Stepan

Earnings Call Presentation

Second Quarter 2019

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These forward-looking statements are made only as of the date hereof, and Stepan Company undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Earnings Conference Call Agenda

Second Quarter Financial Highlights	F. Quinn Stepan, Jr., *Chairman, President and Chief Executive Officer*
Second Quarter Results	Luis Rojo, *Vice President and Chief Financial Officer*
Financial and Strategic Outlook	F. Quinn Stepan, Jr., *Chairman, President and Chief Executive Officer*
Analyst / Shareholder Questions	
Closing Remarks	F. Quinn Stepan, Jr., *Chairman, President and Chief Executive Officer*

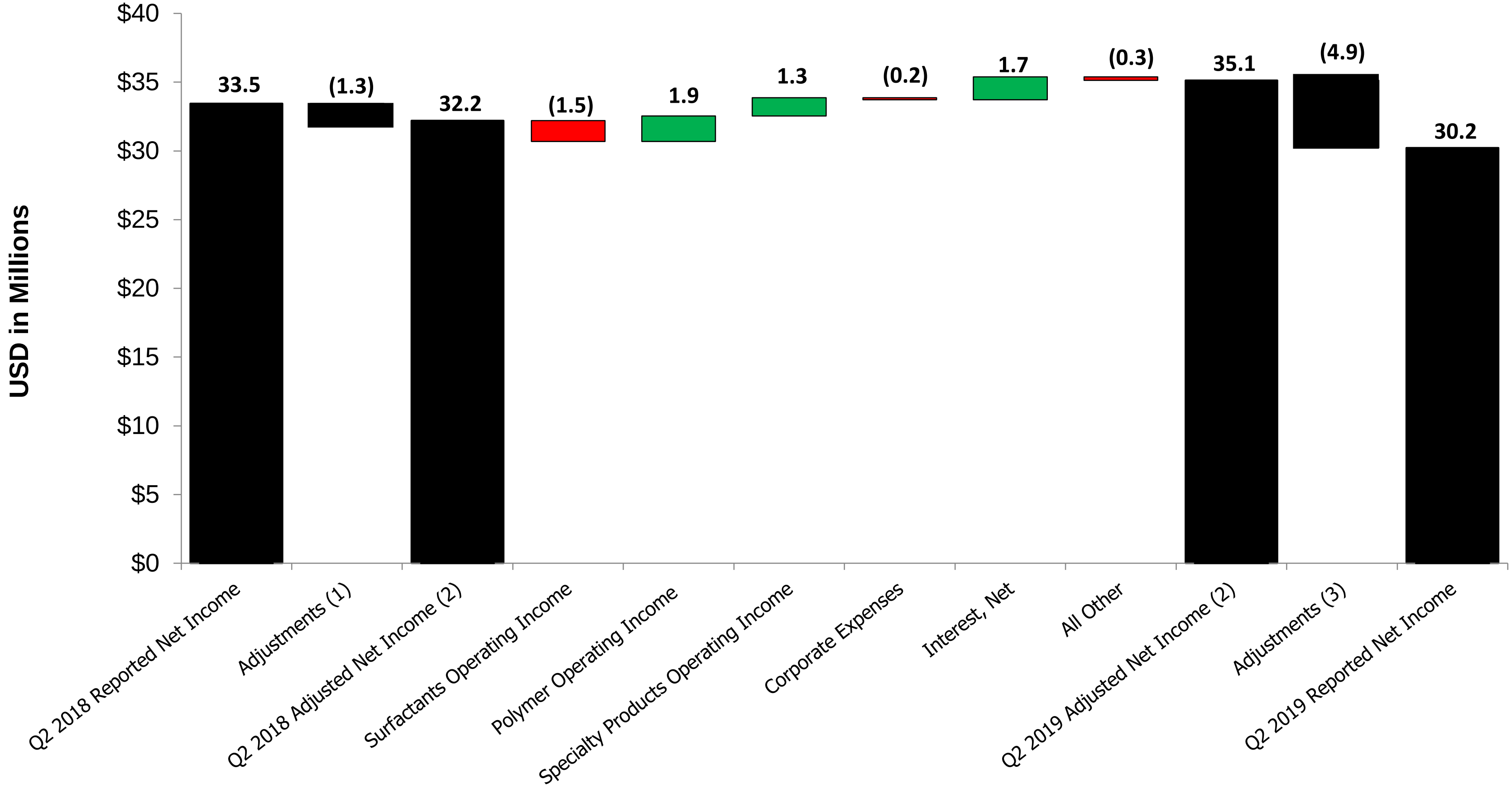
Second Quarter 2019 Financial Recap

- Q2 Reported Net Income was $30.2 million, or $1.30 per diluted share, a 10% decrease versus $33.5 million, or $1.44 per diluted share, in Q2 2018.
- Q2 Adjusted Net Income[1] was $35.1 million, or $1.50 per diluted share, a 9% increase versus $32.2 million, or $1.39 per diluted share, in Q2 2018. Adjusted Net Income in Q2 2019 excludes the following non-operational items:
  - Deferred compensation and cash-settled SARs expense of $1.4 million, or $0.06 per diluted share.
  - Environmental remediation expense of $2.2 million, or $0.09 per diluted share.
  - Voluntary debt prepayment expense of $0.9 million, or $0.04 per diluted share.
  - Restructuring expense of $0.3 million, or $0.01 per diluted share.
- Reported Surfactant Operating Income was $32.1 million, a decrease of $2.0 million, or 6%, versus Q2 2018. The decrease was driven by lower volumes in Personal Care, the exit of the sulfonation business in Germany, the equipment failure at the Ecatepec, Mexico facility and foreign exchange impacts.
- Reported Polymer Operating Income was $22.8 million, an increase of $2.5 million, or 12%, versus Q2 2018. The increase was primarily due to strong Rigid Polyol results in North America. Global Rigid Polyol volume increased 14% versus the prior year, with North America up 19% and Europe up 10%.
- Reported Specialty Product Operating Income was $6.0 million, an increase of $1.7 million versus Q2 2018, primarily due to improved volume and margins within our medium chain triglyceride (MCTs) product line and order timing differences within our pharmaceutical business.
- The Company voluntarily prepaid the outstanding principal balance of its 5.88% senior notes, which will lower future interest expense.

(1) Adjusted Net Income is a non-GAAP measure which excludes certain significant, non-recurring items. See Appendix II for non-GAAP reconciliation.

Net Income Bridge – Q2 2018 to Q2 2019

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



(1) *The adjustments to Reported Net Income in Q2 2018 were related to deferred compensation and cash settled SARs income of $1.4 million and restructuring costs of $0.2 million.*

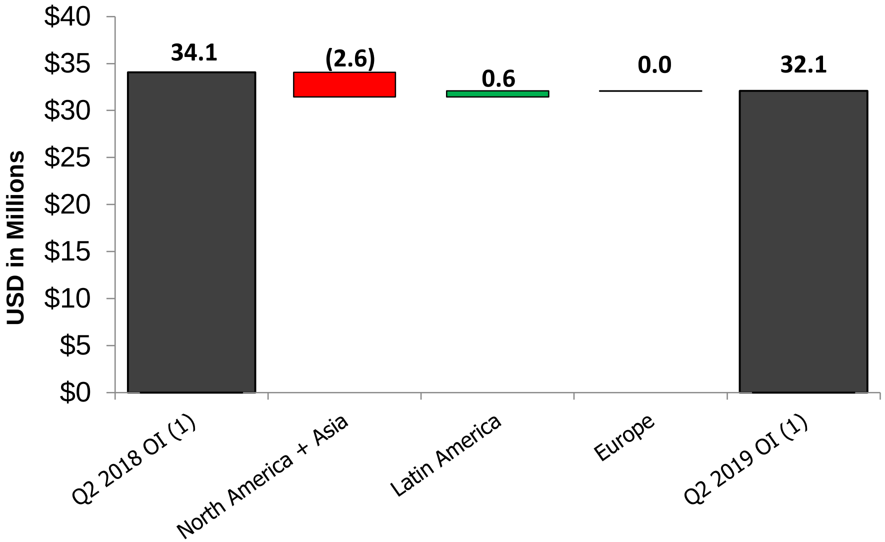
(2) *Adjusted Net Income is a Non-GAAP measure which excludes certain significant, non-recurring items. See Appendix II for a reconciliation of Adjusted Net Income to Reported Net Income.*

(3) *The adjustments to Reported Net Income in Q2 2019 were related to deferred compensation and cash-settled SARs expense of $1.4 million, environmental remediation costs of $2.2 million, debt prepayment expense of $0.9 million and restructuring costs of $0.3 million.*

Surfactants

Lower results primarily due to soft global Personal Care volume, the sulfonation exit in Germany and FX.

in millions $	Q2 2019	Q2 2018
Net Sales	**$313.4**	**$356.9**
Operating Income	**$ 32.1**	**$ 34.1**



(1) OI = Operating Income

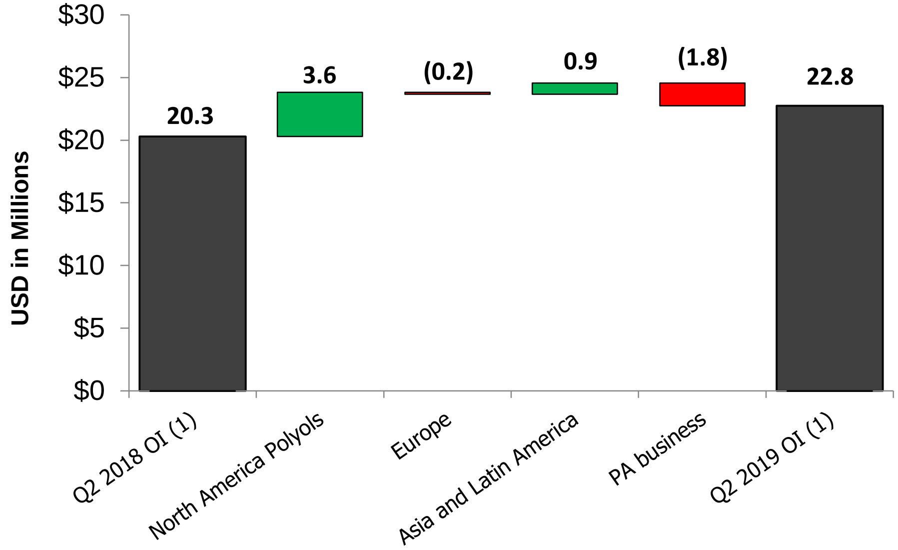
All amounts are shown on a pre-tax basis (unless noted differently)

- Reported Operating Income was $32.1 million, a decrease of $2.0 million, or 6%, compared to the prior year. Net sales decreased 12% driven by an 8% decrease in global volume, lower selling prices due to the pass-through of lower raw material cost and unfavorable foreign exchange translation (2%).
- North American decrease was primarily driven by lower commodity Personal Care volumes and soft Agricultural demand due to wet weather in the United States Farm Belt.
- Latin American losses associated with the Ecatepec, Mexico sulfonation equipment failure were offset by one-time benefits related to a VAT tax recovery project in Brazil. The Ecatepec facility is now fully operational and the Company's insurance provider has acknowledged this incident is a covered event.
- European results were flat despite lost volume and gross profit from the exit of the low margin sulfonation business in Germany and unfavorable FX.
- Foreign exchange negatively impacted Net Sales by $6.2 million and Operating Income by $0.5 million.

Polymers

Higher results primarily due to Global Rigid Polyol volume growth and slight margin improvement in North America.

in millions $	Q2 2019	Q2 2018
Net Sales	**$140.6**	**$140.9**
Operating Income	**$ 22.8**	**$ 20.3**

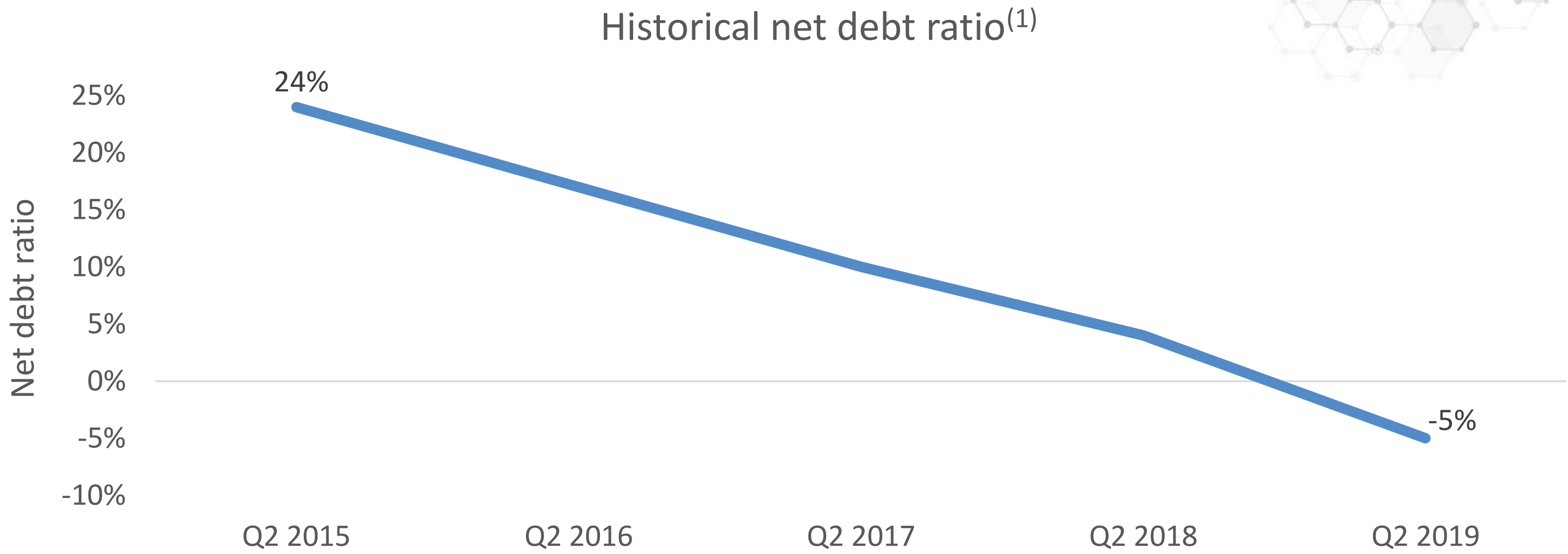


(1) OI = Operating Income

All amounts are shown on a pre-tax basis (unless noted differently)

- Reported Operating Income was $22.8 million, an increase of $2.5 million, or 12%, compared to the prior year. Net sales were flat as a 5% increase in sales volume was offset by lower selling prices and unfavorable foreign exchange translation (2%).
- Global Polyol volumes increased 11% due to Rigid Polyol growth in North America, Europe and Asia. Strong market demand driven by increased insulation standards and growth in construction was partially offset by lower Specialty Polyol volumes.
- North America Polyol results increased due to strong volume growth and slight margin improvement.
- European results were down slightly primarily due to unfavorable FX. Rigid Polyol volumes were up 10% due to the PIR insulation recovery from the 2017 MDI challenges.
- China results improved on double-digit volume growth driven by cold storage insulation demand.
- Phthalic Anhydride (PA) results decreased due to lower volume.
- Foreign exchange negatively impacted Net Sales by $3.5 million and Operating Income by $0.4 million.

Net Debt Ratio / Cash Flows



For the quarter

- Cash flow from operations was $74 million
- Capital expenditures were $19 million
- We returned $12 million to our shareholders via dividends and share repurchases

Financial strength to enable growth

(1) The net debt to total capitalization ratio is defined as total debt minus cash (i.e., net debt) divided by net debt plus equity

Stepan Strategic Priorities

Our Vision: Innovative Chemical Solutions for a Cleaner, Healthier, More Energy Efficient World

2019 Strategic Update

Market Diversification

- Volume to the Functional Product end markets decreased 7% during the quarter, primarily due to soft Agricultural demand in North America related to recent flooding. Agricultural volume in Latin America increased 32%.
- Continuing to pursue opportunities to expand our presence in specialty alkoxylates.

Customer Intimacy

- Volume to Tier 2 and Tier 3 customers decreased 9% during the quarter primarily due to the exit of the sulfonation business in Germany and the equipment failure at the Ecatepec, Mexico facility. Contribution margin improved slightly despite the lower volume.
- Global Rigid Polyol volume increased 14% due to strong market demand driven by increased insulation standards, Europe PIR insulation recovery from previous MDI challenges and growth in construction.

Innovation

- Continued focus on developing next generation of value-added Rigid Polyol technologies.
- Developed and commercialized ten new Agricultural chemical products over the last year, which are helping customers around the world to improve the performance and environmental profile of pesticide formulations.
- Patent-pending Oilfield chemicals technology for fracturing, including flowback modifiers and friction reducer boosters, are helping customers meet their business needs.
- Product launch of STEPANQUAT® Helia in North America, a brand-new hair conditioning agent for the Personal Care Specialties end market.

Operational Excellence

- Restructuring of the Specialty Product office in the Netherlands is complete. Cost savings should be realized going forward as we absorb the site's supply chain, QA and R&D functions into other Stepan locations.
- Delivering savings on the shutdown of our Surfactant operations at the Wesseling, Germany plant.

Thank you for your interest in Stepan

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Appendix I

Update on Certain Expectations

	2017 Actual	2018 Actual	2019 Expected
Capital expenditures →	**$79 million**	**$87 million**	**$110 to $130 million**
Debt repayments(1) →	**$21 million**	**$21 million**	**$46 million**
Interest expense →	**$11 million**	**$11 million**	**$7 million**
Effective Tax Rate →	**34%**	**19%**	**21% to 24%**

(1) Debt repayments are projected according to the normal repayment schedule, other than the prepayment of the 5.88% senior notes in Q2 2019.

Appendix II

Reconciliation of Non-GAAP Adjusted Net Income and Earnings Per Diluted Share*

($ in thousands, except per share amounts)	Three Months Ended June 30 2019	EPS	2018 As Adjusted	EPS As Adjusted
Net Income Reported	$ 30,218	$ 1.30	$ 33,454	$ 1.44
Deferred Compensation (Income) Expense	$ 1,210	$ 0.05	$ (1,015)	$ (0.04)
Business Restructuring	$ 325	$ 0.01	$ 204	$ 0.01
Cash-Settled SARs	$ 220	$ 0.01	$ (432)	$ (0.02)
Environmental Remediation	$ 2,210	$ 0.09		$ -
Voluntary Debt Prepayment	$ 948	$ 0.04		$ -
Adjusted Net Income	$ 35,131	$ 1.50	$ 32,211	$ 1.39

Amounts are presented after-tax

Reconciliation of Pre-Tax to After-Tax Adjustments

($ in thousands, except per share amounts)	Three Months Ended June 30 2019	EPS	2018	EPS
Pre-Tax Adjustments				
Deferred Compensation (Income) Expense	$ 1,592		$ (1,335)	
Business Restructuring	$ 450		$ 273	
Cash-Settled SARs	$ 289		$ (569)	
Environmental Remediation	$ 2,908		$ -	
Voluntary Debt Prepayment	$ 1,247		$ -	
Total Pre-Tax Adjustments	$ 6,486		$ (1,631)	
Cumulative Tax Effect on Adjustments	$ (1,573)		$ 388	
After-Tax Adjustments	$ 4,913	$ 0.20	$ (1,243)	$ (0.05)

Appendix III

Foreign Exchange Impact – Q2 2019

	Surfactants	Polymers	Specialty Products	Consolidated
(in Millions USD)				
Net Sales	(6.2)	(3.5)	(0.2)	(9.8)
Gross Profit	(0.9)	(0.6)	(0.0)	(1.5)
Operating Expenses	(0.4)	(0.2)	(0.0)	(0.6)
Operating Income	(0.5)	(0.4)	0.0	(0.9)
Pretax Income				**(0.8)**

Appendix IV – 2018 LIFO Adjustment

Amounts are shown on an after-tax basis

(millions USD)	Q1 2018	Q2 2018	Q3 2108	Q4 2018	FY 2018
LIFO expense (income)	1.2	0.5	(0.4)	(2.9)	(1.6)