



W. R. Grace & Co.

**Fourth Quarter 2014
Business Update**

Investor Presentation
February 5, 2015

GRACE
Talent | Technology | Trust

Disclaimer

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Non-GAAP Financial Terms

These slides contain certain “non-GAAP financial terms” which are defined in the Appendix.

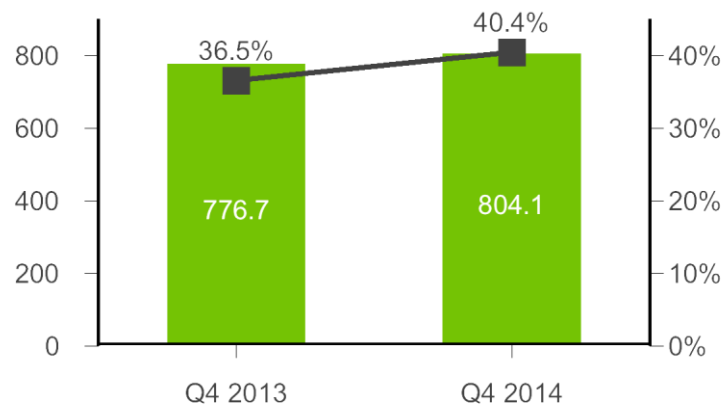
Reconciliations of non-GAAP terms to the closest GAAP term (i.e., net income) are provided in the Appendix.

Highlights

- **Q4 earnings finished as we expected:**
 - Solid earnings growth in Catalysts Technologies and Construction Products
 - Strong margins in all three segments
- **2014 a strong year :**
 - 2014 sales grew 6%; Adjusted EBIT up 14%
 - Fifth consecutive year of increased gross margins and Adjusted EBITDA margins
 - Adjusted Free Cash Flow increased to \$452 million
- **Board authorizes additional \$500M share repurchase program**
- **2015 Adjusted EBIT outlook of \$675-705 million** (on constant currency basis)
 - Adjusted EBIT growth of 8% – 13%, before currency
 - Adjusted EPS of \$5.05-\$5.45 per share, before currency
 - Currency headwind about \$50M or \$0.45 per share at current exchange rates

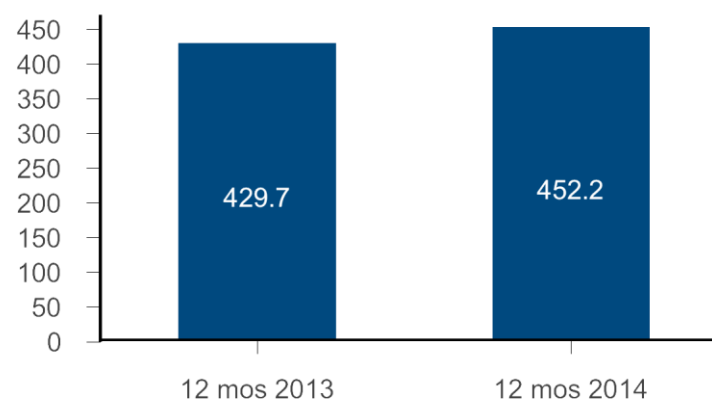
Q4 2014 Financial Performance

Sales (\$mm) **Segment Gross Margin**



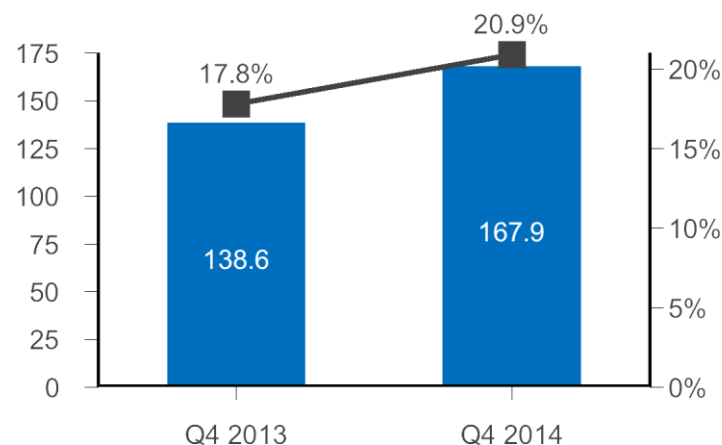
Sales growth of 4%

Adjusted Free Cash Flow* (\$mm)



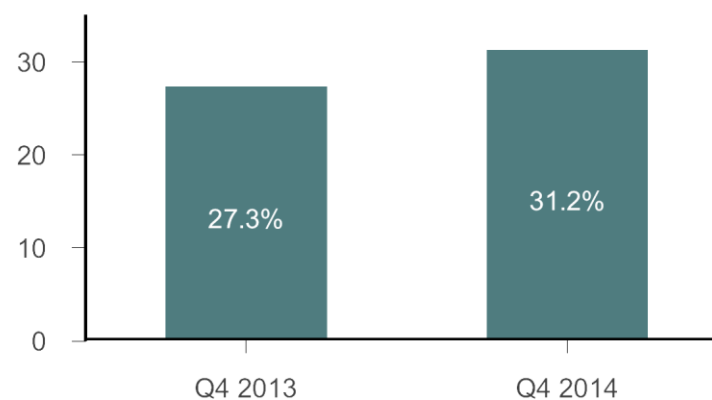
Strong cash generation

Adjusted EBIT* (\$mm) **Adjusted EBIT Margin**



Margin expansion of 310bps

Adjusted EBIT Return on Invested Capital*
(trailing four quarters)



ROIC greater than 30%

Grace Business Results* – Q4 2014

(in millions of dollars except EPS)	Q4 2013	Q4 2014	Y/Y Change	Q3 2014	Q/Q Change
Net Sales	776.7	804.1	3.5%	856.4	(6.1)%
Segment Gross Margin	36.5%	40.4%	390 bps	38.6%	180 bps
Adjusted EBIT	138.6	167.9	21.1%	180.9	(7.2)%
Adjusted EBIT Margin	17.8%	20.9%	310 bps	21.1%	(20) bps
Adjusted EBITDA Margin	21.9%	25.2%	330 bps	25.1%	10 bps
Adjusted EBIT ROIC	27.3%	31.2%	390 bps	29.8%	140 bps
Diluted EPS	0.38	0.21	(44.7)%	0.99	(78.8)%
Adjusted EPS	1.09	1.37	25.7%	1.07	28.0%

Solid sales growth and strong margins

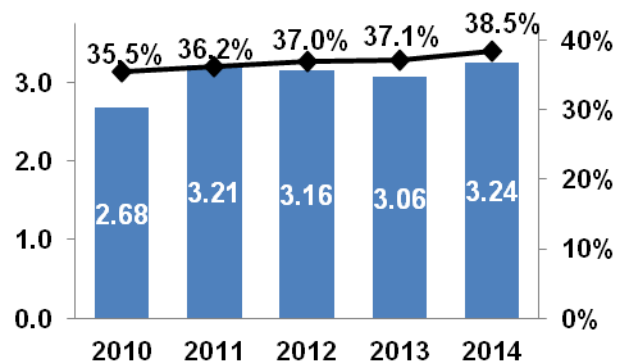
Grace Business Results* – Full Year 2014

(in millions of dollars except EPS)	FY 2013	FY 2014	Y/Y Change
Net Sales	3060.7	3243.0	6.0%
Segment Gross Margin	37.1%	38.5%	140 bps
Adjusted EBIT	550.8	626.2	13.7%
Adjusted EBIT Margin	18.0%	19.3%	130 bps
Adjusted EBITDA Margin	22.0%	23.5%	150 bps
Adjusted EBIT ROIC	27.3%	31.2%	390 bps
Diluted EPS	3.30	3.63	10.0%
Adjusted EPS	4.39	4.43	1.0%
Adjusted Free Cash Flow	429.7	452.2	5.2%

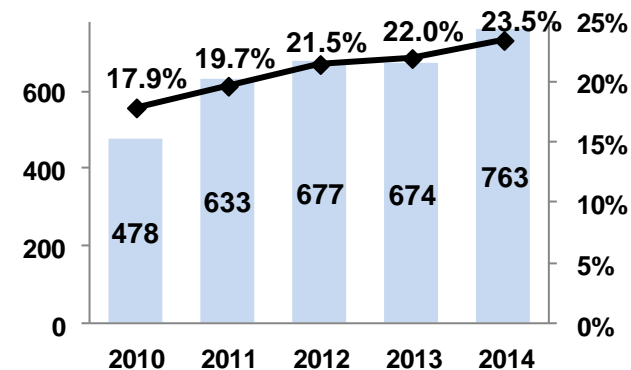
Strong Finish to the Year

Track Record of Strong Profitability

Sales and Segment Gross Margin



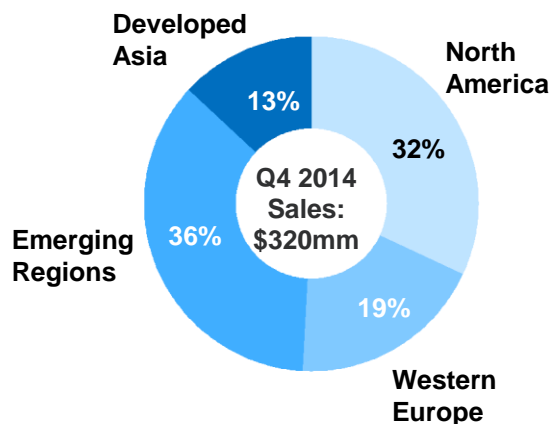
Adjusted EBITDA*



Catalysts Technologies – Q4 2014 Results

- FCC volumes up 6% y/y
- No material impact from lower oil prices
- Gross margin increased 690 bps on favorable mix and lower manufacturing costs
- Specialty Catalysts sales up 28% y/y

(in millions of dollars)	Q4 2013	Q4 2014	Q3 2014	Y/Y Change	Q/Q Change
Sales	292.9	319.8	329.3	9.2%	(2.9)%
Segment Gross Margin	38.8%	45.7%	42.5%	690 bps	320 bps
Operating Income	79.1	108.7	100.9	37.4%	7.7%
Operating Margin	27.0%	34.0%	30.6%	700 bps	340 bps



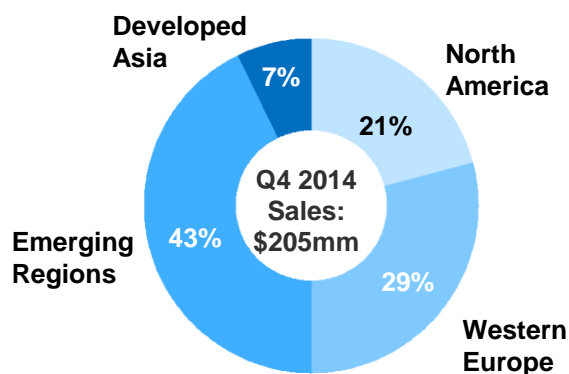
Factors Impacting Sales

Y/Y Change	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Volume	(7.3)%	9.7%	8.6%	22.0%	11.4%
Price	(6.1)%	(3.9)%	(2.6)%	(2.0)%	0.4%
Currency	2.6%	1.0%	1.7%	0.3%	(2.6)%
Total	(10.8)%	6.8%	7.7%	20.3%	9.2%

Materials Technologies – Q4 2014 Results

- Stronger US dollar and lower European demand impacted Q4 sales
- Engineered Materials sales flat y/y excluding Europe
- Gross Margin up 130 bps due to lower manufacturing costs and improved pricing

(in millions of dollars)	Q4 2013	Q4 2014	Q3 2014	Y/Y Change	Q/Q Change
Sales	214.8	205.6	229.1	(4.3)%	(10.3)%
<i>Segment Gross Margin</i>	35.0%	36.3%	35.3%	130 bps	100 bps
Operating Income	45.9	41.3	48.7	(10.0)%	(15.2)%
<i>Operating Margin</i>	21.4%	20.1%	21.3%	(130) bps	(120) bps



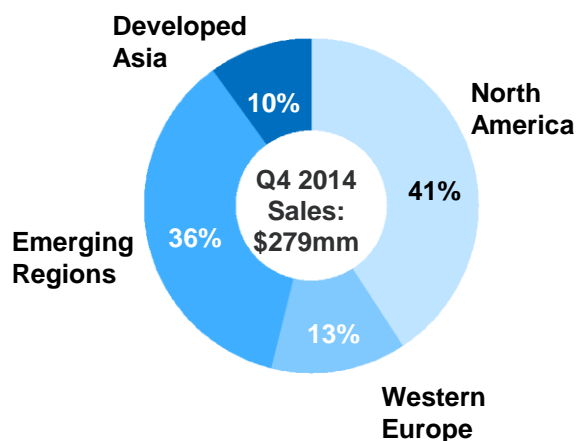
Factors Impacting Sales

Y/Y Change	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Volume	1.2%	2.4%	1.3%	3.1%	(1.4)%
Price	1.8%	1.1%	0.8%	0.8%	1.3%
Currency	(0.8)%	(1.2)%	1.1%	0.2%	(4.2)%
Total	2.2%	2.3%	3.2%	4.1%	(4.3)%

Construction Products – Q4 2014 Results

- Sales volumes up 5% in SCC
 - Solid sales growth in North America and Asia for second straight quarter
 - Strong cement volumes in North America driven by favorable weather conditions
- Sales up 8% in North America and 7% in emerging regions
- Record full year operating income and operating margin surpassing 2007 peak

(in millions of dollars)	Q4 2013	Q4 2014	Q3 2014	Y/Y Change	Q/Q Change
Sales	269.0	278.7	298.0	3.6%	(6.5)%
<i>Segment Gross Margin</i>	35.2%	37.3%	36.8%	210 bps	50 bps
Operating Income	38.0	42.4	48.9	11.6%	(13.3)%
<i>Operating Margin</i>	14.1%	15.2%	16.4%	110 bps	(120) bps



Factors Impacting Sales

Y/Y Change	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Volume	4.4%	8.0%	1.4%	4.5%	4.2%
Price	2.3%	1.7%	2.4%	2.9%	2.7%
Currency	(3.0)%	(4.6)%	(1.9)%	—%	(3.3)%
Total	3.7%	5.1%	1.9%	7.4%	3.6%

2015 Outlook – on a Constant Currency Basis

(in millions of dollars except EPS)	2015 Outlook	Framework/Drivers
Adjusted EBIT	\$675 – \$705	8% – 13%
Adjusted EBITDA	\$815 – \$845	7% – 11%
Adjusted EPS	\$5.05 – \$5.45	14% – 23%
Sales Growth	1.5x GDP + pricing	Market growth, new products
Segment Gross Margin	38% - 40%	Value pricing, mix improvement, productivity
Adjusted FCF	>\$430	Tight working capital management
Capital Expenditures	~\$175 - \$180	Disciplined capital investment
Interest Expense	~\$102	Includes exit financing, debt issuance, non-U.S. debt, DD term loan
Effective Tax Rate Cash Tax Rate	~35% 10% - 15%	NOLs, tax planning opportunities
Currency Headwind @ \$1.14/Euro	~\$50 or ~\$0.45	1 cent vs Euro = \$2 annualized Adj. EBIT 1 cent vs Other = \$1 annualized Adj. EBIT

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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)

	2012	2013	2014	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Adjusted EBIT	558.2	550.8	626.2	116.8	153.3	142.1	138.6	111.3	166.1	180.9	167.9
Costs related to Chapter 11	(15.6)	(16.4)	(11.3)	(3.8)	(3.3)	(3.9)	(5.4)	(6.3)	(3.0)	(1.8)	(0.2)
Asbestos-related costs	(5.0)	(7.8)	(7.9)	(1.4)	(1.3)	(1.3)	(3.8)	(0.4)	(0.9)	(2.5)	(4.1)
Asbestos and bankruptcy-related charges, net	(384.6)	(21.9)	(7.1)	—	—	—	(21.9)	(8.8)	2.4	(0.4)	(0.3)
Default interest settlement	—	(129.0)	—	—	—	—	(129.0)	—	—	—	—
Pension MTM adjustment and other related costs, net	(119.2)	50.6	(128.3)	(2.5)	—	—	53.1	4.8	—	—	(133.1)
Gain on termination of postretirement plans related to divested businesses	—	—	15.9	—	—	—	—	—	3.2	9.5	3.2
Restructuring expenses and asset impairments	(6.9)	(12.5)	(22.4)	(0.8)	(4.3)	(3.6)	(3.8)	(0.7)	(11.7)	(5.4)	(4.6)
Gain (loss) on sale of product line	(0.2)	(1.0)	0.2	—	—	—	(1.0)	—	0.2	—	—
Income and expense items related to divested businesses	(2.8)	(4.1)	(5.2)	(0.7)	(0.8)	(2.2)	(0.4)	(1.1)	(3.6)	(2.1)	1.6
Interest expense and related financing costs	(46.5)	(43.8)	(61.5)	(10.5)	(10.9)	(10.7)	(11.7)	(11.2)	(11.1)	(14.7)	(24.5)
Interest accretion on deferred payment obligations	—	—	(65.7)	—	—	—	—	(8.2)	(13.6)	(43.7)	(0.2)
Currency and other financial losses in Venezuela	—	(6.9)	(1.0)	(6.9)	—	—	—	—	—	(1.0)	—
Interest income	1.0	1.0	1.4	0.2	0.1	0.2	0.5	0.5	0.5	0.3	0.1
Benefit from (provision for) income taxes	61.6	(102.9)	(57.0)	(31.3)	(42.5)	(43.6)	14.5	(29.8)	7.7	(44.6)	9.7
Net income attributable to W. R. Grace & Co. shareholders	40.0	256.1	276.3	59.1	90.3	77.0	29.7	50.1	136.2	74.5	15.5
Costs related to Chapter 11:											
Chapter 11 expenses, net of interest income	16.6	15.3	11.0	4.8	3.3	2.9	4.3	6.1	3.0	1.7	0.2
D&O insurance costs related to Chapter 11	0.3	0.2	0.1	0.1	—	0.1	—	—	0.1	—	—
Translation effects—intercompany loans (D)	(5.6)	(11.9)	4.6	7.4	(3.9)	(10.1)	(5.3)	4.6	—	—	—
Value of currency forward contracts—intercompany loans (D)	3.7	10.9	(4.5)	(7.7)	3.5	9.9	5.2	(4.5)	—	—	—
Certain other currency translation costs, net (D)	0.6	1.9	0.1	(0.8)	0.4	1.1	1.2	0.1	(0.1)	0.1	—
Costs related to Chapter 11	15.6	16.4	11.3	3.8	3.3	3.9	5.4	6.3	3.0	1.8	0.2

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

Adjusted EBIT by Operating Segment:	2012	2013	2014	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Catalysts Technologies segment operating income	393.8	327.5	378.3	77.2	93.8	77.4	79.1	71.2	97.5	100.9	108.7
Materials Technologies segment operating income	162.0	181.8	185.2	44.3	44.8	46.8	45.9	45.5	49.7	48.7	41.3
Construction Products segment operating income	125.2	151.7	161.7	22.8	45.3	45.6	38.0	25.4	45.0	48.9	42.4
Corporate costs	(92.4)	(82.8)	(90.6)	(20.8)	(23.7)	(20.9)	(17.4)	(22.5)	(22.8)	(23.8)	(21.5)
Gain on termination of postretirement plans related to current businesses	—	—	23.6	—	—	—	—	—	4.7	14.2	4.7
Certain pension costs (C)	(30.4)	(27.4)	(32.0)	(6.7)	(6.9)	(6.8)	(7.0)	(8.3)	(8.0)	(8.0)	(7.7)
Adjusted EBIT	558.2	550.8	626.2	116.8	153.3	142.1	138.6	111.3	166.1	180.9	167.9
Adjusted Free Cash Flow:	2012	2013	2014								
Net cash (used for) provided by operating activities	453.6	515.9	(1,470.7)								
Capital expenditures	(138.5)	(156.2)	(171.2)								
Free Cash Flow	315.1	359.7	(1,641.9)								
Chapter 11 expenses paid	15.5	15.0	31.6								
Chapter 11 emergence payments, including accounts payable	—	—	1,348.7								
Cash paid to settle deferred payment obligation	—	—	632.0								
Accelerated defined benefit pension plan contributions	83.4	50.0	75.0								
Expenditures for asbestos-related items	7.2	5.0	6.8								
Adjusted Free Cash Flow	421.2	429.7	452.2								
Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):	2012	2013	2014								
Adjusted EBIT	558.2	550.8	626.2								
Invested Capital:											
Trade accounts receivable	490.4	481.8	481.1								
Inventories	283.6	295.3	332.8								
Accounts payable	(252.0)	(262.5)	(255.3)								
	522.0	514.6	558.6								
Other current assets (excluding income taxes)	62.4	81.2	76.9								
Properties and equipment, net	770.5	829.9	833.5								
Goodwill	196.7	457.5	452.9								
Technology and other intangible assets, net	82.7	315.5	288.0								
Investment in unconsolidated affiliate	85.5	96.2	113.1								
Other assets (excluding capitalized financing fees)	24.5	40.0	23.0								
Other current liabilities (excluding income taxes, environmental remediation related to asbestos and divested businesses, Chapter 11, restructuring, and accrued interest)	(251.9)	(248.0)	(256.7)								
Other liabilities (excluding environmental remediation related to asbestos and divested businesses)	(55.5)	(72.7)	(81.8)								
Total invested capital	1,436.9	2,014.2	2,007.5								
Adjusted EBIT Return On Invested Capital	38.8%	27.3%	31.2%								

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

(In millions, except per share amounts)	Three Months Ended December 31,							
	2014				2013			
	Pre-Tax	Tax Effect	After-Tax	Per Share	Pre-Tax	Tax Effect	After-Tax	Per Share
Diluted Earnings Per Share (GAAP)				\$ 0.21				\$ 0.38
Costs related to Chapter 11	\$ 0.2	\$ —	\$ 0.2	—	\$ 5.4	\$ 3.1	\$ 2.3	0.03
Asbestos-related costs	4.1	1.5	2.6	0.03	3.8	1.9	1.9	0.02
Asbestos and bankruptcy-related charges, net	0.3	0.1	0.2	—	21.9	8.2	13.7	0.18
Default interest settlement	—	—	—	—	129.0	48.3	80.7	1.03
Pension MTM adjustment and other related costs, net	133.1	48.7	84.4	1.13	(53.1)	(21.5)	(31.6)	(0.40)
Gain on termination of postretirement plans related to divested businesses	(3.2)	(1.1)	(2.1)	(0.03)	—	—	—	—
Restructuring expenses and asset impairments	4.6	1.2	3.4	0.05	3.8	1.0	2.8	0.04
Income and expense items related to divested businesses	(1.6)	(0.6)	(1.0)	(0.01)	1.4	0.5	0.9	0.01
Discrete tax items:								
Release of valuation allowances	—	—	—	—	—	24.4	(24.4)	(0.31)
Discrete tax items, including adjustments to uncertain tax positions	—	1.1	(1.1)	(0.01)	—	(8.4)	8.4	0.11
Adjusted EPS (non-GAAP)				<u>\$ 1.37</u>				<u>\$ 1.09</u>
Certain items included in Adjusted EPS:								
Gain on termination of postretirement plans related to current businesses				\$ (0.04)				\$ —
Differential between effective tax rate and cash tax rate				0.40				0.34
Total				<u>\$ 0.36</u>				<u>\$ 0.34</u>

(In millions, except per share amounts)	Twelve Months Ended December 31,							
	2014				2013			
	Pre-Tax	Tax Effect	After-Tax	Per Share	Pre-Tax	Tax Effect	After-Tax	Per Share
Diluted Earnings Per Share (GAAP)				\$ 3.63				\$ 3.30
Costs related to Chapter 11	\$ 11.3	\$ 2.2	\$ 9.1	0.12	\$ 16.4	\$ 6.0	\$ 10.4	0.13
Asbestos-related costs	7.9	2.9	5.0	0.07	7.8	3.0	4.8	0.06
Asbestos and bankruptcy-related charges, net	7.1	2.6	4.5	0.06	21.9	8.2	13.7	0.18
Default interest settlement	—	—	—	—	129.0	48.3	80.7	1.04
Pension MTM adjustment and other related costs, net	128.3	46.9	81.4	1.07	(50.6)	(20.0)	(30.6)	(0.39)
Gain on termination of postretirement plans related to divested businesses	(15.9)	(5.9)	(10.0)	(0.13)	—	—	—	—
Restructuring expenses and asset impairments	22.4	7.6	14.8	0.19	12.5	3.5	9.0	0.12
Currency and other financial losses in Venezuela	1.0	0.3	0.7	0.01	6.9	—	6.9	0.09
Gain (loss) on sale of product line	(0.2)	(0.1)	(0.1)	—	1.0	0.4	0.6	0.01
Income and expense items related to divested businesses	5.2	1.9	3.3	0.04	4.1	1.4	2.7	0.04
Discrete tax items:								
Release of valuation allowances	—	—	—	—	—	24.4	(24.4)	(0.31)
Discrete tax items, including adjustments to uncertain tax positions	—	48.2	(48.2)	(0.63)	—	(9.4)	9.4	0.12
Adjusted EPS (non-GAAP)				<u>\$ 4.43</u>				<u>\$ 4.39</u>
Certain items included in Adjusted EPS:								
Interest accretion on deferred payment obligations				\$ 0.58				\$ —
Gain on termination of postretirement plans related to current businesses				(0.21)				—
Differential between effective tax rate and cash tax rate				1.87				1.35
Total				<u>\$ 2.24</u>				<u>\$ 1.35</u>