

W. R. Grace & Co.

First Quarter 2014
Business Update

April 23, 2014

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Enriching Lives, *Everywhere*.[®]

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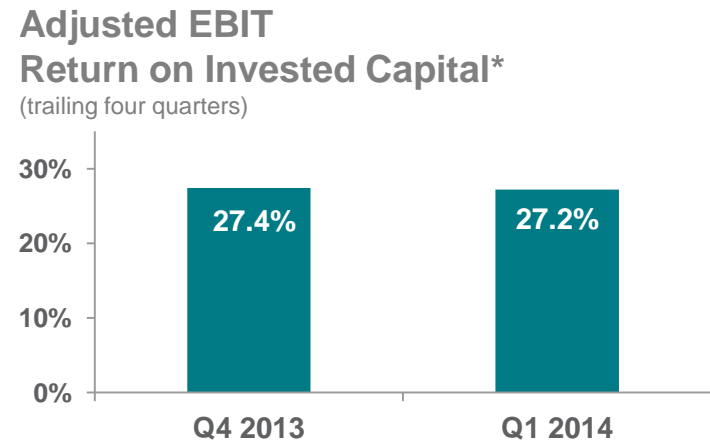
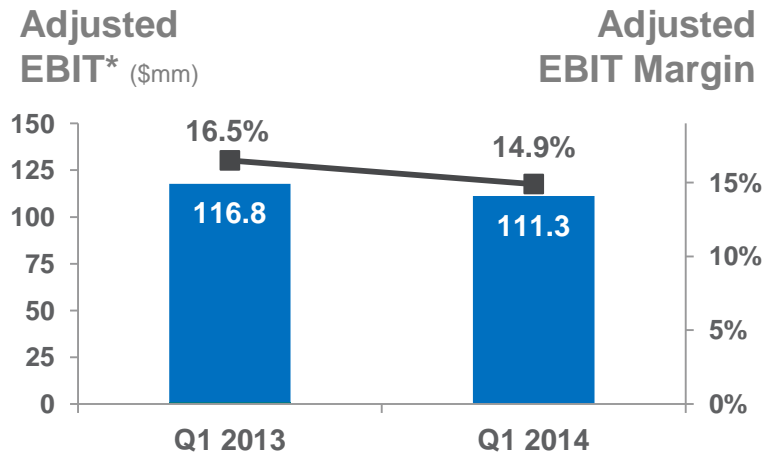
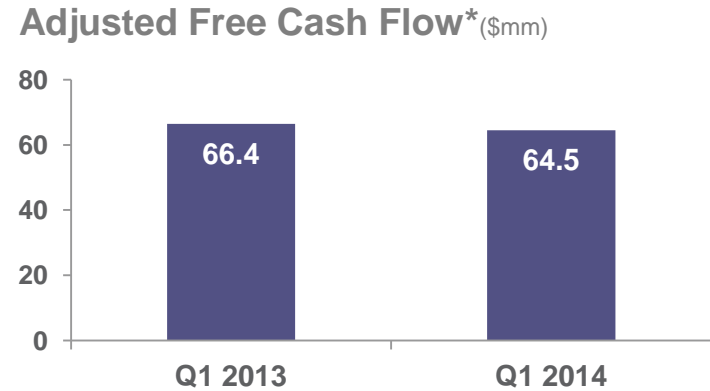
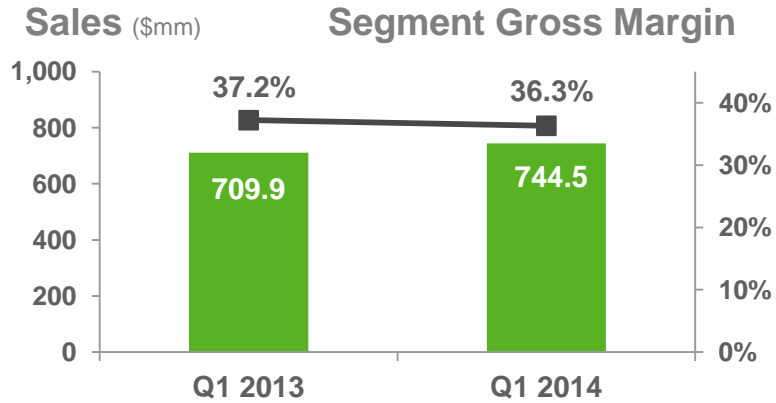
Non-GAAP Financial Terms

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.

Q1 2014 Highlights

- Sales volumes increased for all three segments
- Adverse weather in US impacted sales and earnings
- UNIPOL[®] PP catalysts acquisition on track
- Earnings up for Materials Technologies and Construction Products
- 2014 outlook affirmed

Q1 2014 Financial Performance



Grace Business Results* – Q1 2014

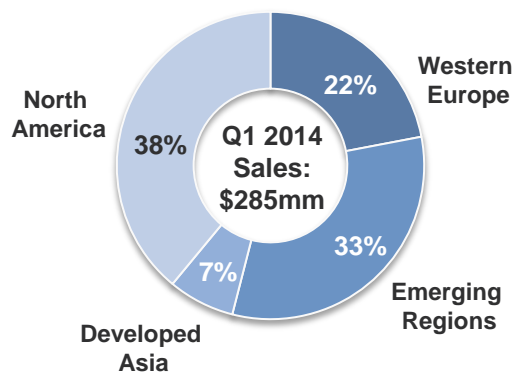
(in millions of dollars except EPS)	Q1 2013	Q1 2014	Y/Y Change	Q4 2013	Q/Q Change
Net Sales	709.9	744.5	4.9%	776.7	-4.1%
Segment Gross Margin	37.2%	36.3%	-90 bps	36.5%	-20 bps
Adjusted EBIT	116.8	111.3	-4.7%	138.6	-19.7%
Adjusted EBIT Margin	16.5%	14.9%	-160 bps	17.8%	-290 bps
Adjusted EBITDA Margin	20.8%	19.5%	-130 bps	21.9%	-240 bps
Adjusted EBIT ROIC	37.6%	27.2%	<i>Not meaningful</i>	27.4%	-20 bps
Diluted EPS	0.77	0.64	-16.9%	0.38	<i>Not meaningful</i>
Adjusted EPS	0.91	0.77	-15.4%	1.09	-29.4%

Year-over-year volume growth in all three segments

Catalysts Technologies – Q1 2014 Results

- Acquisition contributed \$28 mm to sales and \$3 mm to operating income
- Weather-related operating costs reduced operating income by ~\$6 mm
- FCC volumes up 2%
- FCC demand favorable, but volumes and margins under pressure due to weaker European demand
- ART income down \$1.4 mm

(in millions of dollars)	Q1 2013	Q1 2014	Q4 2013	Y/Y Change	Q/Q Change
Sales	266.5	284.5	292.9	6.8%	-2.9%
<i>Segment Gross Margin</i>	40.3%	39.0%	38.8%	-130 bps	20 bps
Operating Income	77.2	71.2	79.1	-7.8%	-10.0%
<i>Operating Margin</i>	29.0%	25.0%	27.0%	-400 bps	-200 bps



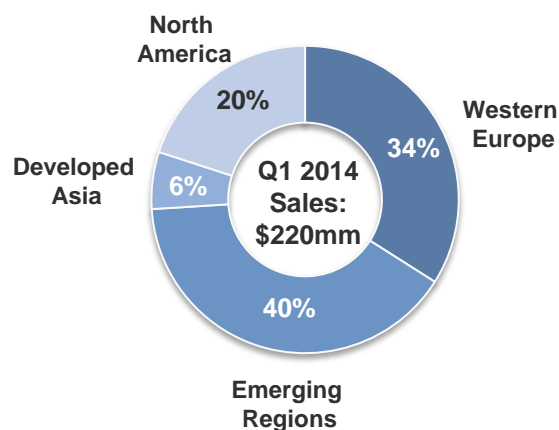
Factors Impacting Sales

Y/Y Change	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Volume	-0.4%	-1.5%	-3.6%	-7.3%	9.7%
Price	-14.1%	-9.4%	-6.6%	-6.1%	-3.9%
Currency	-0.2%	-0.6%	1.8%	2.6%	1.0%
Total	-14.7%	-11.5%	-8.4%	-10.8%	6.8%

Materials Technologies – Q1 2014 Results

- Engineered Materials sales up 7%
 - Advanced regions up 10%
 - Emerging regions up 2%
- Packaging Technologies sales down 3% largely due to unfavorable FX
- Segment gross margin above target before weather related costs

(in millions of dollars)	Q1 2013	Q1 2014	Q4 2013	Y/Y Change	Q/Q Change
Sales	214.9	219.8	214.8	2.3%	2.3%
Segment Gross Margin	35.1%	34.9%	35.0%	-20 bps	-10 bps
Operating Income	44.3	45.5	45.9	2.7%	-0.9%
Operating Margin	20.6%	20.7%	21.4%	10 bps	-70 bps



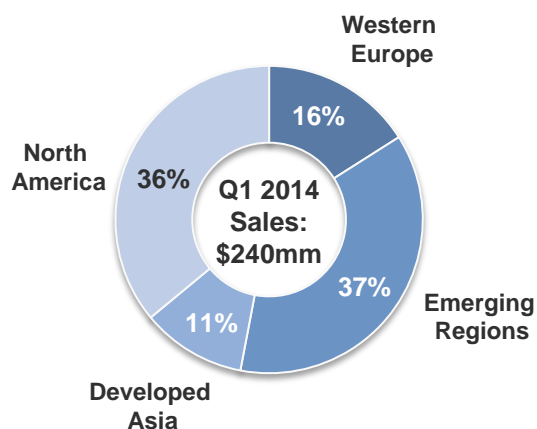
Factors Impacting Sales

Y/Y Change	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Volume	-0.1%	1.8%	0.6%	1.2%	2.4%
Price	1.8%	2.5%	2.2%	1.8%	1.1%
Currency	-1.2%	-2.3%	-0.1%	-0.8%	-1.2%
Total	-0.5%	2.0%	2.7%	2.2%	2.3%

Construction Products – Q1 2014 Results

- Adverse weather in US impacted sales by ~\$4 mm
- Good growth in Western Europe
 - SCC sales up 13%
 - SBM sales up 17%
- Lower segment gross margin largely due to higher operating costs for Verifi process control system
- FX headwind due to volatile currencies in emerging regions

(in millions of dollars)	Q1 2013	Q1 2014	Q4 2013	Y/Y Change	Q/Q Change
Sales	228.5	240.2	269.0	5.1%	-10.7%
Segment Gross Margin	35.5%	34.4%	35.2%	-110 bps	-80 bps
Operating Income	22.8	25.4	38.0	11.4%	-33.2%
Operating Margin	10.0%	10.6%	14.1%	60 bps	-350 bps



Factors Impacting Sales

Y/Y Change	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Volume	0.5%	3.6%	6.2%	4.4%	8.0%
Price	1.2%	1.8%	2.3%	2.3%	1.7%
Currency	-1.6%	-2.0%	-3.1%	-3.0%	-4.6%
Total	0.1%	3.4%	5.4%	3.7%	5.1%

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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.

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
Adjusted EBIT (Non-GAAP)	\$550.8	\$116.8	\$153.3	\$142.1	\$138.6	\$111.3
Chapter 11-related costs, net	(16.4)	(3.8)	(3.3)	(3.9)	(5.4)	(6.3)
Asbestos-related costs	(11.9)	(2.1)	(2.1)	(2.5)	(5.2)	(1.5)
Asbestos and bankruptcy-related charges, net	(21.9)	-	-	-	(21.9)	(8.8)
Default interest settlement	(129.0)	-	-	-	(129.0)	-
Pension MTM adjustment and other related costs, net	50.6	(2.5)	-	-	53.1	4.8
Restructuring expenses and related asset impairments	(12.5)	(0.8)	(4.3)	(3.6)	(3.8)	(0.7)
Loss on sale of product line	(1.0)	-	-	(1.0)	-	-
Income and expense items related to divested businesses	-	-	-	-	-	-
Interest expense and related financing costs	(43.8)	(10.5)	(10.9)	(10.7)	(11.7)	(11.2)
Interest accretion on deferred payment obligations	-	-	-	-	-	(8.2)
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
Benefit from (provision for) income taxes	(102.9)	(31.3)	(42.5)	(43.6)	14.5	(29.8)
Net Income (loss) attributable to W. R. Grace & Co shareholders (GAAP)	256.1	59.1	90.3	77.0	29.7	50.1
Costs related to Chapter 11						
Chapter 11 expenses, net of interest income	\$15.3	\$4.8	\$3.3	\$2.9	\$4.3	\$6.1
D&O insurance costs related to Chapter 11	\$0.2	0.1	0.0	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
COLI income, net	-	-	-	-	-	-
Costs related to Chapter 11	\$16.4	\$3.8	\$3.3	\$3.9	\$5.4	\$6.3

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

Adjusted EBIT By Operating Segment:	2013	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Grace Catalysts Technologies segment operating income	\$327.5	\$77.2	\$93.8	\$77.4	79.1	\$71.2
Grace Materials Technologies segment operating income	\$181.8	44.3	44.8	46.8	45.9	45.5
Grace Construction Products segment operating income	\$151.7	22.8	45.3	45.6	38.0	25.4
Corporate costs	(\$82.8)	(20.8)	(23.7)	(20.9)	(17.4)	(22.5)
Certain pension costs	(\$27.4)	(6.7)	(6.9)	(6.8)	(7.0)	(8.3)
Adjusted EBIT (Non-GAAP)	\$550.8	\$116.8	\$153.3	\$142.1	\$138.6	\$111.3

Adjusted Free Cash Flow:	2013	Q1 2013	Q1 2014
Net cash provided by operating activities	\$515.9	\$50.1	(\$1,253.3)
Capital expenditures	(\$156.2)	(38.3)	(40.1)
Free Cash Flow	\$359.7	11.8	(1,293.4)
Chapter 11 expenses paid	\$15.0	3.2	15.5
Accelerated defined benefit pension plan contributions	\$50.0	50.0	1,340.6
Chapter 11 emergence payments	-	-	-
Expenditures for asbestos-related items	\$5.0	1.4	1.8
Adjusted Free Cash Flow (Non-GAAP)	\$429.7	\$66.4	\$64.5

Calculation of Adjusted EBIT Return On Invested Capital (trailing four quarters):	2013	Q1 2013	Q1 2014
Adjusted EBIT (Non-GAAP)	\$550.8	\$552.7	\$545.3
Trade accounts receivable	481.8	443.4	504.7
Inventories	295.3	320.1	324.8
Accounts payable	(262.5)	(286.2)	(305.4)
Net working capital	514.6	477.3	524.1
Other current assets (excluding income taxes)	81.2	77.9	93.1
Properties and equipment, net	829.5	762.5	832.7
Goodwill	461.4	194.3	455.7
Technology and other intangible assets, net	314.3	78.9	310.1
Investment in unconsolidated affiliate	96.2	90.5	99.7
Other assets (excluding income taxes, Chapter 11, and restructuring)	40.0	29.9	43.3
Other current liabilities (excluding income taxes, Chapter 11, and restructuring)	(249.4)	(186.4)	(294.1)
Other liabilities (excluding OPEB, uncertain tax provisions, and asbestos related environmental remediation)	(79.2)	(55.9)	(62.6)
Total invested capital	\$2,008.6	\$1,469.0	\$2,002.0
Adjusted EBIT Return On Invested Capital (Non-GAAP)	27.4%	37.6%	27.2%

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

(in millions, except per share amounts)	Three Months Ended March 31,				Three Months Ended March 31,			
	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)				\$ 0.64				\$ 0.77
Costs related to Chapter 11	\$ 6.3	\$ 2.2	\$ 4.1	0.05	\$ 3.8	\$ 0.8	\$ 3.0	0.04
Asbestos-related costs	1.5	0.6	0.9	0.01	2.1	0.7	1.4	0.02
Asbestos and bankruptcy-related charges, net	8.8	3.3	5.5	0.07	-	-	-	-
Pension MTM adjustment and other related costs, net	(4.8)	(1.8)	(3.0)	(0.04)	2.5	0.9	1.6	0.02
Restructuring expenses and related asset impairments	0.7	0.2	0.5	0.01	0.8	0.2	0.6	0.01
Currency transaction loss on cash in Venezuela	-	-	-	-	6.9	-	6.9	0.09
Discrete tax items:								
Discrete tax items, including adjustments to uncertain tax positions		(2.0)	2.0	0.03		2.8	(2.8)	(0.04)
Adjusted Earnings Per Share (non-GAAP)				\$ 0.77				\$ 0.91