



Stepan 

First Quarter 2015 Results

April 28, 2015

Cautionary Statement

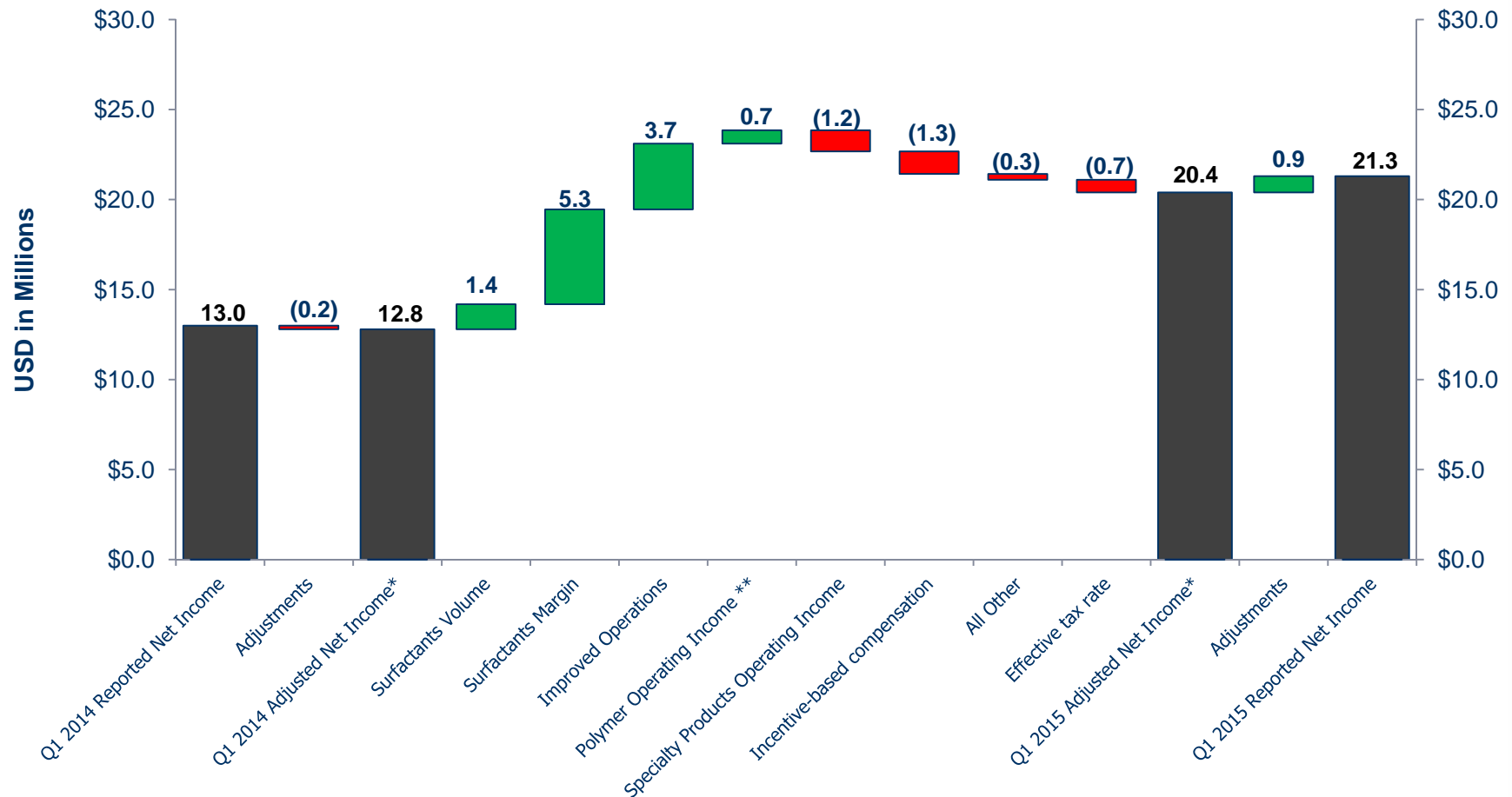
Except for historical information, all other information in this news release consists of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Stepan Company's Form 10-K, Form 8-K and Form 10-Q reports and exhibits to those reports, and include (but are not limited to), prospects for our foreign operations, foreign currency fluctuations, certain global and regional economic conditions, the probability of future acquisitions and the uncertainties related to the integration of acquired businesses, the probability of new products, the loss of one or more key customer or supplier relationships, the costs and other effects of governmental regulation and legal and administrative proceedings, including the expenditures necessary to address and resolve environmental claims and proceedings, disruptions in production at manufacturing facilities, volatility of raw material and energy costs, maintaining and protecting intellectual property rights, interruption or breaches of information technology systems, disruptions in transportation or significant changes in transportation costs, and general economic conditions. These forward-looking statements are made only as of the date hereof, and Stepan Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

First Quarter 2015 Financial Recap

- **Q1 Reported Net Income of \$21.3 million or \$0.93 per diluted share included a few non-operational and non-recurring items.**
 - One-time gain from the sale of the Specialty Polyurethane Systems (“Systems”) business (\$1.8 million or \$0.08 per diluted share)
 - Deferred Compensation expense (\$0.6 million or \$0.03 per diluted share)
 - Increase in reserve for a previously recognized environmental expense (\$0.3 million or \$0.02 per diluted share)
- **Therefore Q1 2015 Adjusted Net Income increased 59% to \$20.4 million or \$0.90 per diluted share compared to \$12.8 million or \$0.56 per diluted share in Q1 2014.**
- **Surfactants had record Operating Income of \$33.8 million, representing an increase of \$15.4 million or 84% compared to prior year results.**
 - Operating Income increased due to improved operations, higher sales volumes and favorable margins compared to Q1 2014.
- **Polymer Operating Income, excluding the sale of the Systems business, increased \$1.1 million primarily due to volume and margin growth within the Rigid Polyol business.**

Net Income Bridge – Q1 2014 to Q1 2015

Note: All amounts are in millions of US dollars and are reported after-tax.



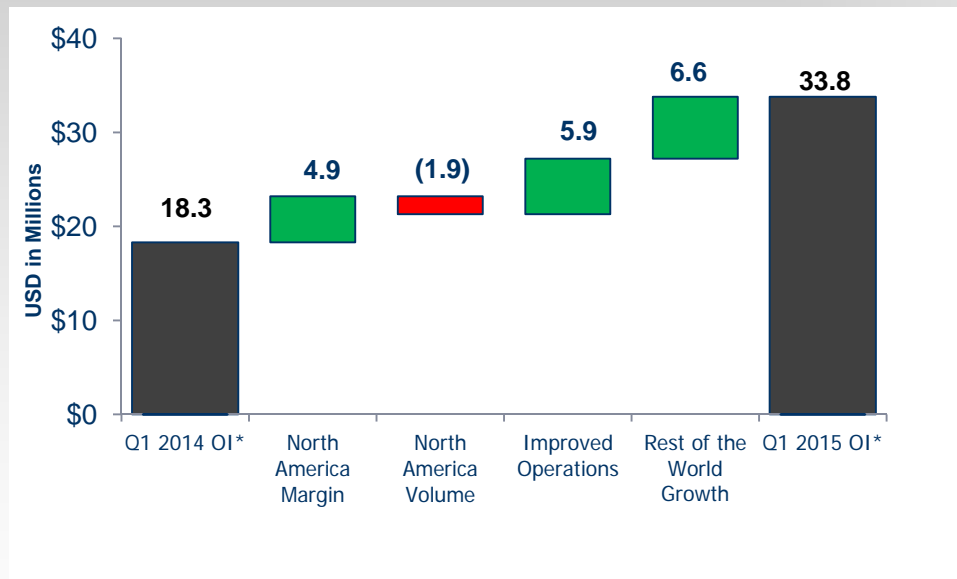
* Adjusted Net Income is a Non-GAAP measure which excludes certain significant, non-recurring items. See Appendix II for reconciliation of Adjusted Net Income to Reported Net Income

**Represents Polymer Operating Income, excluding the sale of the Specialty Polyurethane Systems business

Surfactants

| <i>in million \$</i> | Q1 2015 | Q1 2014 |
|--------------------------|----------------|----------------|
| Net Sales | \$330.6 | \$335.7 |
| Operating Income* | \$ 33.8 | \$ 18.3 |

- Record quarter of Operating Income due to improved margins and product mix, operational efficiencies and strong growth overseas
- Strong growth in foreign markets due to volume growth and an improved product mix
- Volumes were up in the higher value-added Distributor channel
- Improved operations due to investments made in 2014
- North America Consumer Product volumes stabilized except for known carryover effects in Laundry
- Foreign exchange negatively impacted Net Sales by \$21.1 million and Operating Income by \$2.3 million due to the strengthening of the US dollar

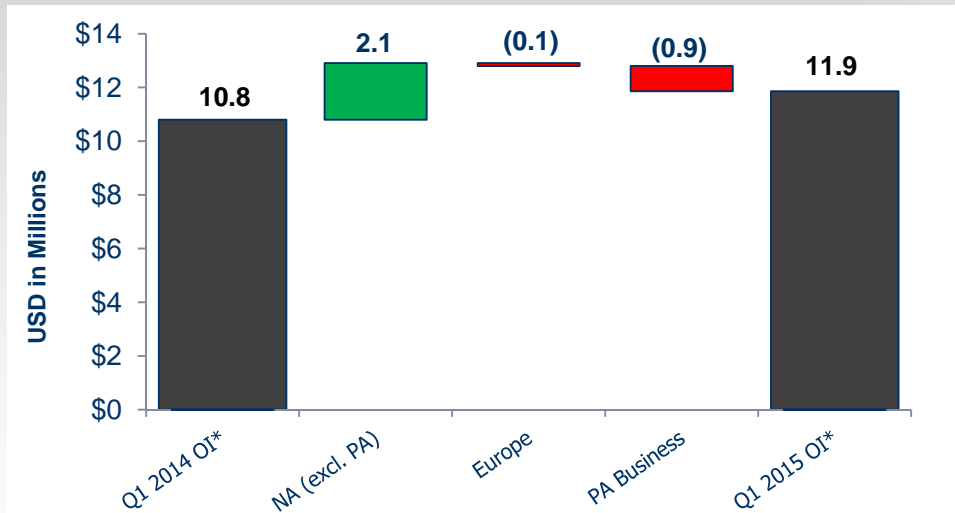


*OI = Operating Income. All amounts are shown on a pre-tax basis (unless noted differently)

Polymers

| <i>in million \$</i> | Q1 2015 | Q1 2014 |
|---|----------------|----------------|
| Net Sales | \$109.4 | \$119.1 |
| Operating Income | \$ 14.8 | \$ 10.8 |
| Operating Income, excl. sale of Systems business | \$ 11.9 | \$ 10.8 |

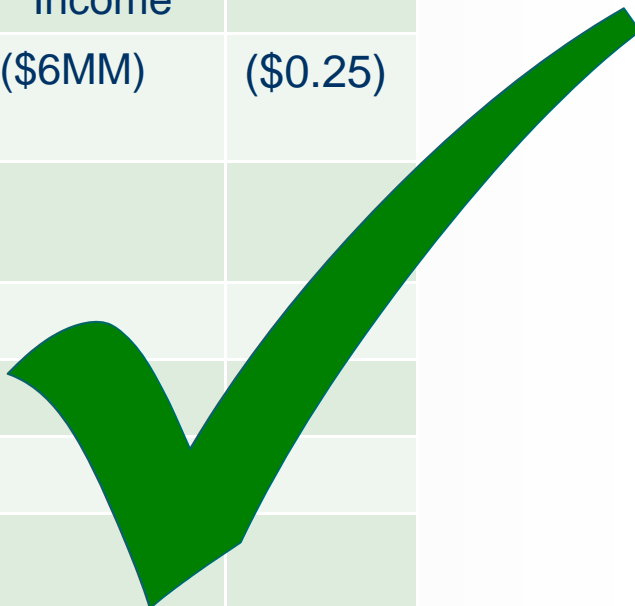
- Operating Income increased \$4.0 million over prior year
- Reported results included \$2.9 million from the sale of the Systems business
- Rigid Polyol volume is up 3% over prior year due to increased insulation standards and conversion to metal panels in Europe. Margins improved due to lower petroleum-based raw material costs
- European Polymers was flat despite foreign currency headwinds
- Phthalic Anhydride (PA) business was down due to margin pressures on its orthoxylene inventory position
- Foreign exchange negatively impacted Net Sales by \$7.8 million and Operating Income by \$0.8 million due to the strengthening of the US dollar



*OI = Operating Income, excluding the Sale of the Systems business
 PA = Phthalic Anhydride
 All amounts are shown on a pre-tax basis (unless noted differently)

2014 versus 2015

| | Potential Improvements | | Potential Headwinds | |
|--|------------------------|---------|---------------------|----------|
| | Net Income | EPS * | Net Income | EPS * |
| Surf Vol/Mix Items | | | (\$6MM) | (\$0.25) |
| Non-Recurring Maintenance and Shutdown costs | +\$6MM | +\$0.25 | | |
| Overall Efficiency Program | +\$8MM | +\$0.30 | | |
| Savings on 2013 Restructuring | +\$2MM | +\$0.10 | | |
| Savings on 2014 Restructuring | +\$1MM | +\$0.05 | | |
| Sale of Polyurethane Systems Business | +\$2MM | +\$0.10 | | |
| Weather | +\$2MM | +\$0.10 | | |
| Special Bad Debt Charges | +\$2MM | +\$0.10 | | |



**On track to deliver + \$17 million or \$0.75 EPS
prior to growth and other initiatives**

* EPS = Earnings Per Share (Diluted)

Expectations for 2015

- Continued income growth in Polymers 
- Higher Functional Surfactant volumes 
- Improved asset utilization in North America 
- Improved operational cost savings from 2014 investments 
- Stronger US Dollar should negatively impact near-term earnings 
- Continued benefits from favorable year-over-year raw material prices 

Pursuing actions to restore earnings growth

Thank you for your interest in Stepan

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Appendix I

Key Assumptions / Expectations

| Item | Full Year |
|--------------------|--|
| Capital Spending | Expect between \$120MM and \$140MM for 2015 as we further invest in China, Poland and Brazil |
| Effective Tax Rate | Expect between 28% and 32% for 2015 |

Appendix III

Foreign Exchange Impact – Q1 2014 vs. Q1 2015

| (in Millions USD) | Surfactants | Polymers | Specialty | Consolidated |
|-------------------|-------------|----------|-----------|---------------|
| Net sales | (21.1) | (7.8) | (0.8) | (29.7) |
| Gross Profit | (3.6) | (1.1) | (0.2) | (4.9) |
| Operating Income | (2.3) | (0.8) | (0.0) | (3.1) |
| Pretax Income | | | | (2.5) |