

W. R. Grace & Co.

Third Quarter 2014
Business Update

October 22, 2014

GRACE

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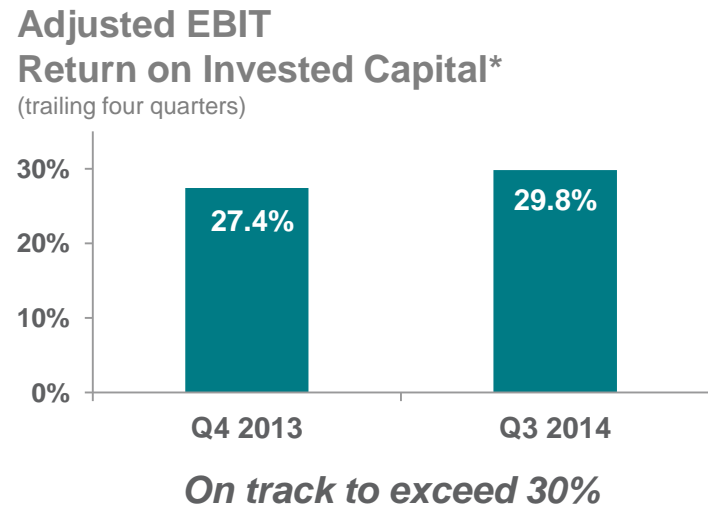
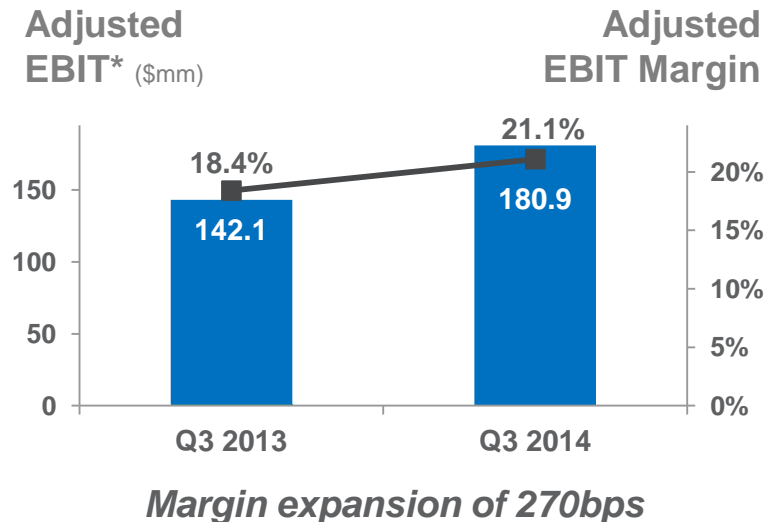
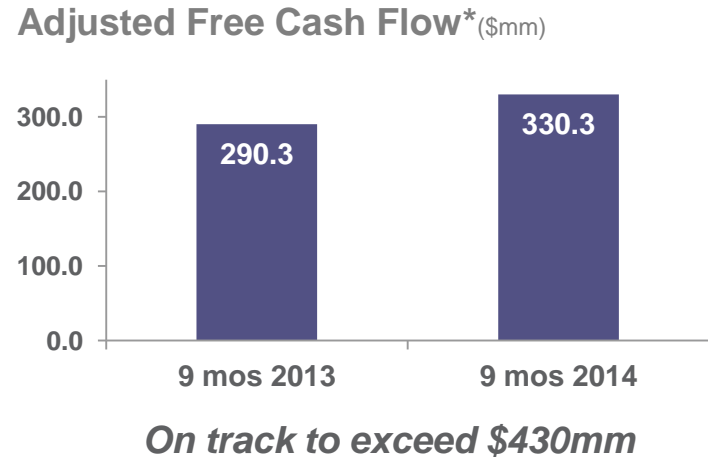
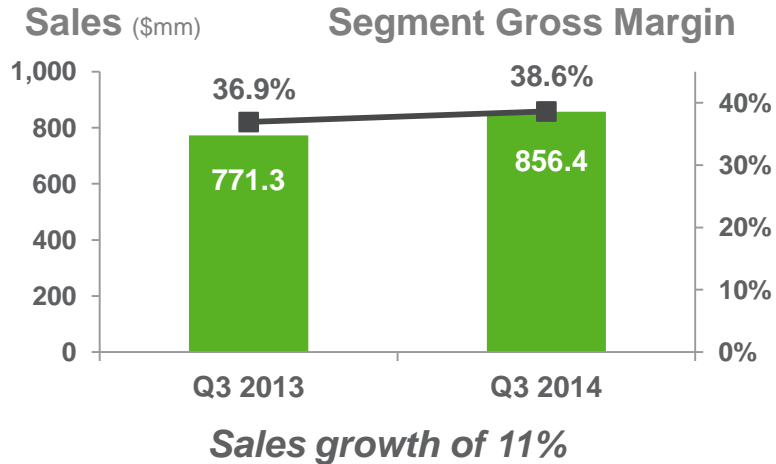
Non-GAAP Financial Terms

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.

Q3 2014 Highlights

- Sales up 11 percent
 - Solid growth in all three segments
- Adjusted EBIT up 27 percent
 - Strong margins in all three segments
 - Segment gross margin up 170 basis points
 - Includes \$11mm (9 cents) from benefit plan termination offset by certain other costs
- 2014 Adjusted EBIT outlook narrowed to \$625 to \$630mm
 - Good Q3 results, partially offset by stronger dollar and lower demand in Europe
- 2014 Adjusted Free Cash Flow outlook increased to \$430mm or more
 - YTD Adjusted Free Cash Flow up 14%

Q3 2014 Financial Performance



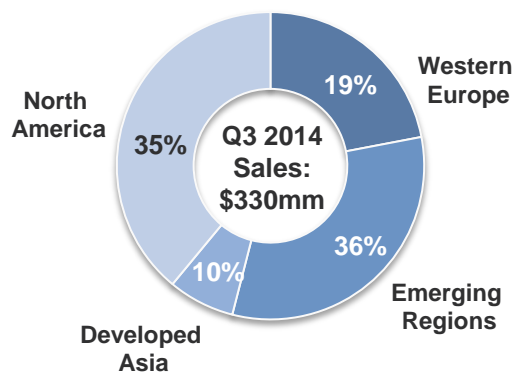
Grace Business Results* – Q3 2014

(in millions of dollars except EPS)	Q3 2013	Q3 2014	Y/Y Change	Q2 2014	Q/Q Change
Net Sales	771.3	856.4	11.0%	838.0	2.2%
Segment Gross Margin	36.9%	38.6%	170 bps	38.6%	0 bps
Adjusted EBIT	142.1	180.9	27.3%	166.1	8.9%
Adjusted EBIT Margin	18.4%	21.1%	270 bps	19.8%	130 bps
Adjusted EBITDA Margin	22.3%	25.1%	280 bps	23.9%	120 bps
Adjusted EBIT ROIC	37.5%	29.8%	<i>Not meaningful</i>	27.4%	240 bps
Diluted EPS	0.99	0.99	0.0%	1.77	<i>Not meaningful</i>
Adjusted EPS	1.17	1.07	-8.5%	1.22	-12.3%

Solid sales growth and strong margins

Catalysts Technologies – Q3 2014 Results

- Sales up 20%; 9% ex UNIPOL acquisition
 - Sales up 10% in FCC catalysts
 - Adoption of new products ahead of plan
 - Specialty Catalysts sales up 8% ex UNIPOL
- FCC catalyst volumes highly correlated to demand for transportation fuels
- ART sales up double digits
 - Earnings recovery on plan



(in millions of dollars)	Q3 2013	Q3 2014	Q2 2014	Y/Y Change	Q/Q Change
Sales	273.7	329.3	313.2	20.3%	5.1%
Segment Gross Margin	39.2%	42.5%	43.6%	330 bps	-110 bps
Operating Income	77.4	100.9	97.5	30.4%	3.5%
Operating Margin	28.3%	30.6%	31.1%	230 bps	-50 bps

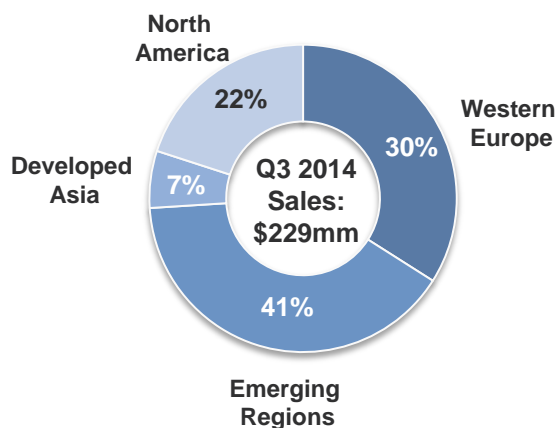
Factors Impacting Sales

Y/Y Change	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Volume	-3.6%	-7.3%	9.7%	8.6%	22.0%
Price	-6.6%	-6.1%	-3.9%	-2.6%	-2.0%
Currency	1.8%	2.6%	1.0%	1.7%	0.3%
Total	-8.4%	-10.8%	6.8%	7.7%	20.3%

Materials Technologies – Q3 2014 Results

- Sales up 7% in Engineered Materials
 - Sales up double digits in North America and Asia
 - Sales down 1% in Europe
- Sales up 1% in Packaging Technologies
- Stronger dollar and lower European demand affecting Q4 sales

(in millions of dollars)	Q3 2013	Q3 2014	Q2 2014	Y/Y Change	Q/Q Change
Sales	220.1	229.1	236.1	4.1%	-3.0%
Segment Gross Margin	34.8%	35.3%	35.0%	50 bps	30 bps
Operating Income	46.8	48.7	49.7	4.1%	-2.0%
Operating Margin	21.3%	21.3%	21.1%	0 bps	20 bps



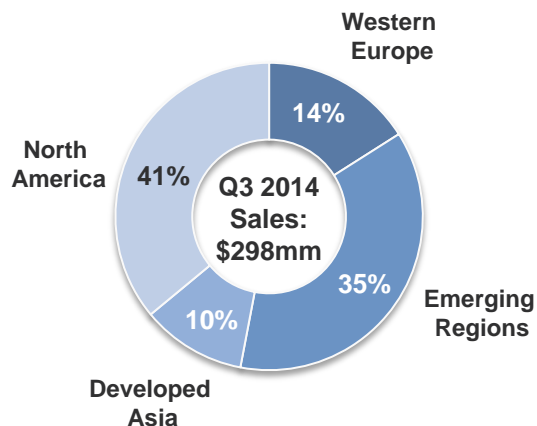
Factors Impacting Sales

Y/Y Change	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Volume	0.6%	1.2%	2.4%	1.3%	3.1%
Price	2.2%	1.8%	1.1%	0.8%	0.8%
Currency	-0.1%	-0.8%	-1.2%	1.1%	0.2%
Total	2.7%	2.2%	2.3%	3.2%	4.1%

Construction Products – Q3 2014 Results

- Sales up 9% in SCC
 - Sales up double digits in North America and Asia
- Sales up 5% in SBM
 - Sales of non-residential SBM up 10%, led by North America and Asia
 - Repositioning residential SBM business for better growth

(in millions of dollars)	Q3 2013	Q3 2014	Q2 2014	Y/Y Change	Q/Q Change
Sales	277.5	298.0	288.7	7.4%	3.2%
Segment Gross Margin	36.3%	36.8%	36.2%	50 bps	60 bps
Operating Income	45.6	48.9	45.0	7.2%	8.7%
Operating Margin	16.4%	16.4%	15.6%	0 bps	800 bps



Factors Impacting Sales

Y/Y Change	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Volume	6.2%	4.4%	8.0%	1.4%	4.5%
Price	2.3%	2.3%	1.7%	2.4%	2.9%
Currency	-3.1%	-3.0%	-4.6%	-1.9%	0.0%
Total	5.4%	3.7%	5.1%	1.9%	7.4%

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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, asbestos-related costs, restructuring 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, certain income and expense items related to divested businesses, product lines, and certain other investments and gains and losses on sales of businesses, product lines, and certain other investments. In the 2013 first quarter, we also adjusted for the currency transaction loss incurred on our Venezuelan cash balances of \$6.9 million.

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 the net cash flow from costs related to Chapter 11, cash paid to resolve contingencies subject to Chapter 11, accelerated payments under defined benefit pension arrangements, and expenditures for asbestos-related 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, asbestos-related costs, restructuring 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, certain income and expense items related to divested businesses, product lines, and certain other investments and gains and losses on sales of businesses, product lines, and certain other investments, 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, and Adjusted EBIT Return On Invested Capital 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)

	2013	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Adjusted EBIT (Non-GAAP)	\$550.8	\$116.8	\$153.3	\$142.1	\$138.6	\$111.3	\$166.1	\$180.9
Costs related to Chapter 11	(16.4)	(3.8)	(3.3)	(3.9)	(5.4)	(6.3)	(3.0)	(1.8)
Asbestos-related costs	(11.9)	(1.4)	(1.3)	(1.3)	(3.8)	(0.4)	(0.9)	(2.5)
Asbestos and bankruptcy-related charges, net	(21.9)	-	-	-	(21.9)	(8.8)	2.4	(0.4)
Default interest settlement	(129.0)	-	-	-	(129.0)	-	-	-
Pension MTM adjustment and other related costs, net	50.6	(2.5)	-	-	53.1	4.8	-	-
Gain on termination of post retirement plans related to divested businesses	-	-	-	-	-	-	3.2	9.5
Restructuring expenses and asset impairments	(12.5)	(0.8)	(4.3)	(3.6)	(3.8)	(0.7)	(11.7)	(5.4)
Gain (Loss) on sale of product line	(1.0)	-	-	-	-	-	0.2	-
Income and expense items related to divested businesses	-	(0.7)	(0.8)	(2.2)	(1.4)	(1.1)	(3.6)	(2.1)
Interest expense and related financing costs	(43.8)	(10.5)	(10.9)	(10.7)	(11.7)	(11.2)	(11.1)	(14.7)
Interest accretion on deferred payment obligations	-	-	-	-	-	(8.2)	(13.6)	(43.7)
Currency and other financial losses in Venezuela	(6.9)	(6.9)	-	-	-	-	-	(1.0)
Interest income	1.0	0.2	0.1	0.2	0.5	0.5	0.5	0.3
Benefit from (provision for) income taxes	(102.9)	(31.3)	(42.5)	(43.6)	14.5	(29.8)	7.7	(44.6)
Net Income (loss) attributable to W. R. Grace & Co shareholders (GAAP)	256.1	59.1	90.3	77.0	29.7	50.1	136.2	74.5
Costs related to Chapter 11								
Chapter 11 expenses, net of interest income	\$15.3	\$4.8	\$3.3	\$2.9	\$4.3	\$6.1	\$3.0	\$1.7
D&O insurance costs related to Chapter 11	\$0.2	0.1	0.0	0.1	-	-	0.1	-
Legal defense costs	-	-	-	-	-	-	-	-
Translation effects - intercompany loans	(\$11.9)	7.4	(3.9)	(10.1)	(5.3)	(4.5)	-	-
Value of currency forward contracts - intercompany loans	\$10.9	(7.7)	3.5	9.9	5.2	4.6	-	-
Certain other currency translation costs, net	\$1.9	(0.8)	0.4	1.1	1.2	0.1	(0.1)	0.1
COLI income, net	-	-	-	-	-	-	-	-
Costs related to Chapter 11	\$16.4	\$3.8	\$3.3	\$3.9	\$5.4	\$6.3	\$3.0	\$1.8

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

<u>Adjusted EBIT By Operating Segment:</u>	<u>2013</u>	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q1 2014</u>	<u>Q2 2014</u>	<u>Q3 2014</u>
Grace Catalysts Technologies segment operating income	\$327.5	\$77.2	\$93.8	\$77.4	79.1	\$71.2	\$97.5	\$100.9
Grace Materials Technologies segment operating income	\$181.8	44.3	44.8	46.8	45.9	45.5	49.7	48.7
Grace Construction Products segment operating income	\$151.7	22.8	45.3	45.6	38.0	25.4	45.0	48.9
Corporate costs	(\$82.8)	(20.8)	(23.7)	(20.9)	(17.4)	(22.5)	(22.8)	(23.8)
Gain on termination of postretirement plans related to current businesses	-	-	-	-	-	-	-	4.7
Certain pension costs	(\$27.4)	(6.7)	(6.9)	(6.8)	(7.0)	(8.3)	(8.0)	(8.0)
Adjusted EBIT (Non-GAAP)	\$550.8	\$116.8	\$153.3	\$142.1	\$138.6	\$111.3	\$166.1	\$180.9

<u>Adjusted Free Cash Flow:</u>	<u>2013</u>	<u>Q3 2013</u>	<u>Q3 2014</u>
Net cash provided by operating activities	\$515.9	\$342.6	(\$1,004.4)
Capital expenditures	(\$156.2)	(117.9)	(121.7)
Free Cash Flow	\$359.7	224.7	(1,126.1)
Chapter 11 expenses paid	\$15.0	11.2	29.0
Chapter 11 emergence payments, including accounts payable	-	-	1,347.8
Accelerated defined benefit pension plan contributions	\$50.0	50.0	75.0
Expenditures for asbestos-related items	\$5.0	4.4	4.6
Adjusted Free Cash Flow (Non-GAAP)	\$429.7	\$290.3	\$330.3

<u>Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):</u>	<u>2013</u>	<u>Q3 2013</u>	<u>Q3 2014</u>
Adjusted EBIT (Non-GAAP)	\$550.8	\$556.1	\$596.9
Trade accounts receivable	481.8	483.9	527.3
Inventories	295.3	317.1	337.3
Accounts payable	(262.5)	(291.7)	(298.5)
Net working capital	514.6	509.3	566.1
Other current assets (excluding income taxes and capitalized financing costs)	81.2	82.5	87.4
Properties and equipment, net	829.9	787.8	826.4
Goodwill	457.5	204.0	460.2
Technology and other intangible assets, net	315.5	76.9	296.2
Investment in unconsolidated affiliate	96.2	90.8	108.8
Other assets (excluding capitalized financing costs)	40.0	36.1	24.3
Other current liabilities (excluding income taxes, environmental remediation related to asbestos and divested businesses, Chapter 11, and restructuring)	(248.6)	(248.1)	(272.8)
Other liabilities (excluding environmental remediation related to asbestos and divested businesses)	(72.7)	(57.1)	(93.3)
Total invested capital	\$2,013.6	\$1,482.2	\$2,003.3
Adjusted EBIT Return On Invested Capital (Non-GAAP)	27.4%	37.5%	29.8%

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

(in millions, except per share amounts)	Three Months Ended September 30,				Three Months Ended September 30,			
	2014				2013			
	Tax at				Tax at			
	Pre-Tax	Actual Rate	After-Tax	Per Share	Pre-Tax	Actual Rate	After-Tax	Per Share
Diluted Earnings Per Share (GAAP)				\$ 0.99				\$ 0.99
Costs related to Chapter 11	\$ 1.8	\$ (0.5)	\$ 2.3	0.03	\$ 3.9	\$ 1.1	\$ 2.8	0.04
Asbestos-related costs	2.5	(0.6)	3.1	0.04	1.3	(0.1)	1.4	0.02
Asbestos and bankruptcy-related charges, net	0.4	0.3	0.1	-	-	-	-	-
Gain on termination of postretirement plans related to divested businesses	(9.5)	(3.7)	(5.8)	(0.08)	-	-	-	-
Restructuring expenses and asset impairments	5.4	3.5	1.9	0.03	3.6	1.2	2.4	0.03
Currency and other financial losses in Venezuela	1.0	-	1.0	0.01	-	-	-	-
Income and expense related to divested businesses	2.1	2.4	(0.3)	-	2.2	1.0	1.2	0.02
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		(4.1)	4.1	0.05	(5.4)	5.4	0.07	
Adjusted Earnings Per Share (non-GAAP)				\$ 1.07				\$ 1.17
Certain items included in Adjusted EPS:								
Interest accretion on deferred payment obligations				\$ 0.36				\$ -
Gain on termination of postretirement plans related to current businesses				(0.12)				-
Differential between effective tax rate and cash tax rate				0.56				0.31
Total				\$ 0.80				\$ 0.31
	Nine Months Ended September 30,				Nine Months Ended September 30,			
	2014				2013			
	Tax at				Tax at			
	Pre-Tax	Actual Rate	After-Tax	Per Share	Pre-Tax	Actual Rate	After-Tax	Per Share
Diluted Earnings Per Share (GAAP)				\$ 3.40				\$ 2.92
Costs related to Chapter 11	\$ 11.1	\$ 2.2	\$ 8.9	0.12	\$ 11.0	\$ 2.0	\$ 9.0	0.12
Asbestos-related costs	3.8	1.4	2.4	0.03	4.0	1.5	2.5	0.03
Asbestos and bankruptcy-related charges, net	6.8	2.5	4.3	0.06	-	-	-	-
Pension MTM adjustment and other related costs, net	(4.8)	(1.8)	(3.0)	(0.04)	2.5	0.9	1.6	0.02
Gain on termination of postretirement plans related to divested businesses	(12.7)	(4.8)	(7.9)	(0.10)	-	-	-	-
Restructuring expenses and asset impairments	17.8	7.5	10.3	0.13	8.7	2.8	5.9	0.08
Currency and other financial losses in Venezuela	1.0	-	1.0	0.01	6.9	-	6.9	0.09
Gain on sale of product line	(0.2)	(0.1)	(0.1)	-	-	-	-	-
Income and expense related to divested businesses	6.8	2.5	4.3	0.06	3.7	1.0	2.7	0.03
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		47.1	(47.1)	(0.61)	(1.0)	1.0	0.01	
Adjusted Earnings Per Share (non-GAAP)				\$ 3.06				\$ 3.30
Certain items included in Adjusted EPS:								
Interest accretion on deferred payment obligations				\$ 0.53				\$ -
Gain on termination of postretirement plans related to current businesses				(0.15)				-
Differential between effective tax rate and cash tax rate				1.42				1.01
Total				\$ 1.80				\$ 1.01