Stepan

Investing to Ensure our Growth

2013 ANNUAL REPORT

Stepan at a Glance

Surfactants

A surfactant is a surface active agent that changes a liquid's surface tension. Surfactants are the basic cleaning agent in consumer and industrial cleaning products such as detergents for washing clothes, dishes, carpets, floors, walls, as well as shampoos and body washes. Other applications include fabric softeners, lubricating ingredients, emulsifiers for spreading agricultural products and industrial applications such as latex systems, plastics and composites.

Total surfactant sales represent 70 percent of Stepan's 2013 sales or $1,317,000,000 versus $1,306,000,000 in 2012. The increase in sales was due to a 6 percent rise in sales volume, partially offset by lower average selling prices.

Domestic surfactant operations, representing 56 percent of surfactant sales, had a $4.2 million, or 1 percent, increase on a 4 percent increase in sales volume. Foreign operations representing 44 percent of surfactant sales, reported a $7.1 million, or 1 percent, increase due to a 9 percent increase in sales volume.

Polymers

The polymer product group includes polyurethane polyols, polyester resins and phthalic anhydride. Polyurethane polyols are used in the manufacture of rigid foam for thermal insulation in the construction industry. Polyester resins, which include both liquid and powdered resins, are used in coatings, adhesives, sealants and elastomers (CASE) and polyurethane systems house (PUSH) applications. Phthalic anhydride is used in polyester resins, alkyd resins, and plasticizers for applications in construction materials and components of automotive, boating, and other consumer products. Approximately 44 percent of the Company's phthalic anhydride is utilized internally in the production of our polyol products.

Polymer sales represent 26 percent of 2013 sales, or $483,000,000 versus $424,000,000 in 2012, an increase of 14 percent. Higher sales volume, average selling prices and favorable impact of foreign currency translation led to the increase in net sales.

Specialty Products

Specialty products include flavors and emulsifiers and solubilizers used in the food and pharmaceutical industry. Sales for specialty products for 2013 were $80,000,000 versus $74,000,000 for 2012, increase of 8 percent. Specialty products represent 4 percent of net sales.

Production Facilities

Anaheim, California
Columbus, Georgia
Fieldsboro, New Jersey
Maywood, New Jersey
Millsdale, Illinois
Winder, Georgia
Longford Mills, Ontario, Canada
Manizales, Colombia
Matamoros, Mexico
Vespasiano, Brazil
Stalybridge, United Kingdom
Voreppe, France
Wesseling, Germany
Wroclaw, Poland
Bauan, Batangas, Philippines
Nanjing, China (joint venture)
Singapore

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Financial Highlights

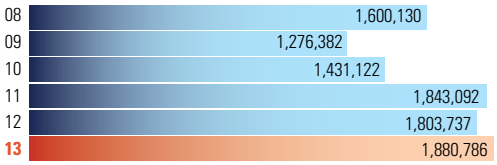
(In thousands, except per share and stockholder amounts)	2013	2012	% Change (2013 vs. 2012)	2011	% Change (2012 vs. 2011)
Net Sales	**$ 1,880,786**	$ 1,803,737	+ 4	$ 1,843,092	– 2
Net Income Attributable to Stepan Company	**72,828**	79,396	– 8	71,976	+ 10
Per Diluted Share	**3.18**	3.49	– 9	3.21	+ 9
Percent of Net Sales	**3.9%**	4.4%	– 11	3.9%	+ 13
Percent Return on Average Equity	**14.1%**	18.0%	– 22	19.2%	– 6
Depreciation and Amortization	**56,400**	51,294	+ 10	47,099	+ 9
Capital Expenditures	**92,865**	83,159	+ 12	83,166	—
Dividends Per Common Share	**$ 0.65**	$0.58	+ 12	$0.53	+ 9
Working Capital	**339,557**	275,911	+ 23	246,516	+12
Current Ratio	**2.3**	2.1	+ 10	2.1	—
Long-Term Debt, Less Current Maturities	**235,246**	149,564	+ 57	164,967	– 9
Total Stepan Company Stockholders' Equity	**552,286**	478,985	+ 15	401,211	+ 19
Total Stepan Company Stockholders' Equity Per Share	**24.73**	20.81	+ 19	18.51	+ 12
Average Common Shares Outstanding (Diluted)	**22,924**	22,730	+ 1	22,440	+ 1
Number of Stockholders	**1,547**	1,483	+ 4	1,490	—

Stock Information

New York Stock Exchange, symbol SCL	2013	2012
Stock Price Range	**$ 52.34–67.20**	$ 38.05–55.90
Dividend (Common)	**$ 0.65**	$ 0.58
Dividend (Preferred)	**$ —**	$ 1.375
Earnings Per Diluted Share	**$ 3.18**	$ 3.49
Return on Equity	**14.1%**	18%
Book Value	**$ 24.73**	$ 20.81
Shares Outstanding	**22,332,620**	21,965,972

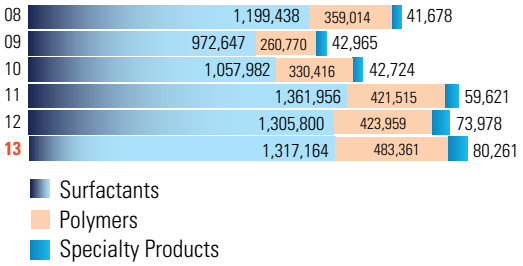
Information in this annual report contains forward looking statements which are not historical facts. These statements involve risks and uncertainties that could cause actual results to differ materially, including without limitation, cash flow, prospects for our foreign operations, certain global and regional economic conditions and probability of future acquisitions and new products and factors detailed in the Company's Securities and Exchange Commission filings.

Net Sales (dollars in thousands)

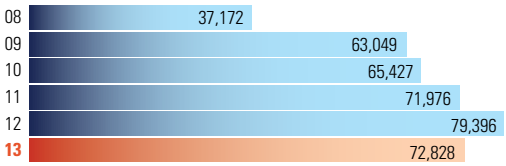


Compound Annual Growth Five Years +3

Segment Sales (dollars in thousands)

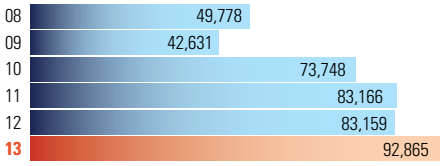


Net Income Attributable to Stepan Company (dollars in thousands)



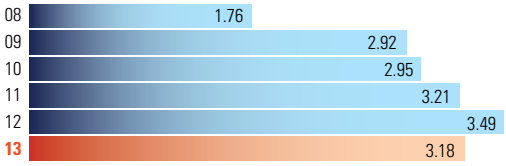
Compound Annual Growth Five Years +14

Capital Expenditures (dollars in thousands)



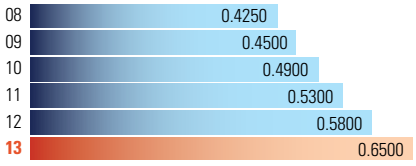
Compound Annual Growth Five Years +13

Net Income Attributable to Stepan Company per Common Share (Diluted) (dollars)



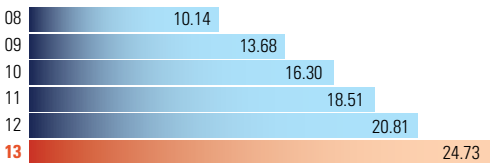
Compound Annual Growth Five Years +13

Dividends per Common Share (dollars)

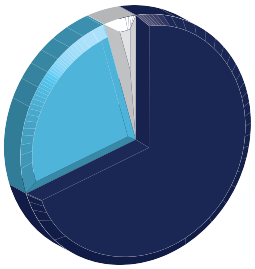


Compound Annual Growth Five Years +9

Total Stepan Company Equity per Share (dollars)

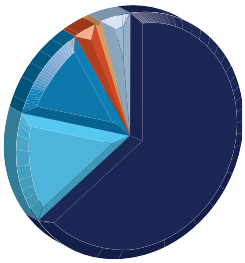


Compound Annual Growth Five Years +20



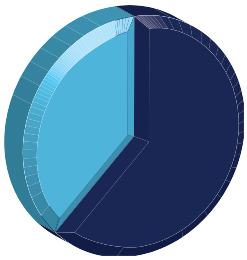
2013 Product Line Sales (dollars in thousands)

Surfactants	$1,317,164
Polymers	$483,361
Specialty Products	$80,261



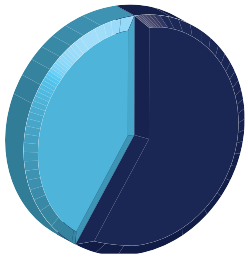
2013 Sales Dollar Distribution (dollars in thousands)

Material	$1,227,168	65%
Other Expenses	$283,994	15%
Payroll & Fringes	$217,103	12%
Depreciation & Amortization	$56,400	3%
Income Taxes	$23,293	1%
Net Income	$72,828	4%



2013 Long Lived Assets (dollars in thousands)

United States	330,799
Others	198,638



2013 Global Sales (dollars in thousands)

United States	1,103,181
Others	777,605

Dear Fellow Shareholders

2013 was a good year for Stepan Company. We delivered our second best net income year as we continued to invest in our future. We completed our largest acquisition, adding a leading market position in powder polyster resins and a manufacturing asset that will allow us to grow in the CASE and PUSH polyol markets. We strengthened our innovation portfolio while building R&D facilities in Brazil, China and France. We increased dividends for the forty-sixth consecutive year and increased retained earnings by $58 million. Our market capitalization reached a record of $1.5 billion. We made investments to improve our product mix and productivity, as well as to extend our business in emerging markets that will ensure our profit growth over the next several years.

In 2013, net income declined 8 percent to $72.8 million or $3.18 per diluted share. Net income, excluding deferred compensation and restructuring expenses, declined 9 percent to $77.3 million or $3.37 per diluted share. Polymer income set a record, but Surfactants and Specialty were lower.

Net sales were up 4 percent to $1.9 billion on a 7 percent increase in volume. Excluding the acquisition, sales volume was up 6 percent for the year. Lower selling prices, primarily from lower raw material cost and slightly compressed margins, accounted for a 3 percent decrease in sales, while foreign currency translation had an immaterial effect.

In 2013 $161 million was invested by the Company to support our business and ensure our growth. $68 million was spent to buy the North American polyester resin business from Bayer MaterialScience and its plant in Columbus, Georgia. The acquisition, which closed on May 31, 2013, has been fully integrated into our Polymer group and was slightly accretive to earnings in 2013. The business brings a leading position in the growing market for VOC (volatile organic compounds) free powdered metal coatings and a strong manufacturing base for polyols used in CASE (coatings, adhesives, sealants and elastomers), PUSH (polyurethane systems house) and flexible foam applications. The acquired business is expected to generate between $6 - $8 million operating income in 2014.

Capital spending to support and expand our existing sites was $93 million, with significant surfactant investments in Brazil and specialty surfactant production in the United States and polymer investments in polyol capacity in Germany, Poland and the United States.

Our fundamental strategy is to extend our core platforms globally, to improve our product mix through innovation and end-market diversifications and to fund our growth through enhanced productivity. As we continue executing this strategy, we expect improved earnings for our shareholders.

Our Surfactant group generated $100 million operating income, a decrease of $18 million from last year on sales of $1.3 billion. The decrease in income is largely attributable to non-recurring items and slightly lower margins in North America. All regions outside of North America delivered higher operating income for the year. Sales were up 1 percent, driven by a 6 percent increase in volume mostly offset by lower selling prices tied to falling raw material cost. Recent capacity expansions in Brazil and Singapore delivered anticipated growth.

Improving our product mix through end market diversification remains a key target for surfactants. In 2013, sales of functional products grew 6 percent globally with strong volume growth in agricultural products partially offset by lower oil field sales. In 2014 we anticipate growth across all of our functional markets, including improved surfactant Enhanced Oil Recovery (EOR) volumes.

The surfactant business in Latin America is attractive to Stepan due to the growing economies, large emerging middle classes and the consumer's desire for better performing, higher quality products. Our business throughout Latin America, especially in Brazil, is benefiting from consumers moving from soap bars to powders to liquids. Each step in the conversion process requires larger amounts of surfactants in product formulations. In personal care, hand and body wash products are undergoing similar transformation driving additional demands. Increasing activity in the agricultural and oil field markets, which require surfactants, provide attractive targets for Stepan, which we will support with greater technical resources. A second neutralizer, expanding sulfate production in Vespasiano, Brazil, is planned to start-up during the first quarter in 2015. We are actively looking at opportunities throughout Latin America to expand our presence.

Surfactant income in Asia improved significantly, driven by contributions from the new 50,000 metric ton-per-year methyl ester plant (expandable to 100,000 metric tons) in Singapore and higher fabric softener volumes from the Philippines. We plan to add a multi-purpose reactor in Singapore.

In the fourth quarter, the Company announced a plan to shut down its Canadian sulfonation unit to reduce cost and improve asset utilization in North America. We will continue to examine our business and aggressively pursue opportunities to increase efficiency and reduce cost. Savings from this specific action is expected to begin in the second half of 2014.

Our Polymer group delivered another record year, making $55 million operating income. Sales were $483 million, up 14 percent from 2012, driven by an 8 percent volume increase. Excluding the polyester resin acquisition, sales volume was up 3 percent. Polyol sales volume increased 11 percent globally, driven by higher insulation standards, increased penetration in the metal panel business and CASE growth. Phthalic Anhydride sales volume was down 6 percent for the year.

As a global supplier of aromatic polyester polyols used in insulation products, Stepan benefits from the growing worldwide interest in energy conservation. Local regulations and design recommendations are encouraging the greater use of our higher insulating, less flammable technology for low-slope commercial roofing. Our recent diversification efforts to sell polyol into metal panels for vertical applications continue to contribute to sales growth, particularly in Europe where metal panels are more widely accepted as a durable, low cost building material. Existing polyol capacity at our Millsdale and Wesseling sites should be sufficient to support anticipated growth as higher insulation standards are adopted and the economies in the United States and Europe improve over the next two to three years.

In 2013 Stepan spent approximately $2 million to close its Nanjing, China plant and establish an interim supply chain to serve the Asian market. The Chinese market for insulation remains an attractive target for our polyols as the Chinese government continues to emphasize lower energy consumption in their five-year plan. We plan to build a 50,000 metric ton plant that can be expanded, to be operational in 2016.

With our acquisition of the polyester resin business from Bayer, Stepan extends our market presence with a core chemistry, esterification, into powdered coatings where esters are used for the highly efficient electrostatic coating of metal surfaces. We have enhanced the capacity in Columbus, Georgia with small capital projects and cycle-time reductions. Both the Columbus, Georgia and Wroclaw, Poland plants are readily expandable and we plan investments at both sites to support the introduction of new Stepan technologies for the CASE and PUSH markets.

Specialty products contributed $11 million of operating income on $80 million in sales. Both medium chain triglycerides (MCT) and conjugated linoleic acid (CLA) volumes grew. MCT margins decreased.

The cornerstone of Stepan is its people. We continue investing in our talented core of professionals whose commitment to excellence serves our customers. Our employees believe in what they are doing and stand as partners with one another in meeting new challenges and capturing opportunities for the Company. We are very proud of our employees around the globe and are confident we can achieve our economic goals.

Two of our senior executives are retiring. After 34 years of dedicated service to Stepan Company, Bob Wood, Vice President & General Manager, Polymers, will retire effective April 4, 2014. We thank Bob for his enthusiastic leadership and success in growing our Polymer business from $120 million to $483 million in sales since his appointment as General Manager in 2001 with record income performance in each of the last five years. Bob leaves us with a strong global team and a business positioned for further growth. Also after 31 years of dedicated service, Jim Hurlbutt, Vice President and Chief Financial Officer retired in November. We thank Jim for his leadership, integrity, financial insights and expertise. Jim leaves behind a strong balance sheet and an even stronger financial team.

In October, our Board of Directors declared a 6 percent increase in the Company's quarterly cash dividend. The increase brings Stepan's annual dividend rate to $0.68 per share and marks the 46th consecutive year in which Stepan has increased the quarterly dividend rate on its common stock.

In summary, we are investing in our company to ensure our future growth. We are projecting capital expenditures of approximately $120 million in each of the next three years. We remain focused on executing our strategy of extending our core platforms globally, increasing our sales through innovation and end-market diversification and funding our growth through enhanced productivity. We are enthusiastic about our team being able to grow earnings for you, our shareholders.

Thank you for placing your trust in our Company.

F. Quinn Stepan
Chairman

F. Quinn Stepan, Jr.
President and Chief Executive Officer

Investing for the Future

Positioned for Global Growth in Multiple Markets

The world is changing and so is Stepan. We have grown larger and expanded our range of product offerings around the world. Today we are a leading supplier of products that increase energy efficiency, help produce more food, benefit consumers with more effective cleaning products and supply diversified industries with essential materials. The Company has invested in resources and infrastructure to ensure its sustained growth in the years ahead.

Our core surfactant business has a major presence in the United States across a range of applications that improve our customers' product performance in diverse industries from detergent to personal care to agriculture. Our polyol business is an essential supplier to the insulation market. Factories, big-box retail stores, warehouses and other large buildings around the world are better insulated because of our rigid foam products.

In recent years, Stepan has expanded its reach to supply markets in some of the fastest-growing economies of the world. Before entering a market, we consider the maturity and potential of a region's laundry, personal care and agricultural sectors, which are the building blocks of our global surfactant business. We have positioned assets and resources in emerging markets to take advantage of opportunities in our core business, as well as in adjacent markets.

Leaders of our corporate product development teams work closely to align Stepan innovation with customer requirements around the world: Frank Pacholec, Vice President, Research and Development and Corporate Sustainability Officer, Robert V. Slone, Vice President, Surfactant Product Development, and Paul Neill, Vice President, Polymers Research and Development.

Customer Focused Innovation: Globally based Research and Development

Customer Focused Innovation – partnering with customers to create value in the marketplace – has always been an important element of Stepan's growth strategy. Customers appreciate solutions that a dedicated research, engineering and production team from Stepan can help enable.

In 2013, Stepan grew its Research and Development (R&D) presence in several rapidly emerging markets. We tailored our expanded innovation presence in alignment with our expanding footprint and growth ambitions. We continued to invest aggressively in R&D as part of our globalization strategy. The well-established North American market remains our largest, contributes substantially to earnings and has significant potential for growth with new technologies and end-use applications. All Stepan R&D communities link back to our headquarters, enabling scientists and engineers around the world access to Stepan's hub of research.

We are placing resources where the growth potential is strongest.

— Frank Pacholec, Vice President, Research and Development

Four examples of where Stepan R&D projects made advancements in 2013:

- In North America, a considerable research effort is spent on the consumer products industry, which is a significant user of surfactants. The market trends and needs in this segment relate to several areas of sustainability, including bio-based raw materials, compaction of formulated products and reduced energy consumption during product usage. Our researchers are focusing on novel solutions in these challenging areas, which have global implications for consumers and the environment.

- Our three-year joint development program with Elevance Renewable Sciences (ERS) continues to represent a significant research investment and an attractive potential for return. ERS employs a Nobel Prize-winning catalyst to drive a metathesis reaction that provides feedstocks for creating high performance surfactants for several markets, including hard surface cleaners, detergents, personal care products and agricultural solvents. We see potential specialty surfactants in as many as 11 market areas based on the technology. Trial productions are underway, and we are planning an initial market roll-out in the first half of 2014.
- We are continuing a major innovation program aimed at using surfactants for Enhanced Oil Recovery (EOR) through our TIORCO joint venture. With the contribution of Stepan technology, a significant percentage of oil fields have the potential to be more productive. Today we have about 30 active projects in our laboratory, and we anticipate several will progress to pilot and/or commercial floods in 2014. As chemical EOR technology is proven, it will be a significant opportunity for the Company.
- Another major innovation program is targeted at introducing Stepan polyols into the Polyurethane Systems House (PUSH) market. Four new polyols have been developed, including three that incorporate novel compositions. These products provide enhanced flammability resistance and smoke reduction in applications such as spray foam and insulated panels. Full commercialization is expected by the end of 2014.

In 2014, Stepan will open three new research and development facilities outside the U.S. We are placing resources in Latin America, Asia and Europe, all areas having strong growth potential for the Company.

- We made a significant investment in a new R&D center focused on our surfactant business near Sao Paolo, Brazil. This laboratory supports the strong demand for surfactants in the Brazil and Latin American markets, especially in the areas of detergents and personal care. In addition, a significant portion of R&D activities in Brazil are dedicated to the large agricultural and oil field markets that represent a significant growth opportunity for Stepan. The new lab will interface with the regional customer base in adapting and/or formulating our products for specific market needs. The Brazil R&D center is configured for rapid expansion to accommodate growth.
- In March 2014 the new R&D facility we constructed in China for our polymer business opened. Located in a dedicated research park in Nanjing, it supports our growing polyol business in China and Asia.
- In Voreppe, France, outside of Grenoble, our newly constructed office space and surfactant R&D facility will open in the third quarter of 2014. This enhances our strong presence in Europe and also is configured for growth and expansion. Notably, our 2010 investment in Poland also included a modern R&D laboratory for our Polymer business.

In all areas of the world, we work to develop a close interface with our customers, as we strive to enable the achievement of their business and growth objectives. Each new lab will be staffed by talented and locally recruited personnel who understand the regional markets as well as our technology. Our scientists then seek to understand the short-, mid- and long-term needs of our customers and work with them to create value in the marketplace. Our scientists also have a strong working relationship with our sales force, manufacturing team and the customer's own procurement and R&D organizations.

Customers recognize that we are committed to their success. Stepan enjoys strong levels of cooperation, openness and transparency with our customers, which facilitates the creation of relevant, timely and innovative solutions to the marketplace. Attaining the status of a trusted and respected partner helps enable the realization of our own growth objectives.

Surfactants in Latin America: Enhancing Quality of Life Initiatives

Stepan is a leading global supplier of surfactants, a key ingredient in many consumer products. As the Company expands geographically, we are investing heavily to serve countries with growing economies and a rising middle class. Many of those countries are represented in the increasingly urbanized trade bloc of the five nations comprising Mercosur.

We have invested considerable time and capital resources to participate in this market. Over the last five years Stepan has invested $30 million in Brazil and plans to invest another $45 million over the next three years.

Our added capacity in Brazil will serve the growing Latin American middle class that increasingly demands quality of life improvements.

— John Venegoni, Vice President and General Manager, Surfactants

In 2014 we will open a new office and laboratory in Sao Paolo, Brazil. We are devoting the resources necessary in anticipation of market demands. We have staffed that facility with a fully cross-functional management team that mirrors the company's North American structure.

Stepan surfactants provide essential support for herbicides and fungicides in the global agricultural marketplace. Guiding this important segment of our business are Arnold Castro, Business Manager, Andy Karigan, Sales Director, Global Agricultural Products, Emulsion Polymerization and Gypsum and David Allen, Global Technical Manager.

By the end of the first quarter of 2015, we will have added significant sulfate capacity to our plant in Vespasiano, Brazil. This added capacity will help us serve the growing middle class in Brazil that increasingly demands quality of life improvements, including changes in laundry preferences from bars to powders to liquids. Because liquid detergents require more surfactants than powder detergents, Stepan is actively adding capacity to satisfy the demand created by these shifting consumer preferences.

In addition to growth in the personal care and household cleaning markets, Stepan will benefit from the expanded agricultural usage of surfactants in herbicides and fungicides. Brazil and its neighbor Argentina are major soybean producers, and Stepan's customers provide growers in the area with technologies that help drive and improve productivity.

Longer term, we envision multiple manufacturing locations in the region, with product capabilities commensurate with what Stepan has built in the United States. Some growth will be organic, serving our existing markets, while some may derive from business acquisitions.

Singapore Surfactant Plant Comes Online

Stepan brought online in 2013 a 100,000 metric ton-per-year methyl ester hub. The plant is strategically located in Southeast Asia where tropical oils, our key raw material, are readily available. The Singapore investment will serve other Stepan locations and customers throughout the world. A portion of the output from this plant will serve the agricultural sector.

Planned for start up in 2012 but delayed, we worked through our backlog of higher cost raw material inventory in 2013.

Gateway to the Asian markets: Stepan helps Chinese industry meet energy conservation goals

Stepan has been manufacturing polyester polyols in China since 2005 and enjoys a leading position in a rapidly developing market. Chinese business and government executives recognize the significant economic benefits associated with lower energy costs.

With its population of 1.3 billion people and expanding economy, China faces the same rising energy costs as the rest of the world. Its buildings will benefit from the energy efficiencies of Stepan-infused roofing products.

As we worked with the local government in Nanjing, China on the mandatory closure of our polymer manufacturing plant, we identified an alternative location and closed our facility as scheduled in March, 2013. Stepan is keeping Chinese and Asian customers well supplied with products through imports from other Stepan sites and local toll production while the new plant is constructed.

The Chinese market for insulation continues to represent an attractive opportunity for our polyol line. With its population of 1.3 billion people and an expanding economy and facing the same rising energy costs as the rest of the world, Chinese buildings will benefit from the energy efficiencies of Stepan-infused low-slope commercial roofing. Building codes are currently being written that will mandate energy efficiencies and drive significant new demand for our polyols.

Stepan's new Nanjing, China R&D facility - top floor

The new plant, which will have 50,000 metric tons of capacity, will start up in early 2016.

Our Largest Acquisition: Strengthening polymer offerings and introducing CASE and PUSH products

In May 2013, Stepan completed its largest-ever acquisition, the North American polyester resins business of Bayer MaterialScience located in Columbus, Georgia. The 21,000 metric ton capacity manufacturing facility also houses an R&D laboratory for customer technical support and product development.

These products are particularly attractive in powder coating applications, used for the highly efficient electrostatic coating of metal products

Art Mergner, Vice President, who becomes General Manager Polymers in 2014, meets with Laurence Coyne who was instrumental in the Stepan integration of the Bayer MaterialScience resins business in Columbus, Georgia. The plant increased our range of product offerings and has the potential for significant additional capacity.

The new plant in Georgia offers significant expansion opportunities. As our sales and marketing teams create demand, we will add capacity.

— Robert J. Wood, Vice President and General Manager, Polymers

The acquisition was accretive to earnings in 2013 and was fully integrated by year-end. Plant capacity was increased through capital modifications and cycle-time improvements. The site offers further significant expansion opportunities. Five reactors are presently installed and running in the plant, that was designed and built to support twelve. We will add capacity to meet emerging and future market demands.

Energy Conservation: Driving Stepan's European Polymer Market

European demand for low-slope commercial building insulation has continued despite a still-lagging overall economic climate. The energy-saving efficiencies gained by installations in new construction as well as in retrofits yield benefits to businesses across the continent. Stepan is the quality leader in the market, and our volume growth in Europe in 2013 has been particularly encouraging, given the poor macroeconomic climate.

Distribution of our polymer products ranges from Dublin to Moscow to Istanbul. New markets are being opened in the Middle East, with Turkey as the gateway. Our volume and income in Europe exceeded expectations because Stepan is the technology leader in the markets we serve.

— Roger Stubbs, Vice President, European Polymers

Stepan's polyol plant in Wesseling, Germany, which we built in 2003, and the 2010 acquisition of a state-of-the-art polyester polyol manufacturing facility near Wroclaw, Poland, contributed substantially to financial results in 2013. We expanded Germany's high-volume plant by adding a second reactor. The German plant has grown from its initial capacity of 30,000 metric tons per year to 70,000 metric tons today.

In Poland, our specialty products polymer plant serves the CASE market and has 10,000 metric tons of capacity. A planned second reactor will double capacity in 2016. Notably, the Poland plant has the capability of processing recycled materials such as PET plastics.

Distribution of our products across Europe ranges from Dublin to Moscow to Istanbul. Promising new markets are being developed in the Middle East, with Turkey serving as the gateway. Even in a less-than-favorable global economy, the European polymer market is growing because of the demand for more energy-efficient roofing insulation materials. The cost of petroleum-based heating remains high, requiring businesses and individuals to adopt more thermally-efficient solutions.

Customer demand for the energy efficiencies in Europe has fueled Stepan polyol expansion across Europe. The European leadership team is represented by Carlos Ruiz-Pombo, Commercial Director European Polymers, Roger Stubbs, Vice President, European Polymers, and Rob Sewell, Technical Director, European Polymers.

Our products used in metal panels have proven to be an attractive, effective and cost-efficient solution for our customers. Enormous warehouses are now built with these insulating panels, saving energy during both the hot and cold seasons.

We are encouraged by the results of our European polyol business in 2013. Volume growth and operating income exceeded expectations, in a large part due to Stepan's differentiated technology.

Stepan's People: Our Most Important Asset

Building a world-class team, capable of partnership and success on four continents, requires the unwavering talent and enthusiasm of people committed to their personal growth and development as well as to the growth of the Company. Stepan is fortunate to have attracted and retained dedicated employees who understand the essential ingredients for success. Their commitment to personal excellence manifests itself in superior customer service and our long-standing relationships with customers.

We focus on teamwork, individual development and accountability. We believe these values are visible in our daily activities and drive our results. We look forward to enhancing our capabilities as we serve more markets throughout the world.

Using Stepan Products

Consumer and Industrial Products

Laundry & Cleaning

All-purpose cleaners • Bathroom cleaners • Carpet steam extraction • Carpet shampoos • Car wash detergents • Car wash spray wax emulsifiers • Cooling tower biocides • Dishwashing detergents • Disinfectants and sanitizers • Drain cleaners • Dry cleaning detergents • Fabric softener dryer sheets • Fine fabric washes • General disinfectants • Hand and dish disinfection • Hard surface cleaners • Hard surface disinfection for

food preparation areas • Hospital disinfectants and sanitizers • Industrial floor cleaners • Industrial food processing disinfection • Laundry, commercial and textile softeners • Laundry detergents • Laundry prespotters • Laundry sanitization • Metal cleaning emulsifiers • Rug shampoos • Sanitizers • Sanitization and deodorization of bath and laundry areas • Solvent degreasers • Swimming pool and hot tub algicides, slimicides and fungicides • Upholstery shampoos • Window cleaners

Personal Care

After-shave lotions • Anti-bacterial handsoaps • Anti-dandruff shampoos • Baby shampoos • Bar soaps • Bath oils • Bath products • Body washes • Bubble baths • Cleansing creams • Combo bars

• Conditioning shampoos • Dentifrices • Facial preparations • Glosses • Hair conditioners • Hair rinses • Leave-on conditioners • Liquid hand soaps • Make-up preparations • Medicated ointments • Moisturizers • Mousses • Ointments • Personal care cleansing preparations • Pre-shave lotions • Shampoos • Shaving creams • Skin creams • Skin lotions • Sunscreen products • Suppositories • Styling aids • Syndet bars

Industrial Surfactants

Adhesives • Architectural coatings • Biodiesel fuels • Carpet backing • Caulk • Concrete • Drawing and forming compounds • Drilling foamers • Drywall joint compound • Dust control foam • Engine lubricants • Enhanced oil recovery • Firefighting foam • Foam markers • Gypsum board • Herbicides, fungicides, insecticides • Industrial paints • Inks • Landfill cover • Leather finishes • Non-woven binders • Oil emulsifiers • Oil well bactericides • Oil well corrosion inhibitors • Packaging • Paper coatings • Paper de-inking

• Pesticide adjuvants • Pigments • Plastics • Sealants • Scouring, levelling, coupling, wetting, bleaching and dyeing assistants • Textile coatings • Textile lubricants • Vinyl flooring

Polymers

Appliances: Refrigerators, freezers, water heaters • Automotive: Upholstery, interior trim, crash pads, floor mats, hoses, refrigerated trailer insulation, RV panels, instrument panels • Bath fixtures: Bathtubs, shower stalls, lavatories, spas, laundry tubs, tub and spa insulation • Construction: Resilient floors, wall coverings, pool liners, FRP panels, swimming pools, concrete forming pans, gutter/downspouts, cooling towers, mobile homes, rigid insulation, insulated pipes, window frames, architectural molding • Elastomers: Thermobreaks for metal thresholds and windows, engineering plastics, caster wheels, mobile electronic devices • Electrical: Wire and cable insulation, electrical tape, transmission hardware, circuit boards, switchgear housing, potting compounds, computer components • Furniture: Adhesives, flexible cushions, lawn and garden furniture, office cabinets, lighting components, chairs and tables • Household goods: Footwear, toys, luggage, book bindings, garden hoses, outerwear, tablecloths,

shower curtains, upholstery, lawn mowers, snow blowers, locks • Insulations: Residential sheathing, commercial/industrial roofing, building panels, spray-applied polyurethane foam insulation, decorative molded parts and displays • Marine: Boat hulls, deck hardware, floatation, motor covers, mooring buoys • Medical: Intravenous bags, medical tubing, prostheses, implants, pharmaceutical coatings • Military/aerospace: Encapsulation, electrical potting, cavity fill, cryogenic insulation, floatation • Packaging: Meat and produce film, bottles and containers, packaging foam • Paints/ coatings: Industrial and residential paints, polyurethane coatings, traffic paints, powder coatings • Recreation: Picnic cooler insulation, bowling balls, sporting equipment, taxidermy • Sealants: Expanding sealants in a can, two component polyurethanes

Food & Pharmaceutical Ingredients

Confections • Energy bars and drinks • Flavors • Nutritional beverages • Nutritional supplements • Pharmaceutical excipients

Five Year Summary

(In thousands, except per share data) For the Year	2013	2012	2011	2010	2009
Net Sales	**$1,880,786**	$1,803,737	$1,843,092	$1,431,122	$1,276,382
Operating Income	**109,153**	128,716	118,456	107,897	104,888
Percent of Net Sales	**5.8%**	7.1%	6.4%	7.5%	8.2%
Income Before Provision for Income Taxes	**95,630**	115,722	104,894	101,479	97,131
Percent of Net Sales	**5.1%**	6.4%	5.7%	7.1%	7.6%
Provision for Income Taxes	**23,293**	36,035	32,292	35,888	34,028
Net Income Attributable to Stepan Company	**72,828**	79,396	71,976	65,427	63,049
Per Diluted Share (a)	**3.18**	3.49	3.21	2.95	2.92
Percent of Net Sales	**3.9%**	4.4%	3.9%	4.6%	4.9%
Percent to Total Stepan Company Stockholders' Equity (b)	**14.1%**	18.0%	19.2%	20.5%	25.3%
Cash Dividends Paid	**14,474**	12,757	11,513	10,570	9,557
Per Common Share (a)	**0.6500**	0.5800	0.5300	0.4900	0.4500
Depreciation and Amortization	**56,400**	51,294	47,099	40,351	37,171
Capital Expenditures	**92,865**	83,159	83,166	73,748	42,631
Weighted-average Common Shares Outstanding (Diluted) (a)	**22,924**	22,730	22,440	22,180	21,592

As of Year End					
Working Capital	**$339,557**	$275,911	$246,516	$222,199	$186,297
Current Ratio	**2.3**	2.1	2.1	2.1	2.1
Property, Plant and Equipment, net	**494,042**	422,022	383,983	353,585	248,618
Total Assets	**1,167,202**	985,478	901,118	811,431	634,203
Long-term Debt Obligations, Less Current Maturities	**235,246**	149,564	164,967	159,963	93,911
Total Stepan Company Stockholders' Equity	**552,286**	478,985	401,211	349,491	289,285

(a) Comparative historical data reflects the two-for-one common stock split that was effective December 14, 2012.
(b) Based on average equity.

The selected financial data included herein has not been audited. The information was derived from the Company's audited financial statements for the respective years, which were presented in accordance with accounting principles generally accepted in the United States of America and which were audited in accordance with the standards of the United States Public Company Accounting Oversight Board. Copies of the full consolidated financial statements and of the independent registered public accountants' report that expressed an unqualified opinion (dated February 26, 2014) are included in the Company's 2013 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission, which is available on request or via Website at www.stepan.com.

Quarterly Financial Data

(Dollars in thousands, except per share data)

			2013		
Quarter	First	Second	Third	Fourth	Year
Net Sales	**$ 456,546**	**$ 474,445**	**$ 475,466**	**$ 474,329**	**$1,880,768**
Gross Profit	**72,700**	**73,707**	**74,341**	**60,937**	**281,685**
Operating Income	**28,294**	**35,869**	**31,085**	**13,905**	**109,153**
Interest, net	**(2,179)**	**(2,329)**	**(2,987)**	**(2,863)**	**(10,358)**
Income Before Income Taxes	**25,273**	**32,200**	**27,847**	**10,310**	**95,630**
Net Income	**18,997**	**22,654**	**20,149**	**10,537**	**72,337**
Net Income Attributable to Stepan Company	**19,034**	**22,742**	**20,402**	**10,650**	**72,828**
Per Diluted Share	**0.83**	**0.99**	**0.89**	**0.46**	**3.18**

			2012		
Quarter	First	Second	Third	Fourth	Year
Net Sales	$ 465,269	$ 470,231	$ 440,978	$ 427,259	$ 1,803,737
Gross Profit	76,784	73,396	71,253	70,120	291,553
Operating Income	35,400	34,821	33,891	24,604	128,716
Interest, net	(2,604)	(2,086)	(2,684)	(2,225)	(9,599)
Income Before Income Taxes	32,720	31,518	30,235	21,249	115,722
Net Income	22,364	21,511	20,319	15,493	79,687
Net Income Attributable to Stepan Company	22,302	21,425	20,230	15,439	79,396
Per Diluted Share	0.98	0.94	0.89	0.68	3.49

Quarterly Stock Data

	Stock Price Range Per Share				Dividends Paid Per Common Share	
Quarter	2013 High	2013 Low	2012 High	2012 Low	2013	2012
First	**$ 64.99**	**$ 55.43**	$ 46.00	$ 38.05	**$0.16**	$0.14
Second	**$ 63.27**	**$ 52.34**	$ 47.25	$ 41.35	**$0.16**	$0.14
Third	**$ 59.98**	**$ 55.51**	$ 50.43	$ 42.72	**$0.16**	$0.14
Fourth	**$ 67.20**	**$ 56.06**	$ 55.90	$ 44.89	**$0.17**	$0.16
Year	**$ 67.20**	**$ 52.34**	$ 55.90	$ 38.05	**$0.65**	$0.58

Corporate Directors & Officers

Board of Directors

From left to right: Michael R. Boyce, Chairman and Chief Executive Officer, PQ Corporation, a global specialty chemical and catalyst company, Malvern, Pennsylvania, Edward J. Wehmer, President and Chief Executive Officer, Wintrust Financial Corporation, a financial services company, Rosemont, Illinois, Gregory E. Lawton, Former President and Chief Executive Officer, Johnson Diversey, Inc., a global provider of cleaning and hygiene solutions to the institutional and industrial marketplace, Sturtevant, Wisconsin, F. Quinn Stepan, Chairman, F. Quinn Stepan, Jr., President and Chief Executive Officer, Joaquin Delgado, PhD., Executive Vice President, Health Care Business Group, 3M Company, a global diversified technology company, St. Paul, Minnesota, Randall S. Dearth, President and Chief Executive Officer, Calgon Carbon Corporation, a global manufacturer of activated carbon and innovative treatment systems, Pittsburgh, Pennsylvania. (Board pictured at its October, 2013 Board meeting in Wesseling, Germany)

Officers

F. Quinn Stepan
Chairman

F. Quinn Stepan Jr.
President and Chief Executive Officer

Scott D. Beamer
Vice President and
Chief Financial Officer

Scott C. Mason
Vice President, Global Supply Chain

Frank Pacholec
Vice President, Research and
Development and Corporate
Sustainability Officer

Gregory Servatius
Vice President, Human Resources

John V. Venegoni
Vice President and General Manager,
Surfactants

Robert J. Wood
Vice President and General Manager,
Polymers

H. Edward Wynn
Vice President, General Counsel and
Secretary

Kathleen O. Sherlock
Assistant General Counsel and
Assistant Secretary

Corporate Information

Departmental Vice Presidents

Business Transformation

Debra A. Stefaniak
Vice President, Business Transformation

Finance

Matthew J. Eaken
Vice President and Corporate Controller

Manufacturing

Robert S. Mangold
Vice President, North American Supply Chain

Gary M. Traverso
Vice President, Corporate Engineering

Polymers

Arthur W. Mergner
Vice President, North American Polymers

Roger Stubbs
Vice President, European Polymers

Purchasing

Kyle Montgomery
Vice President, Procurement

Richard H. Wehman, Jr.
Vice President, Strategic Purchasing

Research and Development

Matthew I. Levinson
Vice President, Global Process Development

Paul L. Neill
Vice President, Polymers Research and Development

Robert V. Slone
Vice President, Surfactants Product Development

Specialty Products

Robert J. Peacock
Vice President, Specialty Products

Surfactants

Scott R. Behrens
Vice President, Business Management

Charles A. Brown
Vice President, Latin America

Jeffrey E. Grahn
Vice President, Product Management

John Hall
Vice President & General Manager, Stepan Asia – Pacific Surfactants

Anthony Martin
Vice President, Europe

Sean T. Moriarty
Vice President, Consumer Products

Mark F. Mydlach
Vice President, Surfactant Sales

James S. Pall
Vice President, Corporate Development

Independent Registered Public Accounting Firm

Deloitte & Touche LLP, Chicago, Illinois

Transfer Agent and Registrar

Computershare Investor Services, LLC
2 North LaSalle St., Chicago, Illinois 60602
312.588.4991 Fax 312.293.4943
Contact the Registrar and Transfer Agent concerning stock certificates, dividend checks, transfer of ownership, or other matters pertaining to your stock account.

Stock Listing

New York Stock Exchange: SCL

Investor Relations

Scott D. Beamer
847.446.7500

Form 10–K

Copies of the Company's annual report on Form 10-K, filed with the Securities and Exchange Commission, will be available without charge to stockholders and interested parties upon written request to the Secretary of the Company or may be obtained on our Website at www.stepan.com

Annual Meeting

The 2014 Annual Meeting for the Stockholders of the Company will be held at 9:00 a.m., Tuesday, April 29, 2014, at the Company's headquarters in Northfield, Illinois.

Corporate Governance

The Nominating and Corporate Governance Committee of the Board of Directors has established a committee charter and a Code of Conduct. These documents are provided on Stepan's Website at www.stepan.com within the Investor Relations section of the site. At the same Website location, Stepan provides an Ethics Hotline phone number and Website that allows employees, shareholders and other interested parties to communicate with the Company's management or Audit Committee (on an anonymous basis, if desired) through an independent third party hotline.

Design: CorCreative, Inc., Chicago

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