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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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, 1997

Commission File Number 1-12139

W. R. GRACE & CO.

Delaware	65-0654331
(State of Incorporation)	(I.R.S. Employer Identification No.)

One Town Center Road
Boca Raton, Florida 33486-1010
(561) 362-2000

Indicate by check mark whether the registrant (including its predecessor) (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 [ ]

72,620,392 shares of Common Stock, $.01 par value, were outstanding at May 1, 1997.

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W. R. GRACE & CO. AND SUBSIDIARIES

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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.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

W. R. GRACE & CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

In millions, except per share amounts	THREE MONTHS ENDED MARCH 31, 1997	THREE MONTHS ENDED MARCH 31, 1996
Sales and revenues	$ 785.1	$ 861.6
Other income	4.7	3.8
TOTAL	789.8	865.4
Cost of goods sold and operating expenses	480.0	512.6
Selling, general and administrative expenses	146.6	193.9
Depreciation and amortization	48.5	44.9
Interest expense and related financing costs	19.1	18.4
Research and development expenses	21.9	26.3
TOTAL	716.1	796.1
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	73.7	69.3
Provision for income taxes	27.3	25.7
INCOME FROM CONTINUING OPERATIONS	46.4	43.6
Income from discontinued operations	--	20.0
NET INCOME	$ 46.4	$ 63.6
Primary earnings per share:		
Continuing operations	$ .60	$ .44
Net income	$ .60	$ .64
Fully diluted earnings per share:		
Continuing operations	$ .60	$ .43
Net income	$ .60	$ .63
Dividends declared per common share	$ .125	$ .125
Weighted average shares outstanding	75.3	97.9

The Notes to Consolidated Financial Statements are integral parts of these statements.

W. R. GRACE & CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	THREE MONTHS ENDED MARCH 31, 1997	1996
OPERATING ACTIVITIES		
Income from continuing operations before income taxes	$ 73.7	$ 69.3
Reconciliation to cash used for operating activities:		
Depreciation and amortization	48.5	44.9
Changes in assets and liabilities, excluding effect of businesses acquired/divested and foreign currency exchange:		
Increase in notes and accounts receivable, net	(22.2)	(34.4)
(Increase)/decrease in inventories	(14.0)	9.0
Proceeds from asbestos-related insurance settlements	25.1	23.7
Payments made for asbestos-related litigation settlements, judgments and defense costs	(23.9)	(31.2)
Decrease in accounts payable	(35.4)	(11.5)
Other	(66.5)	(114.8)
NET PRETAX CASH USED FOR OPERATING ACTIVITIES OF CONTINUING OPERATIONS	(14.7)	(45.0)
Net pretax cash used for operating activities of discontinued operations	(25.0)	(34.8)
NET PRETAX CASH USED FOR OPERATING ACTIVITIES	(39.7)	(79.8)
Income taxes paid	(7.1)	(11.5)
NET CASH USED FOR OPERATING ACTIVITIES	(46.8)	(91.3)
INVESTING ACTIVITIES		
Capital expenditures	(49.8)	(112.5)
Net investing activities of discontinued operations	(70.6)	(33.8)
Net proceeds from divestments	518.1	10.9
Other	(2.1)	(4.4)
NET CASH PROVIDED BY/(USED FOR) INVESTING ACTIVITIES	395.6	(139.8)
FINANCING ACTIVITIES		
Dividends paid	(9.2)	(12.4)
Repayments of borrowings having original maturities in excess of three months	(1.3)	(33.8)
Increase in borrowings having original maturities in excess of three months	4.4	--
Net (repayments of)/increase in borrowings having original maturities of three months or less	(5.4)	264.9
Stock options exercised	9.2	44.8
Net financing activities of discontinued operations	--	(16.2)
Purchase of treasury stock	(335.9)	--
Other	--	(.5)
NET CASH (USED FOR)/PROVIDED BY FINANCING ACTIVITIES	(338.2)	246.8
Effect of exchange rate changes on cash and cash equivalents	(2.0)	.2
INCREASE IN CASH AND CASH EQUIVALENTS	$ 8.6	$ 15.9

The Notes to Consolidated Financial Statements are integral parts of these statements.

W. R. GRACE & CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)

Dollars in millions, except par value	March 31, 1997	December 31, 1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 76.9	$ 68.3
Notes and accounts receivable, net	613.2	831.4
Inventories	379.4	376.1
Net assets of discontinued operations	57.5	297.4
Deferred income taxes	197.6	183.9
Other current assets	26.0	17.8
TOTAL CURRENT ASSETS	1,350.6	1,774.9
Properties and equipment, net of accumulated depreciation and amortization of $1,456.6 (1996 - $1,436.6)	1,825.7	1,871.3
Goodwill, less accumulated amortization of $17.9 (1996 - $18.6)	43.1	40.6
Asbestos-related insurance receivable	276.5	296.3
Deferred income taxes	302.9	309.2
Other assets	631.9	653.5
TOTAL ASSETS	$ 4,430.7	$ 4,945.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	$ 296.0	$ 315.2
Accounts payable	234.6	274.7
Income taxes	142.7	123.3
Other current liabilities	689.3	773.9
TOTAL CURRENT LIABILITIES	1,362.6	1,487.1
Long-term debt	1,062.5	1,073.0
Other liabilities	813.0	850.7
Deferred income taxes	45.7	43.5
Noncurrent liability for asbestos-related litigation	836.1	859.1
TOTAL LIABILITIES	4,119.9	4,313.4
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock issued, par value $.01	.8	.8
Paid in capital	533.4	524.1
Retained earnings	209.8	172.6
Cumulative translation adjustments	(97.7)	(64.6)
Treasury stock, at cost: 6,290,833 common shares (1996 - 10,000)	(335.5)	(.5)
TOTAL SHAREHOLDERS' EQUITY	310.8	632.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 4,430.7	$ 4,945.8

The Notes to Consolidated Financial Statements are integral parts of these statements.

(Dollars in millions)

1. BASIS OF PRESENTATION

The interim consolidated financial statements in this Report are unaudited and should be read in conjunction with the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (1996 10-K). Such interim consolidated 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. Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period's basis of presentation and as required with respect to discontinued operations.

The results of operations for the interim period ended March 31, 1997 are not necessarily indicative of the results of operations for the year ending December 31, 1997.

2. ASBESTOS AND RELATED INSURANCE LITIGATION

Grace is a defendant in property damage and personal injury lawsuits relating to previously sold asbestos-containing products and anticipates that it will be named as a defendant in additional asbestos-related lawsuits in the future. Grace was a defendant in approximately 42,000 asbestos-related lawsuits at March 31, 1997 (28 involving claims for property damage and the remainder involving approximately 98,400 claims for personal injury), compared to approximately 41,500 lawsuits at December 31, 1996 (31 involving claims for property damage and the remainder involving approximately 91,500 claims for personal injury).

Property Damage Litigation

Through March 31, 1997, 137 asbestos property damage cases were dismissed without payment of any damages or settlement amounts; judgments were entered in favor of Grace in nine cases (excluding cases settled following appeals of judgments in favor of Grace); judgments were entered in favor of the plaintiffs in seven cases (none of which is on appeal) for a total of $60.3; and 187 property damage cases were settled for a total of $450.5. Property damage case activity for the three months ended March 31, 1997 was as follows:

Cases outstanding, December 31, 1996	31
Settlements	(1)
Dismissals	(2)
Cases outstanding, March 31, 1997	28

Personal Injury Litigation

Through March 31, 1997, approximately 12,400 asbestos personal injury lawsuits involving 28,700 claims were dismissed without payment of any damages or settlement amounts (primarily on the basis that Grace products were not involved), and approximately 32,400 lawsuits involving 68,600 claims were disposed of for a total of $195.7. Personal injury claim activity for the three months ended March 31, 1997 was as follows:

(Dollars in millions)

Claims outstanding, December 31, 1996	91,511
New claims	8,955
Claims under amended complaints	1,577
Settlements	(2,318)
Dismissals	(1,365)
Judgments, net	(1)
Claims outstanding, March 31, 1997	98,359

Asbestos-Related Liability

Based upon and subject to the factors discussed in Note 2 to the consolidated financial statements in the 1996 10-K, Grace estimates that its probable liability with respect to the defense and disposition of asbestos property damage and personal injury cases and claims was as follows at March 31, 1997 and December 31, 1996:

	March 31, 1997(1)	December 31, 1996(1)
Current liability for asbestos-related litigation(2)	$135.0	$135.0
Noncurrent liability for asbestos-related litigation	836.1	859.1
Total asbestos-related liability(3)	$971.1	$994.1

(1) Reflects property damage and personal injury cases and claims pending at March 31, 1997 and December 31, 1996, respectively, as well as personal injury claims expected to be filed through 2001.
(2) Included in "Other current liabilities" in the Consolidated Balance Sheet.
(3) Excludes one property damage case as to which liability is not yet estimable because Grace has not yet been able to obtain sufficient information through discovery proceedings.

Asbestos-Related Insurance Receivable

Grace previously purchased insurance policies with respect to its asbestos-related lawsuits and claims. The following table displays the activity in Grace's notes receivable from insurance carriers and asbestos-related insurance receivable during the three months ended March 31, 1997:

Notes Receivable	
Notes receivable from insurance carriers at December 31, 1996, net of discount of $7.4(1)	$ 48.5
Proceeds from asbestos-related insurance settlements	(5.3)
Amortization, net	.6
Notes receivable from insurance carriers at March 31, 1997, net of discount of $6.8(2)	$ 43.8
Insurance Receivable	
Asbestos-related insurance receivable at December 31, 1996(3)	$ 331.3
Proceeds from asbestos-related insurance settlements	(19.8)
Asbestos-related insurance receivable at March 31, 1997(3)	$ 311.5
Total amounts due from insurance carriers	$ 355.3

(1) Classified in the December 31, 1996 Consolidated Balance Sheet as $17.2 in "Notes and accounts receivable, net" and $31.3 in "Other assets."
(2) Classified in the March 31, 1997 Consolidated Balance Sheet as $14.7 in "Notes and accounts receivable, net" and $29.1 in "Other assets."
(3) $35.0 of the asbestos-related insurance receivable is classified in "Notes and accounts receivable, net" in the December 31, 1996 and March 31, 1997 Consolidated Balance Sheets.

Notes receivable from insurance carriers represent amounts due from insurance carriers in reimbursement for amounts previously paid by Grace in defending and disposing of asbestos cases and claims; payments under these notes will be received through 2001. These notes do not bear stated interest rates and, therefore, have been discounted using a weighted average interest rate of 6.7%.

The asbestos-related insurance receivable at March 31, 1997 predominantly represents amounts expected to be received from carriers under settlement agreements in reimbursement for defense and disposition costs to be paid by Grace in the future in connection with property damage and personal injury cases and claims pending at March 31, 1997 and personal injury claims expected to be filed through 2001.

Insurance Litigation
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Grace's ultimate exposure with respect to its asbestos-related cases 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 (including amounts reflected in the receivable discussed above), along with other funds, will be available to satisfy the property damage and personal injury cases and claims pending at March 31, 1997, as well as personal injury claims expected to be filed in the foreseeable future. Consequently, Grace believes that the resolution of its asbestos-related litigation will not have a material adverse effect on its consolidated financial position.

For additional information, see Note 2 to the consolidated financial statements in the 1996 10-K.

3. DIVESTED BUSINESS

In June 1996, Grace sold its water treatment and process chemicals business (Dearborn). The sales and revenues of this business for the three months ended March 31, 1996 were $98.0; its financial position and results of operations were not significant to Grace.

4. DISCONTINUED OPERATIONS

In February 1997, Grace sold its cocoa business to Archer-Daniels-Midland Company for total proceeds of $470.0 (inclusive of debt assumed by the buyer), subject to adjustment. The pretax and after-tax effects of the divestment were consistent with prior estimates and have been charged against previously established reserves.

(Dollars in millions)

Results of Discontinued Operations

In the fourth quarter of 1996, Grace classified its thermal and emission control systems business (TEC Systems) as a discontinued operation. Grace classified its health care business as a discontinued operation in the second quarter of 1995 and disposed of that business in 1996. Results of these discontinued operations that were not charged against previously established reserves were as follows:

	Three Months Ended March 31, 1996
Health Care	
Sales and revenues	$ 539.7
Income from operations before taxes(1)	$ 38.2
Income tax provision	16.2
Income from discontinued health care operations	$ 22.0
TEC Systems	
Sales and revenues	$ 24.4
Loss from operations before taxes	$ (3.3)
Income tax benefit	(1.3)
Loss from discontinued TEC Systems operations	$ (2.0)
Total income from discontinued operations	$ 20.0

(1) Reflects allocated interest expense of $26.8 for the three months ended March 31, 1996, based on the ratio of the net assets of the health care business compared to Grace's total capital.

For the three months ended March 31, 1997, the operating results of TEC Systems, the cocoa business and other discontinued operations have been charged against previously established reserves and, therefore, are not reflected in the above results.

The net assets of discontinued operations at March 31, 1997, as presented in the Consolidated Balance Sheet, primarily reflect TEC Systems. The components of the net assets of Grace's remaining discontinued operations (excluding intercompany assets) at March 31, 1997 are as follows:

	MARCH 31, 1997
Current assets	$41.3
Properties and equipment, net	15.8
Investments in and advances to affiliated companies	12.1
Other assets	4.8
Total assets	$74.0
Current liabilities	$14.2
Other liabilities	2.3
Total liabilities	$16.5
Net assets	$57.5

For additional information, see Note 6 to the consolidated financial statements in the 1996 10-K.

(Dollars in millions)

5. INVENTORIES

The components of Grace's inventories are as follows:

	March 31, 1997	December 31, 1996
Raw and packaging materials	$ 102.8	$ 100.9
In process	70.5	67.6
Finished products	179.5	179.0
General merchandise	71.8	73.4
Less: Adjustment of certain inventories to a last-in/first-out (LIFO) basis	(45.4)	(44.8)
	$ 379.2	$ 376.1

6. SHAREHOLDERS' EQUITY

During the first quarter of 1997, the Company substantially completed the share repurchase program initiated in 1996 by acquiring 6,306,300 additional shares of its common stock for $335.9, or an average price of $53.26 per share.

For additional information, see Note 13 to the consolidated financial statements in the 1996 10-K.

7. EARNINGS PER SHARE

In the first quarter of 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," which establishes new standards for computing and presenting earnings per share effective December 31, 1997. At December 31, 1997, all prior periods will be restated to reflect the new basic and diluted earnings per share amounts required by SFAS No. 128. Had the Company followed the methodology prescribed by SFAS No. 128, the Company's earnings per share (EPS) for the three months ended March 31, 1997 and 1996 would have been as follows:

	Actual First Quarter 1997	Actual First Quarter 1996		Pro Forma First Quarter 1997	Pro Forma First Quarter 1996
Primary EPS	$ .60	$ .64	Basic EPS	$ .62	$ .65
Fully diluted EPS	$ .60	$ .63	Diluted EPS	$ .60	$ .64

8. SUBSEQUENT EVENT

On May 1, 1997, Grace completed the sale of its specialty polymers business to National Starch and Chemical Company for $148.0, subject to adjustment.

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

REVIEW OF OPERATIONS

OVERVIEW

Grace, through its subsidiaries, is one of the world's leading packaging and specialty chemicals companies. Grace's core businesses are packaging, catalysts and other silica-based products (Grace Davison) and construction products.

Sales and revenues in the first quarter of 1997 decreased 8.9% compared to the first quarter of 1996. Excluding divested businesses, sales and revenues in the first quarter of 1997 increased 2.8% over the 1996 first quarter. Pretax income from continuing operations for the first quarter of 1997 was $73.7 million, a 6.3% increase compared to the 1996 first quarter. Grace's 1997 first quarter pretax operating income of $91.3 million increased 4.7% over the same period in 1996. Pretax operating results for the three months ended March 31, 1996, have been restated to reflect the classification of certain businesses as discontinued operations.

PRETAX OPERATING RESULTS - CONTINUING OPERATIONS (In millions)	Three Months Ended March 31, 1997	1996
Sales and revenues, excluding divested businesses..........	$ 785.1	$ 763.6
Sales and revenues of divested businesses(1)...............	--	98.0
Sales and revenues.....................................	$ 785.1	$ 861.6
Operating income, excluding divested businesses............	$ 91.3	$ 87.3
Operating loss of divested businesses(1)...................	--	(.1)
Operating income.......................................	$ 91.3	$ 87.2
Other income/(expense):		
Interest expense and related financing costs............	(19.1)	(18.4)
Other income/(expense), net.............................	1.5	.5
Income from continuing operations.......................	$ 73.7	$ 69.3

(1) Primarily reflects Grace's water treatment and process chemicals business, divested in June 1996.

The following discussion includes projections and other "forward-looking" information. Grace is subject to risks and other uncertainties that could cause its actual results to differ materially from any such projections or that could cause other forward-looking information to prove incorrect. For a discussion of such risks and uncertainties, see "Introduction and Overview -- Projections and Other Forward-Looking Information" in Item 1 of the 1996 10-K.

SALES AND REVENUES

SALES AND REVENUES (excluding divested businesses) (In millions)	Three Months Ended March 31, 1997	1996	% CHANGE 1997 VS. 1996
Packaging..............................	$488.8	$474.6	3.0 %
Grace Davison..........................	174.6	185.6	(5.9)
Construction Products..................	103.0	84.3	22.2
Other..................................	18.7	19.1	(2.1)
Sales and revenues.................	$785.1	$763.6	2.8%

As noted above, sales and revenues (excluding divested businesses) increased 2.8% in the first quarter of 1997 over the same period in 1996, reflecting a favorable volume/price/product mix variance estimated at 5.2%, partially offset by an unfavorable currency translation variance estimated at 2.4%. The following is a discussion of the sales and revenues of Grace's product lines.

PACKAGING

Sales and revenues increased 3.0% in the first quarter of 1997 over the first quarter of 1996. The effect of a strengthening dollar against foreign currencies decreased first quarter 1997 sales growth by an estimated 2.3%, while volume/price/product mix contributed to sales growth by an estimated 5.3%. First quarter 1997 sales volume was positively affected by the July 1996 acquisition of Cypress Packaging, Inc., a leading supplier of plastic packaging materials for the retail pre-cut produce market, and the August 1996 acquisition of Bayem S.A. de C.V. (Bayem), a Mexican producer of can coatings and closure sealants for the rigid container industry. These acquisitions accounted for approximately one-third of the overall sales increase of 3.0%. In addition to these acquisitions, Packaging experienced sales growth within product groups as described below.

Excluding the effect of currency movements for the first quarter of 1997, bag sales increased across all regions over the first quarter of 1996. Volumes increased in North America in the first quarter of 1997 due to strengthening in the boneless beef segment, market share gains in fresh red meat bags and continued penetration of TBG(TM) boneguard packaging products into the fresh beef segment. These increases were partially offset by softness in the North American pork market, reflecting reduced slaughter rates stemming from livestock reductions caused by higher prices for corn and other feeds. This market is expected to improve as corn prices stabilize and livestock numbers return to more normal levels. European bag sales volumes increased as a result of continued strong sales in the cheese and processed (smoked and cured) meat segments in northeastern Europe. However, growth in Europe has been negatively affected by reduced beef consumption due to continued consumer fears associated with publicity surrounding bovine spongiform encephalopathy - commonly referred to as "mad cow disease." Volumes in Latin America increased as a result of increased exports of fresh red meat to Europe and continued economic improvement in Argentina. Bag sales volumes in Asia Pacific also increased as a result of strong market demand, especially for boxed beef packaging in Australia.

First quarter laminate sales for 1997 increased in most regions as a result of market share growth and continued strong customer demand. Sales growth was particularly strong in Latin America as a result of increased demand for cook-in and food service packaging for the processed and prepared foods segment.

Film sales for the first quarter of 1997 showed a modest increase compared to the first quarter of 1996. In Europe, film sales increased due to the continued success of central packaging programs for fresh red meat, poultry and fish, and North American film sales increased as a result of new product introductions for industrial and consumer goods applications.

Container sealants and coatings sales increased slightly in the first quarter of 1997 compared to the first quarter of 1996. Volume increased in Latin America from improved market penetration of can coating products, primarily due to the acquisition of Bayem discussed above, offset by sales declines in Asia Pacific and Europe, primarily due to a reduction in the size of container openings, requiring less can sealing compound, the increased penetration of plastic bottles and depletion of customers' excess inventory from 1996.

GRACE DAVISON

Sales of catalysts and other silica-based products in the 1997 first quarter declined 5.9% compared to the same period in 1996. The effect of a strengthening dollar caused sales to decline by an estimated 3.5% compared to the 1996 quarter; the balance of the decline was due to an unfavorable volume/price/product mix variance estimated at 2.4%.

Fluid cracking catalyst sales were negatively impacted by both price and volume reductions in the first quarter of 1997 compared to the first quarter of 1996. Pricing pressures, which began in the third quarter of 1996, lessened in the 1997 first quarter in both North America and Asia Pacific, but increased in Europe. Volume reductions were primarily caused by a large number of temporary shutdowns of customers' refineries for maintenance, repair and upgrades (turnarounds) compared to the first quarter of 1996. Also contributing to the decrease in sales was the loss of a large customer in Asia Pacific. However, Grace Davison has maintained its global market share despite the pricing pressures and volume reductions discussed above.

Silica/adsorbent sales were lower in the first quarter of 1997 compared to the first quarter of 1996 primarily due to reduced sales of high-cost catalysts. This decrease was partially offset by increased shipments of new products to the graphic arts and ink jet markets.

Polyolefin catalyst sales increased slightly in the first quarter of 1997 compared to the same period in 1996. First quarter volumes increased compared to the 1996 first quarter. Price/mix variances also positively affected sales levels in all regions except Asia Pacific. 1997 sales are expected to increase compared to 1996 due to the continued strong resin market, which is driven largely by the plastics industry.

CONSTRUCTION PRODUCTS

Sales increased 22.2% in the 1997 first quarter compared to the 1996 first quarter, primarily as a result of strong North American sales of fire protection, waterproofing, and cement additives and concrete admixture products. Contributing significantly to the sales increase was a mild winter in the northeastern U.S., allowing greater than normal construction activity, especially as compared to the unusually harsh winter experienced in the 1996 first quarter. Sales of new products also contributed significantly to the increase, led by the success of new water-reducing concrete admixtures.

Sales levels in Europe, Latin America and Asia Pacific increased as well, mainly due to volume. Geographic expansion into targeted growth markets in southeast Asia and Latin America accounted for an estimated 3.0% points of the overall 22.2% sales increase. Asia Pacific posted strong sales of concrete products, while Latin America experienced increased sales of both cement and concrete products. In Europe, higher sales of waterproofing products were partially offset by small declines in cement and concrete products.

OPERATING RESULTS

OPERATING INCOME (excluding divested businesses) (In millions)	Three Months Ended March 31, 1997	1996	% CHANGE 1997 VS. 1996
Packaging	$67.2	$60.0	12.0 %
Grace Davison	17.7	28.1	(37.0)
Construction Products	3.8	(3.6)	--
Other	2.6	2.7	(3.7)
Operating income	$91.3	$87.2	4.7%

Overall, pretax operating income continues to be favorably impacted across all regions and product lines by cost management programs initially implemented in 1995. Under these programs, Grace has implemented, and expects to further implement, additional cost reductions and efficiency improvements, as it further evaluates and reengineers its operations. The following is a discussion of the operating income of Grace's product lines.

PACKAGING

Packaging pretax operating income increased 12.0% in the first quarter of 1997 compared to the first quarter of 1996 as a result of the volume increases discussed above, as well as ongoing cost containment efforts, including a sales force restructuring. However, these improvements in operating income were partially offset by increased expenses, including an increase in raw material prices for resins in North America, higher expenses (primarily depreciation and amortization expenses) associated with a packaging plant in Kuantan, Malaysia that began operations in the fourth quarter of 1996, and an increase in research and development expenses as a result of the continued emphasis on new product development.

GRACE DAVISON

Grace Davison operating income for the first three months of 1997 declined 37.0% compared to the same period in 1996. A weak fluid cracking catalyst market decreased both volumes and prices, higher natural gas prices increased operating costs, recent expansion activities increased depreciation expenses, and foreign exchange translation unfavorably impacted earnings. There were also nonrecurring items contributing to the decrease in operating income between the first quarters of 1997 and 1996. In particular, the large number of refinery turnarounds decreased sales and harsh winter weather at Grace Davison's Lake Charles, Louisiana facility increased repair and maintenance costs. Despite these declines, Grace Davison has maintained market share, as discussed above, and the introductions of new manufacturing process technologies and new products are expected to improve margins throughout the year.

CONSTRUCTION PRODUCTS

Construction Products pretax operating income for the 1997 first quarter was a record $3.8 million, compared to a $3.6 million loss in the 1996 first quarter. Historically, Construction Products has reported a pretax operating loss in the first quarter due to slowed U.S. and European construction activity in the winter. However, the 22.2% increase in sales, combined with the company-wide cost management program discussed above, produced exceptional 1997 first quarter results.

OTHER ITEMS

INTEREST EXPENSE AND RELATED FINANCING COSTS

Interest expense and related financing costs for continuing operations of $19.1 million in the first quarter of 1997 increased slightly compared to the same period in 1996. Including amounts allocated to discontinued operations, interest expense and related financing costs decreased 58.0% during the three months ended March 31, 1997 compared to the three months ended March 31, 1996. The decrease was primarily due to lower average debt levels (as a result of debt repayments made using the proceeds from the September 1996 separation of Grace's principal health care business and other divestments) and lower average effective interest rates.

See "Financial Condition: Liquidity and Capital Resources" below for further information on borrowings.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development (R&D) spending decreased 16.7% in the first quarter of 1997 compared to the first quarter of 1996. The decrease reflects the continued positive impact of cost management initiatives implemented during 1996 and 1995, primarily the elimination of Grace's corporate research organization in the fourth quarter of 1996, the transfer of core R&D activities to the product lines and the termination of R&D activities not related to Grace's core packaging and specialty chemicals businesses. The decrease is also attributable to the elimination of R&D spending related to Grace's water treatment and process chemicals business, which was divested in June 1996. As a result of these initiatives, Grace has been able to increase its R&D spending for its core businesses while reducing total R&D expenses. Grace's R&D spending will continue to be directed toward its core businesses.

DISCONTINUED OPERATIONS

During 1996, Grace completed the separation of National Medical Care, Inc. and sold its separations science business (Amicon). These health care businesses had been classified as discontinued operations in 1995. First quarter 1996 income from discontinued operations of $20.0 million included net income of $22.0 million ($38.2 million pretax) from health care operations. In 1996, Grace classified TEC Systems as a discontinued operation. First quarter 1996 income from discontinued operations included a loss of $2.0 million ($3.3 million pretax) from TEC Systems.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Grace's continuing operating activities used net pretax cash of $14.7 million in the first quarter of 1997, compared to $45.0 million in the first quarter of 1996. Improved operating results and an increase in cash inflows from settlements with certain insurance carriers (in connection with asbestos-related litigation), net of amounts paid for the defense and disposition of asbestos-related litigation, contributed to the favorable variance. After giving effect to the net pretax cash provided by operating activities of discontinued operations and payments of income taxes, the net cash used by operating activities decreased by $44.5 million in the first three months of 1997 compared to the same period in 1996.

Investing activities provided $395.6 million of cash in the first quarter of 1997, largely reflecting net cash proceeds from divestments of $302.5 million (primarily from the sale of Grace's cocoa business) and the receipt of $215.6 million on the 1996 sales of Dearborn and Amicon. Grace made capital expenditures of $49.8 million in the three months ended March 31, 1997, primarily related to the Packaging and Grace Davison businesses. Grace anticipates that total 1997 capital expenditures will not exceed $300.0 million, all of which will be directed towards its core businesses.

Net cash used for financing activities in the first quarter of 1997 was $338.2 million, primarily reflecting reductions in debt, the repurchase of stock as discussed below, and the payment of dividends, partially offset by proceeds from the exercise of employee stock options. Total debt was $1,358.5 million at March 31, 1997, a decrease of $29.7 million from December 31, 1996.

During the first quarter of 1997, the Company substantially completed the share repurchase program initiated in 1996 by acquiring 6,306,300 additional shares of its common stock for $335.9 million, or an average price of $53.26 per share.

Grace is targeting a ratio of debt to earnings before interest, taxes, depreciation and amortization (EBITDA) of 1.6 to 2.0. The debt/EBITDA ratio was 2.2 at March 31, 1997, but it is expected to be within the target range in 1997 after the receipt of all divestment proceeds.

At March 31, 1997, Grace had committed borrowing facilities totaling $1.0 billion, consisting of $650 million under a 364-day facility expiring in May 1997 and $350 million under a long-term facility expiring in September 1999. As of March 31, 1997, $468.8 million was available under these facilities. Grace is currently in the process of amending and extending these facilities to May 1998 and May 2002, respectively.

ASBESTOS-RELATED MATTERS

In the first quarter of 1997, Grace received $1.2 million under settlements with certain insurance carriers, net of amounts paid for the defense and disposition of asbestos-related property damage and personal injury litigation. Although the amounts to be paid in 1997 with respect to asbestos-related claims (after giving effect to payments to be received from insurance carriers) cannot be precisely estimated, Grace expects that it will be required to expend approximately $75-$100 million (pretax) in 1997 to defend against and dispose of such claims (after giving effect to anticipated insurance recoveries). The amounts with respect to the probable cost of defending against and disposing of asbestos-related claims and probable recoveries from insurance carriers represent estimates and are on an undiscounted basis; the outcomes of such claims cannot be predicted with certainty. See Note 2 to the interim consolidated financial statements in this Report for further information concerning asbestos-related lawsuits and claims.

ENVIRONMENTAL MATTERS

There were no significant developments relating to environmental liabilities in the first quarter of 1997. For additional information relating to environmental liabilities, see Note 11 to the consolidated financial statements in the 1996 10-K.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Note 2 to the Consolidated Financial Statements in Part I of this Report is incorporated herein by reference.

Item 5. Other Information.

(a) In April 1997, Grace completed the acquisition of Schurpack, Inc., a manufacturer of flexible food packaging located in St. Joseph, Missouri. Schurpack had 1996 sales of approximately $20 million.

(b) On May 1, 1997, Grace completed the sale of its specialty polymers business to National Starch and Chemical Company for $148 million, subject to adjustment.

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

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

- W. R. Grace & Co. 1996 Stock Incentive Plan, as amended
- weighted average number of shares and earnings used in per share computations
- computation of ratio of earnings to fixed charges and combined fixed charges and preferred stock dividends
- financial data schedule

(b) Reports on Form 8-K. The Company filed the following Reports on Form 8-K during the first quarter and the beginning of the second quarter of 1997:

Date of Filing	Disclosure(s)
January 8, 1997	Announcement that Grace had entered into a definitive agreement to sell its worldwide cocoa business to Archer-Daniels-Midland Company; announcement of the completion of the sale of Grace's Amicon separations science business to Millipore Corporation; and announcement of the release of W. R. Grace & Co.-Conn., the Company's principal operating subsidiary, from guarantees of certain borrowings by National Medical Care, Inc., a former subsidiary
February 14, 1997	Announcement of 1996 fourth quarter and full year results
March 4, 1997	Announcement of the completion of the sale of Grace's worldwide cocoa business to Archer-Daniels-Midland Company; announcement that Grace had entered into a definitive agreement to sell its specialty polymers business to National Starch and Chemical Company; and announcement that Grace had agreed in principle to acquire Schurpack, Inc.
March 12, 1997	Announcement of the release of additional components of Grace's 1996 financial statements, including a consolidated balance sheet and a consolidated statement of cash flows
May 1, 1997	Announcement of 1997 first quarter results

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 13, 1997

By /s/ Kathleen A. Browne
Kathleen A. Browne
Vice President and Controller
(Principal Accounting Officer)

W. R. GRACE & CO.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 1997

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
10.1	W. R. Grace & Co. 1996 Stock Incentive Plan, as amended
11	Weighted average number of shares and earnings used in per share computations
12	Computation of ratio of earnings to fixed charges and combined fixed charges and preferred stock dividends
27	Financial Data Schedule

W. R. GRACE & CO.

1996 STOCK INCENTIVE PLAN

1. Purposes. The purposes of this Plan are (a) to enable Key Persons to have incentives related to Common Stock, (b) to encourage Key Persons to increase their interest in the growth and prosperity of the Company and to stimulate and sustain con structive and imaginative thinking by Key Persons, (c) to further the identity of interests of Key Persons with the interests of the Company's stockholders, and (d) to induce the ser vice or continued service of Key Persons and to enable the Company to compete with other organizations offering similar or other incentives in obtaining and retaining the services of the most highly qualified individuals.

2. Definitions. When used in this Plan, the following terms shall have the meanings set forth in this section 2.

Board of Directors: The Board of Directors of the Company.

cessation of service (or words of similar import): When a person ceases to be an employee of the Company or a Subsidiary. For purposes of this definition, if an entity that was a Subsidiary ceases to be a Subsidiary, persons who immediately thereafter remain employees of that entity (and are not employees of the Company or an entity that is a Sub sidiary) shall be deemed to have ceased service.

Change in Control: Shall be deemed to have occurred if (a) the Company deter mines that any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Com pany, has become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 20% or more of the outstanding Common Stock of the Com pany; (b) individuals who are "Continuing Directors" (as defined below) cease to constitute a majority of any class of the Board of Directors; (c) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company (a "Corporate Transac tion"), in each case, with respect to which the stockholders of the Company immediately prior to such Corporate Transaction do not, immediately after the Corporate Transaction, own more than 60% of the combined voting power of the corporation resulting from such Corporate Transaction; or (d) the stockholders of the Company approve a complete liquidation or dissolution of the Company. Notwithstanding any other provision of this Plan, the distribution of all of the shares of Common Stock of the Company to the shareholders of W. R. Grace & Co., a New York corporation, shall not be deemed a Change in Control. "Continuing Director" means any member of the Board of Directors who was such a member on the date on which this Plan was approved by the Board of Directors and any successor to such a Continuing Director who is approved as a nominee or elected to succeed a Continuing Director by a majority of Continuing Directors who are then members of the Board of Directors.

Change in Control Price: The higher of (a) the highest reported sales price, regular way, as reported in The Wall Street Journal or another newspaper of general circulation, of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (b) if the Change in Control is the result of a tender or exchange offer or a Corporate Transaction, the highest price per share of Common Stock paid in such tender or exchange offer or Corporate Transaction; provided, however, that in the case of Incentive Stock Options, the Change in Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such Incentive Stock Option is exercised. To the extent that the consideration paid in any Corporate Transaction or other transaction described above consists in whole or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board of Directors.

Code: The Internal Revenue Code of 1986, as amended.

Committee: The Compensation, Employee Benefits and Stock Incentive Committee of the Board of Directors of the Company or any other committee designated by the Board of Directors to administer stock incentive and stock option plans of the Company and the Subsidiaries generally or this Plan specifically.

Common Stock: The common stock of the Company, par value $.01 per share, or such other class of shares or other securities or property as may be applicable pursuant to the provisions of section 8.

Company: W. R. Grace & Co., a Delaware corporation.

Continuing Director: The meaning set forth in the definition of "Change in Control" above.

Corporate Transaction: The meaning set forth in the definition of "Change in Con trol" above.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exercise Period: The meaning set forth in section 14(b) of this Plan.

Fair Market Value: (a) The mean between the high and low sales prices of a share of Common Stock in New York Stock Exchange composite transactions on the applicable date, as reported in The Wall Street Journal or another newspaper of general circulation, or, if no sales of shares of Common Stock were reported for such date, for the next preced ing date for which such sales were so reported, or (b) the fair market value of a share of Common Stock determined in accordance with any other reasonable method approved by the Committee.

Incentive Stock Option: A stock option that states that it is an incentive stock option and that is intended to meet the requirements of Section 422 of the Code and the regu lations thereunder applicable to incentive stock options, as in effect from time to time.

issuance (or words of similar import): The issuance of authorized but unissued Common Stock or the transfer of issued Common Stock held by the Company or a Subsid iary.

Key Person: An employee of the Company or a Subsidiary who, in the opinion of the Committee, has contributed or can contribute significantly to the growth and successful operations of the Company or one or more Subsidiaries. The grant of a Stock Incentive to an employee shall be deemed a determination by the Committee that such person is a Key Person.

Nonstatutory Stock Option: An Option that is not an Incentive Stock Option.

Option: An option granted under this Plan to purchase shares of Common Stock.

Option Agreement: An agreement setting forth the terms of an Option.

Plan: The 1996 Stock Incentive Plan of the Company herein set forth, as the same may from time to time be amended.

service: Service to the Company or a Subsidiary as an employee. "To serve" has a correlative meaning.

Spread: The meaning set forth in section 14(b) of this Plan.

Stock Award: An issuance of shares of Common Stock or an undertaking (other than an Option) to issue such shares in the future.

Stock Incentive: A stock incentive granted under this Plan in one of the forms provided for in section 3.

Subsidiary: A corporation (or other form of business association) of which shares (or other ownership interests) having 50% or more of the voting power regularly entitled to vote for directors (or equivalent management rights) are owned, directly or indirectly, by the Company, or any other entity designated as such by the Board of Directors; provided, however, that in the case of an Incentive Stock Option, the term "Subsidiary" shall mean a Subsidiary (as defined by the preceding clause) that is also a "subsidiary corporation" as defined in Section 424(f) of the Code and the regulations thereunder, as in effect from time to time.

3. Grants of Stock Incentives. (a) Subject to the provisions of this Plan, the Committee may at any time and from time to time grant Stock Incentives under this Plan to, and only to, Key Persons.

(b) The Committee may grant a Stock Incentive to be effective at a specified future date or upon the future occurrence of a specified event. For the purposes of this Plan, any such Stock Incentive shall be deemed granted on the date it becomes effective. An agree ment or other commitment to grant a Stock Incentive that is to be effective in the future shall not be deemed the grant of a Stock Incentive until the date on which such Stock Incentive becomes effective.

(c) A Stock Incentive may be granted in the form of:

(i) a Stock Award, or

(ii) an Option, or

(iii) a combination of a Stock Award and an Option.

4. Stock Subject to this Plan. (a) Subject to the provisions of paragraph (c) of this section 4 and the provisions of section 8, the maximum number of shares of Common Stock that may be issued pursuant to Stock Incentives granted under this Plan shall not exceed seven million (7,000,000).

(b) Authorized but unissued shares of Common Stock and issued shares of Common Stock held by the Company or a Subsidiary, whether acquired specifically for use under this Plan or otherwise, may be used for purposes of this Plan.

(c) If any shares of Common Stock subject to a Stock Incentive shall not be issued and shall cease to be issuable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance, be reacquired by the Company or a Subsidiary from the recipient of such Stock Incentive, or from the estate of such recipient, for any reason, such shares shall no longer be charged against the limitation provided for in paragraph (a) of this section 4 and may again be made subject to Stock Incentives.

(d) Of the total number of shares specified in paragraph (a) of this section 4 (subject to adjustment as specified therein), during the term of this Plan as defined in section 9, (i) no more than 10% may be subject to Options granted to any one Key Person and (ii) no more than 15% may be subject to Stock Incentives granted to any one Key Person.

5. Stock Awards. Except as otherwise provided in section 12, Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) For purposes of this Plan, all shares of Common Stock subject to a Stock Award shall be valued at not less than 100% of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued pursuant to such Stock Award and whether or not such shares are subject to restrictions affecting their value.

(b) Shares of Common Stock subject to a Stock Award may be issued to a Key Person at the time the Stock Award is granted, or at any time subsequent thereto, or in in stallments from time to time. In the event that any such issuance shall not be made at the time the Stock Award is granted, the Stock Award may provide for the payment to such Key Person, either in cash or shares of Common Stock, of amounts not exceeding the dividends that would have been payable to such Key Person in respect of the number of shares of Common Stock subject to such Stock Award (as adjusted under section 8) if such shares had been issued to such Key Person at the time such Stock Award was granted. Any Stock Award may provide that the value of any shares of Common Stock subject to such Stock Award may be paid in cash, on each date on which shares would otherwise have been issued, in an amount equal to the Fair Market Value on such date of the shares that would otherwise have been issued.

(c) The material terms of each Stock Award shall be determined by the Committee. Each Stock Award shall be evidenced by a written instrument consistent with this Plan. It is intended that a Stock Award would be (i) made contingent upon the attainment of one or more specified performance objectives and/or (ii) subject to restrictions on the sale or other disposition of the Stock Award or the shares subject thereto for a period of three or more years; provided, however, that (x) a Stock Award may include restrictions and limitations in addition to those provided for herein and (y) of the total number of shares specified in paragraph (a) of section 4 (subject to adjustment as specified therein), up to 3% may be subject to Stock Awards not subject to clause (i) or clause (ii) of this sentence.

(d) A Stock Award shall be granted for such lawful consideration as may be provided for therein.

6. Options. Except as otherwise provided in section 12, Stock Incentives in the form of Options shall be subject to the following provisions:

(a) The purchase price per share of Common Stock shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. The purchase price and any withholding tax that may be due on the exercise of an Option may be paid in cash, or, if so provided in the Option Agreement, (i) in shares of Common Stock (including shares issued pursuant to the Option being exercised and shares issued pursuant to a Stock Award granted subject to restrictions as provided for in paragraph (c) of section 5), or (ii) in a combination of cash and such shares; provided, however, that no shares of Common Stock delivered in payment of the purchase price may be "immature shares," as determined in accordance with generally accepted accounting principles in effect at the time. Any shares of Common Stock delivered to the Company in payment of the purchase price or withholding tax shall be valued at their Fair Market Value on the date of exercise. No certificate for shares of Common Stock shall be issued upon the exercise of an Option until the purchase price for such shares has been paid in full.

(b) If so provided in the Option Agreement, the Company shall, upon the request of the holder of the Option and at any time and from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the Option so canceled over the purchase price for such shares, or (ii) issue shares of Common Stock to the holder with a Fair Market Value, at such time or times, equal to such excess, or (iii) pay such excess by a combination of money and shares.

(c) Each Option may be exercisable in full at the time of grant, or may become exercisable in one or more installments and at such time or times or upon the occurrence of such events, as may be specified in the Option Agreement, as determined by the Committee. Unless otherwise provided in the Option Agreement, an Option, to the extent it is or becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of such Option.

(d) Each Option shall be exercisable during the life of the holder only by him and, after his death, only by his estate or by a person who acquires the right to exercise the Option by will or the laws of descent and distribution. An Option, to the extent that it shall not have been exercised or canceled, shall terminate as follows after the holder ceases to serve: (i) if the holder shall voluntarily cease to serve without the consent of the Com mittee or shall have his service terminated for cause, the Option shall terminate immediately upon cessation of service; (ii) if the holder shall cease to serve by reason of death, incapacity or retirement under a retirement plan of the Company or a Subsidiary, the Option shall terminate three years after the date on which he ceased to serve; and (iii) except as provided in the next sentence, in all other cases the Option shall terminate three months after the date on which the holder ceased to serve unless the Committee shall approve a longer period (which approval may be given before or after cessation of service) not to exceed three years. If the holder shall die or become incapacitated during the three-month period (or such longer period as the Committee may approve) referred to in the preceding clause (iii), the Option shall terminate three years after the date on which he ceased to serve. A leave of absence for military or governmental service or other purposes shall not, if approved by the Committee (which approval may be given before or after the leave of absence commences), be deemed a cessation of service within the meaning of this paragraph (d). Notwithstanding the foregoing provisions of this paragraph (d) or any other provision of this Plan, no Option shall be exercisable after expiration of a period of ten years and one month from the date the Option is granted. Where a Nonstatutory Option is granted for a term of less than ten years and one month, the Committee may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years and one month from the date the Option was granted. Such an extension shall not be deemed the grant of a new Option under this Plan.

(e) No Option nor any right thereunder may be assigned or transferred except by will or the laws of descent and distribution and except, in the case of a Nonstatutory Option, pursuant to a qualified domestic relations order (as defined in the Code), unless otherwise provided in the Option Agreement.

(f) An Option may, but need not, be an Incentive Stock Option. All shares of Common Stock that may be made subject to Stock Incentives under this Plan may be made subject to Incentive Stock Options; provided, however, that (i) no Incentive Stock Option may be granted more than ten years after the effective date of this Plan, as provided in section 9; and (ii) the aggregate Fair Market Value (determined as of the time an Incentive Stock Option is granted) of the shares subject to each installment becoming exercisable for the first time in any calendar year under Incentive Stock Options granted on or after January 1, 1987 (under all plans, including this Plan, of his employer corporation and its parent and subsidiary corporations) to the Key Person to whom such Incentive Stock Option is granted shall not exceed $100,000.

(g) The material terms of each Option shall be determined by the Committee. Each Option shall be evidenced by a written instrument consistent with this Plan, and shall specify whether the Option is an Incentive Stock Option or a Nonstatutory Option. An Option may include restrictions and limitations in addition to those provided for in this Plan.

(h) Options shall be granted for such lawful consideration as may be provided for in the Option Agreement.

7. Combination of Stock Awards and Options. Stock Incentives authorized by paragraph (c)(iii) of section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions: (a) A Stock Incentive may be a combination of any form of Stock Award and any form of Option; provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with section

5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and con ditions as may be specified therein, including without limitation a provision terminating in whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof.

(c) The material terms of each combination Stock Incentive shall be determined by the Committee. Each combination Stock Incentive shall be evidenced by a written instru ment consistent with this Plan.

8. Adjustment Provisions. (a) In the event that any reclassification, split-up or consolidation of the Common Stock shall be effected, or the outstanding shares of Common Stock are, in connection with a merger or consolidation of the Company or a sale by the Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or for shares of the stock or other securities or property of any other corporation or person, or a record date for determination of holders of Common Stock entitled to receive a dividend payable in Com mon Stock shall occur, (i) the number, kind and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number, kind and class of shares or other securities or property that have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives that are subject to a right of the Company or a Subsidiary to re-acquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Committee.

(b) In the event that there shall occur any spin-off or other distribution of assets of the Company to its shareholders (including without limitation an extraordinary dividend), (i) the number, kind and class of shares or other securities or property that may be issued pursuant to Stock Incentives thereafter granted, (ii) the number, kind and class of shares or other securities or property that have not been issued under outstanding Stock Incentives, (iii) the purchase price to be paid per share or other unit under outstanding Stock Incentives, and (iv) the price to be paid per share or other unit by the Company or a Subsidiary for shares or other securities or property issued pursuant to Stock Incentives that are subject to a right of the Company or a Subsidiary to re-acquire such shares or other securities or property, shall in each case be equitably adjusted as determined by the Committee.

9. Term. This Plan shall be deemed adopted and shall become effective on the date as of which it is approved by W. R. Grace & Co., a New York corporation, as sole

shareholder of the Company. No Stock Incentives shall be granted under this Plan after the tenth anniversary of such date.

10. Administration. (a) This Plan shall be administered by the Committee. No director shall be designated as or continue to be a member of the Committee unless he shall at the time of designation and at all times during service as a member of the Committee be an "outside director" within the meaning of Section 162(m) of the Code. The Committee shall have full authority to act in the matter of selection of Key Persons and in granting Stock Incentives to them and such other authority as is granted to the Committee by this Plan. Notwithstanding any other provision of this Plan, the Board of Directors may exercise any and all powers of the Committee with respect to this Plan, except to the extent that the possession or exercise of any power by the Board of Directors would cause any Stock Incentive to become subject to, or to lose an exemption from, Section 162(m) of the Code or Section 16(b) of the Exchange Act.

(b) The Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to be granted Stock Incentives under this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Company, its Subsidiaries, its shareholders and its directors, officers and employees, and upon their respective legal representatives, beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them.

(c) Members of the Board of Directors and members of the Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability in the performance of their duties, except as otherwise provided by applicable law.

11. General Provisions. (a) Nothing in this Plan or in any instrument executed pursuant hereto shall confer upon any person any right to continue in the service of the Company or a Subsidiary, or shall affect the right of the Company or of a Subsidiary to terminate the service of any person with or without cause.

(b) No shares of Common Stock shall be issued pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance of such shares have, in the opinion of counsel to the Company, been complied with. In connection with any such issuance, the person acquiring the shares shall, if requested by the Company, give assurances, satisfactory to counsel to the Company, in respect of such matters as the Company or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No person (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purposes of this Plan or subject to any Stock Incentive except as to such shares of Common Stock, if any, as shall have been issued to him.

(d) In the case of a grant of a Stock Incentive to a Key Person who is employed by a Subsidiary, such grant may provide for the issuance of the shares covered by the Stock Incentive to the Subsidiary, for such consideration as may be provided, upon the condition or understanding that the Subsidiary will transfer the shares to the Key Person in ac cordance with the terms of the Stock Incentive.

(e) In the event the laws of a country in which the Company or a Subsidiary has employees prescribe certain requirements for Stock Incentives to qualify for advantageous tax treatment under the laws of that country (including, without limitation, laws establishing options analogous to Incentive Stock Options), the Committee, may, for the benefit of such employees, amend, in whole or in part, this Plan and may include in such amendment ad ditional provisions for the purposes of qualifying the amended plan and Stock Incentives granted thereunder under such laws; provided, however, that (i) the terms and conditions of a Stock Incentive granted under such amended plan may not be more favorable to the recipient than would be permitted if such Stock Incentive had been granted under this Plan as herein set forth, (ii) all shares allocated to or utilized for the purposes of such amended plan shall be subject to the limitations of section 4, and (iii) the provisions of the amended plan may restrict but may not extend or amplify the provisions of sections 9 and 13.

(f) The Company or a Subsidiary may make such provisions as either may deem appropriate for the withholding of any taxes that the Company or a Subsidiary determines is required to be withheld in connection with any Stock Incentive.

(g) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the pay ment of compensation or benefits to directors, officers or employees generally, or to any class or group of such persons, that the Company or any Subsidiary now has or may hereafter put into effect, including, without limitation, any incentive compensation, retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

12. Acquisitions. If the Company or any Subsidiary should merge or consolidate with, or purchase stock or assets or otherwise acquire the whole or part of the business of, another entity, the Company, upon the approval of the Committee, (a) may assume, in whole or in part and with or without modifications or conditions, any stock incentives granted by the acquired entity to its directors, officers, employees or consultants in their capacities as such, or (b) may grant new Stock Incentives in substitution therefor. Any such assumed or substitute Stock Incentives may contain terms and conditions in-

consistent with the provisions of this Plan (including the limitations set forth in paragraph (d) of section 4), including additional benefits for the recipient; provided, however, that if such assumed or substitute Stock Incentives are Incentive Stock Options, such terms and conditions are permitted under the plan of the acquired entity. For the purposes of any ap plicable plan provision involving time or a date, a substitute Stock Incentive shall be deemed granted as of the date of grant of the original stock incentive.

13. Amendments and Termination. (a) This Plan may be amended or terminated by the Board of Directors upon the recommendation of the Committee; provided, however, that, without the approval of the stockholders of the Company, no amendment shall be made which (i) causes this Plan to cease to comply with applicable law, (ii) permits any person who is not a Key Person to be granted a Stock Incentive (except as otherwise pro vided in section 12), (iii) amends the provisions of paragraph (d) of section 4, paragraph (a) of section 5 or paragraph (a) or paragraph (f) of section 6 to permit shares to be valued at, or to have a purchase price of, respectively, less than the percentage of Fair Market Value specified therein, (iv) amends section 9 to extend the date set forth therein, or (v) amends this section 13.

(b) No amendment or termination of this Plan shall adversely affect any Stock Incentive theretofore granted, and no amendment of any Stock Incentive granted pursuant to this Plan shall adversely affect such Stock Incentive, without the consent of the holder thereof.

14. Change in Control Provisions. (a) Notwithstanding any other provision of this Plan to the contrary, in the event of a Change in Control:

(i) Any Options outstanding as of the date on which such Change in Control occurs, and which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant; and

(ii) All restrictions and deferral limitations applicable to Stock Incentives shall lapse, and Stock Incentives shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant.

(b) Notwithstanding any other provision of this Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), unless the Committee shall deter mine otherwise at the time of grant, the holder of an Option shall have the right, in lieu of the payment of the purchase price for the shares of Common Stock being purchased under the Option, by giving notice to the Company, to elect (within the Exercise Period) to sur render all or part of the Option to the Company and to receive cash, within 30 days after such notice, in an amount equal to the amount by which the Change in Control Price per share of Common Stock on the date of such election shall exceed the purchase price per share of Common Stock under the Option (the "Spread") multiplied by the number of shares of Common Stock subject to the Option as to which the right subject to this Section 14(b) shall have been exercised.

(c) Notwithstanding any other provision of this Plan, if any right granted pursuant to this Plan to receive cash in respect of a Stock Incentive would make a Change in Control transaction ineligible for pooling-of-interests accounting that, but for the nature of such grant, would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for such cash Common Stock with a Fair Market Value equal to the amount of such cash.

EXHIBIT 11

W. R. GRACE & CO. AND SUBSIDIARIES
WEIGHTED AVERAGE NUMBER OF SHARES AND EARNINGS USED IN PER SHARE COMPUTATIONS
For the three months ended March 31, 1996 and 1997
(Dollars in millions, except per share)

	1997	1996
PRIMARY:		
Weighted average shares outstanding................	75,250,000	97,888,000
Dilutive effect (as determined by the application of the treasury stock method)..................	2,435,000	1,793,000
Weighted average number of shares outstanding - primary	77,685,000	99,681,000
Net income..	$ 46.4	$ 63.6
Net income per share - primary.....................	$ .60	$ .64
FULLY DILUTED:		
Weighted average shares outstanding................	75,250,000	97,888,000
Dilutive effect (as determined by the application of the treasury stock method)..................	2,443,000	2,166,000
Weighted average number of shares outstanding - fully diluted	77,693,000	100,054,000
Net income..	$ 46.4	$ 63.6
Net income per share - fully diluted..............	$ .60	$ .63

EXHIBIT 12

W. R. GRACE & CO. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS(a)
(in millions, except ratios)
(Unaudited)

	Years Ended December 31,(c)					Three Months Ended March 31,	
	1996(d)	1995(e)	1994(f)	1993(g)	1992(h)	1997	1996(c)
Net income/(loss) from continuing operations	$213.8	$(179.6)	$ (35.1)	$ 28.1	$ 7.7	$ 46.4	$ 43.6
Add/(deduct):							
Provision for/(benefit from) income taxes	134.8	(104.5)	(42.6)	16.4	84.1	27.3	25.7
Income taxes of 50%-owned companies	--	--	--	.1	2.1	--	--
Equity in unremitted losses/(earnings) of less than 50%-owned companies	(.4)	.8	(.6)	(.5)	(2.0)	--	--
Interest expense and related financing costs, including amortization of capitalized interest	160.8	179.8	138.5	122.7	162.7	20.0	47.6
Estimated amount of rental expense deemed to represent the interest factor	8.4	8.5	10.1	11.3	14.0	1.6	2.8
Income/(loss) as adjusted..........................	$517.4	$ (95.0)	$ 70.3	$178.1	$ 268.6	$ 95.3	$119.7
Combined fixed charges and preferred stock dividends:							
Interest expense and related financing costs, including capitalized interest.	$177.1	$ 195.5	$ 143.2	$122.8	$ 176.3	$ 24.5	$ 53.1
Estimated amount of rental expense deemed to represent the interest factor	8.4	8.5	10.1	11.3	14.0	1.6	2.8
Fixed charges.....................................	185.5	204.0	153.3	134.1	190.3	26.1	55.9
Preferred stock dividend requirements(b)	.6	.5	.5	.8	.8	--	.2
Combined fixed charges and preferred stock dividends................................	$186.1	$ 204.5	$ 153.8	$134.9	$ 191.1	$ 26.1	$ 56.1
Ratio of earnings to fixed charges	2.79	(i)	(i)	1.33	1.41	3.65	2.14
Ratio of earnings to combined fixed charges and preferred stock dividends..................	2.78	(i)	(i)	1.32	1.41	3.65	2.13

(a) Grace's preferred stocks were retired in 1996; for additional information, see Note 1 to the consolidated financial statements in the 1996 10-K.

(b) For each period with an income tax provision, the preferred stock dividend requirements have been increased to an amount representing the pretax earnings required to cover such requirements based on Grace's effective tax rate.

(c) Certain amounts have been restated to conform to the 1997 presentation.

(d) Includes a pretax gain on sales of businesses of $326.4, offset by pretax provisions of $229.1 for asbestos-related liabilities and insurance coverage and $107.5 for restructuring costs and asset impairments.

(e) Includes pretax provisions of $275.0 for asbestos-related liabilities and insurance coverage; $209.5 related to restructuring costs, asset impairments and other activities; $77.0 for environmental liabilities at former manufacturing sites; and $30.0 for corporate governance activities.

(f) Includes a pretax provision of $316.0 relating to asbestos-related liabilities and insurance coverage.

(g) Includes a pretax provision of $159.0 relating to asbestos-related liabilities and insurance coverage.

(h) Includes a pretax provision of $140.0 relating to a fumed silica plant in Belgium.

(i) As a result of the losses incurred for the years ended December 31, 1995 and 1994, Grace was unable to fully cover the indicated fixed charges.

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1,000

3-MOS
DEC-31-1997
JAN-01-1997
MAR-31-1997
76,900
0
613,200
0
379,400
1,350,600
3,282,300
1,456,600
4,430,700
1,362,600
0
0
0
800
310,000
4,430,700
785,100
789,800
480,000
480,000
0
0
19,100
73,700
27,300
46,400
0
0
0
46,400
.60
.60

Amount shown is net of allowances.
Included within current assets are
net assets of discontinued operations
of $57,500.