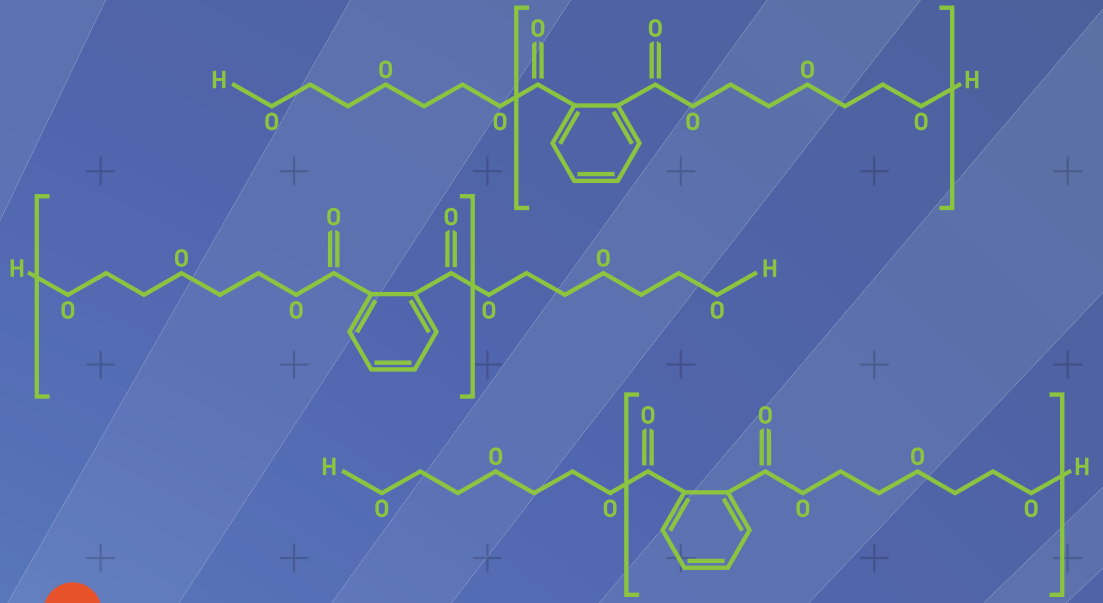


**Stepan** 



**OUR VISION:** Innovative  
Chemical  
Solutions  
For A Cleaner,  
Healthier,  
More Energy  
Efficient World.

2010  
Annual  
Report

# STEPAN AT A GLANCE

Stepan is a leading merchant producer of surfactants that are the key ingredients in consumer and industrial cleaning compounds. Manufacturers of detergents, shampoos, lotions, toothpastes and cosmetics depend on surfactants to achieve the foaming and cleaning qualities of their products. Stepan also produces fabric softeners, germicidal quaternary compounds, and biodiesel. Other applications include lubricating ingredients, emulsifiers for spreading of agricultural products, stabilizers for latex, coatings and adhesives, oil field drilling and enhanced oil field production. Stepan produces other specialty products that are often custom-made to meet individual needs. These include flavors, emulsifiers and solubilizers used in the food and pharmaceutical industries. The Company is also a principal supplier of phthalic anhydride, a commodity chemical intermediate that is used in polyester resins, alkyd resins and plasticizers. Polyols sold by the Company are used in thermal insulation primarily by the construction and refrigeration industries. Headquartered in Northfield, Illinois, Stepan utilizes a network of modern production facilities located in North and South America, Europe and Asia.

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**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, lotions, toothpastes and cosmetics. 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 74 percent of Stepan's 2010 sales or \$1,058,000,000 versus \$972,647,000 in 2009. The increase in sales was due to a four percent increase in average selling prices and a four percent increase in sales volume. The rise in selling price reflected higher raw material costs.

Domestic surfactant operations, representing 57 percent of surfactants, recognized a \$18.7 million, or three percent, increase in sales on a three percent increase in average selling prices. Foreign operations representing 43 percent of surfactants, reported a \$66.7 million, or 17 percent, increase in sales due to a ten percent increase in sales volume and a four percent increase in average selling prices.

**POLYMERS** The polymer product group includes polyurethane polyols and phthalic anhydride. Polyurethane polyols are used in the manufacture of rigid foam for thermal insulation in the construction industry. Stepan's polyols are also a base raw material for coatings, adhesives, sealants and elastomers. 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 40 percent of the Company's phthalic anhydride is utilized internally in the production of our polyol products.

Polymer sales represent 23 percent of 2010 sales, or \$330,416,000 versus \$260,770,000 in 2009, an increase of 27 percent. Higher sales volume coupled with rising average selling prices led to the higher net sales.

**SPECIALTY PRODUCTS** Specialty products include flavors and emulsifiers and solubilizers used in the food and pharmaceutical industry. Sales for specialty products for 2010 were \$42,724,000 versus \$42,965,000 for 2009. Specialty products represent three percent of net sales.

## PRODUCTION FACILITIES

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

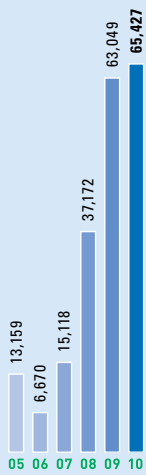
## FINANCIAL HIGHLIGHTS

(IN THOUSANDS, EXCEPT PER SHARE AND STOCKHOLDER AMOUNTS)	2010	2009	% CHANGE (2010 VS. 2009)	2008	% CHANGE (2009 VS. 2008)
Net sales	\$ 1,431,122	\$ 1,276,382	+12	\$ 1,600,130	-20
Net income attributable to Stepan Company	65,427	63,049	+4	37,172	+70
Per diluted share	5.90	5.84	+1	3.52	+66
Percent of net sales	4.6%	4.9%	-6	2.3%	+113
Percent return on average equity	20.5%	25.3%	-19	17.9%	+41
Depreciation and amortization	40,351	37,171	+9	36,928	+1
Capital expenditures	73,748	42,631	+73	49,778	-14
Dividends per common share	98.00¢	90.00¢	+9	85.00¢	+6
Working capital	222,199	186,297	+19	116,288	+60
Current ratio	2.1	2.1	—	1.5	+40
Long-term debt, less current maturities	159,963	93,911	+70	104,725	-10
Total Stepan Company Stockholders' equity	349,491	289,285	+21	208,144	+39
Total Stepan Company Stockholders' equity per share	32.59	27.36	+19	20.27	+35
Average common shares outstanding (diluted)	11,090	10,796	+3	10,549	+2
Number of stockholders	1,348	1,333	+1	1,231	+8

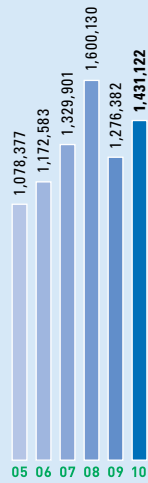
## STOCK INFORMATION

NEW YORK STOCK EXCHANGE, SYMBOL SCL	2010	2009
Stock price range	\$ 45.99-79.75	\$ 22.80-67.98
Dividend (Common)	\$ 0.9800	\$ 0.9000
Dividend (Preferred)	\$ 1.375	\$ 1.375
Earnings per diluted share	\$ 5.90	\$ 5.84
Return on equity	21%	25%
Book value	\$ 32.59	\$ 27.36
Shares outstanding	10,105,748	9,948,215

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, and 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.



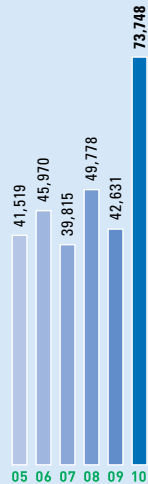
**NET INCOME**  
(dollars in thousands)  
Compound Annual Growth  
Five Years +38%



**NET SALES**  
(dollars in thousands)  
Compound Annual Growth  
Five Years +6%



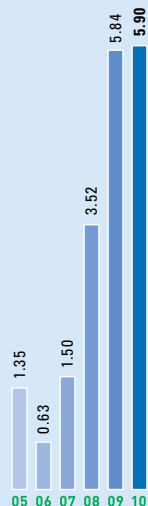
**SEGMENT SALES**  
(dollars in thousands)  
Surfactants  
Polymers  
Specialty Products



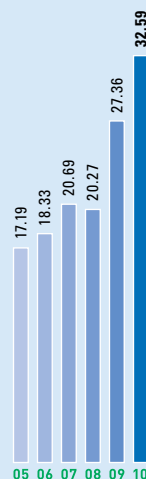
**CAPITAL EXPENDITURES**  
(dollars in thousands)  
Compound Annual Growth  
Five Years +10%



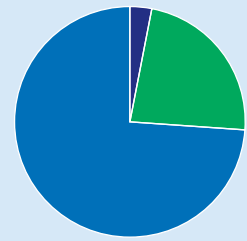
**DIVIDENDS PER COMMON SHARE** (dollars)  
Compound Annual Growth  
Five Years +5%



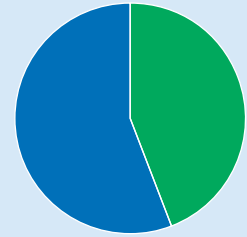
**NET INCOME PER DILUTED COMMON SHARE** (dollars)  
Compound Annual Growth  
Five Years +34%



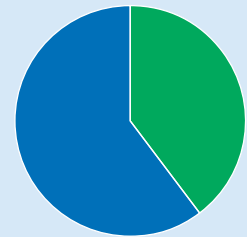
**EQUITY PER SHARE** (dollars)  
Compound Annual Growth  
Five Years +14%



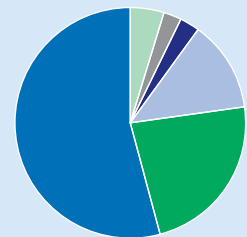
**2010 PRODUCT LINE SALES**  
(dollars in thousands)  
Surfactants \$1,057,982  
Polymers \$330,416  
Specialty Products \$42,724



**2010 LONG LIVED ASSETS**  
(dollars in thousands)  
United States \$204,137  
Others \$161,422



**2010 GLOBAL SALES**  
(dollars in thousands)  
United States \$863,780  
Others \$567,342



**2010 SALES DOLLAR DISTRIBUTION**  
(dollars in thousands)  
Material \$776,678 54%  
Other Expenses \$331,026 23%  
Payroll & Fringes \$181,752 13%  
Depreciation & Amortization \$40,351 3%  
Income Taxes \$35,888 2%  
Net Income \$65,427 5%

## DEAR FELLOW SHAREHOLDERS:

In 2010, we are pleased to report our third consecutive record income year, investments made to accelerate long-term growth and progress in our innovation portfolio. Although we will always have opportunities to improve our operating effectiveness and efficiency, in 2010 we transitioned from optimization to growth within our strategy. Today we are clearly focused on growth — profitable, global growth. Leveraging our strong balance sheet, we made significant investments in Brazil, Singapore, Germany and Poland to better position the Company's assets in markets that are growing and to deliver long-term profit growth for the Company.

In 2010, net income increased four percent to \$65.4 million, or \$5.90 per diluted share, led by volume growth in our Polymer group and improved margins in our Specialty Products group. Surfactant profitability was slightly lower in 2010 due to reduced margins in Europe and higher manufacturing costs in North America, mostly due to a labor dispute that was resolved in August with a new three-year agreement.

Net sales increased 12 percent to \$1.4 billion, as volume grew five percent. Higher selling prices due to rising raw material costs contributed seven percent to the increase in sales. Sales volume for Surfactants was up four percent, despite some weakness in the fourth quarter. Polymers volumes increased 14 percent, due to an improving economy, higher global insulation standards and greater penetration into new market areas. Specialty Products delivered record results in 2010 and reinforced our intent to grow in this value-added segment.

In 2010, the Surfactant group made investments to diversify its product line and expand its franchise geographically. We continued to support our ambitious plans focusing on innovative solutions for Enhanced Oil Recovery (EOR) and in developing new sustainable surfactants. We have identified opportunities to generate new sulfate volumes in the global laundry and personal care markets. We will capture additional fabric softener and

amphoteric volumes. We have targeted growth in the higher value-added functional markets, particularly outside the United States.

With its large, diverse and growing consumer, agricultural and oil field surfactant markets, Brazil provides a substantial growth opportunity for Stepan. Since our entry in the market several years ago through an acquisition, we have steadily upgraded the plant's capabilities to meet a wide range of customer needs. We have added neutralization capabilities to our large sulfation unit during 2010 and have customer commitments for most of the new capacity. We look forward to further growth opportunities in this region.

A key part of our strategy is to build our surfactant franchise in Asia. In July, we announced the acquisition of the manufacturing assets of Peter Cremer's 100,000 ton-per-year methyl ester plant located in Singapore. Acquisition of this site provides Stepan an opportunity to provide global customers with methyl esters and value-added derivatives, a core building block of our specialty surfactant business. We are currently installing fractionation capability and production will begin April 2012 to supply both customer and internal needs for fractionated methyl esters made from tropical oils available in the region. This development, along with planned methyl ester derivative investments, will position Stepan for growth within the region and globally.

In July, Stepan also announced increased ownership in the Company's joint venture, Stepan Philippines Inc. (SPI), from 50 to 89 percent. SPI operates a surfactant manufacturing plant producing laundry and cleaning products, fabric softeners and functional surfactants for both the Philippines and other Asian markets. During 2011, we will invest capital to increase the fabric softener capacity to support growing demand in the region.

Our joint venture with Nalco Holding Company, TIORCO, was formed to market custom engineered chemical solutions using core Stepan technologies to increase

production of crude oil and gas from existing fields. We are participating in a wide range of pilot floods around the world and results from our first full scale injection are encouraging. We believe the long-term potential of this joint venture is significant. In 2011, with our partner, we will continue to invest to scale this business.

Our Polymer group achieved record results in 2010, despite downward pressure on margins and slow to improve economies in many of its major markets. Increased Polymer volumes were driven by greater demand for polyols used in construction insulation. Increased energy prices and global legislation to reduce fossil fuel consumption and to lower carbon emissions should lead to continued volume growth for our polyol business.

Europe, with its commitment to higher energy conservation standards in building construction, is a strong growth driver for our polyol business. A second polyol reactor at our Wesseling, Germany plant is scheduled for completion and start up in April 2011. Phase one of this project will add 38,000 metric tons

**F. QUINN STEPAN**  
Chairman

**F. QUINN STEPAN, JR.**  
President and Chief Executive Officer



of capacity to meet growing market demands. In July of 2010, Stepan improved its capability to serve customers in Central and Eastern Europe through the acquisition of Alfa Systems' plant, which includes 25,000 metric tons of polyester polyol capacity and 15,000 metric tons of blend capacity. The plant, located outside of Wroclaw, Poland, manufactures aromatic polyester polyols made from recycled polyethylene terephthalate (PET), a new technology for Stepan, as well as other specialty polyester polyols.

Execution within our innovation portfolio improved in 2010. Sales of value-added technologies, including enhanced oil recovery surfactants, adjuvants that enhance the efficacy of glyphosate and new applications for our polyols, flexible polyurethane foam, as well as the coatings, adhesives, sealants and elastomers (C.A.S.E.) markets have begun and should increase significantly over the next three years.

In October of 2010, Stepan announced a joint development agreement with Bolingbrook, Illinois-based Elevance Renewable Sciences to evaluate and commercialize novel surfactants, antimicrobials and polyurethane polyols. Elevance will provide feedstocks to Stepan made from natural oil utilizing Nobel Prize-winning metathesis technology. Stepan will derivitize it with our core chemistries including sulfonation, esterification and quaternization. Our technical program will support Stepan's ongoing commitment to provide unique solutions that address customer sustainability objectives — renewable feedstocks, greater compaction and reduced energy consumption.

Our belief that investing in our people is key to achieving our goals and ambitions is captured in the concept of "People First." Through our integrated line up of performance management, leadership development, succession planning, coaching and skills development programs, we will continue to raise the bar higher with regard to our performance.

Specifically our number one priority is to improve the health and safety of our employees. Our OSHA Recordable Rate, a key metric of the number and severity of safety



incidents, reflects that commitment and dropped to 1.05 in 2010 from 1.34 in 2009. However, we are not satisfied with that performance and all employees are committed to lowering the rate further and becoming a benchmark for safety within the chemical industry. This year, we established Stepan's President's Award, which will be presented to any Stepan facility that meets seven specific safety and environmental performance criteria including OSHA injury rate, total incident rate and environmental releases. We are very pleased that our facilities in Colombia, Mexico, and the Philippines all earned this first-time award. Although we are focused on growth, we will not abandon our pursuit of operational excellence and cost-out. In 2010, our Continuous Improvement Program delivered global productivity savings of \$11.9 million.

In January of 2010, F. Quinn Stepan was honored with the Elva Walker Spillane Distinguished Service Award by The American Cleaning Institute (ACI) for exceptional service and outstanding leadership to the ACI and the industries it represents. In presenting the award, the ACI president noted that Quinn has been a "major force in the chemical industry for decades" and that under his leadership the ACI increased its effectiveness by leveraging its focus on science in an expanded advocacy role.

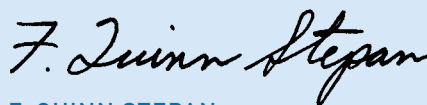
Stepan announced in December that research associate Joseph Rongione was the recipient of Alfred C. Stepan, Jr. Award for Innovation for the innovative process he developed for reducing byproducts and cycle times while improving yields within the Company's Specialty Products business.

In May of 2011, Thomas F. Grojean, Chief Executive Officer of Grojean Transportation, a nationwide truckload freight carrier, will retire from Stepan's Board of Directors after 34 years of service. During his long tenure with the Company, Tom has been a guiding force as Stepan grew from a \$109 million North American operation to a \$1.4 billion global enterprise. His counsel, energy and commitment to the Company have been invaluable. We are deeply grateful for his many contributions and wish him the best in his future endeavors.

In October, the Board of Directors declared an 8.3 percent increase in the Company's quarterly cash dividend to \$.26 per share, the forty-third consecutive annual dividend increase.

Stepan updated its vision and mission in 2010. We recognized that in many ways Stepan had outgrown its previous mission, which was developed before global growth and expansion transformed the Company. We sought input from all parts of the Company to develop a concise and compelling vision and mission statement centered on the Company's core values. The new vision, which is the theme of this annual report, is both aspirational and reflective of the core purpose and values that have served us well over our history. A special section follows our letter that describes in more detail the process we used to develop the new vision and how we are living it today.

We enter 2011 with confidence and optimism about the ability of your Stepan team to deliver profitable growth from the investments we are making. We thank you, our shareholders, for your investment in Stepan Company and the opportunity to serve you.



**F. QUINN STEPAN**  
Chairman



**F. QUINN STEPAN, JR.**  
President and Chief Executive Officer

## OUR VISION

# Innovative Chemical Solutions For A Cleaner, Healthier, More Energy Efficient World.

**THE MISSION** of the Stepan Company is to meet the requirements of all our stakeholders — customers, stockholders, employees and the communities in which we operate. With a keen focus on our customers, we will drive growth, deliver innovation and achieve a strong return for our shareholders by becoming the leading manufacturer of surfactants and polyester polyols in the world and a leading supplier of chemical specialties. In fulfilling this mission, Stepan will be guided by the following principles and values:

**CUSTOMER FOCUS** We will be a preferred global partner in our markets and technologies by providing innovative, cost-effective products and services that delight our customers. We will sustain long-term relationships with our customers built on trust and transparency.

**PEOPLE FIRST** Investment in our people is the key to achieving our goals and ambitions. We are committed to developing, recognizing and respecting our people, which will enable all of our relationships to thrive and flourish. Our interactions will be characterized by openness, teamwork and mutual respect. As we continue to grow, we will maintain the culture that has made Stepan Company a preferred place to work.

**INTEGRITY** We earn the right to operate every day. Our actions must always meet the highest ethical and legal standards. We will engage in and support only those activities that are lawful, safe, environmentally sound and respectful of the needs of our employees and the communities in which we operate. We will become the leader in safety and the benchmark for our industry.

**GROWTH & INNOVATION** We will drive profitable growth through innovation. We will anticipate market trends and needs. We will use our creativity, expertise and discipline to provide practical solutions that deliver value to our customers.

**CONTINUOUS IMPROVEMENT** We will constantly strive to grow and prosper through continuous improvement. We will relentlessly seek to increase the effectiveness and productivity of our employees and our facilities to meet our customer needs. These principles will maintain our strength and independence while increasing the value of our Company for all stakeholders.

**SUSTAINABILITY** We embrace a broad view of sustainability and are committed to delivering outstanding, sustainable value to all our stakeholders, to increasing our efficient use of resources and minimizing our footprint and working as innovative partners with our customers in pursuit of their sustainability goals.



## OUR VISION

# Discovering Our Global Vision

A clearly articulated vision and mission are critical elements that guide a company's growth strategies, drive performance, align employees and foster greater employee engagement. In late 2009, Stepan launched an initiative to update our vision statement while ensuring it still reflected the Company's core values. We decided to re-evaluate our mission statement in view of the global diversification and growth that has transformed the Company in the past decade.

Using a methodology called Appreciative Inquiry (AI), which focuses on the strengths and successes of an organization and its employees' positive personal experiences, a cross-functional team sought input from people at every level in Stepan locations around the world. We included as many voices as possible in collaboratively creating a vision that would resonate with all our stakeholders. This information gathering stage was followed by a two-day summit of sixty employees to draft a vision statement. The vision and mission statement were then reviewed with top management and the Board and subsequently rolled out to all employees in early 2010.

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

Each word of Stepan's new vision statement was carefully chosen to communicate something essential about the Company:

- **INNOVATIVE:** We believe our ability to innovate and invent will provide opportunities to improve our

product mix and determine our long-term success.

- **CHEMICAL:** We are a chemical company. We embrace our heritage and will use chemistry to grow our Company.
- **SOLUTIONS:** Customers provide opportunities to grow. We offer solutions to them that deliver a competitive advantage, accelerating our top and bottom line growth.
- **CLEANER:** Is our major business today. We will help our customers find more efficient and effective ways to clean while reducing our own and our customer's environmental footprint.
- **HEALTHIER:** Is part of our business today. We make disinfectants to kill germs and nutraceuticals for the food industry. "Healthier" is also aspirational as we plan to grow our Specialty Products business.
- **MORE ENERGY EFFICIENT:** We continually seek innovative, energy efficient solutions for our customers. Stepan is a leader in polyols used for insulation — one of the most effective forms of energy conservation. Our surfactants are used to enhance recovery of oil and gas and to create laundry and cleaning products that are more highly concentrated and/or perform better in cold water. We also increasingly use renewable feedstocks across all three of our business segments.

The pages that follow look at how each principle of our new mission comes alive every day as Stepan employees strive to meet and exceed the requirements of all our stakeholders — customers, stockholders, employees and the communities in which we operate.

## CUSTOMER FOCUS: Becoming a Preferred Global Partner

One of the hallmarks of Stepan is the long-term relationships we have developed with our customers that are built on trust and transparency. Many of these relationships span decades and have grown and deepened in the face of economic challenges. As our customers drive to achieve greater global efficiencies, they are looking to partner with a select number of suppliers that have the expertise and scale to meet their requirements around the world. To help strengthen our position as a preferred global partner, Stepan in 2010 made two strategic acquisitions that expand our ability to serve customers in a timely, cost effective manner in some of world's fastest growing markets.

As a next step in building our surfactant franchise in Asia, Stepan acquired a 100,000 ton-per-year methyl ester plant in Singapore in mid-2010. Methyl esters have long been a core building block of Stepan's surfactant business. In North America, our portfolio of value added methyl ester derivatives has been an important part of our surfactant growth because of our integrated production.



Through its acquisition of a 100,000 ton-per-year methyl ester plant in Singapore, Stepan continues to expand its surfactant franchise in Asia. After installation of fractionation capability, the plant will supply methyl esters to meet both customers' and internal Company needs.

In Singapore, we plan to install methyl ester fractionation capability on the site in order to supply our customers and our own internal surfactant needs with fractionated methyl esters made from tropical oils. With planned additional investments, our Singapore site will become a global manufacturing hub capable of meeting the needs of customers throughout the region and the world.

In order to serve customers with polyol requirements more cost effectively in Central and Eastern Europe, Stepan acquired a new plant just outside of Wroclaw, Poland. The



Stepan's sales team plays an integral role in the Company's focus on profitable global growth. Pictured here are members of Stepan's international sales team, including (from left) Rene Brabender, general manager Sales and Marketing — Canada, Catherine Remy, sales director Europe, Eduardo Couto, sales manager Brazil, Marcelo Rubio, commercial director — Andean and Caribbean, Tom Giese, commercial director, Asia — Pacific, Juan Agraz, commercial director, Mexico and Central America, and Mark Mydlach, vice president, Surfactant Sales.



In 2010, Stepan acquired a new polyol plant just outside of Wroclaw, Poland. With its state-of-the-art equipment, experienced workforce and location in fast growing Eastern Europe, the new plant enhances Stepan's ability to serve customers in timely and cost-effective ways.

facility has 25,000 metric tons of polyester polyol capacity and 15,000 metric tons of blending capacity. The plant, which was designed to manufacture aromatic polyester polyols, including those from recycled raw materials, brings new technology and opportunities to Stepan. With its state-of-the-art flexible equipment, experienced workforce and location in growing Eastern Europe, this plant is an important addition to Stepan's global network of polyol manufacturing facilities.

These new facilities, together with our recent addition of neutralization capabilities to our plant in Brazil, increased ownership in our joint venture surfactant plant in the Philippines and the expansion of our polyol plant in Germany, position Stepan as a strong global partner for its multinational customer base.

## PEOPLE FIRST: Investing in Our People

We believe that developing, recognizing and respecting our people will enable us to accomplish our collective goals. One element of our "People First" commitment is a focus on employee engagement, which was exemplified by our recent vision and mission statement initiative. Almost a third of the Company's employees volunteered their time to participate in the information gathering stage of the



A group of sixty representatives from locations across Stepan engaged in an intensive two-day summit to draft a compelling and thought-provoking global vision statement. Visioning team members (from left) Matt Eaken, vice president and corporate controller, David Horan, senior North American Supply Chain planning and global inventory manager, Gary Washington, operator, at a planning session in the Millsdale plant.

project — testament to the passion and commitment our people feel for their work and their Company. The process helped us to discover the forces and factors that drive our success and underlie our great potential. The data show that our ongoing investment in people, focus on teamwork and culture that is characterized by openness and mutual respect, are qualities that employees around the world believe make Stepan a preferred place to work.

Now that the vision and new mission statement have been developed, next we will actively engage all of our stakeholders to realize our vision.

## INTEGRITY: Earning the Right to Operate

Stepan earns the right to operate every day. That means we never take for granted that our actions must adhere to the highest ethical and legal standards. We only engage in and support activities that are lawful, safe, environmentally sound and respectful of our employees and the communities in which we operate.

Our relentless attention to safety is perhaps the most visible way we show our commitment to integrity in our operations. Through focused and sustained effort, we have consistently improved our OSHA Recordable Rate, which





As part of its continuing efforts to enhance safe and secure operations globally, Stepan created the President's Award, which will be presented to any Stepan facility that meets seven specific safety and environmental performance criteria. President and CEO Quinn Stepan presented the award to team members at the Company's plant in Manizales, Colombia.

measures the number and severity of safety incidents. We are pleased with our progress, but not satisfied. Our goal is to achieve a significantly lower rate and establish Stepan as a safety leader in the chemical industry.

As a way to highlight our commitment to safe operations, Stepan this year created the President's Award, which is presented to a Stepan facility that meets seven specific safety and environmental performance criteria including OSHA injury rate, total incident rate and environmental releases. This year, our plants in Colombia, Mexico and the Philippines earned the first ever President's Award.

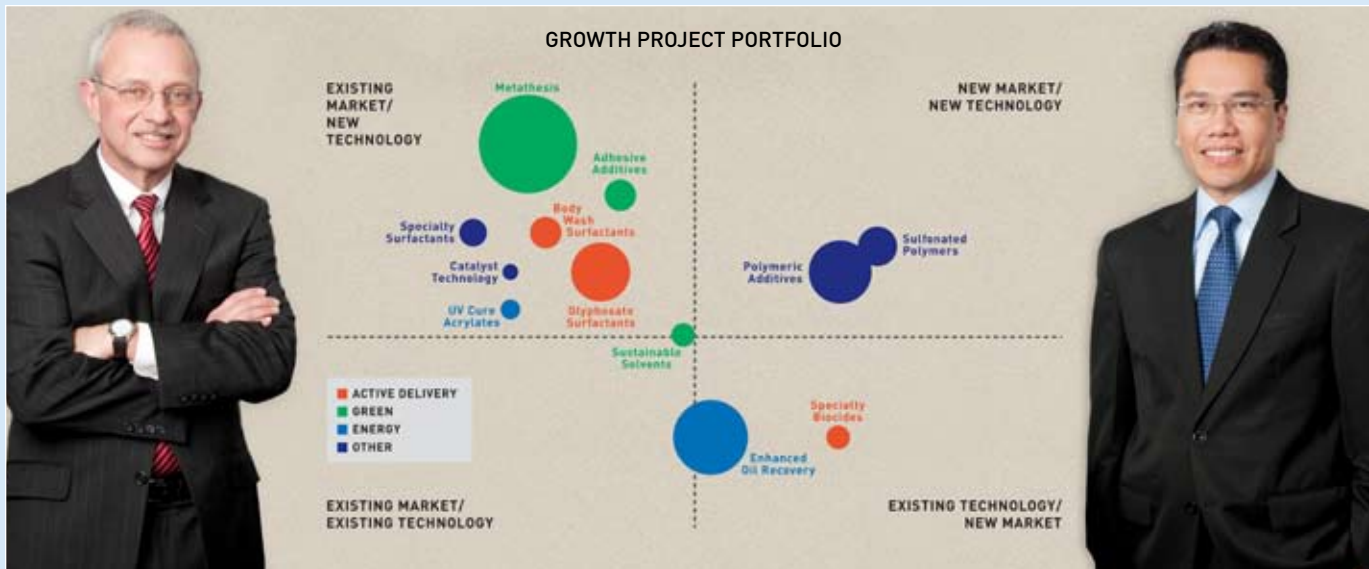
## GROWTH & INNOVATION: Anticipating Market Trends

An integral part of Stepan's surfactant strategy is to deliver organic growth through innovation that is synergistic with the Company's core capabilities, platforms

and markets. Anticipating market trends and needs is crucial for this approach to work. We constantly evaluate how we can apply existing technologies in new adjacent markets or introduce a new technology to a market we understand well. Our work using surfactants for enhanced oil recovery (EOR) is an example of our ability to apply core technologies to create new solutions. TIORCO, our EOR joint venture with Nalco Holding Company, completed the first full scale injection of a customer's oil field in 2010 and the results are encouraging.

Stepan is also focusing marketing and research resources to extend product lines into new market segments. Our innovative new surfactant for use with glyphosate enhances the effectiveness of glyphosate, the world's largest agricultural active.

Customer demand for biorenewable feedstocks is another market trend propelling innovation at Stepan. In 2010, the Company announced an agreement with Elevance Renewable Sciences, Inc. to evaluate and commercialize "new to the world" surfactants, antimicrobials and



A key element of Stepan's growth strategy is to deliver organic growth through innovation that is synergistic with the Company's core capabilities, platforms and markets. Pictured here are innovation team members (from left) Randy Bernhardt, research and development director and Arnold Castro, business manager Global Ag Products.

polyurethane polyols for a variety of applications in the consumer and functional markets. Elevance uses a Nobel Prize-winning technology called metathesis to provide feedstocks that will allow Stepan to create high performance ingredients for our core markets, including detergents, personal care products, and agricultural products. Our goal is to develop new biorenewable technologies with performance benefits to meet customers' growth initiatives and sustainability goals.

led by research associate Joseph Rongione developed new process technology that provided a 25 percent improvement in cycle times. The additional capacity generated from the reduced cycle time was quickly employed to meet greater customer demand. For his leadership and technology improvements, Joe received the Alfred C. Stepan, Jr. Award for Innovation which recognizes creativity and innovative thinking that results in a significant contribution to Stepan's operating results.

## CONTINUOUS IMPROVEMENT: Relentlessly Seeking to Improve

In 2010, Stepan's Continuous Improvement Program delivered global productivity savings of \$11.9 million. Our team of Six Sigma specialists, process technologists and production engineers work on a host of specific projects to reduce operating cost, eliminate waste, increase unit output and improve product quality. Each Stepan facility selects a range of projects to tackle that have the greatest potential for benefit to the business.

In 2010, a significant breakthrough was achieved at our Maywood, New Jersey medium chain triglyceride (MCT) production unit. The 8K reactor improvement team



Joe Rongione, research associate at Stepan's Maywood, New Jersey, plant received the Alfred C. Stepan, Jr. Award for Innovation in 2010. Joe led the 8K reactor improvement team that developed new process technology that provided a 25 percent improvement to cycle times and significantly contributed to Stepan's operating results.



## SUSTAINABILITY: Delivering Sustainable Value

Stepan invests significant capital and technical resources in environmental improvements throughout its global operations. The early focus of Stepan's sustainability program has been energy efficiency improvements, water use reduction or recovery, and waste elimination. In 2010, more than \$7 million was invested in energy reduction projects, including installation in the Company's Millsdale, Illinois, plant of a modern, high-efficiency steam boiler and the upgrading of large process air blowers in our phthalic anhydride production unit that utilize significantly less electricity. These efforts combined will reduce energy usage by more than 14 million kilowatts annually.

Our new Illinois warehouse, completed in the fourth quarter of 2010, is designed with the latest industrial building efficiency systems, including a roof insulated with a product containing a Stepan polyol and occupant sensitive lighting and temperature controls. We implemented water recovery and reuse programs that added systems and controls for condensate recovery and reuse of wash water. Waste reduction initiatives, including process control strategy changes and improved processing equipment, have resulted in a 24 percent decline in Stepan's North American process generated waste streams since 2005.



In 2010, Stepan invested more than \$7 million in energy reduction projects, including upgrades to large process air blowers that will use significantly less electricity in the Company's Millsdale, Illinois, phthalic anhydride production unit. Combined efforts will reduce energy usage by more than 14 million kilowatts annually. On site with the new equipment are (from left) Dennis Maskel, production superintendent and Carrie Dynis, global Polymers operations leader.



# USING STEPAN PRODUCTS

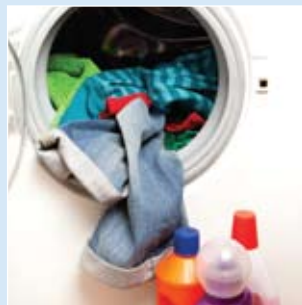
## CONSUMER AND INDUSTRIAL PRODUCTS

### 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 pre-spotters
- 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
- 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
- Elastomers: Thermobreaks for metal thresholds and windows, engineering plastics
- Electrical: Wire and cable insulation, electrical tape, transmission hardware, circuit boards, switchgear housing, potting compounds
- Furniture: Adhesives, flexible cushions
- Household goods: Footwear, toys, luggage, book bindings, garden hoses, outerwear, tablecloths, shower curtains, upholstery
- 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
- 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
- Pharmaceutical excipients

## FIVE YEAR SUMMARY

(IN THOUSANDS, EXCEPT PER SHARE AND EMPLOYEE DATA)	2010	2009	2008	2007	2006
<b>For the Year</b>					
Net sales	<b>\$ 1,431,122</b>	\$ 1,276,382	\$ 1,600,130	\$ 1,329,901	\$ 1,172,583
Operating income	<b>107,897</b>	104,888	70,680	35,095	15,853
Percent of net sales	<b>7.5%</b>	8.2%	4.4%	2.6%	1.4%
Income before provision for income taxes	<b>101,479</b>	97,131	54,878	23,715	7,389
Percent of net sales	<b>7.1%</b>	7.6%	3.4%	1.8%	0.6%
Provision for income taxes	<b>35,888</b>	34,028	17,615	8,687	900
Net income attributable to Stepan Company	<b>65,427</b>	63,049	37,172	15,118	6,670
Per diluted share <sup>(a)</sup>	<b>5.90</b>	5.84	3.52	1.50	0.63
Percent of net sales	<b>4.6%</b>	4.9%	2.3%	1.1%	0.6%
Percent to total Stepan Company stockholders' equity <sup>(b)</sup>	<b>20.5%</b>	25.3%	17.9%	7.8%	3.8%
Percent return on invested capital <sup>(c)</sup>	<b>14.62%</b>	14.41%	8.21%	5.92%	4.51%
Cash dividends paid	<b>10,570</b>	9,557	8,863	8,431	8,149
Per common share	<b>0.9800</b>	0.9000	0.8500	0.8250	0.8050
Depreciation and amortization	<b>40,351</b>	37,171	36,928	37,176	38,384
Capital expenditures	<b>73,748</b>	42,631	49,778	39,815	45,970
Weighted-average common shares outstanding (diluted)	<b>11,090</b>	10,796	10,549	10,113	9,284
<b>As of Year End</b>					
Working Capital	<b>\$ 222,199</b>	\$ 186,297	\$ 116,288	\$ 92,954	\$ 87,974
Current Ratio	<b>2.1</b>	2.1	1.5	1.5	1.5
Property, Plant and Equipment, net	<b>353,585</b>	248,618	238,166	234,062	225,604
Total Assets	<b>811,431</b>	634,203	611,897	573,185	546,055
Long-term Debt Obligations	<b>159,963</b>	93,911	104,725	96,939	107,403
Total Stepan Company Stockholders' Equity	<b>349,491</b>	289,285	208,144	206,051	180,786
Per share <sup>(d)</sup>	<b>32.59</b>	27.36	20.27	20.69	18.33
Number of Employees	<b>1,768</b>	1,594	1,578	1,525	1,528

(a) Based on weighted-average number of common shares outstanding during the year.

(b) Based on average equity.

(c) Defined as net operating profit after taxes divided by invested capital.

(d) Based on common shares and the assumed conversion of the convertible preferred shares outstanding at year end.

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 28, 2011) are included in the Company's 2010 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission, which is available on request or via Web site at [www.stepan.com](http://www.stepan.com).

## QUARTERLY FINANCIAL DATA

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	FIRST	SECOND	THIRD	FOURTH	YEAR
<b>2010</b>					
Net Sales	\$ 337,030	\$ 366,504	\$ 366,800	\$ 360,788	\$1,431,122
Gross Profit	63,552	63,478	58,429	50,519	235,978
Interest, net	(1,256)	(1,510)	(2,004)	(1,571)	(6,341)
Income Before Income Taxes	31,606	26,387	31,280	12,206	101,479
Net Income	20,681	17,069	19,223	8,618	65,591
Net Income Attributable to Stepan Company	20,660	17,046	19,230	8,491	65,427
Per Diluted Share	1.88	1.53	1.73	0.76	5.90
<b>2009</b>					
Net Sales	\$ 318,143	\$ 321,199	\$ 326,225	\$ 310,815	\$ 1,276,382
Gross Profit	48,695	65,658	68,931	49,819	233,103
Interest, net	(1,842)	(1,585)	(1,508)	(1,336)	(6,271)
Income Before Income Taxes	23,251	30,627	30,431	12,822	97,131
Net Income	15,158	19,560	19,588	8,797	63,103
Net Income Attributable to Stepan Company	15,153	19,584	19,545	8,767	63,049
Per Diluted Share	1.43	1.83	1.80	0.80	5.84

## QUARTERLY STOCK DATA

QUARTER	STOCK PRICE RANGE PER SHARE				DIVIDENDS PAID PER COMMON SHARE	
	2010 HIGH	2010 LOW	2009 HIGH	2009 LOW	2010	2009
First	\$ 67.67	\$ 45.99	\$ 48.41	\$ 22.80	\$ 0.24	\$ 0.22
Second	\$ 79.75	\$ 54.95	\$ 45.99	\$ 26.34	\$ 0.24	\$ 0.22
Third	\$ 72.17	\$ 53.55	\$ 62.98	\$ 39.74	\$ 0.24	\$ 0.22
Fourth	\$ 76.99	\$ 59.00	\$ 67.98	\$ 54.23	\$ 0.26	\$ 0.24
Year	\$ 79.75	\$ 45.99	\$ 67.98	\$ 22.80	\$ 0.98	\$ 0.90

# CORPORATE DIRECTORS & OFFICERS

## BOARD OF DIRECTORS



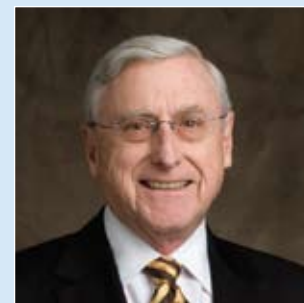
**F. Quinn Stepan**  
Chairman



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



**Michael R. Boyce**  
Chairman and Chief Executive  
Officer, PQ Corporation, an  
industrial chemicals company,  
Malvern, Pennsylvania



**Thomas F. Grojean**  
Chairman and Chief Executive  
Officer, Grojean Transportation,  
Inc., a nationwide truckload  
freight carrier, Mendota  
Heights, Minnesota



**Gary E. Hendrickson**  
President and Chief Operating  
Officer, The Valspar  
Corporation, a global paints  
and coatings manufacturer,  
Minneapolis, Minnesota



**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



**Edward J. Wehmer**  
President and Chief Executive  
Officer, Wintrust Financial  
Corporation, a financial  
services company, Lake Forest,  
Illinois

## OFFICERS

**F. Quinn Stepan**  
Chairman

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

**James E. Hurlbutt**  
Vice President and  
Chief Financial Officer

**Scott C. Mason**  
Vice President, 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

### FINANCE

**Matthew J. Eaken**  
Vice President and Corporate  
Controller

### INTERNATIONAL

**Charles A. Brown**  
Vice President, Latin America

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

**Anthony Martin**  
Vice President, Europe

**Roger Stubbs**  
Vice President, European  
Polymers

### LOGISTICS

**Debra A. Stefaniak**  
Vice President, Global Logistics

### MANUFACTURING

**Robert S. Mangold**  
Vice President, Manufacturing  
& Engineering

**Kyle Montgomery**  
Vice President, Plant  
Operations,  
The Americas

### PURCHASING

**Arthur W. Mergner**  
Vice President, Procurement

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

### RESEARCH & DEVELOPMENT

**Matthew I. Levinson**  
Vice President, Global Process  
Development

### SPECIALTY PRODUCTS

**James M. Butterwick**  
Vice President, Specialty  
Products

### SURFACTANTS

**Scott R. Behrens**  
Vice President, Business  
Management

**Jeffrey E. Grahm**  
Vice President, Product  
Management

**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 and SCLPR  
Chicago Stock Exchange: SCL and SCLPR

### Investor Relations

James E. Hurlbutt  
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 Web site at [www.stepan.com](http://www.stepan.com)

### Annual Meeting

The 2011 Annual Meeting for the Stockholders of the Company  
will be held at 9:00 a.m., Tuesday, May 3, 2011, 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  
Web site at [www.stepan.com](http://www.stepan.com) within the Investor Relations  
section of the site. At the same Web site location, Stepan  
provides an Ethics Hotline phone number and Web site 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.





Northfield, Illinois 60093

847.446.7500

[www.stepan.com](http://www.stepan.com)