

W. R. Grace & Co.

Second Quarter 2014
Business Update

July 23, 2014

GRACE

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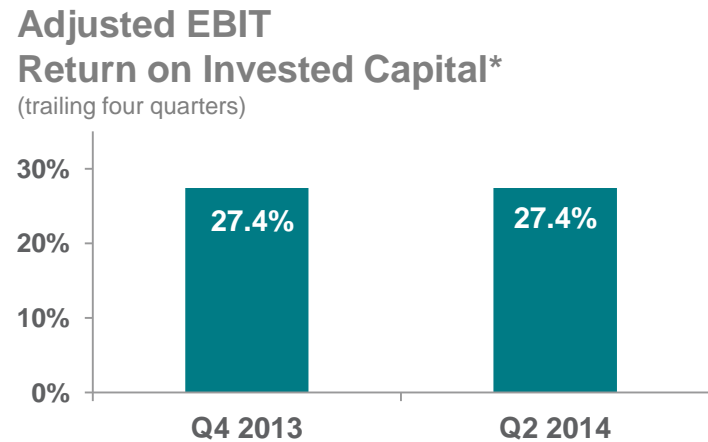
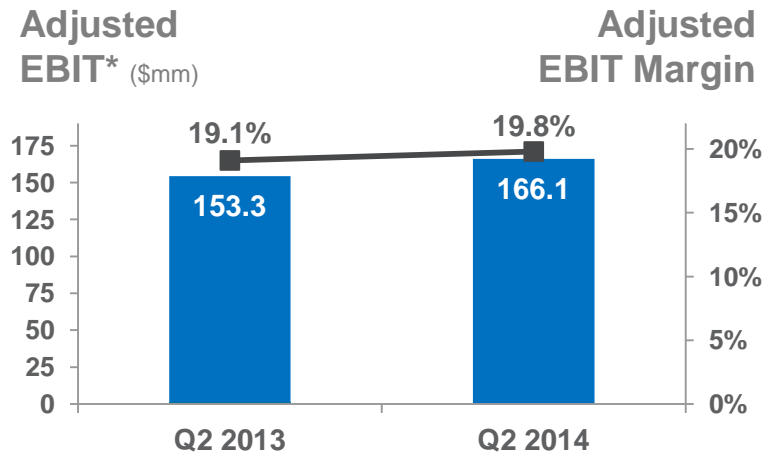
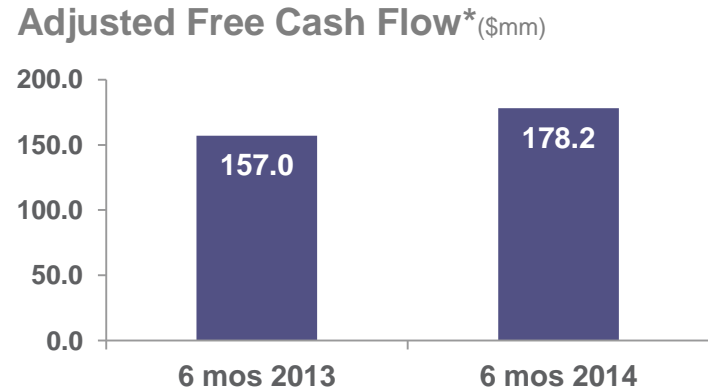
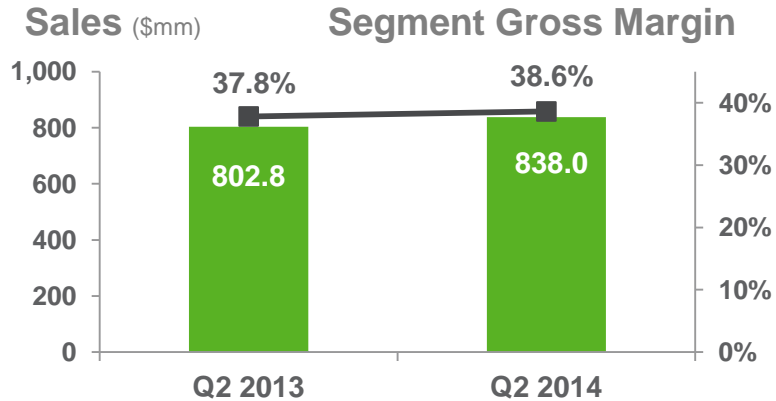
Non-GAAP Financial Terms

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.

Q2 2014 Highlights

- Good performance creating momentum for H2
- Catalysts Technologies
 - Strong contribution from UNIPOL[®] PP acquisition
 - FCC fundamentals trending favorably
- Materials Technologies
 - Good sales growth and operating leverage
- Construction Products
 - Solid SCC; SBM impacted by delayed projects

Q2 2014 Financial Performance



Grace Business Results* – Q2 2014

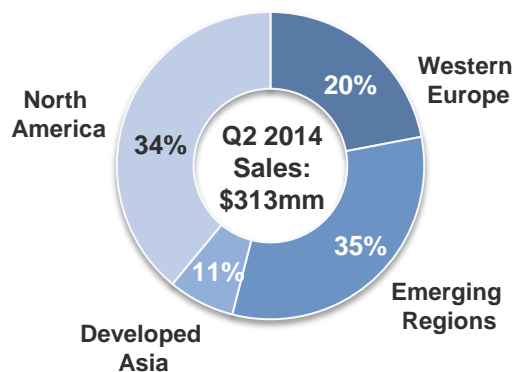
(in millions of dollars except EPS)	Q2 2013	Q2 2014	Y/Y Change	Q1 2014	Q/Q Change
Net Sales	802.8	838.0	4.4%	744.5	12.6%
Segment Gross Margin	37.8%	38.6%	80 bps	36.3%	230 bps
Adjusted EBIT	153.3	166.1	8.3%	111.3	49.2%
Adjusted EBIT Margin	19.1%	19.8%	70 bps	14.9%	490 bps
Adjusted EBITDA Margin	22.9%	23.9%	100 bps	19.5%	440 bps
Adjusted EBIT ROIC	33.6%	27.4%	<i>Not meaningful</i>	27.3%	10 bps
Diluted EPS	1.16	1.77	52.6%	0.64	<i>Not meaningful</i>
Adjusted EPS	1.22	1.22	---	0.77	58.4%

Year-over-year growth in all three segments

Catalysts Technologies – Q2 2014 Results

- 9% y/y increase in sales volumes
- 10% sequential increase in FCC sales volumes
- UNIPOL® PP acquisition contribution:
 - \$30 mm to sales
 - \$11 mm to operating income
- ART equity income down \$6 mm from year-ago peak quarter

(in millions of dollars)	Q2 2013	Q2 2014	Q1 2014	Y/Y Change	Q/Q Change
Sales	290.9	313.2	284.5	7.7%	10.1%
Segment Gross Margin	42.0%	43.6%	39.0%	160 bps	460 bps
Operating Income	93.8	97.5	71.2	3.9%	36.9%
Operating Margin	32.2%	31.1%	25.0%	- 110 bps	610 bps



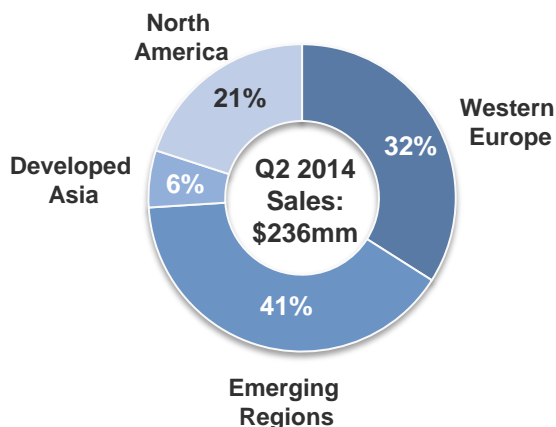
Factors Impacting Sales

Y/Y Change	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Volume	-1.5%	-3.6%	-7.3%	9.7%	8.6%
Price	-9.4%	-6.6%	-6.1%	-3.9%	-2.6%
Currency	-0.6%	1.8%	2.6%	1.0%	1.7%
Total	-11.5%	-8.4%	-10.8%	6.8%	7.7%

Materials Technologies – Q2 2014 Results

- 7% increase in Engineered Materials sales driven by solid global demand in coatings and consumer market applications
- 1% decrease in Packaging Technologies due to emerging region volatility; business focused on margin improvement and ROIC

(in millions of dollars)	Q2 2013	Q2 2014	Q1 2014	Y/Y Change	Q/Q Change
Sales	228.7	236.1	219.8	3.2%	7.4%
Segment Gross Margin	33.7%	35.0%	34.9%	130 bps	10 bps
Operating Income	44.8	49.7	45.5	10.9%	9.2%
Operating Margin	19.6%	21.1%	20.7%	150 bps	40 bps



Factors Impacting Sales

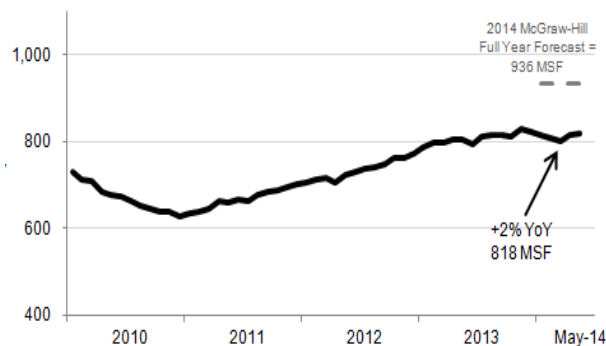
Y/Y Change	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Volume	1.8%	0.6%	1.2%	2.4%	1.3%
Price	2.5%	2.2%	1.8%	1.1%	0.8%
Currency	-2.3%	-0.1%	-0.8%	-1.2%	1.1%
Total	2.0%	2.7%	2.2%	2.3%	3.2%

Construction Products – Q2 2014 Results

- Q2 growth in construction and infrastructure spending less than expected
- 4% increase in SCC sales
 - North America: up 6%
 - Western Europe: up 5%
 - Emerging Regions: up 1%
- 1% decrease in SBM sales
 - North America: down 7%
 - Western Europe: up 4%
 - Emerging Regions: down 1%

(in millions of dollars)	Q2 2013	Q2 2014	Q1 2014	Y/Y Change	Q/Q Change
Sales	283.2	288.7	240.2	1.9%	20.2%
Segment Gross Margin	36.8%	36.2%	34.4%	-60 bps	180 bps
Operating Income	45.3	45.0	25.4	-0.7%	77.2%
Operating Margin	16.0%	15.6%	10.6%	-40 bps	500 bps

Non-residential Building Starts
(mil sq ft, 12 month moving total)



Factors Impacting Sales

Y/Y Change	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Volume	3.6%	6.2%	4.4%	8.0%	1.4%
Price	1.8%	2.3%	2.3%	1.7%	2.4%
Currency	-2.0%	-3.1%	-3.0%	-4.6%	-1.9%
Total	3.4%	5.4%	3.7%	5.1%	1.9%

Source: McGraw Hill

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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 costs, 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.

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
Adjusted EBIT (Non-GAAP)	\$550.8	\$116.8	\$153.3	\$142.1	\$138.6	\$111.3	\$166.1
Chapter 11-related costs, net	(16.4)	(3.8)	(3.3)	(3.9)	(5.4)	(6.3)	(3.0)
Asbestos-related costs	(11.9)	(2.1)	(2.1)	(2.5)	(5.2)	(1.5)	(4.3)
Asbestos and bankruptcy-related charges, net	(21.9)	-	-	-	(21.9)	(8.8)	2.4
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
Restructuring expenses and related asset impairments	(12.5)	(0.8)	(4.3)	(3.6)	(3.8)	(0.7)	(11.7)
Loss on sale of product line	(1.0)	-	-	(1.0)	-	-	0.2
Income and expense items related to divested businesses	-	-	-	-	-	-	(0.2)
Interest expense and related financing costs	(43.8)	(10.5)	(10.9)	(10.7)	(11.7)	(11.2)	(11.1)
Interest accretion on deferred payment obligations	-	-	-	-	-	(8.2)	(13.6)
Currency transaction loss on cash in Venezuela	(6.9)	(6.9)	-	-	-	-	-
Interest income of non-Debtor subsidiaries	1.0	0.2	0.1	0.2	0.5	0.5	0.5
Benefit from (provision for) income taxes	(102.9)	(31.3)	(42.5)	(43.6)	14.5	(29.8)	7.7
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
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
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)
COLI income, net	-	-	-	-	-	-	-
Costs related to Chapter 11	\$16.4	\$3.8	\$3.3	\$3.9	\$5.4	\$6.3	\$3.0

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

Adjusted EBIT By Operating Segment:	2013	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Grace Catalysts Technologies segment operating income	\$327.5	\$77.2	\$93.8	\$77.4	79.1	\$71.2	\$97.5
Grace Materials Technologies segment operating income	\$181.8	44.3	44.8	46.8	45.9	45.5	49.7
Grace Construction Products segment operating income	\$151.7	22.8	45.3	45.6	38.0	25.4	45.0
Corporate costs	(\$82.8)	(20.8)	(23.7)	(20.9)	(17.4)	(22.5)	(22.7)
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)	(8.1)
Adjusted EBIT (Non-GAAP)	\$550.8	\$116.8	\$153.3	\$142.1	\$138.6	\$111.3	\$166.1

Adjusted Free Cash Flow:	2013	Q2 2013	Q2 2014
Net cash provided by operating activities	\$515.9	\$170.3	(\$1,188.1)
Capital expenditures	(\$156.2)	(73.7)	(81.5)
Free Cash Flow	\$359.7	96.6	(1,269.6)
Chapter 11 expenses paid	\$15.0	7.1	20.7
Chapter 11 emergence payments, including accounts payable	-	-	1,348.0
Accelerated defined benefit pension plan contributions	\$50.0	50.0	75.0
Expenditures for asbestos-related items	\$5.0	3.3	4.1
Adjusted Free Cash Flow (Non-GAAP)	\$429.7	\$157.0	\$178.2

Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):	2013	Q2 2013	Q1 2014	Q2 2014
Adjusted EBIT (Non-GAAP)	\$550.8	\$552.7	\$545.3	\$558.1
Trade accounts receivable	481.8	443.4	504.7	539.9
Inventories	295.3	320.1	324.8	334.6
Accounts payable	(262.5)	(286.2)	(305.4)	(311.5)
Net working capital	514.6	477.3	524.1	563.0
Other current assets (excluding income taxes and capitalized financing costs)	81.2	77.9	89.3	79.9
Properties and equipment, net	829.5	762.5	832.7	835.2
Goodwill	457.5	194.3	455.7	467.7
Technology and other intangible assets, net	315.5	78.9	310.1	305.2
Investment in unconsolidated affiliate	96.2	90.5	99.7	102.7
Other assets (excluding capitalized financing costs)	40.0	29.9	43.3	41.4
Other current liabilities (excluding income taxes, Chapter 11, and restructuring)	(248.6)	(186.4)	(263.1)	(258.8)
Other liabilities (excluding OPEB, uncertain tax provisions, and asbestos related environmental remediation)	(77.7)	(55.9)	(93.6)	(101.6)
Total invested capital	\$2,008.6	\$1,469.0	\$1,998.2	\$2,034.7
Adjusted EBIT Return On Invested Capital (Non-GAAP)	27.4%	37.6%	27.3%	27.4%

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

(in millions, except per share amounts)	Three Months Ended June 30,					Three Months Ended June 30,				
	2014					2013				
	Pre-Tax	Tax at		After-Tax	Per Share	Pre-Tax	Tax at		After-Tax	Per Share
Diluted Earnings Per Share (GAAP)					\$ 1.77					\$ 1.16
Costs related to Chapter 11	\$ 3.0	\$ 0.5	\$ 2.5	0.03		\$ 3.3	\$ 0.9	\$ 2.4	0.03	
Asbestos-related costs	4.3	1.4	2.9	0.04		2.1	0.8	1.3	0.02	
Asbestos and bankruptcy-related charges, net	(2.4)	(1.1)	(1.3)	(0.02)		-	-	-	-	
Gain on termination of certain post retirement benefits related to divested businesses	(3.2)	(1.1)	(2.1)	(0.03)		-	-	-	-	
Restructuring expenses and related costs	11.7	2.5	9.2	0.12		4.3	1.4	2.9	0.04	
Loss on sale of product line	(0.2)	(0.1)	(0.1)	-		-	-	-	-	
Income and expense related to divested businesses	0.2	0.1	0.1	-		-	-	-	-	
Discrete tax items:										
Discrete tax items, including adjustments to uncertain tax positions		53.2	(53.2)	(0.69)		2.7	(2.7)	(0.03)		
Adjusted Earnings Per Share (non-GAAP)					\$ 1.22					\$ 1.22
	Six Months Ended June 30,					Six Months Ended June 30,				
	2014					2013				
	Pre-Tax	Tax at		After-Tax	Per Share	Pre-Tax	Tax at		After-Tax	Per Share
Diluted Earnings Per Share (GAAP)					\$ 2.40					\$ 1.93
Costs related to Chapter 11	\$ 9.3	\$ 2.7	\$ 6.6	0.09		\$ 7.1	\$ 1.2	\$ 5.9	0.08	
Asbestos-related costs	5.8	2.0	3.8	0.05		4.2	1.4	2.8	0.04	
Asbestos and bankruptcy-related charges, net	6.4	2.2	4.2	0.05		-	-	-	-	
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 certain post retirement benefits related to divested businesses	(3.2)	(1.1)	(2.1)	(0.03)		-	-	-	-	
Restructuring expenses and related asset impairments	12.4	2.7	9.7	0.13		5.1	1.6	3.5	0.05	
Currency transaction loss on cash in Venezuela	-	-	-	-		6.9	-	6.9	0.09	
Loss on sale of product line	(0.2)	(0.1)	(0.1)	-		-	-	-	-	
Income and expense related to divested businesses	0.2	0.1	0.1	-		-	-	-	-	
Discrete tax items:										
Discrete tax items, including adjustments to uncertain tax positions		51.2	(51.2)	(0.66)		5.9	(5.9)	(0.08)		
Adjusted Earnings Per Share (non-GAAP)					\$ 1.99					\$ 2.13