

W. R. Grace & Co.

**Second Quarter 2012
Business Update**

July 25, 2012

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Enriching Lives, *Everywhere*.[®]

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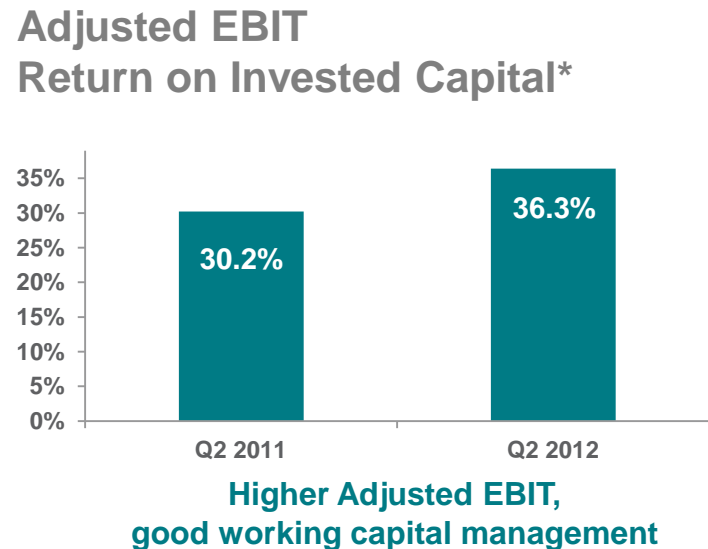
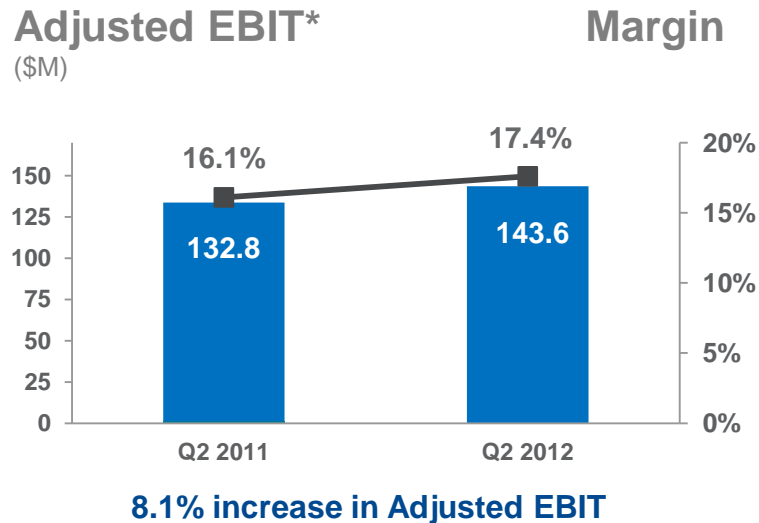
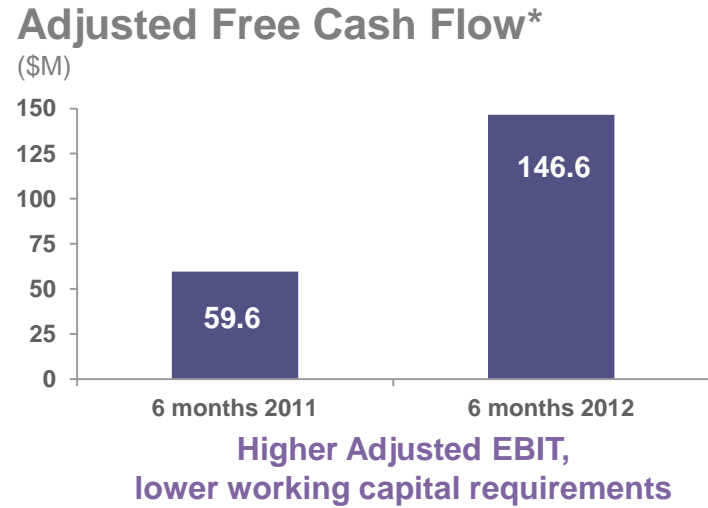
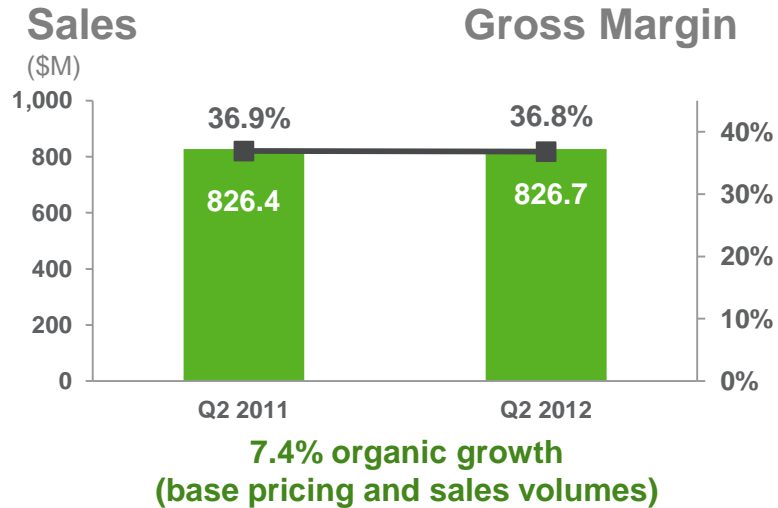
Non-GAAP Financial Terms

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.

Highlights of Q2 – CEO Commentary

- **Strong results versus a tough year-ago compare**
 - **7.4% organic growth (base pricing and sales volumes)**
 - **13.3% higher sales in emerging regions**
 - **Strong margins**
- **Macro environment more challenging than planned**
- **Outlook for Adjusted EBIT affirmed**
 - **Confident in growth opportunities and productivity programs**
- **Emergence update**

Q2 2012 Financial Performance



Grace Business Results* – Q2 2012

(in millions of dollars except EPS)	Q2 2011	Q2 2012	Y/Y Change	Q1 2012	Q/Q Change
Net Sales	826.4	826.7	-0-	754.4	9.6%
Gross Profit	304.6	304.1	-0.2%	277.1	9.7%
Gross Margin	36.9%	36.8%	-10 bps	36.7%	10 bps
Adjusted EBIT	132.8	143.6	8.1%	111.3	29.0%
Adjusted EBIT Margin	16.1%	17.4%	130 bps	14.8%	260 bps
Adjusted EBITDA Margin	19.7%	21.0%	130 bps	18.7%	230 bps
Adjusted EBIT ROIC	30.2%	36.3%	610 bps	35.1%	120 bps
Diluted EPS	1.00	0.90	-10.0%	0.80	12.5%
Adjusted EPS	1.11	1.14	2.7%	0.88	29.5%

Catalysts Technologies – Q2 2012 Results

- 7.9% improvement in base pricing largely due to new product adoption
- FCC catalyst volumes declined due to refinery closures
- Polypropylene catalysts continued to grow at double-digit rates
- Margin impacted by scheduled maintenance turnarounds at two manufacturing facilities
- ART equity income up 16% YTD
- Margin improvement sustainable:

	H1 2010	H1 2012
Gross Margin	35.9%	41.2%
Operating Margin	23.8%	31.1%
Adjusted EBITDA	29.1%	35.3%

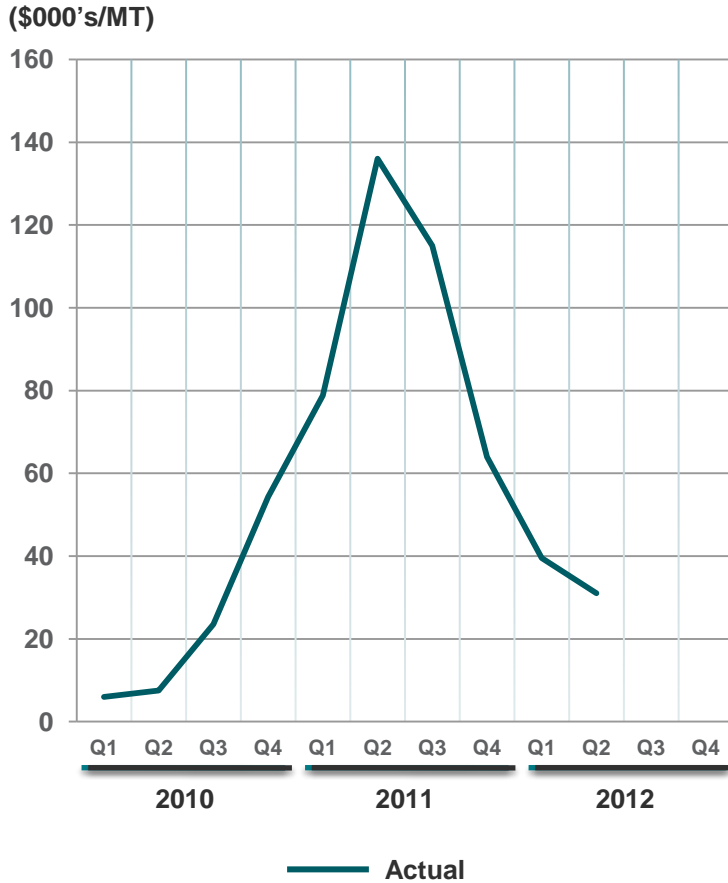
(in millions of dollars)	Q2 2011	Q2 2012	Q1 2012	Y/Y Change	Q/Q Change
Sales	334.9	328.6	312.3	-1.9%	5.2%
Gross Margin	41.2%	40.4%	42.0%	-80 bps	-160 bps
Operating Income	101.9	100.3	98.9	-1.6%	1.4%
Operating Margin	30.4%	30.5%	31.7%	10 bps	-120 bps

Factors Impacting Sales

Y/Y Change	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Volume	7.0%	-0.1%	-1.3%	-0.9%	2.1%
Price	25.6%	40.2%	37.8%	16.0%	0.2%
Currency	5.5%	6.9%	0.6%	-1.5%	-4.2%
Total	38.1%	47.0%	37.1%	13.6%	-1.9%

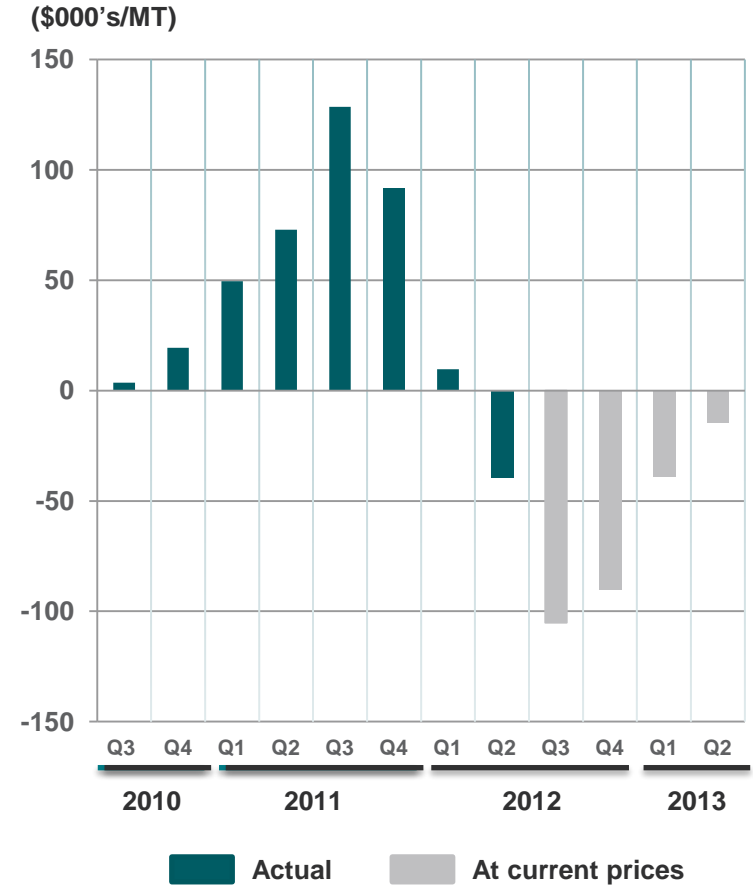
Impact of Rare Earth Volatility on Sales

Average Quarterly Rare Earth Market Export Price



Source: Asian Metals Index

Year-over-Year Change in Rare Earth Market Export Price*



* With one quarter surcharge lag applied

Materials Technologies – Q2 2012 Results

- Strong Q/Q margin improvement due to operational initiatives and recovery plan launched in Q1
- Engineered materials sales down Y/Y due to lower volumes in mature markets and unfavorable currency
- Packaging sales down Y/Y as strong demand in Asia and Americas was offset by weaker European volumes and unfavorable currency

(in millions of dollars)	Q2 2011	Q2 2012	Q1 2012	Y/Y Change	Q/Q Change
Sales	233.7	224.3	213.8	-4.0%	4.9%
<i>Gross Margin</i>	33.6%	33.5%	31.8%	-10 bps	170 bps
Operating Income	43.8	46.4	36.1	5.9%	28.5%
<i>Operating Margin</i>	18.7%	20.7%	16.9%	200 bps	380 bps

Factors Impacting Sales

Y/Y Change	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Volume	-0.8%	-6.0%	-4.4%	-1.8%	-1.3%
Price	5.0%	5.9%	4.9%	3.5%	2.4%
Currency	6.3%	7.2%	0.1%	-1.5%	-5.1%
Total	10.5%	7.1%	0.6%	0.2%	-4.0%

Construction Products – Q2 2012 Results

- North America sales increased 10%, primarily due to multi-family and infrastructure projects across southern states
- Sales in emerging regions (33% of total) increased 12% driven by strong volumes in emerging Asia, Latin America and the Middle East
- Western Europe declined 14%
- Growth in Q3 and Q4 expected to continue, but at slower rates
- Rheoset acquisition accretive in Q3 after acquisition costs; acquisition enhances position in rapidly growing Brazilian market

(in millions of dollars)	Q2 2011	Q2 2012	Q1 2012	Y/Y Change	Q/Q Change
Sales	257.8	273.8	228.3	6.2%	19.9%
<i>Gross Margin</i>	34.1%	35.1%	34.2%	100 bps	90 bps
Operating Income	29.6	35.5	20.5	19.9%	73.2%
<i>Operating Margin</i>	11.5%	13.0%	9.0%	150 bps	400 bps

Factors Impacting Sales

Y/Y Change	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Volume	4.2%	13.1%	12.7%	7.9%	7.5%
Price	2.4%	3.1%	2.7%	3.3%	2.7%
Currency	5.0%	5.8%	-1.0%	-1.2%	-4.0%
Total	11.6%	22.0%	14.4%	10.0%	6.2%

2012 Outlook Affirmed

In millions	2012 Outlook (at July 25, 2012)	2011 Actual	Growth
Adjusted EBIT	\$510 – \$530	\$479	6% – 11%
Adjusted EBITDA	\$630 – \$650	\$599	5% – 9%

Key Assumptions

- Sales in the range of \$3.1 – 3.2 billion
 - Headwind of ~\$175 MM from lower rare earth surcharges and ~\$125 MM from currency
- Gross margin in the upper end of our target range of 35 – 37%
- Average euro exchange rate of \$1.22 for the second half of the year
- Pension expense of ~\$72 MM
- Effective book tax rate of 33.5%; cash tax rate of 14%

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Appendix – Definitions and Reconciliations of Non-GAAP Measures

Non-GAAP Financial Terms

Adjusted EBIT (Earnings Before Interest and Taxes) is net income adjusted for interest income and expense, income taxes, net Chapter 11- and asbestos-related costs, restructuring expenses and related asset impairments, divestment expenses, 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 Free Cash Flow is net cash provided by or used for operating activities minus capital expenditures plus the net cash flow from Chapter 11 expenses paid, cash paid to resolve contingencies subject to Chapter 11, accelerated payments under defined pension arrangements, and expenditures for asbestos-related environmental remediation.

Adjusted EBIT Return On Invested Capital is 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.

Adjusted EBIT, Adjusted EBITDA, Adjusted EPS, Segment Operating Income, Adjusted Free 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 because 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 Free Cash Flow also has material limitations as a liquidity measure because it excludes the cash flow effects of capital expenditures plus the net cash flow from Chapter 11 expenses paid, cash paid to resolve contingencies subject to Chapter 11, accelerated payments under defined pension arrangements, and expenditures for asbestos-related environmental remediation, which historically have been material components of Grace's operations. 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 Free 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 (continued)

	2010	2011	Q1 2011	Q2 2011	Q1 2012	Q2 2012
Adjusted EBIT (Non-GAAP)	\$326.4	\$478.6	\$95.7	\$132.8	\$111.3	\$143.6
Adjustments:						
Chapter 11- and asbestos-related costs, net	(35.3)	(44.7)	(5.7)	(9.0)	(5.2)	(25.2)
Divestment expenses	0.0	(0.4)	0.0	0.0	(0.2)	0.0
Restructuring expenses and related asset impairments	(11.2)	(6.9)	(0.2)	(0.7)	(3.0)	(2.3)
Gains (loss) on sales of product lines and gain related to the sale of interest in an unconsolidated affiliate	0.0	(0.4)	0.0	0.0	0.0	0.0
EBIT	279.9	426.2	89.8	123.1	102.9	116.1
Benefit from (provision for) income taxes	(32.5)	(114.7)	(25.5)	(36.6)	(30.8)	(35.8)
Interest income of non-Debtor subsidiaries	1.0	1.2	0.3	0.3	0.1	0.3
Interest expense	(41.3)	(43.3)	(10.4)	(11.0)	(11.3)	(11.3)
Net Income (GAAP)	\$207.1	\$269.4	\$54.2	\$75.8	\$60.9	\$69.3
<u>Chapter 11- and asbestos-related costs, net:</u>						
Chapter 11 expenses, net of filing entity interest income	\$17.7	\$20.0	\$5.8	\$6.7	\$4.5	\$3.7
Libby medical program settlement	0.0	0.0	0.0	0.0	0.0	19.5
Legal defense costs	0.1	0.0	0.0	0.0	0.0	0.0
Asbestos administration costs	6.1	4.5	1.1	1.2	1.2	2.1
Provision for environmental remediation related to asbestos	3.7	16.3	0.2	0.2	0.0	0.2
D&O insurance cost related to Chapter 11	3.5	0.3	0.4	0.4	0.1	0.0
Chapter 11 financing related:*						
Translation effects - intercompany loans	25.2	11.7	(19.7)	(7.6)	(9.6)	17.1
Value of currency forward contracts - intercompany loans	(25.4)	(9.3)	16.5	7.8	8.1	(16.8)
Certain other currency translation costs, net	4.3	1.2	1.4	0.3	0.9	(0.6)
COLI income, net	0.1	0.0	0.0	0.0	0.0	0.0
Chapter 11- and asbestos-related costs, net	\$35.3	\$44.7	\$5.7	\$9.0	\$5.2	\$25.2

* 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 (continued)

Adjusted EBIT By Operating Segment:	2010	2011	Q1 2011	Q2 2011	Q1 2012	Q2 2012
Grace Catalysts Technologies segment operating income	\$239.6	\$388.8	\$77.9	\$101.9	\$98.9	\$100.3
Grace Materials Technologies segment operating income	160.0	158.7	40.4	43.8	36.1	46.4
Grace Construction Products segment operating income	89.9	97.3	16.3	29.6	20.5	35.5
Corporate support functions (including performance based compensation)	(63.6)	(74.8)	(16.8)	(21.2)	(19.7)	(15.1)
Other corporate costs (including environmental remediation)	(22.4)	(28.0)	(5.6)	(6.2)	(5.7)	(6.7)
Defined benefit pension expense	(77.1)	(63.4)	(16.5)	(15.1)	(18.8)	(16.8)
Adjusted EBIT (Non-GAAP)	\$326.4	\$478.6	\$95.7	\$132.8	\$111.3	\$143.6
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Adjusted Free Cash Flow:	2010	2011	Six months ended June 30,			
			2011	2012		
Net cash provided by (used for) operating activities	\$327.7	\$217.0	(\$72.3)	\$115.1		
Capital expenditures	(112.9)	(141.6)	(57.7)	(61.8)		
Free Cash Flow	214.8	75.4	(130.0)	53.3		
Chapter 11 expenses paid	28.6	20.6	8.6	6.5		
Accelerated defined benefit pension plan contributions	-	180.0	180.0	83.4		
Expenditures for asbestos-related environmental remediation	2.8	2.4	1.0	3.4		
Adjusted Free Cash Flow (Non-GAAP)	\$246.2	\$278.4	\$59.6	\$146.6		
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Adjusted EBIT Return On Invested Capital (trailing four quarters):	2010	2011	Q2 2011	Q2 2012		
Adjusted EBIT (Non-GAAP)	\$326.4	\$478.6	\$399.5	\$505.0		
Trade accounts receivable	386.1	473.0	501.0	510.5		
Inventories	259.3	329.1	313.2	317.0		
Accounts payable	(215.6)	(257.6)	(262.9)	(259.9)		
Net working capital	429.8	544.5	551.3	567.6		
Other current assets	74.9	82.6	65.4	78.6		
Properties and equipment, net	702.5	723.5	719.7	720.3		
Goodwill	125.5	148.2	130.2	145.4		
Other assets	153.9	174.1	149.2	175.1		
Other current liabilities	(229.1)	(259.6)	(240.0)	(240.8)		
Other liabilities	(58.3)	(60.9)	(55.1)	(55.6)		
Total invested capital	\$1,199.2	\$1,352.4	\$1,320.7	\$1,390.6		
Adjusted EBIT Return On Invested Capital (Non-GAAP)	27.2%	35.4%	30.2%	36.3%		

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

(in millions, except per share amounts)	Three Months Ended June 30, 2012				Six Months Ended June 30, 2012			
	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)				\$ 0.90				\$ 1.70
Restructuring charges and related asset impairments	\$ 2.3	\$ 0.6	\$ 1.7	0.02	\$ 5.3	\$ 1.6	\$ 3.7	0.05
Chapter 11- and asbestos-related costs, net	25.2	8.7	16.5	0.22	30.4	10.1	20.3	0.27
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		(0.1)	0.1	-		(0.3)	0.3	-
Adjusted Earnings Per Share (non-GAAP) (A)				\$ 1.14				\$ 2.02
(in millions, except per share amounts)	Three Months Ended June 30, 2011				Six Months Ended June 30, 2011			
	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)				\$ 1.00				\$ 1.72
Restructuring charges and related asset impairments	\$ 0.7	\$ 0.2	\$ 0.5	0.01	\$ 0.9	\$ 0.3	\$ 0.6	0.01
Chapter 11- and asbestos-related costs, net	9.0	2.4	6.6	0.09	14.7	3.8	10.9	0.14
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		(0.4)	0.4	0.01		(0.4)	0.4	0.01
Adjusted Earnings Per Share (non-GAAP) (A)				\$ 1.11				\$ 1.88

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.