

W R GRACE & CO
Form 11-K
June 25, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT
PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Year Ended December 31, 2003

Commission File Number 1-13953

W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN

W. R. GRACE & CO.
7500 GRACE DRIVE
COLUMBIA, MARYLAND 21044

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W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
DECEMBER 31, 2003 AND 2002

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrative Committee of the
W. R. Grace & Co. Savings and Investment Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the W. R. Grace & Co. Savings and Investment Plan (the "Plan"), at December 31, 2003 and 2002, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's Management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
McLean, Virginia
June 25, 2004

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W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	DECEMBER 31,	
	2003	2002
ASSETS		
Investments, at fair value		
Guaranteed Investment Contracts	\$ 243,668,794	\$ 237,402,476
Mutual Funds	205,217,070	151,041,578
Grace Common Stock	20,921,043	24,101,477
Participant Loans, at cost	5,870,377	5,217,747
Receivables		
Contributions Receivable	331,672	166,381
	-----	-----
	476,008,956	417,929,659
LIABILITIES		
Accrued Administrative Expenses	(8,870)	(3,066)
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ 476,000,086	\$ 417,926,593
	=====	=====

The accompanying notes are an integral part of these financial statements.

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W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

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FOR THE YEAR EN
DECEMBER 31,

2003

ADDITIONS

Additions to net assets attributable to:

Contributions

Participants

\$ 19,380,061

Employer

11,437,996

30,818,057

Investment income (loss):

Interest and dividends

14,418,848

Net appreciation (depreciation) in fair value of investments

46,856,191

61,275,039

TOTAL

92,093,096

DEDUCTIONS

Deductions from net assets attributable to:

Participant withdrawals

33,782,608

Administrative expenses

236,995

34,019,603

NET INCREASE (DECREASE)

58,073,493

NET ASSETS AVAILABLE FOR BENEFITS

Beginning of year

417,926,593

END OF YEAR

\$ 476,000,086

=====

The accompanying notes are an integral part of these financial statements.

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W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

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The following description of the W. R. Grace & Co. Savings and Investment Plan (the "Plan") provides only general information. Participants should refer to the text of the Plan, the Summary Plan Description, and the Prospectus Supplement for the Plan for more complete information.

GENERAL

On April 2, 2001, W. R. Grace & Co. ("Grace") and 61 of its U.S. subsidiaries and affiliates (collectively, the "Company") filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Bankruptcy Court approved on April 2, 2001 an order that authorized the debtors and debtors in possession under the bankruptcy filing, to pay, in their sole discretion, employee benefits, including employer contributions under the Plan. Under the Court's authorization, Grace has continued to meet its obligations under the Plan. Should the Plan terminate as a result of Chapter 11 proceedings, Company contributions would cease and the net assets of the Plan would be distributed in accordance with the provisions of the documents governing the Plan.

The Plan is a defined contribution plan originally adopted effective September 1, 1976, and has been amended from time to time. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Fidelity Management Trust Company ("Fidelity" or "Trustee") administers the Plan's recordkeeping and serves as the Plan's trustee and custodian.

ELIGIBILITY AND VESTING

Any salaried and hourly employee of Grace or its U.S. subsidiaries who is in an eligible employment classification and who has completed three months of service is eligible for participation.

A participant's interest (employee contributions, Company contributions, and earnings thereon) in the Plan is always fully vested.

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W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS

CONTRIBUTIONS

Each year, participants may elect to contribute to the Plan 2% to 16% of their compensation (which, for purposes of the Plan, consists of salary and/or commissions, incentive compensation, and bonus awards (excluding long-term incentive bonuses and retention bonuses)).

Participant contributions may be made from before-tax and/or after-tax

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income, as provided under Sections 401(k) and 401(m) of the Internal Revenue Code of 1986, as amended (the "Code"), subject to an annual dollar limit on before-tax contributions of \$12,000 and \$11,000 for 2003 and 2002, respectively. Federal income tax law limited the annual compensation on which tax-qualified plan benefits may be based to \$200,000 for 2003 and 2002.

The Company contributes 100% of the first 6% of base compensation that a participant contributes to the Plan. Therefore, the maximum Company contribution is 6% of a participant's compensation.

Company contributions are allocated to investment options in accordance with the participant's investment election.

The Plan offers 27 mutual funds, Grace Common Stock, and a Fixed Income Fund comprised principally of guaranteed investment contracts as investment options for participants.

The Plan provides that a statement of each participant's account be sent to the participant not less frequently than once in each Plan year.

Additionally, on any business day, participants may allocate their future contributions among any of the investment options and may transfer the amounts related to their prior contributions in any of the investment options to other investment options. All investment options are participant-directed.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution, the applicable allocation of the Company's contribution, and an appropriate allocation of Plan earnings (losses), and charged with an allocation for administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

PARTICIPANT LOANS

Participants may borrow up to one-half of the value of their account balance up to \$50,000. Loans may be for a term of one to five years for a general-purpose loan and up to twenty years for a loan to purchase a principal residence. The interest rate on the loan is set on the application date and equals the prime interest rate on the last business day of the preceding calendar quarter plus 2 percent. The interest rate and repayment amounts for the loans are fixed for the term of the loan; loans are repaid in periodic installments, depending on the loan provisions. Participants can repay the outstanding loan balance in full at any time without penalty. Loans are considered to be in default and treated as a distribution for tax purposes if no payment is received for ninety days. If employment with the Company ends, any outstanding loan balance will be considered a distribution if not repaid within ninety days.

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Interest paid on loans is credited to the individual investment options from which the loan was taken.

PAYMENT OF BENEFITS

Upon disability, retirement, or other termination of service, a participant who is not eligible to elect or who does not elect to defer the distribution may elect to receive his/her vested benefit in the form of a single lump sum payment or annual or quarterly installment payments if the vested balance exceeds \$5,000. For amounts less than \$5,000, a single lump sum payment is made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Plan are maintained on the accrual basis of accounting, which is acceptable under U.S. Department of Labor Regulations and is in accordance with accounting principles generally accepted in the United States of America ("GAAP").

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments in publicly traded securities and mutual funds are stated at fair value. Investments in publicly traded securities are valued at the last reported sales price on the last day of the year. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. Investments in guaranteed investment contracts held in the Fixed Income Fund (see Note 4) are stated at contract value, which represents contributions made under the contract plus interest at the contract rate, less funds used for withdrawals. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of publicly traded securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Income of each investment option is reinvested in that option. Investment management of the Fixed Income Fund and investment oversight of the Fidelity Mutual Funds is the responsibility of the Investment and Benefits Committee appointed by the Grace Board of Directors, or as delegated by that Committee.

Prior to April 14, 2003, the Plan recorded a realized gain or loss on Grace Common Stock Fund units distributed to participants in an amount equal to the difference between the market value at the distribution date and the average cost of the units distributed. The cost of securities sold was determined on the basis of average cost, and a gain or loss was recorded equal to the difference between average cost and the sale price. Accordingly, participants held units in the fund and not shares, the value of which was \$1.02 per unit at December 31, 2002, versus Grace common stock which was valued at \$1.96 per share at December 31, 2002. On April 14, 2003, the Grace Stock Fund converted from the unitized method of trading to real time trading, which allowed participants to sell Grace common stock by directly submitting orders to the stock market. Accordingly, effective April 14, 2003, participants held shares rather than units of Grace common stock, the value of which was \$2.57 per share at December 31, 2003.

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS

PAYMENT OF BENEFITS

The Plan recognizes benefits when paid.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the Plan fiduciaries to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements. Actual amounts may differ from the estimates used.

RISKS AND UNCERTAINTIES

The Plan provides for various investment options. Investments are exposed to various risks, such as interest, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Net Assets Available for Benefits.

W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS

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3. INVESTMENTS

The following presents investments that represent five percent or more of the Plan's net assets available for benefits.

	DECEMBER
	2003
Guaranteed Investment Contracts (GICs)	
State Street Bank & Trust Co., 5.93% and 6.03%, respectively	\$ 78,810,840
AEGON Institutional Markets, 4.72% and 5.30%, respectively	83,634,410
Pacific Life Insurance Co., 6.09%	-
CDC IXIS, 5.04% and 3.14%, respectively	62,523,169
Fidelity Management Trust Company	
Fidelity Contrafund, 779,670 and 776,321 shares, respectively	38,476,688
Fidelity Growth and Income Fund, 715,963 and 697,154 shares, respectively	25,509,757
Fidelity Balanced Fund, 1,622,205 and 1,629,172 shares, respectively	27,171,941
Fidelity Blue Chip Fund, 1,414,927 and 1,359,154 shares, respectively	56,073,565
Grace Common Stock, 8,140,484 shares and 23,703,537 units, respectively	20,921,043

During 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$46,856,191 as follows:

	FOR THE YEAR
	DECEMBER
Mutual Funds	\$ 40,246,611
Common Stock	6,610,580
	\$ 46,857,191

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4. GUARANTEED INVESTMENT CONTRACTS

Investments in the participant-directed Fixed Income Fund consist primarily of benefit-responsive guaranteed investment contracts ("GICs") issued by various insurance companies. The Plan's GICs are stated at contract value, which approximates fair value. Contract value includes principal invested, plus earnings, less benefit payments and administrative expenses. Listed below are the Plan's investments in GICs:

ISSUER	RATE	VALUE AT DECEMBER 31	
		2003	2002
GUARANTEED INVESTMENT CONTRACTS (GICS)			
Metropolitan Life Insurance Co.	6.94%	\$ -	\$ -
Transamerica Occidental Life Insurance Co.	6.13%	-	-
New York Life Investment Management LLC	6.63%	-	-
Pacific Life Insurance Co.	6.09%	-	-
MassMutual Financial Group	6.98%	-	-
SEI Trust Co.	3.74%	10,625,759	-
Principal Life Insurance Co.	6.10%	-	-
Total Traditional GICs		10,625,759	
SYNTHETIC GICS			
CDC IXIS	5.04%		
Wrapper Contract		(872,181)	
Underlying Assets:			
Interest in the UAM Trust Co. Dwight Target 2 Fund Master Trust		63,395,350	
AEGON Institutional Markets	4.72%		
Wrapper Contract		(2,356,212)	
Underlying Assets:			
Interest in the UAM Trust Co. Dwight Target 2 Fund Master Trust		69,836,689	
Interest in the UAM Trust Co. Dwight Target 5 Fund Master Trust		16,153,933	
State Street Bank & Trust Co.	5.93%		
Wrapper Contract		(5,251,090)	
Underlying Assets:			
Interest in the UAM Trust Co. Dwight Target 2 Fund Master Trust		40,153,652	
Interest in the UAM Trust Co. Dwight Target 5 Fund Master Trust		43,908,278	
Contract Value		224,968,419	
Total Contracts		235,594,178	
Commercial Paper		8,074,616	
TOTAL FIXED INCOME FUND		\$ 243,668,794	\$ -

W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS

5. RELATED-PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by the Fidelity Management Trust Company. Fidelity is the trustee as defined by the Plan, and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for the investment management services amounted to \$236,995 and \$229,290 for the years ended December 31, 2003 and 2002, respectively.

W. R. Grace & Co., as plan sponsor, is also a related party. The Grace Common Stock Fund includes shares of Grace common stock. At December 31, 2003 and 2002, the Plan held 8,140,484 shares and 23,703,537 units of Grace stock, respectively. The fair value of the Grace Common Stock Fund was \$20,921,043 and \$24,101,477 at December 31, 2003 and 2002, respectively. Purchases of \$19,596,606 (9,289,777 shares) and \$15,229,192 (13,838,034 units) and sales of \$3,640,434 (1,149,295 shares) and \$13,265,186 (11,303,050 units) of Grace common stock were made during 2003 and 2002, respectively.

6. FEDERAL INCOME TAXES

On August 8, 2003, the Internal Revenue Service ("IRS") issued a letter stating that the Plan, as then in effect, was in compliance with the applicable requirements of the Code. The Plan has been amended since the issuance of this determination letter; however, Grace believes that the Plan remains in compliance with those requirements.

7. PLAN TERMINATION

Grace anticipates that the Plan will continue indefinitely, but reserves the right to amend or discontinue the Plan at any time. A participating business unit may terminate its participation in the Plan with the approval of Grace's Board of Directors. In the event the Plan terminates, participants would receive the value of their account balances at the time of distribution.

8. MANAGEMENT OF GRACE COMMON STOCK

On December 15, 2003, Grace retained State Street Bank and Trust Company ("State Street") to act as the investment manager and independent fiduciary of the Grace Common Stock within the Grace Savings & Investment Plan. The United States Bankruptcy Court for the District of Delaware approved the retention of State Street. In February 2004, State Street commenced selling Grace common stock on the open market. Under this selling program, just over 930,000 shares of Grace common stock were sold on the open market. State Street further negotiated and executed the sale of all of the remaining shares (6,272,117) of Grace common stock on April 16, 2004 at a price of \$3.50 per share.

9. SUBSEQUENT EVENTS

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On July 1, 2004, the maximum contribution percentage for Participants will increase from 16% to 25%.

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W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2003

IDENTITY OF ISSUER, BORROWER, LESSOR, OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, INTEREST, COLLATERAL, PAR, OR MATURITY VALUE
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Fidelity Management Trust Company *
Mutual Funds:

PIMCO Total Return ADM, 161,607 shares
Franklin Small/Mid-Cap Growth A, 89,097 shares
Templeton Foreign A, 79,523 shares
Invesco Core Equity, 41,397 shares
AM Cent International Growth, 133,430 shares
JPM US Small Company Institutional, 69,190 shares
Fidelity Contrafund, 779,670 shares
Fidelity Equity Inc, 52,494 shares
Fidelity Investment Growth BD, 194,955 shares
Fidelity Growth and Income, 715,963 shares
Fidelity OTC Portfolio, 667,776 shares
Fidelity Europe, 39,876 shares
Fidelity Balanced, 1,622,205 shares
Fidelity Blue Chip, 1,414,927 shares
Fidelity Low PR Stock, 315,791 shares
Fidelity Diverse International, 105,974 shares
Fidelity Freedom Income, 58,958 shares
Fidelity Freedom 2000, 9,277 shares
Fidelity Freedom 2010, 80,535 shares
Fidelity Freedom 2020, 86,151 shares
Fidelity Freedom 2030, 39,477 shares
Spartan Total Market Index, 20,929 shares
Spartan Extended Market Index, 24,738 shares
Spartan International Index, 15,727 shares
Spartan US Equity Index, 56,593 shares
Fidelity US Bond Index, 199,233 shares
Fidelity Freedom 2040, 20,966 shares

Common Stock:

Grace Common Stock*

Grace Common Stock, 8,140,484 shares

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W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2003

IDENTITY OF ISSUER, BORROWER, LESSOR, OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, INTEREST, COLLATERAL, PAR, OR MATURITY VALUE
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Guaranteed Investment Contracts:

State Street Bank & Trust Co.	Interest rate of 5.93%, various maturity dates
AEGON Institutional Markets	Interest rate of 4.72%, open maturity dates
CDC IXIS	Interest rate of 5.04%, open maturity dates
SEI Trust Co.	Interest rate of 3.74%, open maturity dates
STIF	Interest rate of 1.00%

Loans:

Participant Loans *	Interest Rates Vary from 6.0% to 11.5%, maturity dates ranging from Jan-2004 to Nov-2023
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* - Denotes a party-in-interest

** - Cost is not required as all amounts are participant directed

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SIGNATURES

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

W. R. GRACE & CO.
SAVINGS AND INVESTMENT PLAN

By: /s/ W. Brian McGowan

W. Brian McGowan
Senior Vice President
Corporate Administration

By: /s/ Robert M. Tarola

Robert M. Tarola
Senior Vice President
Chief Financial Officer

Date: June 25, 2004

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EXHIBIT INDEX

EXHIBIT NO. DESCRIPTION OF EXHIBIT

23 Consent of Independent Registered Public Accounting Firm