

W. R. Grace & Co.

Third Quarter 2011
Business Update

October 25, 2011

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Enriching Lives, *Everywhere*.[®]

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This presentation contains forward-looking statements, that is, statements 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, all statements regarding Grace’s Chapter 11 case; expected financial positions; results of operations; cash flows; financing plans; business strategy; budgets; 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 the Private Securities Litigation Reform Act of 1995. 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: developments affecting Grace’s bankruptcy, proposed plan of reorganization and settlements with certain creditors, the cost and availability of raw materials (including rare earth) and energy, developments affecting Grace’s underfunded and unfunded pension obligations, risks related to foreign operations, especially in emerging regions, acquisitions and divestitures of assets and gains and losses from dispositions or impairments, the effectiveness of its research and development and growth investments, its legal and environmental proceedings, costs of compliance with environmental regulation and those 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. 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 of the date thereof. Grace undertakes no obligation to publicly release any revisions to the forward-looking statements contained in this presentation, or to update them to reflect events or circumstances occurring after the date of this presentation.

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.

Key Messages

Continued execution toward long-term performance objectives

- Sales up 27%
- Gross profit rose 29%, gross margin increased to 36.5%
- Adjusted EBIT up 55%, Adjusted EBIT margin increased to 16.4%
- Adjusted EBIT Return on Invested Capital of 34.2%

Key Messages

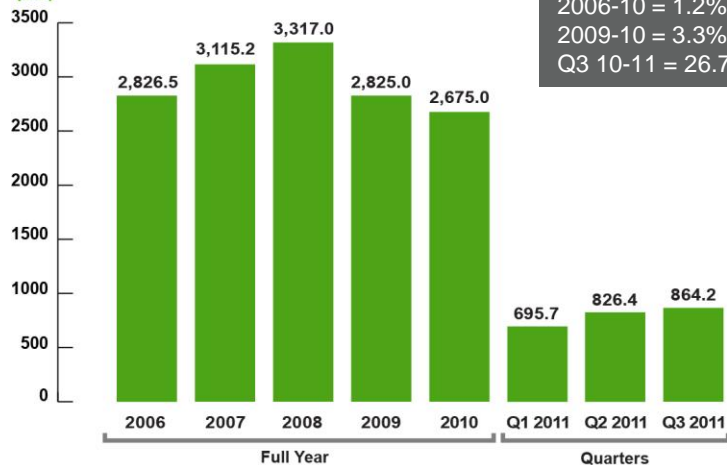
- Results reflect our high value products and our ability to respond to marketplace challenges
- Consistent customer focus, agility, and disciplined execution key to performance in an uncertain economic environment

*Definitions of non-GAAP financial terms and reconciliations to the closest GAAP term are provided in the Appendix.

Financial Performance Record

Grace Sales

(\$M)

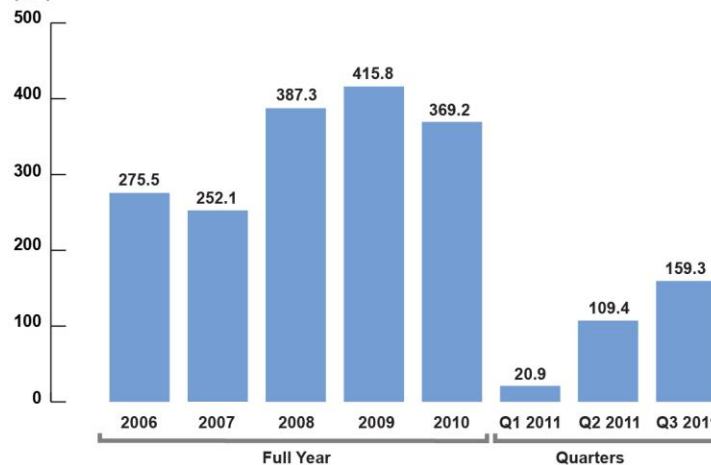


CAGR ex ART

2006-10 = 1.2%
2009-10 = 3.3%
Q3 10-11 = 26.7%

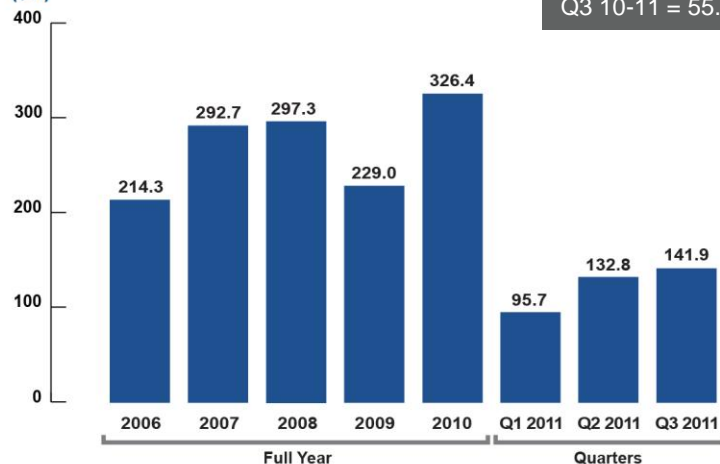
Adjusted Operating Cash Flow*

(\$M)



Grace Adjusted EBIT*

(\$M)

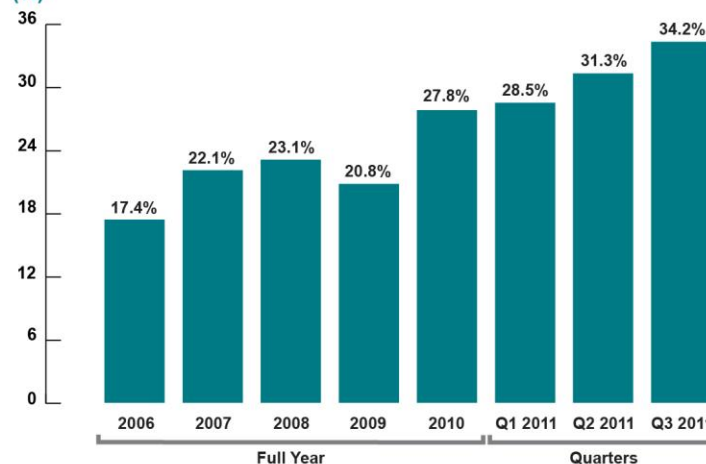


CAGR

2006-10 = 11.1%
2009-10 = 42.5%
Q3 10-11 = 55.3%

Grace Adjusted EBIT Return On Invested Capital*

(%)



Grace Consolidated Business Results

\$MM	Q3 2011	Q3 2010	Y-over-Y Change	Q2 2011	Q-over-Q change
Net Sales	\$864.2	\$682.1	26.7%	\$826.4	4.6%
Gross Profit	\$315.5	\$245.5	28.5%	\$303.9	3.8%
Gross Margin	36.5%	36.0%	50 bps	36.8%	(30 bps)
Adjusted EBIT	\$141.9	\$91.4	55.3%	\$132.8	6.9%
Adjusted EBIT Margin	16.4%	13.4%	300 bps	16.1%	30 bps
Adjusted EBITDA Margin	20.0%	17.4%	260 bps	19.7%	30 bps
Adjusted Operating Cash Flow	\$159.3	\$99.7	59.8%	\$109.4	45.6%
Adjusted EBIT ROIC	34.2%	25.9%	830 bps	31.3%	290 bps
GAAP EPS	\$1.07	\$0.74	44.6%	\$1.00	7.0%
Adjusted EPS	\$1.16	\$0.76	52.6%	\$1.11	4.5%

*Definitions of non-GAAP financial terms and reconciliations to the closest GAAP term are provided in the Appendix.

Grace Davison Business Results

\$MM	Q3 2011	Q3 2010	Y-over-Y Change	Q2 2011	Q-over-Q Change
Net Sales	\$591.2	\$458.3	29.0%	\$568.6	4.0%
Refining Technologies	\$300.8	\$189.6	58.6%	\$267.8	12.3%
Materials Technologies	\$184.3	\$171.5	7.5%	\$190.8	(3.4%)
Specialty Technologies	\$106.1	\$97.2	9.2%	\$110.0	(3.6%)
Gross Profit	\$222.4	\$166.2	33.8%	\$216.6	2.7%
Gross Margin	37.6%	36.3%	130 bps	38.1%	(50) bps
Segment Operating Income	\$153.6	\$103.3	48.7%	\$145.7	5.4%
Segment Operating Income Margin	26.0%	22.5%	350 bps	25.6%	40 bps



*Definitions of non-GAAP financial terms and reconciliations to the closest GAAP term are provided in the Appendix.

Grace Davison Business Results continued...

Refining Technologies

Recent Trends	Volumes	
	Prices	
	Operating Margins	

- Lower customer demand in Europe and certain emerging regions
- Pricing includes rare earth surcharges and increased base pricing
- Almost 70% of customers using new catalysts with lower rare earth content

Materials Technologies

Recent Trends	Volumes	
	Prices	
	Operating Margins	

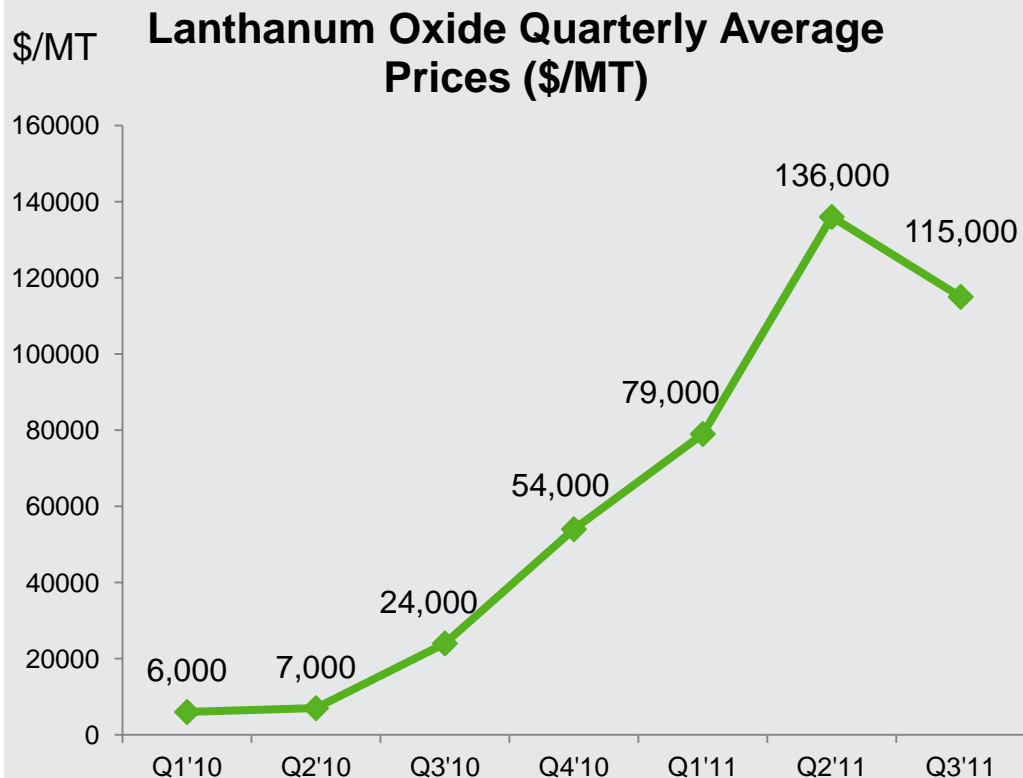
- Volumes reduced in lower margin packaging products
- Capacity expansion in Latin America is online, and Asia expansion is on track for December start up
- Q3 pricing is covering raw materials cost inflation

Specialty Technologies

Recent Trends	Volumes	
	Prices	
	Operating Margins	

- Sales up 9% in Q3; Sales of our polypropylene catalysts up 11%, roughly 2x industry average
- Capacity investments in Worms, Germany and Albany, Oregon add capacity for 2012 growth
- Operating margins flat year over year, up sequentially on better product mix and lower manufacturing costs

Rare Earth Prices Remain Elevated



Source: Asian Metal Index
www.asianmetal.com

- Asian Metal Index (AMI) price peaked at \$140,000/MT in July 2011.
- AMI price ended Q3 2011: \$88,000/MT.
- AMI price on October 21 2011: \$60,000 \$/MT

Grace Construction Products Business Results

\$MM	Q3 2011	Q3 2010	Y-over-Y Change	Q2 2011	Q-over-Q Change
Net Sales	\$273.0	\$223.8	22.0%	\$257.8	5.9%
Americas	\$140.3	\$113.0	24.2%	\$129.9	8.0%
Europe	\$80.8	\$69.2	16.8%	\$78.5	2.9%
Asia Pacific	\$51.9	\$41.6	24.8%	\$49.4	5.1%
Gross Profit	\$94.1	\$79.9	17.8%	87.9	7.1%
Gross Margin	34.5%	35.7%	(120) bps	34.1%	40 bps
Segment Operating Income	\$30.2	\$28.3	6.7%	\$29.6	2.0%
Segment Operating Income Margin	11.1%	12.6%	(150) bps	11.5%	(40) bps



- Sales volumes up 13.1%; pricing up 3.1%
- Emerging regions sales up 25.4%
- 3rd consecutive quarter of gross profit margin expansion

*Definitions of non-GAAP financial terms and reconciliations to the closest GAAP term are provided in the Appendix.

Full Year Financial Outlook as of October 25, 2011

	As of October 25	As of July 26	As of February 10
Sales	\$3.18 - \$3.20 B	\$3.25 - \$3.30 B	\$2.85 - \$2.95 B
Gross profit percentage	35% - 37%	35% – 37%	Mid 30s
Adjusted EBIT	\$465 - \$480 MM	\$465 - \$480 MM	\$365 - \$385 MM
Adjusted EBITDA	\$585 - \$600 MM	\$585 - \$600 MM	\$485 - \$505 MM

Key Assumptions / Risk Assessment

- Sales outlook lower due to, lower rare earth surcharges, lower volumes, and less favorable currency translation
- Confident in our ability to respond to changes in our operating environment

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Appendix

Appendix

Non-GAAP Financial Terms

Adjusted EBIT (Earnings Before Interest and Taxes) is net income adjusted for interest income and expense, income taxes, Chapter 11- and asbestos-related costs, net, restructuring expenses and related asset impairments and gains and losses on sales of product lines and other investments.

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is Adjusted EBIT plus depreciation and amortization expenses.

Segment Operating Income is Adjusted EBIT adjusted for defined benefit pension expense and corporate costs.

Adjusted Operating Cash Flow is Adjusted EBITDA plus pension expense plus or minus the change in net working capital and specified other assets and liabilities minus capital expenditures. Adjusted Operating Cash Flow excludes the cash flow effects of income taxes, defined benefit pension arrangements, Chapter 11- and asbestos-related costs and any restructuring or divestment activities.

Adjusted EBIT Return on Invested Capital is Adjusted EBIT divided by the sum of net working capital, properties and equipment and certain other assets and liabilities.

Appendix

Adjusted EBIT, Adjusted EBITDA, Adjusted EPS, Segment Operating Income, Adjusted Operating Cash Flow and Adjusted EBIT Return on Invested Capital do not purport to represent income or cash flow measures as defined under U.S. generally accepted accounting principles (GAAP), and should not be used as alternatives to such measures as an indicator of Grace's performance. These measures are provided to investors and others to improve the period-to-period comparability and peer-to-peer comparability of Grace's financial results, and to ensure that investors understand the information we use to evaluate the performance of our businesses.

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 and divestment activities, which historically have been material components of Grace's net income. Adjusted EBITDA also has material limitations as an operating performance measure since it excludes the impact of depreciation and amortization expense. Grace's business is substantially dependent on the successful deployment of capital, and depreciation and amortization expense is a necessary element of Grace's costs. Adjusted Operating Cash Flow also has material limitations as an operating performance measure because it excludes the cash flow effects of income taxes, defined benefit pension arrangements, Chapter 11- and asbestos-related costs and any restructuring or divestment activities, which historically have been material components of Grace's cash flow. Grace compensates for the limitations of these measurements by using these indicators together with net income as measured under GAAP to present a complete analysis of its results of operations. Adjusted EBIT, Adjusted EBITDA and Adjusted Operating Cash Flow should be evaluated together with net income measured under GAAP for a complete understanding of Grace's results of operations. Investors should evaluate these measures in conjunction with Grace's Consolidated Financial Statements as presented in Grace's annual reports on Form 10-K for a more complete analysis of its financial results.

Appendix

Reconciliation of Non-GAAP Financial Measures

	2006	2007	2008	2009	2010	Q1 2011	Q2 2011	Q3 2011	Q3 2010
Adjusted EBIT (Non-GAAP)	\$214.3	\$292.7	\$297.3	\$229.0	\$326.4	\$95.7	\$132.8	\$141.9	\$91.4
Adjustments:									
Chapter 11- and asbestos-related costs, net	(136.5)	(139.5)	(115.9)	(109.9)	(35.3)	(5.7)	(9.0)	(9.3)	(3.8)
Restructuring expenses and related asset impairments	0.0	0.0	(5.2)	(33.4)	(11.2)	(0.2)	(0.7)	(0.1)	(5.7)
Gains (loss) on sales of product lines and gain related to the sale of interest in an unconsolidated affiliate	0.0	(1.0)	0.0	33.9	0.0	0.0	0.0	0.0	0.0
EBIT	77.8	152.2	176.2	119.6	279.9	89.8	123.1	132.5	81.9
Benefit from (provision for) income taxes	(2.8)	1.1	(4.3)	(11.5)	(32.5)	(25.5)	(36.6)	(40.4)	(17.1)
Interest income of non-Debtor subsidiaries	6.8	7.6	3.8	1.4	1.0	0.3	0.3	0.3	0.3
Interest expense	(73.2)	(72.1)	(54.2)	(38.3)	(41.3)	(10.4)	(11.0)	(11.1)	(10.2)
Net Income (GAAP)	\$8.6	\$88.8	\$121.5	\$71.2	\$207.1	\$54.2	\$75.8	\$81.3	\$54.9
Chapter 11- and asbestos-related costs, net:									
Chapter 11 expenses, net of filing entity interest income	\$49.9	\$86.4	\$65.8	\$48.0	\$17.7	\$5.8	\$6.7	\$4.4	\$3.6
Legal defense costs	53.4	21.2	31.6	36.0	0.1	0.0	0.0	0.0	0.1
Asbestos administration costs	11.6	14.9	8.2	7.9	6.1	1.1	1.2	1.1	1.3
Provision for environmental remediation related to asbestos	30.5	16.9	8.2	4.7	3.7	0.2	0.2	(0.1)	0.0
Payments from insurance carriers related to asbestos activities	(12.5)	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D&O insurance cost related to Chapter 11	6.1	6.0	3.8	3.3	3.5	0.4	0.4	0.4	0.8
Chapter 11 financing related:*									
Translation effects - intercompany loans	(23.1)	(10.5)	6.9	(11.0)	25.2	(19.7)	(7.6)	27.3	(35.2)
Value of currency forward contracts - intercompany loans	21.5	8.2	(10.7)	15.9	(25.4)	16.5	7.8	(23.6)	30.9
Certain other currency translation costs, net	3.2	2.8	5.1	6.3	4.3	1.4	0.3	(0.2)	2.2
COLI income, net	(4.1)	(5.4)	(3.0)	(1.2)	0.1	0.0	0.0	0.0	0.1
Chapter 11- and asbestos-related costs, net	\$136.5	\$139.5	\$115.9	\$109.9	\$35.3	\$5.7	\$9.0	\$9.3	\$3.8

* Due to its bankruptcy, Grace has had significant intercompany loans between its non-U.S. subsidiaries and its U.S. debtor subsidiaries that are not related to its operating activities. In addition Grace has accumulated significant cash balances during its bankruptcy. The intercompany loans are expected to be paid when Grace emerges from bankruptcy, and excess cash balances are expected to be used to fund a significant portion of Grace's emergence from bankruptcy. Accordingly, income and expense items related to the intercompany loans and the cash balances are categorized as Chapter 11- and asbestos-related costs, net.

Appendix

Reconciliation of Non-GAAP Financial Measures

<u>Adjusted EBIT By Operating Segment:</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Q1 2011</u>	<u>Q2 2011</u>	<u>Q3 2011</u>	<u>Q3 2010</u>
Grace Davison segment operating income	\$210.3	\$270.7	\$278.1	\$307.3	\$399.6	\$118.3	\$145.7	\$153.6	\$103.3
Grace Construction Products segment operating income	145.3	155.9	153.0	102.4	89.9	16.3	29.6	30.2	28.3
Corporate support functions (including performance based compensation)	(65.3)	(68.2)	(63.0)	(57.7)	(63.6)	(16.8)	(21.2)	(18.3)	(16.7)
Other corporate costs (including environmental remediation)	(12.3)	(13.1)	(14.0)	(37.4)	(22.4)	(5.6)	(6.2)	(7.7)	(4.4)
Defined benefit pension expense	(63.7)	(52.6)	(56.8)	(85.6)	(77.1)	(16.5)	(15.1)	(15.9)	(19.1)
Adjusted EBIT (Non-GAAP)	\$214.3	\$292.7	\$297.3	\$229.0	\$326.4	\$95.7	\$132.8	\$141.9	\$91.4
<hr/>									
<u>Adjusted Operating Cash Flow:</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Q1 2011</u>	<u>Q2 2011</u>	<u>Q3 2011</u>	<u>Q3 2010</u>
Adjusted EBIT (Non-GAAP)	\$214.3	\$292.7	\$297.3	\$229.0	\$326.4	\$95.7	\$132.8	\$141.9	\$91.4
Depreciation and amortization	113.5	113.4	118.7	113.0	115.6	29.2	29.7	31.0	27.2
Adjusted EBITDA (Non-GAAP)	327.8	406.1	416.0	342.0	442.0	124.9	162.5	172.9	118.6
Defined benefit pension expense	63.7	52.6	56.8	85.6	77.1	16.5	15.1	15.9	19.1
Change in net working capital	(4.8)	(82.1)	78.1	181.5	(11.3)	(55.5)	(64.9)	(14.4)	(25.2)
Change in other assets and liabilities	8.8	12.4	(31.4)	(99.5)	(25.7)	(41.6)	31.0	24.3	14.0
Capital expenditures	(120.0)	(136.9)	(132.2)	(93.8)	(112.9)	(23.4)	(34.3)	(39.4)	(26.8)
Adjusted Operating Cash Flow (Non-GAAP)	\$275.5	\$252.1	\$387.3	\$415.8	\$369.2	\$20.9	\$109.4	\$159.3	\$99.7
<hr/>									
<u>Adjusted EBIT Return on Invested Capital (trailing four quarters):</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Q1 2011</u>	<u>Q2 2011</u>	<u>Q3 2011</u>	<u>Q3 2010</u>
Adjusted EBIT (Non-GAAP)	\$214.3	\$292.7	\$297.3	\$229.0	\$326.4	\$357.8	\$399.5	\$450.0	\$307.3
Trade accounts receivable	426.3	500.6	462.6	373.2	386.1	446.3	501.0	480.2	420.6
Inventories	324.5	362.9	354.8	220.6	259.3	303.6	313.2	355.1	267.4
Accounts payable	(144.4)	(171.7)	(207.6)	(174.2)	(215.6)	(264.2)	(262.9)	(270.7)	(217.7)
Net working capital	606.4	691.8	609.8	419.6	429.8	485.7	551.3	564.6	470.3
Other current assets	81.4	80.8	86.1	80.4	90.6	97.1	77.6	107.1	88.1
Properties and equipment, net	664.5	706.1	710.6	690.1	702.5	713.0	719.7	719.1	673.8
Goodwill and other intangible assets	116.5	122.3	117.1	118.6	125.5	129.2	130.2	149.0	116.6
Other assets	131.5	136.6	145.1	146.3	153.9	150.4	149.2	180.8	158.8
Other current liabilities	(300.9)	(344.7)	(313.6)	(294.4)	(268.4)	(265.9)	(294.6)	(348.6)	(262.1)
Other liabilities	(65.0)	(67.7)	(66.3)	(58.8)	(58.3)	(54.3)	(55.1)	(57.4)	(58.8)
Total invested capital	\$1,234.4	\$1,325.2	\$1,288.8	\$1,101.8	\$1,175.6	\$1,255.2	\$1,278.3	\$1,314.6	\$1,186.7
Adjusted EBIT Return on Invested Capital (Non-GAAP)	17.4%	22.1%	23.1%	20.8%	27.8%	28.5%	31.3%	34.2%	25.9%

Appendix

Reconciliation of Non-GAAP Financial Measures

Three Months Ended September 30, 2011

(in millions, except per share amounts)	Tax at			Per Share
	Pre-Tax	Actual Rate	After-Tax	
Diluted Earnings Per Share (GAAP)				\$ 1.07
Restructuring charges and related asset impairments	\$ 0.1		\$ 0.1	
Chapter 11- and asbestos-related costs, net	9.3	3.0	6.3	0.08
Discrete tax items:				
U.S federal income tax settlement		1.8	(1.8)	(0.02)
Adjustments to uncertain tax positions		(2.3)	2.3	0.03
Adjusted Earnings Per Share (non-GAAP) (A)				\$ 1.16

Three Months Ended September 30, 2010

	Tax at			Per Share
	Pre-Tax	Actual Rate	After-Tax	
Diluted Earnings Per Share (GAAP)				\$ 0.74
Restructuring charges and related asset impairments	\$ 5.7	\$ 1.5	\$ 4.2	0.06
Chapter 11- and asbestos-related costs, net	3.8	0.3	3.5	0.05
Discrete tax items:				
U.S. federal income tax settlement				
Adjustments to uncertain tax positions		7.0	(7.0)	(0.09)
Adjusted Earnings Per Share (non-GAAP) (A)				\$ 0.76

Note (A): In the above chart Grace presents its Adjusted Diluted Earnings Per Share (EPS). Adjusted EPS means Diluted EPS adjusted for restructuring expenses and related asset impairments, Chapter 11- and asbestos-related costs, net, gains on sales of product lines and certain discrete tax items. Adjusted EPS does not purport to represent Diluted EPS as defined under United States generally accepted accounting principles, and should not be considered as an alternative to such measures as an indicator of Grace's performance. This measure is provided to distinguish the operating results of Grace's current business base from the income and expense items related to restructuring expenses and related asset impairments, Chapter 11- and asbestos-related costs, net, gains on sales of product lines and certain discrete tax items.