Blumberg No. 5113
PLAINTIFF'S EXHIBIT
WRG 1526

Laser D Document Print Summary

Accounting:	Disabled
Date Printed:	06/20/95
Time Printed:	01:18 P.M.
Subject Name:	W R GRACE & CO
Subject #:	W016000000
Document Type:	10-Q
Document Date:	03/31/93
Amendment:	N/A
Document #:	93138561
Printed:	Document
Pages Printed:	23



93 13 8561

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

RECD S.E.C.
MAY 17 1993
026

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 1993

PROCESSED BY
22-20-V
MAY 18 1993
DISCLOSURE
INCORPORATED
L3N

Commission File Number 1-3720

W. R. GRACE & CO.

New York	13-3461988
(State of Incorporation)	(I.R.S. Employer Identification No.)

One Town Center Road
Boca Raton, Florida 33486-1010
(407) 362-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

90,156,459 shares of Common Stock, $1.00 par value, were outstanding at April 30, 1993.

EXHIBIT INDEX LOCATED AT PAGE 19

W. R. GRACE & CO. AND SUBSIDIARIES

Table of Contents

		Page No.
Part I. Financial Information		
Item 1.	Financial Statements	
	Consolidated Statement of Operations	I-1
	Consolidated Statement of Cash Flows	I-2
	Consolidated Balance Sheet	I-3
	Notes to Consolidated Financial Statements	I-4 to I-5
Item 2.	Management's Discussion and Analysis of Results of Operations and Financial Condition	I-6 to I-11
Part II. Other Information		
Item 1.	Legal Proceedings	II-1
Item 5.	Other Information	II-2
Item 6.	Exhibits and Reports on Form 8-K	II-5

As used in this Report, the term "Company" refers to W. R. Grace & Co., and the term "Grace" refers to the Company and/or one or more of its subsidiaries.

Item 1. FINANCIAL STATEMENTS

W. R. Grace & Co. and Subsidiaries
Consolidated Statement of Operations (Unaudited)

$ millions (except per share)	Three Months Ended March 31, 1993	1992
Sales and revenues	$1,240.9	$1,211.3
Other income	14.7	10.3
Total	1,255.6	1,221.6
Cost of goods sold and operating expenses	793.5	770.7
Selling, general and administrative expenses	278.8	280.6
Depreciation and amortization	64.0	67.4
Interest expense	23.4	27.2
Research and development expenses	41.6	36.2
Total	1,201.3	1,182.1
Income from continuing operations before income taxes and minority interests	54.3	39.5
Income taxes	22.8	17.2
Minority interests	3.2	-
Income from continuing operations	28.3	22.3
Loss from discontinued operations	-	(19.4)
Income before cumulative effect of accounting changes	28.3	2.9
Cumulative effect of accounting changes	-	(190.0)
Net income/(loss)	$ 28.3	$ (187.1)
Earnings/(loss) per share:		
Continuing operations	$ .31	$ .25
Cumulative effect of accounting changes	-	(2.12)
Net earnings/(loss)	$ .31	$ (2.10)
Fully diluted earnings per share:		
Continuing operations	$ .30	$ - (1)
Net earnings	$ .30	$ - (1)
Dividends declared per common share	$ .35	$ .35

(1) Not presented as the effect is anti-dilutive.

The Notes to Consolidated Financial Statements are an integral part of this statement.

W. R. Grace & Co. and Subsidiaries
Consolidated Statement of Cash Flows (Unaudited)

$ millions	Three Months Ended March 31, 1993	1992
OPERATING ACTIVITIES		
Income from continuing operations before income taxes and minority interests	$ 54.3	$ 39.5
Reconciliation to cash provided by operating activities:		
Depreciation and amortization	64.0	67.4
Changes in assets and liabilities, excluding businesses acquired/divested and foreign exchange effect:		
Increase in notes and accounts receivable, net	(69.4)	(17.5)
Increase in inventories	(83.3)	(77.6)
Increase in receivable due from insurance carriers	(23.7)	(15.9)
(Decrease)/increase in accounts payable	(116.6)	26.4
Other	(14.8)	29.2
Net pretax cash (used for)/provided by operating activities of continuing operations	(189.5)	51.5
Net pretax cash used for operating activities of discontinued operations	(26.8)	(14.8)
Net pretax cash (used for)/provided by operating activities	(216.3)	36.7
Income taxes paid	(26.7)	(23.4)
Net cash (used for)/provided by operating activities	(243.0)	13.3
INVESTING ACTIVITIES		
Capital expenditures	(68.6)	(87.0)
Businesses acquired in purchase transactions, net of cash acquired	(73.6)	(13.8)
Net proceeds from strategic restructuring/business divestments	268.1	86.8
Other	0.9	(19.3)
Net cash provided by/(used for) investing activities	126.8	(34.3)
FINANCING ACTIVITIES		
Dividends paid	(31.6)	(31.7)
Repayments of borrowings having original maturities in excess of three months	(56.0)	(131.6)
Increase in borrowings having original maturities in excess of three months	351.4	0.7
Net (repayments of)/increase in borrowings having original maturities of less than three months	(118.2)	28.5
Stock options exercised	2.3	24.1
Other	0.1	(7.4)
Net cash provided by/(used for) financing activities	148.0	(117.4)
Effect of exchange rate changes on cash and cash equivalents	(1.9)	(0.5)
Increase/(decrease) in cash and cash equivalents	$ 29.9	$(138.9)

The Notes to Consolidated Financial Statements are an integral part of this statement.

W. R. Grace & Co. and Subsidiaries
Consolidated Balance Sheet

$ millions (except par value)	March 31, 1993 (Unaudited)	December 31, 1992
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 92.7	$ 62.8
Notes and accounts receivable, net	850.9	690.4
Inventories	668.5	592.9
Net assets of discontinued operations, current	333.7	606.3
Deferred income taxes	92.3	96.8
Other current assets	48.0	42.2
Total Current Assets	2,086.1	2,091.4
Properties and equipment, net of accumulated depreciation and amortization of $1,627.7 and $1,583.1, respectively	1,713.1	1,707.9
Investments in and advances to affiliated companies	103.9	115.8
Net assets of discontinued operations, noncurrent	111.4	108.5
Goodwill, less accumulated amortization of $53.1 and $50.1, respectively	351.1	298.6
Other assets	1,276.7	1,276.4
TOTAL	$5,642.3	$5,598.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	$ 336.7	$ 464.7
Accounts payable	320.2	423.6
Income taxes	190.5	158.1
Other current liabilities	579.2	593.2
Total Current Liabilities	1,426.6	1,639.6
Long-term debt	1,670.9	1,354.5
Other noncurrent liabilities	648.1	666.1
Deferred income taxes	89.4	96.4
Minority interests	297.0	297.0
Total Liabilities	4,132.0	4,053.6
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stocks, $100 par value	7.4	7.5
Common stock, $1 par value	90.1	89.9
Paid in capital	158.3	151.4
Retained earnings	1,295.3	1,298.6
Cumulative translation adjustments	(40.8)	(2.4)
Total Shareholders' Equity	1,510.3	1,545.0
TOTAL	$5,642.3	$5,598.6

The Notes to Consolidated Financial Statements are an integral part of this statement.

(a) The financial statements in this report at and for the periods ended March 31, 1993 and 1992 are unaudited and should be read in conjunction with the Consolidated Financial Statements incorporated by reference in the Company's 1992 Annual Report on Form 10-K. Such financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the interim periods presented; all such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 1993 are not necessarily indicative of the results of operations for the fiscal year ending December 31, 1993.

(b) As previously reported (in Note 2 to the Consolidated Financial Statements incorporated by reference in the Company's 1992 Annual Report on Form 10-K), Grace is a defendant in lawsuits relating to previously sold asbestos-containing products. Grace was a defendant in approximately 34,000 asbestos-related lawsuits (105 involving claims for property damage and the remainder involving approximately 58,000 claims for personal injury) at March 31, 1993, as compared to approximately 30,900 lawsuits (105 involving claims for property damage and the remainder involving approximately 53,000 claims for personal injury) at December 31, 1992. During the first three months of 1993, two property damage cases against Grace were dismissed; Grace was held liable for $4.5 in one asbestos property damage case that is being appealed; and Grace settled one case for an immaterial amount.

In Grace's opinion (see Note 2 to the Consolidated Financial Statements incorporated by reference in the Company's 1992 Annual Report on Form 10-K), it is probable that the personal injury and property damage cases pending at March 31, 1993 can be disposed of for total amounts estimated to range between $418 and $603, inclusive of legal fees and expenses expected to be incurred in disposing of cases. Grace has recorded a receivable of $382 for the insurance proceeds it expects to receive with respect to payments previously made or committed to be made to dispose of asbestos litigation. Adding the receivable to the estimated maximum exposure of approximately $603 for pending cases yields a total maximum exposure of approximately $985.

Although Grace has determined its estimated and probable additional exposure to be at least $418, as discussed above, this amount has not been recorded in Grace's consolidated financial statements because recovery from Grace's insurance carriers with respect to the underlying claims is deemed probable notwithstanding assertions by certain of those carriers that they are not required to indemnify Grace. Uncertainties relating to such indemnification have been considered in establishing this estimate and in the preparation of the Consolidated Financial Statements.

In May 1993, Grace settled coverage disputes with certain of its insurance carriers. The settlement provides for insurance proceeds of $81 out of the more than $1,500 of liability insurance coverage Grace has reported available for its asbestos exposure from all insurance carriers. Under the terms of the settlement, Grace will be paid $25 in 1993 in reimbursement for a portion of the costs Grace previously incurred in connection with its asbestos-related lawsuits and claims; as mentioned above, these unreimbursed costs have been recorded in Grace's Consolidated Financial Statements as a receivable totaling $382 at March 31, 1993. In addition, the settlement provides for annual payments to Grace in each year from 1994 through 1999, totaling $56.

Litigation concerning Grace's asbestos-related insurance coverage will continue with certain other insurance carriers.

Grace's ultimate exposure in respect of its asbestos lawsuits and claims will depend on the extent to which its insurance will cover damages for which it may be held liable, amounts paid in settlement and litigation costs. In Grace's opinion, it is probable that recoveries from its insurance carriers will be available to satisfy Grace's asbestos-related exposure. Consequently, Grace believes that the resolution of its asbestos litigation will not have a material effect on its consolidated financial position or results of operations.

(c) Inventories consist of:

	March 31, 1993	December 31, 1992
Raw and packaging materials	$287	$179
In process	93	76
Finished products	337	385
	717	640
Less: Adjustment of certain inventories to a last-in/ first-out (LIFO) basis	(48)	(47)
Total Inventories	$669	$593

(d) Earnings per share are calculated on the basis of the following weighted average number of common shares outstanding:

Three Months Ended March 31:
1993 - 89,983,000
1992 - 89,219,000

7

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(a) Review of Operations

(1) Overview:

The 1992 first quarter loss of $187.1 million reflected (1) a one-time accounting charge of $190.0 million (net of $98.0 million of deferred tax benefits), or $2.12 per share, due to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; (2) a reduction in income from continuing operations of $2.2 million, or $.02 per share, also due to the adoption of SFAS No. 106; and (3) a loss of $19.4 million (net of taxes) from discontinued operations. See "Loss from Discontinued Operations" below for additional information concerning discontinued operations.

Sales and revenues increased 7% in the first quarter of 1993 over the first quarter of 1992, excluding the results of businesses divested in 1992; including those businesses, first quarter 1993 sales and revenues increased by 2% over the 1992 first quarter. Income from continuing operations for the 1993 first quarter increased 27%, to $28.3 million, as compared to the 1992 first quarter (including businesses divested in 1992). Excluding the $2.2 million effect of adopting SFAS No. 106 in the 1992 first quarter, income from continuing operations increased by 16% in the 1993 first quarter.

In May 1993, Grace settled coverage disputes with certain of its insurance carriers. The settlement provides for insurance proceeds of $81 out of the more than $1,500 of liability insurance coverage Grace has reported available for its asbestos exposure from all insurance carriers. Under the terms of the settlement, Grace will be paid $25 in 1993 in reimbursement for a portion of the costs Grace previously incurred in connection with its asbestos-related lawsuits and claims; as mentioned above, these unreimbursed costs have been recorded in Grace's Consolidated Financial Statements as a receivable totaling $382 at March 31, 1993. In addition, the settlement provides for annual payments to Grace in each year from 1994 through 1999, totaling $56.

Litigation concerning Grace's asbestos-related insurance coverage will continue with certain other insurance carriers.

Grace's ultimate exposure in respect of its asbestos lawsuits and claims will depend on the extent to which its insurance will cover damages for which it may be held liable, amounts paid in settlement and litigation costs. In Grace's opinion, it is probable that recoveries from its insurance carriers will be available to satisfy Grace's asbestos-related exposure. Consequently, Grace believes that the resolution of its asbestos litigation will not have a material effect on its consolidated financial position or results of operations.

(c) Inventories consist of:

	March 31, 1993	December 31, 1992
Raw and packaging materials	$287	$179
In process	93	76
Finished products	337	385
	717	640
Less: Adjustment of certain inventories to a last-in/first-out (LIFO) basis	(48)	(47)
Total Inventories	$669	$593

(d) Earnings per share are calculated on the basis of the following weighted average number of common shares outstanding:

Three Months Ended March 31:
1993 - 89,983,000
1992 - 89,219,000

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(a) Review of Operations

(1) Overview:

The 1992 first quarter loss of $187.1 million reflected (1) a one-time accounting charge of $190.0 million (net of $98.0 million of deferred tax benefits), or $2.12 per share, due to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; (2) a reduction in income from continuing operations of $2.2 million, or $.02 per share, also due to the adoption of SFAS No. 106; and (3) a loss of $19.4 million (net of taxes) from discontinued operations. See "Loss from Discontinued Operations" below for additional information concerning discontinued operations.

Sales and revenues increased 7% in the first quarter of 1993 over the first quarter of 1992, excluding the results of businesses divested in 1992; including those businesses, first quarter 1993 sales and revenues increased by 2% over the 1992 first quarter. Income from continuing operations for the 1993 first quarter increased 27%, to $28.3 million, as compared to the 1992 first quarter (including businesses divested in 1992). Excluding the $2.2 million effect of adopting SFAS No. 106 in the 1992 first quarter, income from continuing operations increased by 16% in the 1993 first quarter.

(2) Operating Group Performance:

The following table compares operating group results for the 1993 first quarter to results for the comparable period of 1992:

W. R. Grace & Co. and Subsidiaries Operating Group Results	Three Months Ended March 31,	
$ millions	1993	1992
Sales and Revenues		
Specialty Chemicals	$ 741.9	$ 696.0
Health Care	338.1	289.0
Other Businesses	160.9	174.7
Total Operating Groups	1,240.9	1,159.7
Divested Units	-	51.6
Total	$1,240.9	$1,211.3
Operating Income/(Loss) After Taxes (i)		
Specialty Chemicals	$ 43.1	$ 38.8
Health Care	27.9	20.6
Other Businesses	(1.6)	3.6
Total Operating Groups	69.4	63.0
Divested Units	-	2.0
Total	$ 69.4	$ 65.0

(i) Computed before minority interests and the allocation of corporate research, corporate overhead and corporate interest. For this table, taxes are computed substantially on a separate return basis for each subsidiary and division. In the case of each U.S. subsidiary and division, tax benefits for operating losses, if any, are recognized currently. Other income, as described on page I-9, is not included in this table.

Specialty Chemicals - General

Sales and revenues decreased approximately 1% in the first quarter of 1993 as compared to the first quarter of 1992, including 1992 sales and revenues of the chemical intermediates product line, which was divested in December 1992. Operating income after taxes ("operating income") for the first quarter of 1993 increased by 6% versus the first quarter of 1992, including the 1992 results of the chemical intermediates product line and other divested businesses prior to their sale.

The gain from the sale of Grace's interest in a Japanese specialty chemicals joint venture was offset by provisions for environmental and plant closure expenses.

Specialty Chemicals - Product Line Results *(excludes results from divested businesses)*

Sales and revenues increased approximately 7% in the first quarter of 1993 as compared to the first quarter of 1992 due to favorable volume and price/product mix variances estimated at 10% and 1%, respectively, offset by an unfavorable foreign currency exchange variance estimated at 4%. The volume increase reflects the existence of three additional selling days in the first quarter of 1993 than in the first quarter of 1992; excluding the additional selling days, the volume increase is estimated at 5%. Volume increases occurred in most product lines, particularly packaging and fluid cracking catalysts. Operating income increased 11% in the first quarter of 1993 compared to the first quarter of 1992. North American results significantly improved as compared to the first quarter of 1992, as strong growth was exhibited in packaging and in Grace Davison (fluid cracking catalysts and silica products), mainly due to the volume increases noted above. The industry consolidation in the fluid cracking catalyst business is expected to provide Grace with continued strength in operating margins in that business. European results were adversely affected by recessionary conditions, leading to continued reduced profitability in most product lines. In particular, construction products experienced reduced profitability in Europe due to the slow economy, which was reflected in weak demand in the United Kingdom and the Scandinavian countries. Container products profitability also declined in Europe, primarily due to lower sales and start-up costs associated with a new plant in Epernon, France. However, favorable results were achieved in the Asia/Pacific region for most product lines, and packaging experienced significantly improved results in Latin America.

Health Care

Sales and revenues for the first quarter of 1993 increased by 17% over the first quarter of 1992, reflecting increases of 16% in kidney dialysis services, 17% in home health care and 19% in medical products operations. The number of dialysis centers increased 7%, from 401 at March 31, 1992 to 430 at March 31, 1993 (407 in the U. S. and Puerto Rico, 20 in Portugal and 3 in Spain). Plans to expand Grace's health care operations outside of the U. S. are expected to generate greater international revenues in the future. Operating income in the 1993 first quarter increased by 35%, reflecting the continued growth of all health care businesses, which benefited from increased profit margins caused by improvements in cost controls, operating efficiencies and capacity utilization. It is unclear at this time whether and to what extent any U.S. health care reforms will affect Grace's health care operations. However, Grace believes that it is among the most cost-efficient of the health care companies in its field.

Other Businesses

This segment consists primarily of Grace's cocoa business. Cocoa sales decreased 9% in the first quarter 1993 versus the first quarter of 1992. Cocoa operating income decreased by 110% in the first quarter of 1993 versus the first quarter of 1992 as a result of a decline in the press (butter and powder) business and lower absorption of overhead costs due to lower production.

(3) Statement of Operations:

Other Income

Other income includes, among other items, dividends, royalties from product licensing agreements, interest income and equity in earnings of affiliated companies.

Interest Expense

Interest expense decreased by 14% in the first quarter of 1993 versus the first quarter of 1992, primarily due to lower debt levels and lower interest rates, the use of derivative financial instruments and the replacement of certain fixed rate debt with lower-cost floating rate borrowings. In addition, the Company issued $300 million in fixed rate debt in the second-half of 1992, and $300 million in the first quarter of 1993, which was effectively converted to floating rate debt through the use of derivative financial instruments.

See "Financial Condition; Liquidity and Capital Resources" below for additional information concerning borrowings.

Research and Development Expenses

Research and development spending increased in the first quarter of 1993 by 15% over the first quarter of 1992. Research spending was primarily directed toward Grace's core specialty chemicals and health care businesses.

Income Taxes

The effective tax rate for the 1993 first quarter decreased to 41.9% as compared with 43.6% in the 1992 first quarter.

Minority Interests

For financial reporting purposes, the assets, liabilities, results of operations and cash flows of Grace Cocoa Associates, L.P. ("LP") are included in Grace's consolidated financial statements and the outside investors' interest in LP is reflected as a minority interest. LP's assets consist of Grace Cocoa's worldwide cocoa and chocolate business, long-term notes and demand notes of various Grace entities that are guaranteed by the Company and its principal operating subsidiary, and cash. LP is a separate and distinct legal entity from each of the Grace entities and has separate assets, liabilities, business functions and operations.

11

Loss from Discontinued Operations

In 1992, Grace restated its financial statements to reflect the classification of Grace Energy Corporation and certain corporate investments as discontinued operations. In addition, in the first quarter of 1992 Grace recorded a provision of $1.9 million for the operating losses of Grace's former book, video and software distribution business prior to its sale, and a provision of $12.1 million relating to the loss associated with the sale of Grace's remaining Mexican-style restaurant operations.

During the first quarter of 1993, Grace completed the sale of Support Terminal Services, Inc. ("ST"), Grace Petroleum Corporation ("GPC") and Homco International, Inc. ("Homco"). In April 1993, Grace completed the sale of Grace Offshore Company and reached an agreement to sell Grace Drilling Company, with an expected closing in June 1993.

(b) Financial Condition; Liquidity and Capital Resources

During the first quarter of 1993, the net pretax cash flow used for Grace's continuing operating activities was $189.5 million. After giving effect to discontinued operations and payments of income taxes, the net cash used for operating activities was $243.0 million in the first quarter of 1993 versus $13.3 million of net cash provided by operating activities in the first quarter of 1992. The use of cash in the first quarter of 1993 primarily reflected an increase in working capital to support growth of Grace's core specialty chemicals and health care businesses.

Investing activities generated $126.8 million of cash in the first quarter of 1993, largely reflecting net proceeds of $268.1 million from divestments, mainly from the sale of ST and GPC; the proceeds from the sale of Homco were received in April 1993. These activities were offset by capital expenditures and business acquisitions and investments.

Net cash provided by financing activities in the first quarter of 1993 was $148.0 million, reflecting a net increase in total borrowings, offset by the payment of $31.6 million of dividends. Total debt was approximately $2.0 billion at March 31, 1993, an increase of $188.4 million from December 31, 1992, and Grace's total debt as a percentage of total capital (debt ratio) increased from 49.7% at December 31, 1992 to 52.6% at March 31, 1993. The changes in total debt reflected additional borrowings needed to meet operational funding requirements, as mentioned above. In January 1993, Grace sold $300 million principal amount of 7.4% Notes Due 2000. The net proceeds from the sale of these notes were used to repay commercial paper and bank borrowings.

As previously reported (see Note 2 to the Consolidated Financial Statements), Grace is a defendant in lawsuits relating to previously sold asbestos-containing products. In 1992, Grace paid $63.3 million in connection with the defense and disposition of both property damage and bodily injury litigation related to asbestos, net of amounts received in 1992 from settlements with certain of Grace's insurance carriers. While Grace cannot precisely estimate the amounts to be paid in 1993 in respect of asbestos-related lawsuits and claims, Grace expects that it will be required to expend a minimum of $100 million in 1993 to defend and dispose of such lawsuits and claims (after giving effect to payments to be received from certain insurance carriers, as discussed in Note (b) to the Consolidated Financial Statements contained in this Report).

Grace expects to satisfy its 1993 cash requirements from the following sources: (1) funds generated by operations, (2) proceeds from the sale of businesses and (3) financings. Such financings could include new borrowings, the availability and cost of which will depend upon general economic and market conditions.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

(a) See Item 5 below and Note (b) to the Consolidated Financial Statements in Part I of this Report for information concerning settlements with certain of Grace's insurance carriers.

(b) On April 28, 1993, the United States Department of Justice filed suit against Grace in the United States District Court for the District Court of Montana, Great Falls Division, alleging certain violations of the National Emission Standard for Hazardous Air Pollutants ("NESHAP") under the Clean Air Act in connection with the demolition of a mill in Libby, Montana during late 1991 and early 1992. The complaint seeks damages of up to $25,000 per day for each of seven alleged violations of NESHAP and injunctive relief against future violations. The Department of Justice has informed Grace that it intends to seek penalties of $3.3 million, and in interrogatories has requested evidence of Grace's ability to pay up to $5 million in penalties. Grace is examining the facts underlying the allegations set forth in the complaint and presently, intends vigorously to defend against the action.

(c) Grace has been notified by the United States Department of Justice that Grace Drilling Company ("GDC"), a subsidiary of Grace, has been named as one of several defendants in a lawsuit filed in the United States District Court for the Southern District of Texas, Houston Division, alleging certain violations of the Clean Water Act in connection with the transport of a GDC drilling rig by a third party through navigable

waters. Officials of the Department of Justice have informed the defendants in the case that they will recommend acceptance of a settlement proposal from the defendants providing for payment of a total of $2.1 million in civil penalties, remediation of damaged seagrasses and payment of certain legal fees. In the alternative, the Department of Justice has indicated that if the case proceeds to trial it will seek substantially greater fines and damages. Grace believes that it should not be subject to any liability in connection with the lawsuit and intends vigorously to defend against it. See Item 5(f) below.

Item 5. Other Information.

(a) Reference is made to Item 3 ("Legal Proceedings") of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 for information concerning asbestos litigation and claims to which Grace is a party and Grace's disputes with certain of its insurance carriers regarding coverage with respect to such litigation and claims.

In May 1993, Grace settled coverage disputes with certain of its insurance carriers. The settlement provides for insurance proceeds of $81 million out of the more than $1.5 billion of liability insurance coverage Grace has reported available for its asbestos exposure from all insurance carriers. Under the terms of the settlement, Grace will be paid $25 million in 1993 in reimbursement for a portion of the costs Grace previously incurred in connection with its asbestos-related lawsuits and claims; these unreimbursed costs have been recorded in Grace's consolidated financial statements as a receivable

totaling $382 million at March 31, 1993 (see Note (b) to the Consolidated Financial Statements in Part I of this Report). In addition, the settlement provides for annual payments to Grace in each year from 1994 through 1999, totaling $56 million.

Litigation concerning Grace's asbestos-related insurance coverage will continue with certain other insurance carriers.

(b) On April 1, 1993, Grace announced the completion of the sale of Homco International, Inc. ("Homco") to Weatherford International Incorporated for $97.5 million in cash and the assumption of certain liabilities by the buyer. Homco provides specialized oil field services and products to the energy industry.

(c) On April 6, 1993, Grace announced that a subsidiary had acquired the Katalistiks fluid cracking catalyst additive business of UOP, a joint venture between Union Carbide Corporation and Allied-Signal Inc. The acquired business consists primarily of a product line of additives used to achieve compliance with environmental regulations governing sulfur dioxide emissions, and will be operated as part of Grace's core catalyst business.

(d) On April 13, 1993, Grace announced the completion of the acquisition of Riggers Medizintechnik GmbH, a manufacturer and distributor of dialysis products headquartered in Bremerhaven, Germany.

(e) On April 16, 1993, Grace and Home Intensive Care, Inc. ("HICI"), a national provider of alternative site infusion therapy and dialysis health care services, announced that they had entered into a definitive agreement under which Grace will acquire all of the outstanding shares of HICI for $6.60 per share in cash. In accordance with the

agreement, on April 22, 1993, Grace commenced a tender offer for all of the outstanding shares of HICI. Completion of the tender offer is subject to customary conditions, including Grace obtaining a majority of HICI's outstanding shares and clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Following completion of the tender offer, HICI will become a wholly owned subsidiary of Grace by means of a merger in which the remaining holders of HICI shares will receive the same $6.60 per share price. HICI has approximately 17 million shares and share equivalents outstanding.

(f) On April 23, 1993, Grace announced that it had entered into a definitive agreement to sell substantially all of the assets of GDC, a provider of onshore contract drilling services, to subsidiaries of Nabors Industries, Inc. for approximately $32 million. In addition, $24 million of working capital is to be retained by Grace. Completion of the transaction is subject to various conditions and is expected to occur in the second quarter of 1993.

(g) On May 4, 1993, Grace announced completion of the sale of the Huthnance Drilling Division of Grace Offshore Company ("GOC") to a joint venture formed by Mike Mullen Energy Equipment Resources, Inc. and Falcon Drilling Company, and the sale of GOC's Booker Workover Division to Offshore Rigs, L.L.C. Including the monetization of retained working capital items, Grace realized approximately $57 million from these divestments.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits. The following are being filed as exhibits to this report:

- weighted average number of shares and earnings used in per share computations; and
- computation of earnings to fixed charges.

(b) Reports on Form 8-K. During the quarter ended March 31, 1993, the Company filed a Current Report on Form 8-K, dated January 26, 1993, concerning the issuance and sale of $300 million principal amount of 7.40% Notes Due 2000.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

W. R. GRACE & CO.
(Registrant)

Date: May 14, 1993

Richard N. Sukenik
Vice President and Controller
(Principal Accounting Officer)

W. R. Grace & Co.

Quarterly Report on Form 10-Q
for the quarter ended March 31, 1993

EXHIBIT INDEX

Exhibit No.	Description	Location
11	Weighted average number of shares and earnings used in per share computations	20
12	Computation of ratio of earnings to fixed charges	21

DISCLOSURE
Information Services, Inc.

5161 River Road
Bethesda, MD 20816
(301) 951-1300

EXHIBITS FOLLOW

W. R. GRACE & CO. AND SUBSIDIARIES

WEIGHTED AVERAGE NUMBER OF SHARES AND EARNINGS USED IN PER SHARE COMPUTATIONS
(Unaudited)

The weighted average number of shares of Common Stock outstanding were as follows (in thousands):

	3 Mos. Ended	
	3/31/93	3/31/92
Weighted average number of shares of Common Stock outstanding	89,983	89,219
Conversion of convertible debt obligations	3,629	-*
Additional dilutive effect of outstanding options (as determined by the application of the treasury stock method)	1,716	-*
Weighted average number of shares of Common Stock outstanding assuming full dilution	95,328	89,219

Income/(loss) used in the computation of earnings per share were as follows (in millions, except per share):

	3 Mos. Ended	
	3/31/93	3/31/92
Net income/(loss)	$28.3	$(187.1)
Dividends paid on preferred stocks	(.1)	(.1)
Income/(loss) used in per share computation of earnings	28.2	(187.2)
Interest, net of tax on convertible debt obligations	.5	-*
Income/(loss) used in per share computation of earnings assuming full dilution	$28.7	$(187.2)
Income/(loss) per share	$ .31	$ (2.10)
Income/(loss) per share assuming full dilution	$ .30	-*

* The effect of these convertible securities and outstanding options is anti-dilutive; therefore, they are excluded from the calculation.

Exhibit 12

W. R. GRACE & CO. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(in millions except ratios)
(Unaudited)

	Years Ended December 31, (a)					Three Months Ended March 31, (a)	
	1992	1991	1990	1989	1988	1993	1992
Net income from continuing operations	$ 79.4(b)	$242.9	$220.0	$194.4	$188.1	$28.3	$22.9
Add (deduct):							
Income taxes	145.0	152.8	123.2	83.2	124.5	22.8	17.2
Income taxes of 50%-owned companies	2.9	2.3	2.4	1.4	2.5	.1	.6
Minority interest in income of majority-owned subsidiaries	-	-	7.0	7.4	10.2	3.2	-
Equity in unremitted losses/(earnings) of less than 50%-owned companies	3.4	(4.5)	(7.6)	(.3)	(.3)	.5	(2.7)
Interest expense, including amortization of capitalized interest	120.7	148.9	166.8	146.0	110.0	30.5	30.5
Amortization of debt discount and expense	1.5	2.1	1.9	1.9	2.3	.4	.3
Estimated amount of rental expense deemed to represent the interest factor	28.1	24.2	22.4	20.4	16.7	7.4	6.9
Income as adjusted	$381.0	$568.7	$536.1	$454.4	$454.0	$93.2	$75.1
Fixed charges:							
Interest expense, including capitalized interest	$134.4	$163.8	$175.8	$150.5	$113.8	$30.6	$36.5
Amortization of debt discount and expense	1.5	2.1	1.9	1.9	2.3	.4	.3
Estimated amount of rental expense deemed to represent the interest factor	28.1	24.2	22.4	20.4	16.7	7.4	6.9
Fixed charges	$164.0	$190.1	$200.1	$172.8	$132.8	$38.4	$43.7
Ratio of earnings to fixed charges	2.32	2.99	2.68	2.63	3.42	2.43	1.72

(a) 1992-1988 amounts have been restated to conform to the 1993 presentation.

(b) Includes a $140.0 provision relating to Grace's Belgian fumed silica plant.