



W. R. Grace & Co.

**First Quarter 2015
Business Update**

Investor Presentation
April 23, 2015

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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.

Q1 2015 Highlights

- **Sales up 3 percent at constant currency**
 - Industry fundamentals solid for all three segments
 - Q1 FX unfavorable impact to sales of ~\$44 mm or 6%
- **Adjusted EBIT up 5 percent, up approximately 15 percent at constant currency**
 - Segment gross margin +50 bps, operating margins +130 bps
 - Supply chain initiatives and restructuring well under way

Generated Adjusted Free Cash Flow of \$87 mm up 32%

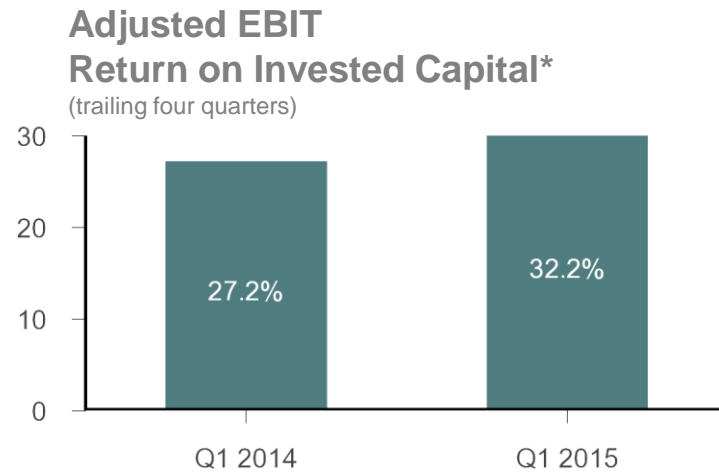
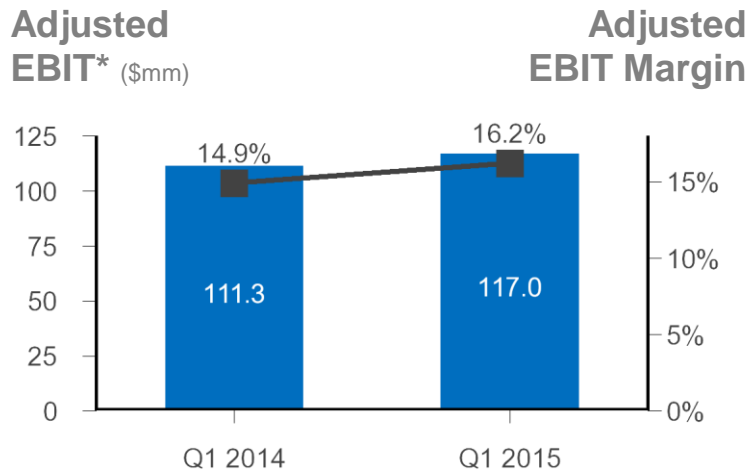
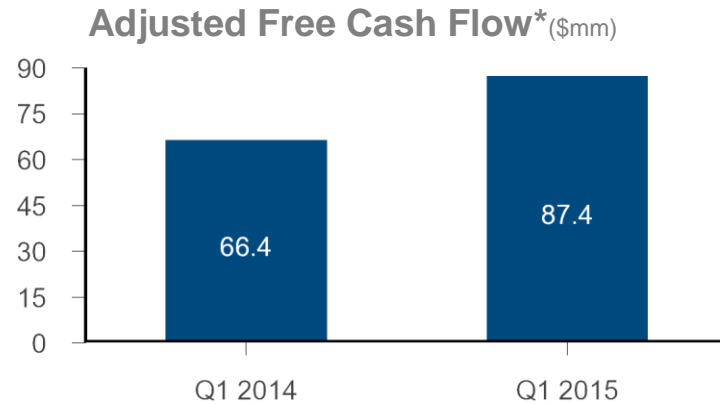
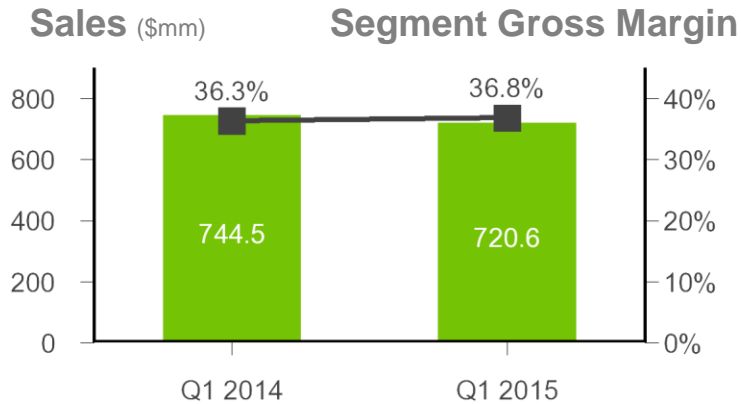
- Strong cash generation despite FX headwinds

Full Year 2015 constant currency outlook affirmed

- Adjusted EBIT of \$675 mm-705 mm, an increase of 8% - 13%
 - Adjusted EPS of \$5.05 - \$5.45 per share, an increase of 14% - 23%
 - Expect an FX headwind to Adjusted EBIT of approximately \$60 mm and Adjusted EPS of \$0.55 per share
- **Separation transaction is on track**

On Track to Meet 2015 Goals

Q1 2015 Financial Performance



Grace Business Results* – Q1 2015

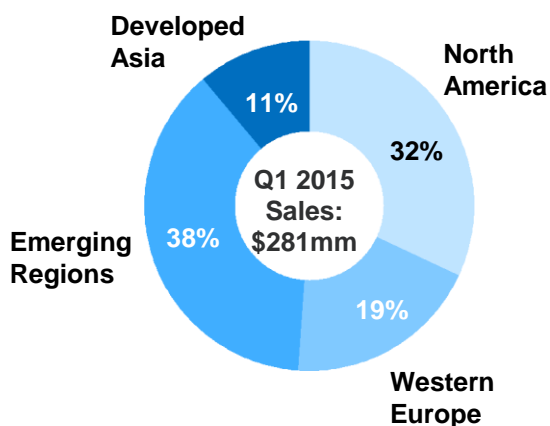
(in millions of dollars except EPS)	Q1 2014	Q1 2015	Y/Y Change
Net Sales	744.5	720.6	(3.2)%
Segment Gross Margin	36.3%	36.8%	50 bps
Adjusted EBIT	111.3	117.0	5.1%
Adjusted EBIT Margin	14.9%	16.2%	130 bps
Adjusted EBITDA Margin	19.5%	20.9%	140 bps
Adjusted EBIT ROIC	27.2%	32.2%	500 bps
Diluted EPS	0.64	0.72	12.5%
Adjusted EPS	0.77	0.82	6.5%

Adjusted EBIT ROIC > 30% Target Threshold

Catalysts Technologies – Q1 2015 Results

- Specialty Catalysts volumes up 7% YoY
- Good FCC fundamentals
 - Increased demand for gasoline YoY
 - Refining utilization rates remain high, especially in North America
 - Volumes up 3%; unplanned customer outage reduced sales 2% in Q1
- ART joint venture on track for double digit earnings growth YoY

(in millions of dollars)	Q1 2014	Q1 2015	Q4 2014	Y/Y Change
Sales	284.5	281.0	319.8	(1.2)%
Segment Gross Margin	39.0%	38.8%	45.7%	(20) bps
Operating Income	71.2	73.7	108.7	3.5%
Operating Margin	25.0%	26.2%	34.0%	120 bps



Factors Impacting Sales

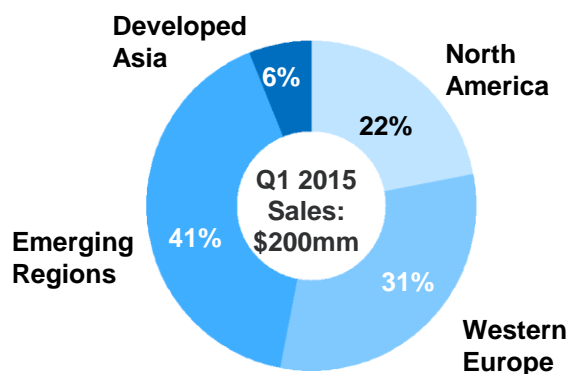
Y/Y Change	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Volume*	9.7%	8.6%	22.0%	11.4%	3.7%
Price	(3.9)%	(2.6)%	(2.0)%	0.4%	0.2%
Currency	1.0%	1.7%	0.3%	(2.6)%	(5.1)%
Total	6.8%	7.7%	20.3%	9.2%	(1.2)%

* 2014 volume changes reflect the UNIPOL acquisition completed on December 2013

Materials Technologies – Q1 2015 Results

- Segment volumes increased sequentially, especially in North America and emerging Asia
- Europe is better sequentially
- Double digit growth in segment cash flow

(in millions of dollars)	Q1 2014	Q1 2015	Q4 2014	Y/Y Change
Sales	219.8	200.3	205.6	(8.9)%
Segment Gross Margin	34.9%	35.2%	36.3%	30 bps
Operating Income	45.5	41.0	41.3	(9.9)%
Operating Margin	20.7%	20.5%	20.1%	(20) bps



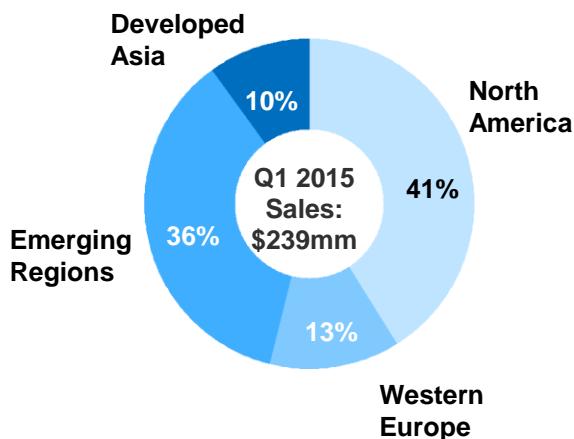
Factors Impacting Sales

Y/Y Change	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Volume	2.4%	1.3%	3.1%	(1.4)%	(1.6)%
Price	1.1%	0.8%	0.8%	1.3%	0.9%
Currency	(1.2)%	1.1%	0.2%	(4.2)%	(8.2)%
Total	2.3%	3.2%	4.1%	(4.3)%	(8.9)%

Construction Products – Q1 2015 Results

- Segment volumes up 4% YoY
- Sales up double digits in North America, up mid-single digits in Asia despite currency headwinds
- Sales up 13% in residential SBM business
- Segment operating margins on track for mid-cycle goal of 16-18%

(in millions of dollars)	Q1 2014	Q1 2015	Q4 2014	Y/Y Change
Sales	240.2	239.3	278.7	(0.4)%
Segment Gross Margin	34.4%	35.8%	37.3%	140 bps
Operating Income	25.4	29.4	42.4	15.7%
Operating Margin	10.6%	12.3%	15.2%	170 bps



Factors Impacting Sales

Y/Y Change	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Volume	8.0%	1.4%	4.5%	4.2%	3.7%
Price	1.7%	2.4%	2.9%	2.7%	0.8%
Currency	(4.6)%	(1.9)%	—%	(3.3)%	(4.9)%
Total	5.1%	1.9%	7.4%	3.6%	(0.4)%

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For additional information, please visit www.grace.com or contact:

Tania Almond

Investor Relations Officer

+1 410.531.4590

Tania.Almond@grace.com

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>
Catalysts Technologies segment operating income	378.3	71.2	97.5	100.9	108.7	73.7
Materials Technologies segment operating income	185.2	45.5	49.7	48.7	41.3	41.0
Construction Products segment operating income	161.7	25.4	45.0	48.9	42.4	29.4
Corporate costs	(90.6)	(22.5)	(22.8)	(23.8)	(21.5)	(20.6)
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)
Adjusted EBIT	626.2	111.3	166.1	180.9	167.9	117.0
Benefit (costs) related to Chapter 11 and asbestos, net	(26.3)	(15.5)	(1.5)	(4.7)	(4.6)	9.7
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	(22.4)	(0.7)	(11.7)	(5.4)	(4.6)	(9.5)
Repositioning expenses	—	—	—	—	—	(6.9)
Gain (loss) 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
Interest expense, net	(125.8)	(18.9)	(24.2)	(58.1)	(24.6)	(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)
Net income attributable to W. R. Grace & Co. shareholders	276.3	50.1	136.2	74.5	15.5	52.7

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

	2013	2014	Q1 2014	Q1 2015
Adjusted Free Cash Flow:				
Net cash used for operating activities	515.9	(1,472.1)	(1,253.3)	(373.6)
Capital expenditures	(156.2)	(169.8)	(40.1)	(40.7)
Free Cash Flow	359.7	(1,641.9)	(1,293.4)	(414.3)
Cash paid for Chapter 11 and asbestos, including accounts payable	15.0	1,380.3	1,356.1	491.4
Cash paid to settle deferred payment obligation	—	632.0	—	—
Cash paid for restructuring	6.4	7.9	1.9	3.1
Cash paid for repositioning	—	—	—	3.1
Accelerated defined benefit pension plan contributions	50.0	75.0	—	—
Cash paid for legacy items	5.0	6.8	1.8	4.1
Adjusted Free Cash Flow	436.1	460.1	66.4	87.4
Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):				
	2013	2014	Q1 2014	Q1 2015
Adjusted EBIT	550.8	626.2	545.3	631.9
Invested Capital:				
Trade accounts receivable	481.8	481.1	504.7	447.9
Inventories	295.3	332.8	324.8	325.1
Accounts payable	(262.5)	(255.3)	(305.4)	(258.2)
	514.6	558.6	524.1	514.8
Other current assets (excluding income taxes)	81.2	76.9	89.3	74.9
Properties and equipment, net	829.9	833.5	832.7	813.1
Goodwill	457.5	452.9	455.7	443.2
Technology and other intangible assets, net	315.5	288.0	310.1	278.3
Investment in unconsolidated affiliate	96.2	113.1	99.7	106.6
Other assets (excluding capitalized financing fees)	40.0	23.0	43.3	25.8
Other current liabilities (excluding income taxes, environmental remediation related to asbestos and divested businesses, Chapter 11, restructuring, and accrued interest)	(248.0)	(256.7)	(257.8)	(216.0)
Other liabilities (excluding environmental remediation related to asbestos and divested businesses)	(72.7)	(81.8)	(93.6)	(80.2)
Total invested capital	2,014.2	2,007.5	2,003.5	1,960.5
Adjusted EBIT Return On Invested Capital	27.3%	31.2%	27.2%	32.2%

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

(In millions, except per share amounts)	Three Months Ended March 31,							
	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>