbestos, including accounts payable	15.0	1,380.3	1,368.7	492.8
Cash paid to settle deferred payment obligation	—	632.0	—	—
Cash paid for restructuring	6.4	7.9	3.4	8.5
Cash paid for repositioning	—	—	—	10.1
Capital expenditures related to repositioning	—	—	—	0.8
Accelerated defined benefit pension plan contributions	50.0	75.0	75.0	—
Cash paid for legacy items	5.0	6.8	4.1	5.5
Adjusted Free Cash Flow	436.1	460.1	183.4	199.7
Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):				
Adjusted EBIT	550.8	626.2	558.1	622.6
Invested Capital:				
Trade accounts receivable	481.8	481.1	539.9	480.9
Inventories	295.3	332.8	334.6	322.8
Accounts payable	(262.5)	(255.3)	(311.5)	(273.0)
	514.6	558.6	563.0	530.7
Other current assets (excluding income taxes)	81.2	76.9	79.9	80.7
Properties and equipment, net	829.9	833.5	835.2	825.4
Goodwill	457.5	452.9	467.7	444.8
Technology and other intangible assets, net	315.5	288.0	305.2	273.6
Investment in unconsolidated affiliate	96.2	113.1	102.7	108.7
Other assets (excluding capitalized financing fees)	40.0	23.0	41.4	25.2
Other current liabilities (excluding income taxes, environmental remediation related to asbestos and divested businesses, Chapter 11, restructuring, and accrued interest)	(248.0)	(256.7)	(258.8)	(244.2)
Other liabilities (excluding environmental remediation related to asbestos and divested businesses)	(72.7)	(81.8)	(101.6)	(75.4)
Total invested capital	2,014.2	2,007.5	2,034.7	1,969.5
Adjusted EBIT Return On Invested Capital	27.3%	31.2%	27.4%	31.6%

Appendix: Reconciliation of Non-GAAP Financial Measures (continued)

(In millions, except per share amounts)	Three Months Ended June 30,							
	2015				2014			
	Pre-Tax	Tax Effect	After-Tax	Per Share	Pre-Tax	Tax Effect	After-Tax	Per Share
Diluted Earnings Per Share (GAAP)				\$ 0.78				\$ 1.77
(Costs) benefit related to Chapter 11 and asbestos, net	\$ 2.7	\$ 1.0	\$ 1.7	0.02	\$ 1.5	\$ 0.4	\$ 1.1	0.01
Gain on termination of postretirement plans related to divested businesses	—	—	—	—	(3.2)	(1.1)	(2.1)	(0.03)
Restructuring expenses and asset impairments	4.4	1.1	3.3	0.05	11.7	2.5	9.2	0.12
Repositioning expenses	13.4	0.5	12.9	0.18	—	—	—	—
Gain on sale of product line	—	—	—	—	(0.2)	(0.1)	(0.1)	—
Income and expense items related to divested businesses	0.4	0.2	0.2	—	3.6	0.7	2.9	0.04
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		(11.9)	11.9	0.16		53.2	(53.2)	(0.69)
Adjusted EPS (non-GAAP)				<u>\$ 1.19</u>				<u>\$ 1.22</u>
Certain items included in Adjusted EPS:								
Interest accretion on deferred payment obligations				\$ —				\$ 0.12
Gain on termination of postretirement plans related to current businesses				\$ —				\$ (0.04)
Differential between effective tax rate and cash tax rate				0.32				0.54
Total				<u>\$ 0.32</u>				<u>\$ 0.62</u>

(In millions, except per share amounts)	Six Months Ended June 30,							
	2015				2014			
	Pre-Tax	Tax Effect	After-Tax	Per Share	Pre-Tax	Tax Effect	After-Tax	Per Share
Diluted Earnings Per Share (GAAP)				\$ 1.50				\$ 2.40
(Costs) benefit related to Chapter 11 and asbestos, net	\$ (7.0)	\$ (2.6)	\$ (4.4)	(0.06)	\$ 17.0	\$ 5.5	\$ 11.5	0.15
Pension MTM adjustment and other related costs, net	4.7	1.7	3.0	0.04	(4.8)	(1.8)	(3.0)	(0.04)
Gain on termination of postretirement plans related to divested businesses	—	—	—	—	(3.2)	(1.1)	(2.1)	(0.03)
Restructuring expenses and asset impairments	13.9	4.7	9.2	0.13	12.4	2.7	9.7	0.13
Repositioning expenses	20.3	3.8	16.5	0.23	—	—	—	—
Gain on sale of product line	—	—	—	—	(0.2)	(0.1)	(0.1)	—
Income and expense items related to divested businesses	(0.3)	(0.1)	(0.2)	—	4.7	1.5	3.2	0.04
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		(12.2)	12.2	0.17		51.2	(51.2)	(0.66)
Adjusted EPS (non-GAAP)				<u>\$ 2.01</u>				<u>\$ 1.99</u>
Certain items included in Adjusted EPS:								
Interest accretion on deferred payment obligations				\$ —				\$ 0.18
Gain on termination of postretirement plans related to current businesses				—				(0.04)
Differential between effective tax rate and cash tax rate				0.55				0.91
Total				<u>\$ 0.55</u>				<u>\$ 1.05</u>