SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-4462

STEPAN COMPANY
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	36-1823834
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Northfield, Illinois	60093
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: 708-446-7500

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $1 par value	American Stock Exchange Chicago Stock Exchange
5 1/2% Convertible Preferred Stock, no par value	Chicago Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act:

None
(Title of Class)

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [ ]

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS, AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO

AGGREGATE MARKET VALUE AT FEBRUARY 28, 1994, OF VOTING STOCK HELD BY NONAFFILIATES OF THE REGISTRANT: $97,673,000.*

NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK AS OF FEBRUARY 28, 1994:

CLASS	OUTSTANDING AT FEBRUARY 28, 1994
Common Stock, $1 par value	4,953,000 shares

DOCUMENTS INCORPORATED BY REFERENCE

PART OF FORM 10-K	DOCUMENT INCORPORATED
Part I, Item 1	1993 Annual Report to Stockholders
Part II, Items 5-8	1993 Annual Report to Stockholders
Part III, Items 10-12	Proxy Statement dated March 29, 1994

*Based on reported ownership by all directors, officers and beneficial owners of more than 5% of registrant's voting stock. However, this determination does not constitute an admission of affiliate status for any of these holders.

PART I

ITEM 1. BUSINESS

Stepan Company and its subsidiaries (the "Company") produce basic and intermediate chemicals which are sold to other manufacturers and then made into a variety of end products. The Company sells three groups of products: surfactants, polymers and specialty products. Surfactants refer to chemical agents which affect the interaction between two surfaces; they can provide actions such as detergency (i.e., the ability of water to remove soil from another surface), wetting and foaming, dispersing, emulsification (aiding two dissimilar liquids to mix), demulsification and viscosity modifications. Surfactants are the basic cleaning agent in detergents for washing clothes, dishes, carpets, fine fabrics, floors and walls. Surfactants are also used for the same purpose in shampoos and conditioners, toothpaste, cosmetics and other personal care products. Commercial and industrial applications include emulsifiers for agricultural pesticides, emulsion polymers such as floor polishes and latex foams and coatings, wetting and foaming agents for wallboard manufacturing and surfactants for enhanced oil recovery. Polymers refer to intermediate chemicals including phthalic anhydride, polyols and urethane foam systems used in plastics, building materials and refrigeration industries. Specialty products consist of flavor and pharmaceutical intermediates, fine chemicals, esters, synthetic lubricants and other specialty products.

During 1989, Stepan Company expanded its Canadian operation with the purchase of two surfactant businesses. In June, the Company purchased the Canada Packers business and in November, the surfactant business of Domtar, Inc. These acquisitions increased the Company's capacity and market share in North America.

In February, 1990, Stepan Company sold its paper chemical business which reported moderate losses since its purchase in 1985.

In the first quarter of 1990, Stepan Company capitalized $1.6 million of loans to Stepan Mexico, increasing Stepan Company's ownership from 40% to 98%. Stepan Mexico S.A. de C.V. is a manufacturer of surfactant chemicals.

In 1991, Stepan Company purchased the ACCOSOFT(R) line of fabric softeners from Karlshamns U.S.A., Inc. The Company also purchased from ICI Americas, Inc. the U.S. portion of sulfonate and sulfonate blend line used in agricultural products and industrial coatings.

In 1993, Stepan Company entered into a 50 percent joint venture with Coldequim, S.A., called Stepan Colombiana de Quimicos, Ltda, in Colombia, South America. Under the agreement, Stepan Colombiana will manufacture selected surfactants and market the Company's complete line of surfactants in the Andean Pact countries of Colombia, Venezuela, Peru, Bolivia and Ecuador.

Marketing and Competition

Principal markets for all products are manufacturers of cleaning or washing compounds (including detergents, shampoos, toothpaste and household cleaners), paints, cosmetics, beverages, agricultural pesticides and herbicides, plastics, furniture, building materials and automotive and refrigeration equipment. Sales of the Company tend not to be seasonal.

The Company does not sell directly to the retail market, but sells to a wide range of manufacturers in many industries and has many competitors. The principal methods of competition are product performance, price and adaptability to the specific needs of individual customers. These factors allow the Company to compete on a basis other than solely price, reducing the severity of competition as experienced in the sale of commodity chemicals having identical performance characteristics. The Company is one of the largest merchant producers of surfactants in the United States. In the case of surfactants, much of the Company's competition comes from the internal divisions of larger companies, as well as several large national and regional producers. In the manufacture of polymers, the Company competes with the chemical divisions of several large companies, as well as with other small specialty chemical manufacturers. In recent years, the Company also faces some competition from foreign imports of phthalic anhydride. In specialty products, the Company competes with several large firms plus numerous small companies. The Company does not expect any significant changes in the competitive environment in the foreseeable future.

Major Customer and Backlog

The Company does not have any one single customer whose business represents more than 10% of the Company's consolidated revenue. Most of the Company's business is essentially on a "spot delivery basis" and does not involve a significant backlog. The Company does have some contract arrangements with certain customers but, in most cases, purchases are contingent on purchaser requirements.

Energy Sources

Substantially all of the Company's manufacturing plants operate on electricity and interruptable gas purchased from local utilities. During peak heating demand periods, gas service to all plants may be temporarily interrupted for varying periods ranging from a few days to several months. The plants operate on fuel oil during these gas interruption periods. The Company has not experienced any plant shutdowns or adverse effects upon its business in recent years that were caused by a lack of available energy sources.

Raw Materials

The most important raw materials used by the Company are of a petroleum or vegetable nature. For 1994, the Company has commitments from suppliers to cover its forecasted requirements and is not substantially dependent upon any one supplier.

Research and Development

The Company maintains an active research and development program to assist in the discovery and commercialization of new knowledge with the intent that such effort will be useful in developing a new product or in bringing about a significant improvement to an existing product or process. Total expenses for research and development during 1993, 1992 and 1991 were $12,613,000, $11,320,000 and $11,558,000, respectively. During 1993 and 1992, the research and development staff consisted of 162 and 142 employees, respectively. The balance of expenses reflected on the Consolidated Statements of Income relates to technical services which include routine product testing, quality control and sales support service.

Environmental Compliance

Compliance with applicable Federal, state and local regulations regarding the discharge of materials into the environment, or otherwise relating to the protection of the environment, resulted in capital expenditures by the Company of approximately $4,076,000 during 1993. Such capital expenditures in 1994 should approximate $6,464,000. These expenditures represented approximately 24% of the Company's capital expenditures in 1993 and are expected to be 18% of such expenditures in 1994. These expenditures, when incurred, are depreciated and charged on a straight-line basis to pre-tax earnings over their respective useful lives which are typically 10 years. Compliance with such regulations is not expected to have a material adverse effect on the Company's earnings and competitive position in the foreseeable future.

Employment

At December 31, 1993 and 1992, the Company employed worldwide 1,302 and 1,317 persons, respectively.

Foreign Operations

See Note 12, Geographic Data, on page 29 of the Company's 1993 Annual Report to Stockholders.

Product Groups

The manufacture of basic and intermediate chemicals constitutes the Company's only industry segment. The Company's three groups of products and their contribution to sales for the three years ended December 31, 1993, were:

	SURFACTANTS	POLYMERS	SPECIALTY PRODUCTS
1993......................................	74%	18%	8%
1992......................................	73%	20%	7%
1991......................................	71%	22%	7%

ITEM 2. PROPERTIES

The Company's corporate headquarters and central research laboratories are located in Northfield, Illinois. The Northfield facilities contain approximately 70,000 square feet on an 8 acre site. In addition, the Company leases 49,000 square feet of office space in a nearby office complex.

The Canadian sales office is located in Mississagua, Canada and is approximately 2,300 square feet of leased space. Stepan Mexico maintains a leased sales office in Mexico City, Mexico.

Surfactants are produced at four plants in the United States, and three wholly owned subsidiaries; one in France, Canada and Mexico. The principal plant is located on a 626 acre site at Millsdale (Joliet), Illinois. A second plant is located on a 39 acre tract in Fieldsboro, New Jersey. West Coast operations are conducted on an 8 acre site in Anaheim, California. A fourth plant is located on a 162 acre site in Winder, Georgia. The plant, laboratory and office of Stepan Europe are located on a 20 acre site near Grenoble, France. Stepan Canada, Inc. is located on a 70 acre leased, with an option to purchase, site in Longford Mills, Ontario, Canada. Stepan Mexico is located on a 13 acre site in Matamoros, Mexico. The phthalic anhydride plant is also located at Millsdale, as is the plant for polyurethane systems and polyurethane polyols. Specialty products are mainly produced at a plant located on a 19 acre site in Maywood, New Jersey.

The Company owns all of the foregoing facilities except the leased office space and Canadian plant site mentioned above. The Company believes these properties are adequate for its operations.

ITEM 3. LEGAL PROCEEDINGS

Reference is made to the Company's Form 10-Q for the quarter ended September 30, 1993 regarding an Administrative Complaint (TSCA 09-93-0011) seeking approximately $4.8 million in fines. On March 1, 1994, the Company announced that it had reached an agreement with Region IX of the United States Environmental Protection Agency ("USEPA") to pay $75,000 for an alleged violation of the Toxic Substances Control Act. The USEPA had originally been seeking fines of approximately $4.8 million on account of allegedly manufacturing a certain product without a premanufacturing notice or which was not on the Toxic Substances Control List.

As previously reported, the Company was named as a potentially responsible party ("PRP") for its Maywood, New Jersey property and property adjacent thereto ("sites"). The Company filed its Remedial Investigation Study on February 11, 1994 and has until March 16, 1994 to file its draft Feasibility Study with the USEPA Region II. The Company expended and charged against its environmental reserve $3,476,000 during the last three years. While it is probable that the Company will incur some site cleanup costs, until the Feasibility Study is completed, it is not possible to estimate what the Company's future liability, if any, would be.

As previously reported, the Company encountered xylene contamination at its Fieldsboro, New Jersey location. The Company plans to expend approximately $220,000 to perform capping activities at this site. The Company is awaiting reapproval from the New Jersey Environmental Protection department. In addition, the Company may spend up to $70,000 per year to perform well monitoring activities.

As previously reported, the Company was named as a PRP with regard to the D'Imperio site located in Hamilton Township, New Jersey. Also, as previously reported, the USEPA, by the United States Justice Department, filed an action against the Company and twenty other PRPs entitled United States of America v. Jerome Lightman et. al. (92 CV 4710 [JBS]) requesting approximately $6,000,000 from twenty companies for USEPA past costs at this site. The court ordered non-binding mediation in this matter which concluded February 17, 1994. The Company did not agree with the mediators' results and conclusions, which in the Company's opinion, were arbitrary and inconsistent. As a result, the Company made a separate offer to pay for what the Company believes to be its share of past costs, or $638,000. The twenty other PRPs have submitted their own proposal to the government. The government has 45 days from February 17, 1994 to accept or reject the Company's offer. If no resolution is reached, the matter will be tried. At this time, the Company cannot estimate what its future potential liability might be at this site.

Reference is made to the Company's Form 10-Q for the quarter ended March 31, 1993 and the Form 10-K/A for the year ended December 31, 1992 regarding an action entitled Alvear et. al. v. Leonard Electronics Product Co. et. al. The Company lost its motion to have its Mexican subsidiary dismissed from the action for lack of jurisdiction. The Company may appeal at the end of this litigation, but under the current court ruling, the Company's Mexican subsidiary will be a party in this action. In addition, the Company's motion for more specificity in the plaintiff's complaint was granted.

The Company was named as a PRP at the Chemical Control Site, Elizabeth, New Jersey. The only manifest linking the Company to this site clearly showed that the waste shipment in question was rejected. The PRP group for Chemical Control has reviewed this evidence and has determined that this shipment was, in fact, rejected. Thus, while the Company technically remains a PRP at this site, the Company believes it has no exposure at this site based upon the PRP group ruling.

As previously reported in the Company's Form 10-Q for the quarter ended September 30, 1991, the Company was named as a defendant in an action entitled D'Imperio et. al. v. Lightman Drum Company, et. al., New Jersey Superior Court, Camden County (No. L-01791-91). This private suit alleges various defendants improperly disposed of hazardous materials at property owned by D'Imperio resulting in damage to D'Imperio's property, as well as tortious interference with a real estate purchase contract. On February 19, 1994, the Court granted the defendants' motions, including the Company's, for Summary Judgement. Unless the plaintiff files an appeal within forty-five days from February 11, 1994, this case is dismissed. The Company does not anticipate an appeal at this time.

ITEM 4. RESULTS OF VOTES OF SECURITY HOLDERS

No matters were submitted to stockholders during the fourth quarter of the fiscal year ended December 31, 1993.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive Officers are elected annually by the Board of Directors at the first meeting following the Annual Meeting of Stockholders, to serve until the next annual meeting of the Board and until their respective successors are duly elected and qualified. Charles W. Given, formerly Vice President--Marketing was appointed Vice President and General Manager--Surfactants, effective April 28, 1992. Ronald L. Siemon, formerly Vice President--Polyurethanes, was appointed Vice President and General Manager--Polymers, effective April 28, 1992. Walter J. Klein, formerly the Corporate Controller, was appointed Vice President and Corporate Controller in May, 1990 and Vice President--Finance effective January 1, 1992. Also effective January 1, 1992, Charles P. Riley, Jr. assumed the position of Vice President--Administration and Regulatory Affairs and previously held the position of Vice President--Manufacturing and Engineering. Mickey Mirghanbari assumed the position of Vice President--Manufacturing and Engineering. Mickey Mirghanbari previously served in the capacity of Vice President for Plant Operations. In February, 1992, James A. Hartlage who was formerly Vice President--Technology for over five years, was appointed Senior Vice President--Technology. As of October 29, 1992, pursuant to Section 3(b) Rule 3b-7 of the Securities Exchange Act of 1934, Mark S. Barg is deemed an executive officer of the Company. Mark Barg has served in the capacity of Vice President--Logistics for the last five years. All other executive officers have remained in their current capacity for over five years.

The Executive Officers of the Company, their ages as of February 28, 1994 and certain other information are as follows:

NAME	AGE	TITLE	YEAR FIRST ELECTED OFFICER
F. Quinn Stepan.........	56	Chairman, President and Chief Executive Officer	1967
James A. Hartlage.......	56	Senior Vice President--Technology	1980
Charles W. Given........	57	Vice President and General Manager--Surfactants	1992
Ronald L. Siemon........	56	Vice President and General Manager--Polymers	1992
Charles P. Riley, Jr. ..	61	Vice President--Administration and Regulatory Affairs	1980
Jeffrey W. Bartlett.....	50	Vice President, General Counsel and Corporate Secretary	1983
Walter J. Klein.........	47	Vice President--Finance	1985
Mickey Mirghanbari......	56	Vice President--Manufacturing and Engineering	1992
Mark S. Barg............	52	Vice President--Logistics	Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

(a) The Company's common stock is listed and traded on both the American Stock Exchange and the Chicago Stock Exchange. See page 30 of the Company's 1993 Annual Report to Stockholders for market price information which is incorporated by reference herein.

The Company's 5 1/2 percent convertible preferred stock is listed and traded on the Chicago Stock Exchange. See Note 6 on page 27 of the Company's 1993 Annual Report to Stockholders for the description of the preferred stockholders' rights which is incorporated by reference herein.

From time to time the Company purchases shares of its common stock in the open market and in block transactions from dealers for the purpose of funding option grants under its stock option plans and deferred compensation plans for directors and officers.

(b) On February 28, 1994, there were 1,783 holders of common stock of the Company.

(c) See page 30 of the Company's 1993 Annual Report to Stockholders for dividend information which is incorporated by reference herein. Also see Note 3 on page 25 of the Company's 1993 Annual Report to Stockholders which sets forth the restrictive covenants covering dividends.

ITEM 6. SELECTED FINANCIAL DATA

See pages 30 and 31 of the Company's 1993 Annual Report to Stockholders for a ten year summary of selected financial information which is incorporated by reference herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See pages 14 through 18 of the Company's 1993 Annual Report to Stockholders which is incorporated by reference herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See pages 19 through 29 of the Company's 1993 Annual Report to Stockholders for the Company's consolidated financial statements, notes to the consolidated financial statements and auditors' report which are incorporated by reference herein.

See page 31 of the Company's 1993 Annual Report to Stockholders for selected quarterly financial data which is incorporated by reference herein.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a)Directors

See pages 3 through 5 of the Company's Proxy Statement dated March 29, 1994, for the Annual Meeting of Stockholders which are incorporated by reference herein.

(b)Executive Officers

See Executive Officers of the Registrant in Part I above.

ITEM 11. EXECUTIVE COMPENSATION

See page 7 of the Company's Proxy Statement dated March 29, 1994, for the Annual Meeting of Stockholders which are incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See pages 1 through 6 of the Company's Proxy Statement dated March 29, 1994, for the Annual Meeting of Stockholders which are incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) & (d) Financial Statements and Schedules

See the Index to the Consolidated Financial Statements and Supplemental Schedules filed herewith.

(b) Reports on Form 8-K

None

(c) Exhibits

See Exhibit Index filed herewith.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

STEPAN COMPANY

By: Jeffrey W. Bartlett
Vice President, General Counsel and Corporate Secretary

March 24, 1994

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

F. Quinn Stepan ----------------------------------- F. Quinn Stepan	Chairman, President, Chief Executive Officer and Director	March 24, 1994
James J. Gavin, Jr. ----------------------------------- James J. Gavin, Jr.	Director	March 24, 1994
Thomas F. Grojean ----------------------------------- Thomas F. Grojean	Director	March 24, 1994
James A. Hartlage ----------------------------------- James A. Hartlage	Senior Vice President--Technology and Director	March 24, 1994
Walter J. Klein ----------------------------------- Walter J. Klein	Vice President--Finance, Principal Financial and Accounting Officer	March 24, 1994
Paul H. Stepan ----------------------------------- Paul H. Stepan	Director	March 24, 1994
Robert D. Cadieux ----------------------------------- Robert D. Cadieux	Director	March 24, 1994

JEFFREY W. BARTLETT, PURSUANT TO POWERS OF ATTORNEY EXECUTED BY EACH OF THE DIRECTORS AND OFFICERS LISTED ABOVE, DOES HEREBY EXECUTE THIS REPORT ON BEHALF OF EACH OF SUCH DIRECTORS AND OFFICERS IN THE CAPACITY IN WHICH THE NAME OF EACH APPEARS ABOVE.

JEFFREY W. BARTLETT

March 24, 1994

INDEX TO THE
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES

A copy of Stepan Company's Annual Report to Stockholders for the year ended December 31, 1993 has been filed as an exhibit to this Annual Report on Form 10-K. Pages 19 through 29 of such Annual Report to Stockholders contain the Consolidated Balance Sheets as of December 31, 1993 and 1992, the Consolidated Statements of Income, Stockholders' Equity and Cash Flows and Notes to Consolidated Financial Statements for the three years ended December 31, 1993, and the Auditors' Report covering the aforementioned financial statements. These consolidated financial statements and the Auditors' Report thereon are incorporated herein by reference.

Supplemental Schedules to Consolidated Financial Statements and the Auditors' Report on such Supplemental Schedules on pages 10 through 12 of this 10-K, including Schedules V and VI--Property, Plant and Equipment and Related Accumulated Depreciation, Schedule VIII--Allowance for Doubtful Accounts and Schedule IX--Short-term Borrowings, which are required to comply with Regulation S-X, are included herein.

The individual financial statements of the Registrant have been omitted because the Registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements being filed, in the aggregate, do not have minority equity interests and/or indebtedness to any person other than the parent in amounts which together exceed 5% of the total consolidated assets at the date of the latest balance sheet filed.

Certain supplemental schedules are not submitted because they are not applicable or not required, or because the required information is included in the financial statements or notes thereto.

STEPAN COMPANY

SUPPLEMENTAL SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1993
AS REQUIRED TO COMPLY WITH REGULATION S-X

SCHEDULES V AND VI--PROPERTY, PLANT AND EQUIPMENT AND RELATED ACCUMULATED DEPRECIATION:

Analyses of property, plant and equipment and the related accumulated depreciation for the three years ended December 31, 1993 are as follows:

PROPERTY, PLANT AND EQUIPMENT
(IN THOUSANDS)

CLASSIFICATION	BALANCE AT DEC. 31, 1992	ADDITIONS AT COST	RETIREMENTS AND SALES	OTHER (A)	BALANCE AT DEC. 31, 1993
Land	$ 4,533	$ --	$ --	$ --	$ 4,533
Buildings and improvements	42,781	8,217	(386)	(469)	50,143
Machinery and equipment	290,866	24,152	(2,524)	(873)	311,621
Construction in progress	15,819	(4,555)	(117)	(5)	11,142
	$353,999	$ 27,814	$ (3,027)	$ (1,347)	$377,439

CLASSIFICATION	BALANCE AT DEC. 31, 1991	ADDITIONS AT COST	RETIREMENTS AND SALES	OTHER (A)	BALANCE AT DEC. 31, 1992
Land	$ 3,996	$ 735	$ --	$ (198)	$ 4,533
Buildings and improvements	37,393	5,559	(66)	(105)	42,781
Machinery and equipment	257,404	35,629	(639)	(1,528)	290,866
Construction in progress	23,467	(7,483)	--	(165)	15,819
	$322,260	$ 34,440	$ (705)	$ (1,996)	$353,999

CLASSIFICATION	BALANCE AT DEC. 31, 1990	ADDITIONS AT COST	RETIREMENTS AND SALES	OTHER (A)	BALANCE AT DEC. 31, 1991
Land	$ 4,006	$ --	$ --	$ (10)	$ 3,996
Buildings and improvements	35,181	2,247	(18)	(17)	37,393
Machinery and equipment	228,681	28,904	(254)	73	257,404
Construction in progress	20,896	2,577	--	(6)	23,467
	$288,764	$ 33,728	$ (272)	$ 40	$322,260

ACCUMULATED DEPRECIATION OF PLANT AND EQUIPMENT
(IN THOUSANDS)

DESCRIPTION	BALANCE AT DEC. 31, 1992	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS AND SALES	OTHER (A)	BALANCE AT DEC. 31, 1993
Buildings and improvements.....	$ 18,763	$ 1,906	$ (362)	$ (26)	$ 20,281
Machinery and equipment........	167,306	23,804	(2,207)	(626)	188,277
	$186,069	$25,710	$(2,569)	$(652)	$208,558

DESCRIPTION	BALANCE AT DEC. 31, 1991	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS AND SALES	OTHER (A)	BALANCE AT DEC. 31, 1992
Buildings and improvements.....	$ 17,287	$ 1,573	$ (64)	$ (33)	$ 18,763
Machinery and equipment........	147,910	20,863	(520)	(947)	167,306
	$165,197	$22,436	$ (584)	$(980)	$186,069

DESCRIPTION	BALANCE AT DEC. 31, 1990	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS AND SALES	OTHER (A)	BALANCE AT DEC. 31, 1991
Buildings and improvements.....	$ 15,908	$ 1,401	$ (18)	$ (4)	$ 17,287
Machinery and equipment........	129,514	18,715	(187)	(132)	147,910
	$145,422	$20,116	$ (205)	$(136)	$165,197

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(A) Primarily relates to impact of foreign currency translation adjustments in accordance with Statement of Financial Accounting Standards No. 52.

SCHEDULE VIII--ALLOWANCE FOR DOUBTFUL ACCOUNTS:

An analysis of the allowance for doubtful accounts for the three years ended December 31, 1993 is summarized as follows:

(IN THOUSANDS)	1993	1992	1991
Balance, Beginning of Year.............................	$1,444	$1,592	$1,482
Provision charged to income..........................	621	119	213
Accounts written off, net of recoveries..............	(326)	(267)	(103)
Balance, End of Year..................................	$1,739	$1,444	$1,592

SCHEDULE IX--SHORT-TERM BORROWINGS

An analysis of the short-term borrowings for the three years ended December 31, 1993 is summarized as follows:

(IN THOUSANDS, EXCEPT INTEREST RATE AMOUNTS)

CATEGORY	BALANCE END OF YEAR	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING AT ANY MONTH-END	AVERAGE AMOUNT OUTSTANDING(1)	WEIGHTED AVERAGE INTEREST RATE(2)
1993 Notes Payable to Banks..................	--	--	$16,300	$ 4,713	3.97%
1992 Notes Payable to Banks..................	--	--	$ 8,300	$ 5,401	4.51%
1991 Notes Payable to Banks..................	--	--	$36,200	$20,230	6.90%

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(1) Average is computed using daily balances.
(2) Weighted average interest rate is computed by dividing interest expense applicable to short-term borrowings by the average amount outstanding during the year.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL SCHEDULES

To Stepan Company:

We have audited in accordance with generally accepted auditing standards, the financial statements included in Stepan Company's Annual Report to Stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 11, 1994. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The supplemental schedules listed in the index of financial statements are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 11, 1994

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
(3)a	Copy of the Certificate of Incorporation, and the Certificates of Amendment of Certificate of Incorporation dated May 6, 1968, April 20, 1972, April 16, 1973, December 2, 1983. Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1983, and incorporated herein by reference.
(3)b	Copy of the Bylaws of the Company as amended through May 6, 1987.*
(3)c	Copy of Certificate of Amendment, dated April 28, 1993, to Article IV of Certificate of Incorporation.##
(3)d	Copy of Certificate of Amendment, dated May 5, 1987, to Article X of Certificate of Incorporation.*
(4)i	Copy of Revolving Credit and Term Loan Agreement dated February 20, 1990, with The First National Bank of Chicago and the amendment dated March 21, 1990.****
(4)m	Copy of Second Amendment dated September 20, 1991, amending Revolving Credit and Term Loan Agreement dated February 20, 1990 (see (4)i above).******
(4)m(1)	Copy of Third Amendment dated December 29, 1992, amending Revolving Credit and Term Loan Agreement dated February 20, 1990 (see (4)i and (4)m above).###
(4)n(1)	Copy of Certificate of Designation, Preferences and Rights of the 5 1/2% Convertible Preferred Stock, without Par Value and the Amended Certificate dated August 12, 1992 and April 28, 1993.##
(4)n(2)	Copy of Issuer Tender Offer Statement on Schedule 13E-4 dated August 13, 1992.#
(4)n(3)	Copy of Amendment No. 1 to Schedule 13E-4 (see also (4)n(2) above) dated September 23, 1992.#
(4)n(4)	Copy of the Company's Form 8-A dated August 13, 1992.# In accordance with 601 (b)(4)(iii) of Regulation S-K, certain debt instruments are omitted, where the amount of securities authorized under such instruments does not exceed 10% of the total consolidated assets of the Registrant. Copies of such instruments will be furnished to the Commission upon request.
(10)a	Description of the 1965 Directors Deferred Compensation Plan.***
(10)b	Copy of the 1969 Management Incentive Compensation Plan as amended and restated as of January 1, 1992.*******
(10)d	Copy of the 1982 Stock Option Plan.***
(10)e	Copy of Leveraged Employee Stock Ownership Plan.****
(10)f	Copy of the Company's 1992 Stock Option Plan.*******
(11)	Statement re computation of per share earnings.
(13)	Copy of the Company's 1993 Annual Report to Stockholders.
(18)	Letter re change in accounting principle for the year ended December 31, 1992.###
(21)	Subsidiaries of Registrant at December 31, 1993.
(23)	Consent of Independent Public Accountants.
(24)	Power of Attorney

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* Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1987, and incorporated herein by reference.

*** Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1988, and incorporated herein by reference.

**** Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference.

****** Filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, and incorporated herein by reference.

******* Filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, and incorporated herein by reference.

Filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992, and incorporated herein by reference.

Filed with the Company's Current Report on Form 8-K filed on April 28, 1993, and incorporated herein by reference.

Filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference.

EXHIBIT (11)

STEPAN COMPANY
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
For the Years Ended December 31, 1993 and 1992
(In Thousands, except per share amounts)

	1993		1992
Computation of Per Share Earnings			
Net income	$10,776		$15,829
Deduct dividends on preferred stock	1,097		336
Income applicable to common stock	$ 9,679		$15,493
Weighted average number of shares outstanding	4,947		5,286
Per share earnings*	$ 1.957		$ 2.931
Computation of Per Share Primary Earnings			
Income applicable to common stock	$ 9,679		$15,493
Weighted average number of shares outstanding	4,947		5,286
Add net shares issuable from assumed exercise of options (under treasury stock method)	103		134
Shares applicable to primary earnings	5,050		5,420
Per share primary earnings*	$ 1.917		$ 2.858
Dilutive effect	2.0%		2.5%
Computation of Per Share Fully Diluted Earnings			
Net income	$ 9,676	(A)	$15,829
Weighted average number of shares outstanding	4,947		5,286
Add net shares issuable from assumed exercise of options (under treasury stock method)	103		151
Add weighted average shares issuable from assumed conversion of convertible preferred stock	-	(A)	140
Shares applicable to fully diluted earnings	5,050		5,577
Per share fully diluted earnings*	$ 1.917		$ 2.838
Dilutive effect	2.0%		3.2%

(A) For 1993, the assumed conversion of convertible preferred stock would have been antidilutive. Accordingly, the dividends and shares issuable from assumed conversion have been excluded pursuant to APB No. 15.

* Rounded

This calculation is submitted in accordance with Regulation S-K, item 601(b)(11).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

1993 COMPARED WITH 1992

Sales for 1993 grew one percent to a record $439 million. The increase was the result of a one percent increase in sales volume. Sales by product group were:

(Dollars in Thousands)	1993	1992	Percent Change
Surfactants	$324,809	$317,522	+2
Polymers	79,071	87,060	-9
Specialty products	34,945	31,182	+12
Total	$438,825	$435,764	+1

Surfactants are a principal ingredient in consumer and industrial cleaning products such as detergents, shampoos, lotions, toothpaste and cosmetics. Other applications include lubricating ingredients and emulsifiers for spreading of insecticides and herbicides. Surfactant sales volume rose two percent. Domestic volume represented 87 percent of total surfactant sales volume and grew by two percent over the prior year. Sales of foreign subsidiaries representing 13 percent of surfactant sales volume declined by two percent. Mexico's sales decreased as a result of a 13 percent drop in volume which was largely offset by increased sales volume in Canada. Europe's sales decreased two percent, despite higher volume as a result of a six percent decline in the value of the French franc and increased competitive pressure on prices. The weaker Canadian dollar also negatively affected the foreign subsidiaries' revenue growth.

The polymer product group includes phthalic anhydride, polyurethane systems and polyurethane polyols. 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. Polyurethane systems provide thermal insulation and are sold to the construction, industrial and appliance markets. Polyurethane polyols are used in the manufacture of laminate board for the construction industry. Polymer sales declined due to a nine percent decrease in volume. Phthalic anhydride, which represents 54 percent of polymer volume, experienced a 17 percent decrease in sales due primarily to increased competition from imports which forced volumes and selling prices down. Polyurethane polyols, which represent 35 percent of total polymer volume, experienced an eight percent decline in volume due to lower export business. Polyurethane systems sales increased seven percent as a result of higher volume and improved selling prices.

Specialty products include flavors, lubricant additives, oil field chemicals and emulsifiers and solubilizers used in the food and pharmaceutical industry. Specialty products revenues grew 12 percent with most of the improvement coming from higher volume. Average selling prices were essentially unchanged.

Gross profit in 1993 was $80.0 million, or 18.2 percent of net sales, a decrease from $81.8 million, or 18.8 percent of net sales in 1992. Surfactants gross profit was $63.0 million for 1993, a decrease of one percent from 1992. Domestic surfactants were down $.3 million, or one percent, as a result of a slight decrease in gross profit margins. Foreign operations were down $.2 million as Stepan Europe continued to face increased competitive pressure in a recessionary European economy. Canada and Mexico both showed improvement over 1992. Polymers gross profit dropped by $4.7 million to $9.7 million for 1993 representing a 33 percent decrease from 1992. Phthalic anhydride accounted for most of the decreased polymer gross profit showing significantly reduced gross profit margins as a result of increased competition from imports in the marketplace. Higher repair and maintenance expenses in the production of phthalic anhydride also contributed to the lower margins. Polyurethane polyols gross profit also decreased despite higher margins as a result of lower volumes. Polyurethane systems gross profit increased on improved margins. Specialty products gross profit grew by $3.4 million to $7.4 million for 1993 representing an 85 percent increase over 1992. Contributing to this performance were higher selling prices for lubricant additives, higher volumes for oil field chemicals and improved margins for food ingredients.

Raw material costs declined slightly during 1993 and are expected to remain stable during 1994. Labor costs increased at a modest rate reflecting the recent low levels of inflation which are expected to continue in the near term. Depreciation expense increased to $25.7 million in 1993 from $22.4 million in 1992 as a result of bringing into service significant capacity expansion projects in recent years, as well as continuing capital spending for plant improvements, a trend that will continue as the Company reinvests in process improvements and compliance with environmental standards.

Operating income, pre-tax income before net interest expense, was $27.3 million in 1993, a 13.8 percent increase from 1992. Operating income in 1992 included a $6.5 million charge relating to environmental expenses and the write down of the Company's investment in Mexico. See Note 10 of the Notes to the Consolidated Financial Statements. Excluding the environmental and restructuring charge in last year, operating expenses for 1993 increased $1.5 million or three percent. Administrative expenses decreased $1.7 million or nine percent primarily due to decreased legal settlement costs and lower office space costs as 1992 was unusually high due to the consolidating of personnel into a newly leased corporate facility. Marketing expenses increased four percent largely due to increased travel by sales personnel and a higher bad debt provision. Research and development costs increased by 17 percent due to planned staffing increases as well as greater travel requirements of research personnel. Cost containment efforts undertaken in prior years have resulted in a moderate increase in operating expenses in 1993 and are expected to continue in 1994.

The effective tax rate was 45 percent in 1993 compared to 40 percent in 1992 on income before the effects of accounting changes. The increase in the tax provision was attributable to the higher corporate tax rate which resulted from the Revenue Reconciliation Act of 1993. Previously deferred tax liabilities were restated to reflect the higher tax rate resulting in an addition to the current year provision. See Note 5 of the Notes to the Consolidated Financial Statements for a reconciliation of the statutory to the effective tax rate.

Net income for 1993 increased three percent to $10.8 million, or $1.96 per share, compared to 1992 net income of $10.4 million, or $1.91 per share before accounting changes. The 1992 net income reflected the retroactive adoption of Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" and a change from the deferred method to the flow-through method of accounting for investment tax credits. The cumulative effect of these changes was a favorable $5.4 million, or $1.02 per share in 1992. See Note 5 of the Notes to the Consolidated Financial Statements for a further explanation of the accounting changes. Net income for 1992 was $15.8 million, or $2.93 per share.

1992 COMPARED WITH 1991

Sales for 1992 increased five percent to a record $436 million. The increase was the result of a four percent increase in sales volume and higher average selling prices. Sales by product group were:

(Dollars in Thousands)	1992	1991	Percent Change
Surfactants	$317,522	$293,347	+8
Polymers	87,060	89,848	-3
Specialty products	31,182	30,874	+1
Total	$435,764	$414,069	+5

Surfactant sales volume increased six percent. Domestic volume represented 86 percent of total surfactant sales volume and grew by three percent over the prior year. Sales of our foreign subsidiaries representing 14 percent of surfactant sales volume grew by 23 percent. Europe's volume increased 40 percent as a result of continued penetration of the European fabric softener market. Mexico's volume increased 42 percent and Canada was unchanged.

Polymer sales declined due to a two percent decrease in volume. Polyurethane polyols, which represent 35 percent of total polymer volume, experienced a nine percent decline in volume due to economic conditions. Phthalic anhydride, which represents 56 percent of polymer volume, experienced a nine percent increase in sales due primarily to higher selling prices as volume only increased slightly. Polyurethane systems sales decreased four percent as a result of declining selling prices.

Specialty products revenues were up slightly despite a four percent decrease in volume. Average selling prices were up five percent with most of the improvement coming from higher selling prices for lubricant additives.

Gross profit in 1992 was $81.8 million, or 18.8 percent of net sales, an increase from $74.0 million, or 17.9 percent of net sales in 1991. Surfactants gross profit reached $61.7 million for 1992, an increase of six percent from 1991. Foreign operations generated the increased surfactant gross profit as Stepan Europe continued to expand into more of the European fabric softener market. Canada and Mexico both showed improvement over 1991. Domestic surfactants were down $.8 million, or two percent, as a result of a slight decrease in gross profit margins. Polymers gross profit grew by $4.4 million to $14.0 million for 1992 representing a 45 percent increase over 1991. Phthalic anhydride accounted for most of the increased polymer gross profit showing significantly improved gross profit margins as a result of improved balance of supply and demand in the marketplace. Polyurethane polyols gross profit also increased despite lower sales volume as a result of higher margins. Polyurethane systems gross profit declined on lower margins. Specialty products was unchanged from the prior year.

Raw material costs remained relatively stable during 1992. Labor costs increased at a modest rate reflecting the low levels of inflation experienced in 1992. Depreciation expense increased to $22.4 million in 1992 from $20.1 million in 1991 as a result of bringing into service a significant capacity expansion project, as well as continuing capital spending for plant improvements.

Operating income, pre-tax income before net interest expense, was $24.0 million, a five percent decline from 1991. Operating income in 1992 included a $6.5 million charge relating to environmental expenses and the write down of the Company's investment in Mexico. See Note 10 of the Notes to the Consolidated Financial Statements. Operating expenses increased $2.6 million or five percent. Administrative expenses increased $2.3 million or 13 percent primarily due to an increase in legal settlement costs and higher costs associated with the leasing of additional corporate office space. Marketing expenses increased a modest three percent largely due to increased personnel in Europe. Research and development costs decreased by one percent. Cost containment efforts undertaken in 1992 are expected to continue in 1993.

Net interest expense increased two percent due to higher average debt levels, ending the year at $97.1 million in total debt compared to $92.5 million at the end of 1991. Average cost of borrowed funds declined as rates on revolving bank debt averaged well below 1991 levels.

The effective tax rate on income before the effects of accounting changes was 40 percent in 1992 compared to 33.5 percent in 1991. The 1992 tax provision reflects the retroactive adoption of Statement of Financial Accounting Standard No.109, "Accounting for Income Taxes" to January 1, 1992 and a change from the deferred method to the flow-through method of accounting for investment tax credits. The cumulative effect of these accounting changes was a favorable $5.4 million or $1.02 per share in 1992. See Note 5 of the Notes to the Consolidated Financial Statements for a further explanation of the accounting change as well as a reconciliation of the statutory to the effective tax rate.

Net income in 1992 was a record $15.8 million or $2.93 per share, up from $12.5 million or $2.30 per share in 1991. Net income excluding accounting changes was $10.4 million, or $1.91 per share in 1992.

LIQUIDITY AND FINANCIAL CONDITION

Cash provided by operating activities totaled $35.3 million during 1993, down by $3.5 million compared to $38.8 million for 1992. Working capital increased by $4.3 million for 1993, compared to an increase of $2.3 million during 1992. Net income, adjusted for non-cash items, declined by $1.4 million from year-to-year. For 1992, non-cash items included $6.5 million of environmental and restructuring charges.

Capital expenditures for 1993 were $25.4 million, down by $9.0 million from the $34.4 million total for 1992. Capital spending is scheduled to increase during 1994 from the 1993 amount, which represented a five-year low.

Total debt was unchanged during 1993, opening and closing the year at $97.1 million. In 1993, the Company entered into $30 million of new long term notes placed at 7.22 percent. Proceeds from the new loans were used to reduce floating rate debt, which fell by $20 million from one year earlier, and to repay $12 million in higher cost fixed rate debt. During 1993, the Company recorded a $1.0 million note payable to its new Colombian joint venture, while debt of foreign subsidiaries increased by $1.0 million. The year-end ratio of long term debt to long term debt plus shareholders' equity was 46.2 percent for 1993, compared to 47.6 percent for 1992 and 49.7 percent for 1991.

The Company maintains contractual relationships with its banks which provide for $45 million of revolving credit which may be drawn upon as needed for general corporate purposes. See Note 3 of the Notes to the Consolidated Financial Statements for a discussion of the terms of this agreement. The Company also meets short term liquidity requirements through uncommitted bank lines of credit and bankers' acceptances.

The Company anticipates that cash from operations and from committed credit facilities will be sufficient to meet anticipated capital expenditure programs, dividend requirements and other planned financial commitments in 1994 and for the foreseeable future.

ENVIRONMENTAL AND LEGAL MATTERS

The Company is subject to extensive Federal, state and local environmental laws and regulations. Although the Company's environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent environmental regulation could require the Company to make additional unforeseen environmental expenditures. The Company will continue to invest in the equipment and facilities necessary to comply with existing and future regulations. During 1993, Company expenditures for capital projects related to the environment were $4.1 million and should approximate $6.5 million for 1994. These projects are capitalized and typically depreciated over 10 years. Capital spending on such projects is likely to continue at these or higher levels in future years. Recurring costs associated with the operation and maintenance of environmental protection facilities for ongoing operations were approximately $8.0 million for 1993 compared to $10.0 million for 1992. While difficult to project, it is not anticipated that these recurring expenses will increase significantly in the future.

The Company has been named by the government as a potentially responsible party at 16 waste disposal sites where cleanup costs have been or may be incurred under the Federal Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes. In addition, damages are being claimed against the Company in general liability actions for alleged personal injury or property damage in the case of some disposal and plant sites. The Company believes that it has made adequate provisions for the costs it may incur with respect to the sites. The Company has estimated a range of possible environmental and legal losses from $4.4 million to $22.8 million at December 31, 1993, compared to $6.1 million to $25.2 million at December 31, 1992. The Company reserves for such losses based on its best estimate of probable losses. At December 31, 1993, the Company's reserve was $7.2 million for legal and environmental matters compared to $9.6 million at December 31, 1992. During 1993, expenditures related to legal and environmental matters approximated $4.5 million compared to $7.2 million expended in 1992. While it is difficult to forecast the expenditure for 1994, the Company believes that the $7.2 million reserve balance at December 31, 1993 is more likely to be paid out over multiple years. At certain of the sites, estimates cannot be made of the total costs of compliance, or the Company's share of such costs; accordingly, the Company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the Company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the Company presently believes that these matters will not have a material effect on the Company's financial position. Certain of these matters are discussed in Item 3, Legal Proceedings in the 1993 Form 10-K Annual Report and in other filings of the Company with the Securities and Exchange Commission, which filings are available upon request from the Company.

In addition, reference should be made to the Ten-Year Summary on pages 30 and 31.

Report of Management

Management Report on Financial Statements

The financial statements of Stepan Company and subsidiaries were prepared by and are the responsibility of management. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include some amounts that are based on management's best estimates and judgments. The Board of Directors, through its Audit Committee, assumes an oversight role with respect to the preparation of the financial statements.

In meeting its responsibility for the reliability of the financial statements, the Company depends on its system of internal accounting control. The system is designed to provide reasonable assurance that assets are safeguarded and that transactions are executed as authorized and are properly recorded. The system is augmented by written policies and procedures and an internal audit department.

The Audit Committee of the Board of Directors, composed solely of directors who are not officers or employees of the Company, meets regularly with management, with the Company's internal auditors and with its independent certified public accountants to discuss its evaluation of internal accounting controls and the quality of financial reporting. The independent auditors and the internal auditors have free access to the Audit Committee, without management's presence.

F. Quinn Stepan
Chairman of the Board and Chief Executive Officer

Walter J. Klein
Vice President-Finance

February 11, 1994

Report of Independent Public Accountants

To the Stockholders of Stepan Company:

We have audited the accompanying consolidated balance sheets of Stepan Company (a Delaware corporation) and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, cash flows and stockholders' equity, for each of the three years in the period ended December 31, 1993. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Stepan Company and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 5 to the consolidated financial statements, effective January 1, 1992, Stepan Company changed its methods of accounting for investment tax credits and for income taxes.

Arthur Andersen & Co.
Chicago, Illinois,
February 11, 1994

CONSOLIDATED BALANCE SHEETS
December 31, 1993 and 1992

(Dollars in Thousands)	1993	1992
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,515	$ 2,915
Receivables, less allowances of $1,739 in 1993 and $1,444 in 1992	57,250	57,030
Inventories (Note 2)	48,918	47,778
Deferred income taxes (Note 5)	7,498	6,922
Other current assets	3,979	3,980
Total current assets	119,160	118,625
PROPERTY, PLANT AND EQUIPMENT:		
Land	4,533	4,533
Buildings and improvements	50,143	42,781
Machinery and equipment	311,621	290,866
Construction in progress	11,142	15,819
	377,439	353,999
Less accumulated depreciation	208,558	186,069
Property, plant and equipment, net	168,881	167,930
Other Assets	12,447	10,525
Total assets	$300,488	$297,080
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt (Note 3)	$ 7,447	$ 6,604
Accounts payable	34,832	37,542
Accrued liabilities (Note 9)	28,312	30,214
Total current liabilities	70,591	74,360
Deferred Income Taxes (Note 5)	36,020	32,709
Long-term Debt, less current maturities (Note 3)	89,660	90,505
STOCKHOLDERS' EQUITY (NOTE 6):		
5 1/2 percent convertible preferred stock, cumulative, voting, without par value; authorized 2,000,000 shares; issued 799,684 shares in 1993 and 800,000 shares in 1992	19,992	20,000
Common stock, $1 par value, authorized 15,000,000 shares; issued 5,113,024 in 1993 and 5,100,945 in 1992	5,113	5,101
Additional paid-in capital	3,781	3,688
Cumulative translation adjustments	(2,058)	(1,023)
Retained earnings	82,475	76,804
	109,303	104,570
Less: Treasury stock, at cost (Note 6)	4,863	4,619
Deferred ESOP compensation (Note 7)	223	445
Stockholders' equity	104,217	99,506
Total liabilities and stockholders' equity	$300,488	$297,080

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated balance sheets.

CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 1993, 1992 and 1991

(Dollars in Thousands, except per share amounts)	1993	1992	1991
Net Sales	$438,825	$435,764	$414,069
COST AND EXPENSES:			
Cost of sales	358,790	353,950	340,047
Marketing	16,738	16,061	15,566
Administrative	18,378	20,110	17,775
Research, development and technical services (Note 1)	17,669	15,134	15,331
Interest, net (Note 3)	7,626	6,644	6,484
Environmental and restructuring charges (Note 10)	--	6,500	--
	419,201	418,399	395,203
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Changes	19,624	17,365	18,866
Provision for Income Taxes (Note 5)	8,848	6,942	6,319
Income Before Cumulative Effect of Accounting Changes	10,776	10,423	12,547
Cumulative Effect of Accounting Changes (Notes 1 and 5)	--	5,406	--
Net Income	$ 10,776	$ 15,829	$ 12,547
PRIMARY EARNINGS PER SHARE:			
Income before cumulative effect of accounting changes	1.96	1.91	2.30
Cumulative effect of accounting changes (Notes 1 and 5)	--	1.02	--
Net Income per Common Share	$ 1.96	$ 2.93	$ 2.30
FULLY DILUTED EARNINGS PER SHARE:			
Income before cumulative effect of accounting changes	1.92	1.87	2.25
Cumulative effect of accounting changes (Notes 1 and 5)	--	.97	--
Net Income per Common Share	$ 1.92	$ 2.84	$ 2.25
Average Common Shares Outstanding (Note 1)	4,947	5,286	5,458

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(COMBINED SALES Chart Appears Here)

(1993 SALES DOLLAR DISTRIBUTION Chart Appears Here)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 1993, 1992 and 1991

(Dollars in Thousands)	1993	1992	1991
Net Cash Flow from Operating Activities			
Net income	$10,776	$15,829	$12,547
Depreciation and amortization	27,679	23,914	21,108
Cumulative effect of accounting changes (Notes 1 and 5)	--	(5,406)	--
Provision for environmental and restructuring charges (Note 10)	--	6,500	--
Deferred income taxes and investment tax credits	2,735	2,409	(1,151)
Prepaid pension cost (Note 8)	(567)	(645)	(606)
Other non-cash items	830	271	222
	41,453	42,872	32,120
Changes in Working Capital:			
Receivables, net	(220)	(2,985)	(3,346)
Inventories	(1,140)	(3,823)	(4,061)
Accounts payable and accrued liabilities	(4,788)	3,000	5,165
Other	1	(250)	22
Net Cash Provided by Operating Activities	35,306	38,814	29,900
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(25,435)	(34,440)	(33,728)
Investment in joint venture (Note 1)	(1,422)	--	--
Other non-current assets	(963)	(1,960)	(3,036)
Net Cash Used for Investing Activities	(27,820)	(36,400)	(36,764)
Cash Flows from Financing and Other Related Activities			
Revolving debt and notes payable to banks, net	(20,631)	11,129	(9,800)
Other debt borrowings	30,000	--	25,000
Other debt repayments	(12,633)	(6,556)	(2,932)
Purchases of treasury stock, net	(244)	(2,034)	(1,333)
Dividends paid	(5,105)	(4,172)	(3,603)
Other non-cash items	(273)	(141)	176
Net Cash (Used for) Provided by Financing and Other Related Activities	(8,886)	(1,774)	7,508
Net (Decrease) Increase in Cash and Cash Equivalents	(1,400)	640	644
Cash and Cash Equivalents at Beginning of Year	2,915	2,275	1,631
Cash and Cash Equivalents at End of Year	$ 1,515	$ 2,915	$ 2,275
Supplemental Cash Flow Information			
Cash payments of income taxes, net of refund	$ 6,327	$ 6,568	$ 6,017
Cash payments of interest	$ 8,002	$ 8,289	$ 7,774

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 1993, 1992 and 1991

(Dollars in Thousands)	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Cumulative Translation Adjustments	Deferred ESOP Compensation	Retained Earnings
BALANCE, JANUARY 1, 1991	$ --	$5,522	$3,320	$(1,252)	$ 324	$ (889)	$ 75,673
Sale of 28,619 shares under stock option plan	--	29	245	--	--	--	--
Purchase of 54,126 shares of common treasury stock, net of sales	--	--	--	(1,333)	--	--	--
Compensation expense (Note 7)	--	--	--	--	--	222	--
Net income	--	--	--	--	--	--	12,547
Cash dividends paid ($.66 per common share)	--	--	--	--	--	--	(3,603)
Translation adjustments	--	--	--	--	61	--	--
BALANCE, DECEMBER 31, 1991	--	5,551	3,565	(2,585)	385	(667)	84,617
Sale of 80,066 shares under stock option plan	--	80	949	--	--	--	--
Purchase of 52,423 shares of common treasury stock, net of sales	--	--	49	(2,034)	--	--	--
Issuance of preferred stock in exchange and retirement of 529,801 shares of common stock (Note 6)	20,000	(530)	(875)	--	--	--	(19,470)
Compensation expense (Note 7)	--	--	--	--	--	222	--
Net income	--	--	--	--	--	--	15,829
Cash dividends paid							
Preferred stock ($.31 per share)	--	--	--	--	--	--	(244)
Common stock ($.74 per share)	--	--	--	--	--	--	(3,928)
Translation adjustments	--	--	--	--	(1,408)	--	--
BALANCE, DECEMBER 31, 1992	20,000	5,101	3,688	(4,619)	(1,023)	(445)	76,804
Sale of 11,900 shares under stock option plan	--	12	132	--	--	--	--
Purchase of 22 shares of common and 8,700 shares of preferred treasury stock, net of sales	--	--	93	(244)	--	--	--
Issuance cost of preferred stock	--	--	(140)	--	--	--	--
Conversion of preferred stock to common stock	(8)	--	8	--	--	--	--
Compensation expense (Note 7)	--	--	--	--	--	222	--
Net income	--	--	--	--	--	--	10,776
Cash dividends paid							
Preferred stock ($1.375 per share)	--	--	--	--	--	--	(1,097)
Common stock ($.81 per share)	--	--	--	--	--	--	(4,008)
Translation adjustments	--	--	--	--	(1,035)	--	--
BALANCE, DECEMBER 31, 1993	$19,992	$5,113	$3,781	$(4,863)	$(2,058)	$ (223)	$ 82,475

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(CAPITAL SPENDING CHART APPEARS HERE)   (EQUITY PER SHARE CHART APPEARS HERE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 1993, 1992 and 1991

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Company's operations consist predominantly of the production and sale of basic and intermediate chemicals which are sold to other manufacturers for use in a variety of end products. Principal markets for all products are manufacturers of cleaning and washing compounds (including detergents, shampoos, toothpaste and household cleaners), paints, cosmetics, beverages, agricultural pesticides and herbicides, plastics, furniture, automotive equipment, insulation and refrigeration.

The Company grants credit to its customers who are widely distributed throughout North America and Europe. There is no material concentration of credit risk.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Stepan Company and its wholly-owned domestic and foreign subsidiary companies. All significant intercompany balances and transactions have been eliminated in consolidation. The equity method of accounting is used for a 50 percent interest in a joint venture in Colombia, South America. The financial results of the joint venture have not been material to the consolidated financial statements.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

INVENTORIES

Inventories are valued at cost, which is not in excess of market value, and include material, labor and plant overhead costs. The last-in, first-out (LIFO) method is used to determine the cost of most domestic inventories. The first-in, first-out (FIFO) method is used for all other inventories. Inventories priced at LIFO as of December 31, 1993 and 1992 amounted to 89 percent of total inventories.

PROPERTY, PLANT AND EQUIPMENT

Depreciation of physical properties is provided on a straight-line basis over the estimated useful lives of various assets. Lives used for calculating depreciation are 30 years for buildings, 15 years for building improvements and from three to 15 years for machinery and equipment. Major renewals and betterments are capitalized in the property accounts, while maintenance and repairs ($16,505,000, $15,335,000, and $15,218,000 in 1993, 1992 and 1991, respectively), which do not renew or extend the life of the respective assets, are charged to operations currently. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Interest charges on borrowings applicable to major construction projects are capitalized and subsequently amortized over the lives of the related assets.

ENVIRONMENTAL EXPENDITURES

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Some of the factors on which the Company will base its estimates include information provided by feasibility studies, potentially responsible party negotiations and the development of remedial action plans. Liabilities are recorded at gross amounts of probable future cash outlays and are not discounted to reflect the time value of money. While the Company has insurance policies that may cover some of its liabilities, it does not record those claims until such time as they become probable. The Company has not recorded any of such insurance claims at December 31, 1993 and 1992. Expenditures that mitigate or prevent environmental contamination that has yet to occur and that otherwise may result from future operations, are capitalized. Capitalized expenditures are depreciated generally utilizing a 10-year life.

INTANGIBLE ASSETS

Included in other assets are intangible assets consisting of patents, agreements not to compete, trademarks, customer lists and goodwill, all of which were acquired as part of business acquisitions. These assets are presented net of amortization provided on a straight-line basis over their estimated useful lives ranging from two to ten years.

RESEARCH AND DEVELOPMENT COSTS

The Company's research and development costs are expensed as incurred. These expenses are aimed at discovery and commercialization of new knowledge with the intent that such effort will be useful in developing a new product or in bringing about a significant improvement to an existing product or process. Total expenses were $12,613,000, $11,320,000 and $11,558,000 in 1993, 1992 and 1991, respectively. The balance of expenses reflected on the Consolidated Statements of Income relates to technical services which include routine product testing, quality control and sales support service.

INCOME TAXES

As discussed in Note 5, in 1992 the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period. Prior to January 1, 1992, under Accounting Principles Board Opinion No. 11, deferred income tax expenses or credits were recorded to reflect the tax consequences of timing differences between the recording of income and expenses for financial reporting purposes and for purposes of filing federal income tax returns at income tax rates in effect when the difference arose.

As discussed in Note 5, in 1992 the Company also changed its accounting method for investment tax credits from the deferred method to the flow-through method in order to conform with predominant U.S. industry practice. The flow-through method recognizes the credits in the year earned, while the deferred method used in prior years, amortizes the credits over the useful lives of the related assets.

TRANSLATION OF FOREIGN CURRENCIES
In general, assets and liabilities of consolidated foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at year end, while revenues and expenses are translated at average exchange rates prevailing during the year. The resulting translation adjustments are included in stockholders' equity. Gains or losses on foreign currency transactions and the related tax effects are reflected in net income.

PER SHARE DATA
Primary earnings per share amounts are computed based on the weighted average number of common shares outstanding, 4,947,000 in 1993, 5,286,000 in 1992 and 5,458,000 in 1991. Common share equivalents resulting from dilutive stock options have been excluded as the dilutive effect was not material. Net income used in computing primary earnings per share has been reduced by dividends payable to preferred shareholders. Fully diluted earnings per share amounts are based on an increased number of common shares that would be outstanding assuming the exercise of certain outstanding stock options and the conversion of the convertible preferred stock, when such conversion would have the effect of reducing earnings per share. The number of shares used in the computations of fully diluted earnings per share were 5,050,000 in 1993, 5,577,000 in 1992 and 5,576,000 in 1991, respectively.

RECLASSIFICATIONS
Certain amounts in the 1991 financial statements have been reclassified to conform with the 1992 and 1993 presentation.

2. INVENTORIES
The composition of inventories was as follows:

	December 31	
(Dollars in Thousands)	1993	1992
Finished products	$27,269	$29,823
Raw materials	21,649	17,955
Total inventories	$48,918	$47,778

If the first-in, first-out (FIFO) inventory valuation method had been used, inventories would have been approximately $9,700,000 and $11,700,000 higher than reported at December 31, 1993 and 1992, respectively.

3. DEBT
Debt was composed of the following:

		December 31	
(Dollars in Thousands)	Maturity Dates	1993	1992
Unsecured promissory notes			
10.54%	1994-1998	$17,856	$25,000
9.52%	1995-2001	15,000	15,000
9.70%	1994-2001	8,000	10,000
9.70%	1997-2006	10,000	10,000
9.40%	1994-1995	2,860	5,716
7.22%	1999-2008	30,000	--
Unsecured bank debt, interest at 5.31% at December 31, 1993	1995-1998	7,000	26,700
ESOP loan guarantee (Note 7)	1994	300	600
Loans of foreign subsidiaries payable in foreign currency	1994-2003	5,091	4,093
Note payable to joint venture interest in Columbia, South America	1994	1,000	--
Total debt		97,107	97,109
Less current maturities		7,447	6,604
Long-term debt		$89,660	$90,505

Unsecured bank debt at December 31, 1993, consists of borrowings under a committed $45,000,000 revolving credit agreement which bears interest at varying rates. Borrowings under this agreement at September 20, 1995, if any, would convert to a term loan payable over three years. The Company must pay a commitment fee of .25 percent per annum on the unused portion of the commitment. Periodically, the Company also availed itself of other borrowings under notes payable to banks of which there were no outstanding balances at December 31, 1993 and 1992.

The various loan agreements contain restrictions on the minimum current ratio, minimum interest coverage, additional debt, investments and payment of dividends. Unrestricted retained earnings were $32,789,000 and $39,669,000 at December 31, 1993 and 1992, respectively. The Company is in compliance with all loan agreements.

Debt at December 31, 1993 matures as follows: $7,447,000 in 1994; $9,218,000 in 1995; $10,070,000 in 1996; $11,052,000 in 1997; $11,846,000 in 1998 and $47,474,000 after 1998.

Net interest expense for the years ended December 31, was composed of the following:

(Dollars in Thousands)	1993	1992	1991
Interest expense	$8,552	$ 8,326	$ 8,396
Interest income	(331)	(150)	(78)
	8,221	8,176	8,318
Capitalized interest	(595)	(1,532)	(1,834)
Interest, net	$7,626	$ 6,644	$ 6,484

4. LEASED PROPERTIES

The Company leases certain property and equipment (primarily transportation equipment, buildings and computer equipment) under operating leases. Total rental expense was $2,932,000, $3,343,000 and $3,239,000 in 1993, 1992 and 1991, respectively.

Minimum future rental payments under operating leases with terms in excess of one year as of December 31, 1993 are:

(Dollars in Thousands)	Year	Amount
	1994	$2,271
	1995	1,710
	1996	1,136
	1997	668
	1998	555
	Subsequent to 1998	1,905
Total minimum future rental payments		$8,245

5. INCOME TAXES

In 1992, the Company adopted SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method of accounting for income taxes. As a result of adopting SFAS No. 109, the Company recognized a cumulative benefit of $4,254,000 ($.80 per primary share and $.76 per fully diluted share), as of January 1, 1992. The benefit was included under the caption "Cumulative Effect of Accounting Changes" in the Consolidated Statements of Income. Prior year financial statements have not been restated to reflect the new accounting method. The effect of this new standard on income tax expense (exclusive of the cumulative benefit) for the year ended December 31, 1992, and for each of the quarters in the period then ended, was not material.

In 1992, the Company also changed its method of accounting for investment tax credits from the deferred method to the flow-through method. This change resulted in the recognition of a cumulative benefit of $1,152,000 ($.22 per primary share and $.21 per fully diluted share) as of January 1, 1992, for credits earned but not recognized under the deferred method used prior to this date. The benefit was included under the caption "Cumulative Effect of Accounting Changes" in the Consolidated Statements of Income. The effect of this change on net income (exclusive of the cumulative benefit) for the year ended December 31, 1992 and for each of the quarters in the period then ended, was not material. If the flow-through rather than deferred method of accounting for investment tax credits had been used in 1991, net income and the related per share amount would have been reduced by $552,000 ($.10 per share).

The provision for taxes on income and the related income before taxes, are as follows:

TAXES ON INCOME

(Dollars in Thousands)	1993	1992	1991
Federal			
Current	$3,818	$2,462	$4,666
Deferred	1,365	1,023	(296)
Net deferred investment tax credits	--	--	(552)
State			
Current	1,076	692	1,103
Deferred	239	359	90
Foreign			
Current	1,426	1,643	1,166
Deferred	924	763	142
Total	$8,848	$6,942	$6,319

INCOME BEFORE TAXES AND ACCOUNTING CHANGES

(Dollars in Thousands)	1993	1992	1991
Domestic	$14,493	$ 9,781	$15,916
Foreign	5,131	7,584	2,950
Total	$19,624	$17,365	$18,866

No Federal income taxes have been provided on approximately $16,884,000 of undistributed earnings of the Company's foreign subsidiaries. These earnings are expected to be reinvested indefinitely. Such earnings would become taxable upon the sale or liquidation of the foreign subsidiaries or upon the remittance of dividends. Because of the probable availability of foreign tax credits, it is not practicable to estimate the amount, if any, of the deferred tax liability on such earnings.

The variations between the effective and statutory Federal income tax rates are summarized as follows:

	1993		1992		1991	
(Dollars in Thousands)	Amount	%	Amount	%	Amount	%
Income tax provision at statutory tax rate	$6,731	34.3	$5,903	34.0	$6,413	34.0
State taxes on income less applicable Federal tax benefit	864	4.4	694	4.0	943	5.0
Beginning-of-year deferred tax adjustment for tax rate change	558	2.8	--	--	--	--
Amortization of investment tax credits	--	--	--	--	(552)	(2.9)
Research and development credit	(55)	(.3)	--	--	(339)	(1.8)
Valuation allowance	319	1.6	390	2.2	--	--
Other items	431	2.3	(45)	(.2)	(146)	(.8)
Total income tax provision	$8,848	45.1	$6,942	40.0	$6,319	33.5

Disclosure requirements pursuant to accounting standards for income taxes prior to SFAS No. 109, require a detail of deferred income tax expense (benefit) by component. For the period presented prior to the adoption of SFAS No. 109, the provision for deferred income taxes resulted from the tax effect of the following items:

(Dollars in Thousands)	1991
Tax over book depreciation	$ 1,095
Safe Harbor leases	(309)
SFAS No. 87 pension accounting	252
Book reserves deductible in other periods	(556)
Other, net	(546)
Deferred tax provision	$ (64)

Pursuant to SFAS No. 109, deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws. The net deferred tax liability at December 31 is comprised of the following:

(Dollars in Thousands)	1993	1992
Current deferred income taxes		
Gross assets	$ 7,740	$ 7,166
Gross liabilities	(242)	(244)
Total current deferred tax assets	7,498	6,922
Non-current deferred income taxes		
Gross assets	2,066	1,447
Valuation allowance	(730)	(390)
Gross liabilities	(37,356)	(33,766)
Total non-current deferred tax liabilities	(36,020)	(32,709)
Net deferred tax liability	$ (28,522)	$ (25,787)

At December 31, the tax effect of significant temporary differences representing deferred tax assets and liabilities are as follows:

(Dollars in Thousands)	1993	1992
Tax over book depreciation	$ (29,608)	$ (26,201)
Safe Harbor leases	(4,547)	(5,448)
SFAS No. 87 pension accounting	(2,282)	(1,994)
State income tax accrual	1,437	1,450
Book reserves deductible in other periods	7,204	6,223
Valuation allowance	(730)	(390)
Other, net	4	573
Net deferred tax liability	$ (28,522)	$ (25,787)

6. STOCKHOLDERS' EQUITY

On April 28, 1993, the shareholders approved an increase in the authorized shares of the 5 1/2% convertible preferred stock ("preferred stock") from 200,000 to 2,000,000 and approved an eight-for-one stock split to shareholders of record on April 30, 1993. All share and per share data appearing in the consolidated financial statements and notes thereto have been retroactively adjusted for the stock split and the increased authorized shares.

In 1992, the Company acquired 529,801 shares of its common stock in exchange for 800,000 shares of its then newly issued preferred stock at an exchange ratio of one share of preferred stock for each .66225 share of common stock. In connection with the exchange transaction, the Company recorded $20,000,000 of preferred stock based on the market value of the 529,801 shares of common stock acquired. Simultaneously, the Company retired these common shares by reducing common stock in the amount of $529,801 (par value) and retained earnings by $19,470,199. Additional paid-in capital was reduced by $875,000, representing the costs related to the issuance of the preferred stock.

The preferred stock is convertible at the option of the holder at any time (unless previously redeemed) into shares of common stock at a conversion rate of .57087 share of common stock for each share of preferred stock. Dividends on preferred stock accrue at a rate of $1.375 per share per annum which are cumulative from the date of original issue. The Company may not declare and pay any dividend or make any distribution of assets (other than dividends or other distribution payable in shares of common stock) on, or redeem, purchase or otherwise acquire, shares of common stock, unless all accumulated and unpaid preferred dividends have been paid or are contemporaneously declared and paid. The preferred stock is subject to optional redemption by the Company, in whole or in part, at any time on or after September 1, 1997, at a redemption price of $25.69 per share reduced annually by $.14 per share to a minimum of $ 25 per share on or after September 1, 2002, plus accrued and unpaid dividends thereon to the date fixed for redemption. The aggregate liquidation preference is approximately $20.0 million at December 31, 1993 and 1992. Preferred stock is entitled to a .57087 vote per share on all matters submitted to stockholders for action, and votes together with the common stock as a single class, except as otherwise provided by law or the Certificate of Incorporation of the Company. There is no mandatory redemption or sinking fund obligation with respect to the preferred stock.

In 1992, the shareholders approved the Stepan Company 1992 Stock Option Plan ("1992 Plan"). The 1992 Plan replaces the 1982 Plan and extends participation to directors who are not employees of the Company. The 1992 Plan authorizes the award of up to 800,000 shares of the Company's common stock for stock options ("options") and stock appreciation rights ("SAR"). SARs entitle the employee to receive an amount equal to the difference between the fair market value of a share of stock at the time the SAR is exercised and the exercise price specified at the time the SAR is granted. Options are granted at the market price on the date of grant and become exercisable on various dates over a ten-year period. The purchase price per share of options currently outstanding ranges from $7.6875 to $36.4375 with option expiration dates ranging from May 15, 1994 to April 27, 2002. The options become exercisable as follows: 235,170 currently exercisable and 121,952 on April 28, 1994.

A summary of option transactions during the two years ended December 31, 1993, follows:

(Dollars in Thousands, except per share amounts)	Shares Available for Grant	Options Outstanding Shares	Price per Share	Aggregate Option Price
BALANCE, JANUARY 1, 1992	--	330,336	$6.000 -- 29.375	$5,805
1992 Stock Option Plan	800,000	--	--	--
Granted	(124,152)	124,152	36.4375	4,524
Exercised	--	(80,066)	6.000 -- 24.1875	(1,029)
Cancelled	--	(3,200)	18.875	(60)
BALANCE, DECEMBER 31, 1992	675,848	371,222	7.6875 -- 36.4375	9,240
Exercised	--	(11,900)	7.6875 -- 24.1875	(144)
Cancelled	--	(2,200)	36.4375	(80)
BALANCE, DECEMBER 31, 1993	675,848	357,122	$7.6875 -- 36.4375	$9,016
Became exercisable in 1993		35,000	$25.125	$ 879
Became exercisable in 1992		64,100	$18.875	$1,210

At December 31, 1993, treasury stock consists of 8,700 shares of preferred stock and 165,029 shares of common stock. At December 31, 1992, treasury stock consisted of no preferred stock and 165,007 shares of common stock.

7. DEFERRED ESOP COMPENSATION

In 1985, the Company established an Employee Stock Ownership Plan ("ESOP"). Under the Plan, the Company makes contributions to a trust for the benefit of eligible employees. The amount of the contribution is discretionary except that it must be sufficient to enable the trust to meet its current obligations.

The Trust originally borrowed $2,000,000 to purchase 219,178 common shares for the Plan. The Company has guaranteed the loan and is obligated to contribute sufficient cash to the Plan to repay the loan. The loan bears interest at 85 percent of the prime rate which was 6.0 percent at December 31, 1993 and 1992. The remaining balance of the loan is reported as current maturities of long-term debt in the consolidated balance sheet of the Company at December 31, 1993 (Note 3), and a related amount of deferred compensation has been reported as a reduction of stockholders' equity. Compensation expense is recognized in equal annual amounts through 1994.

8. PENSION PLANS

The Company has non-contributory defined benefit plans covering substantially all employees. The benefits under these plans are based primarily on years of service and compensation levels. The Company funds the annual provision deductible for income tax purposes. The plans' assets consist principally of marketable equity securities and government and corporate debt securities. The plans' assets at December 31, 1993, include $5,906,000 of the Company's common stock.

Net 1993, 1992 and 1991 periodic pension cost for the plans consists of the following:

(Dollars in Thousands)	1993	1992	1991
Service cost	$1,251	$1,095	$ 1,025
Interest cost on projected benefit obligation	2,228	1,997	1,805
Actual return on plan assets	(3,222)	(3,372)	(10,279)
Net amortization and deferral	(824)	(365)	6,843
Net prepaid pension cost	$ (567)	$ (645)	$ (606)

The reconciliation of the funded status of the plans to the amount reported in the Company's consolidated balance sheet is as follows:

(Dollars in Thousands)	1993	1992
Vested benefit obligation	$(24,388)	$(18,473)
Accumulated benefit obligation	(27,190)	(20,661)
Projected benefit obligation	(32,818)	(26,608)
Plan assets at fair value	46,471	44,296
Plan assets in excess of projected benefit obligation	13,653	17,688
Unrecognized net gain	(3,855)	(7,751)
Unamortized net transitional assets	(4,755)	(5,434)
Unamortized prior service cost	508	481
Prepaid pension asset	$ 5,551	$ 4,984

The prepaid pension asset is included in the "Other Assets" caption on the Consolidated Balance Sheets.

The projected benefit obligations were determined using a discount rate of 7.0 and 8.25 percent for 1993 and 1992, respectively. The projected benefit obligations were determined under assumed compensation increases for different employee groups of 7.0 percent, 6.0 percent, and 5.0 percent for 1993 and 9.5 percent, 8.0 percent, 7.0 percent and 6.0 percent for 1992. The assumed long-term rate of return on plan assets was 8.5 percent for 1993 and 1992. The plans' net transitional assets are being amortized over a period of 15 years. The prior service costs are being amortized over an average of 12 years.

9. ACCRUED LIABILITIES
Accrued liabilities consisted of:

(Dollars in Thousands)	December 31 1993	1992
Accrued payroll and benefits	$ 9,583	$10,402
Provision for uninsured risks	8,786	11,258
Other accrued liabilities	9,943	8,554
Total accrued liabilities	$28,312	$30,214

10. ENVIRONMENTAL AND RESTRUCTURING CHARGES
In 1992, the Company recorded a provision for environmental expenditures of $5.0 million and a write-down of certain assets of $1.0 million and the related restructuring reserve of $.5 million. The purpose of the environmental provision was to bring the Company's reserve for existing claims to a more conservative level of probability. These future expenditures are indicative of the Company's commitment to improve and maintain the environment in which it operates. Environmental accruals are included in the "Accrued liabilities" caption of the Company's consolidated balance sheets. In connection with a realignment of its operation in late 1992, the Company conducted a review of its operating subsidiaries and determined that certain assets should be written down, which resulted in non-recurring charges of $1.5 million. These charges included a $1.0 million write-down of certain non-performing assets of its subsidiary located in Matamoros, Mexico, and an accrual of $.5 million for related restructuring costs. This wholly owned subsidiary continues to serve the surfactant market throughout Mexico.

11. CONTINGENCIES
There are a variety of legal proceedings pending or threatened against the Company. Some of these proceedings may result in fines, penalties, judgments or costs being assessed against the Company at some future time. The Company's operations are subject to extensive local, state and federal regulations, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("Superfund") and the Superfund amendments of 1986. The Company, and others, have been named as potentially responsible parties at affected geographic sites. As discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company believes that it has made adequate provisions for the costs it may incur with respect to these sites. The Company has estimated a range of possible environmental and legal losses from $4.4 million to $22.8 million at December 31, 1993, compared to $6.1 million to $25.2 million at December 31, 1992. The Company reserves for such losses based on its best estimate of probable losses. At December 31, 1993, the Company's reserve was $7.2 million for legal and environmental matters compared to $9.6 million at December 31, 1992. The Company made payments of $4.5 million in 1993 and $7.2 million in 1992 related to legal costs, settlements and costs related to remedial design studies at various sites. While the Company has insurance policies that may cover some of its environmental costs, it does not record those claims until such time as they become probable. At December 31, 1993 and 1992, the Company has not recorded any of such insurance claims.

At certain of the sites, estimates cannot be made of the total costs of compliance, or the Company's share of such costs; accordingly, the Company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the Company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the Company presently believes that these matters will not have a material effect on the Company's financial position. Certain of these matters are discussed in Item 3, Legal Proceedings in the 1993 Form 10-K Annual Report and in other filings of the Company with the Securities and Exchange Commission, which filings are available upon request from the Company.

12. GEOGRAPHIC DATA

(Dollars in Thousands)	1993	1992	1991
Net Sales			
United States	$368,461	$365,666	$355,179
Other	70,364	70,098	58,890
	$438,825	$435,764	$414,069
Operating Income (a)			
United States	$ 22,122	$ 21,998	$ 21,407
Other	5,128	8,511	3,943
	$ 27,250	$ 30,509	$ 25,350
Identifiable Assets			
United States	$256,398	$255,696	$232,897
Other	44,090	41,384	38,545
	$300,488	$297,080	$271,442

(a) Operating income is calculated as income before net interest expense, environmental and restructuring charges, provision for income taxes and cumulative effect of accounting changes.

Other includes subsidiaries in Canada, Europe and Mexico. Export sales and transfers between geographic areas are not significant.

TEN YEAR SUMMARY
(In Thousands, except per share and employee data)

FOR THE YEAR	1993	1992	1991
Net Sales	$438,825	$435,764	$414,069
Income from Operations	19,624	23,865(g)	18,866
Percent of net sales	4.5%	5.5%	4.6%
Gain on Sale of Assets	--	--	--
Environmental and Restructuring Charges	--	6,500	--
Pre-tax Income	19,624	17,365	18,866
Percent of net sales	4.5%	4.0%	4.6%
Provision for Income Taxes	8,848	6,942	6,319
Net Income	10,776	15,829(h)	12,547
Per share(a)(b)	1.96	2.93	2.30
Percent of net sales	2.5%	3.6%	3.0%
Percent to stockholders' equity(c)	10.8%	17.4%	15.2%
Cash Dividends Paid	5,105	4,172	3,603
Per common share(a)	.810	.740	.660
Depreciation and Amortization	27,679	23,914	21,108
Capital Expenditures	25,435	34,440	33,728
Average Common Shares Outstanding(a)	4,947	5,286	5,458
AS OF YEAR END			
Working Capital	$ 48,569	$ 44,265	$ 41,972
Current Ratio	1.7	1.6	1.7
Property, Plant and Equipment(net)	168,881	167,930	157,063
Total Assets	300,488	297,080	271,442
Long-term Debt	89,660	90,505	89,759
Stockholders' Equity	104,217	99,506	90,866
Per share(a)(d)	19.30	18.45	16.71
Number of Employees	1,302	1,317	1,317

(a) Adjusted for two-for-one stock split in 1988.
(b) Based on average number of common shares outstanding during the year.
(c) Based on equity at beginning of year.
(d) Based on common shares outstanding at year end.
(e) Change in method of accounting for pensions increased net income in 1986 by $467 or $.08 per share.
(f) Pre-tax income before gain on sale of assets.
(g) Pre-tax income before environmental and restructuring charges and cumulative effect of accounting changes.
(h) Reflected cumulative effect of accounting changes for income taxes and investment tax credits of $5.4 million, or $1.02 per primary share and $.97 per fully diluted share.

QUARTERLY STOCK DATA (UNAUDITED)

	Stock Price Range				Dividends Paid Per Common Share	
	1993		1992		1993	1992
Quarter	High	Low	High	Low		
First	$37 5/8	$30 3/4	$34 1/4	$26 1/4	$.20	$.18
Second	37 1/8	31 5/8	45	32 3/4	.20	.18
Third	33 5/8	29	45 3/4	34 1/4	.20	.18
Fourth	29 5/8	25 1/8	36 3/4	30 7/8	.21	.20
Year	37 5/8	25 1/8	45 3/4	26 1/4	.81	.74

1990	1989	1988	1987	1986	1985	1984
$389,612	$346,350	$333,033	$288,935	$259,787	$235,919	$234,930
21,420(f)	11,701	20,554	19,230	14,037	9,231	6,103
5.5%	3.4%	6.2%	6.7%	5.4%	3.9%	2.6%
874	--	--	--	--	--	--
--	--	--	--	--	--	--
22,294	11,701	20,554	19,230	14,037	9,231	6,103
5.7%	3.4%	6.2%	6.7%	5.4%	3.9%	2.6%
7,803	3,861	7,126	8,271	6,524	3,760	680
14,491	7,840	13,428	10,959	7,513(e)	5,471	5,423
2.64	1.42	2.39	1.83	1.26(e)	.94	.83
3.7%	2.3%	4.0%	3.8%	2.9%	2.3%	2.3%
20.5%	11.7%	22.4%	19.9%	15.2%	11.5%	9.3%
3,190	2,919	2,658	2,386	2,145	2,000	2,095
.580	.530	.475	.415	.370	.345	.325
19,391	17,061	15,393	13,815	11,630	9,949	9,426
38,375	34,090	20,442	25,705	14,322	19,189	11,557
5,496	5,517	5,608	5,977	5,944	5,793	6,550
$ 38,943	$ 36,952	$ 28,498	$ 26,637	$ 23,386	$ 20,602	$ 23,289
1.7	1.8	1.6	1.7	1.6	1.6	1.7
143,342	122,509	104,697	98,994	85,607	82,796	73,261
246,992	215,351	185,601	172,726	152,794	139,307	133,941
77,326	68,568	45,369	44,399	34,868	36,962	34,049
82,698	70,741	66,790	59,936	55,029	49,575	47,660
15.14	12.90	12.13	10.65	9.53	8.56	8.23
1,311	1,152	1,028	1,002	948	894	870

QUARTERLY FINANCIAL DATA (UNAUDITED)
(Dollars in Thousands, except per share data)

	1993					1992				
Quarter	FIRST	SECOND	THIRD	FOURTH	TOTAL	First	Second	Third	Fourth	Total
Net Sales	$114,620	$110,578	$111,111	$102,516	$438,825	$107,404	$113,909	$109,897	$104,554	$435,764
Gross Profit	22,868	20,662	21,149	15,356	80,035	20,347	21,594	20,262	19,611	81,814
Interest, net	(1,887)	(1,904)	(1,869)	(1,966)	(7,626)	(1,736)	(1,569)	(1,551)	(1,788)	(6,644)
Pre-tax Income (Loss)(b)	7,975	5,760	6,688	(799)	19,624	6,378	6,365	6,230	(1,608)	17,365
Net Income (Loss)(a)(b)	4,687	3,368	3,170	(449)	10,776	9,297	3,883	3,800	(1,151)	15,829
Net Income (Loss) per Share(a)(b)	.89	.63	.59	(.15)	1.96	1.71	.71	.70	(.29)	2.93

[FN]

(a) In 1992, net income and net income per share for the first three quarters have been restated to reflect the cumulative effect of the accounting changes for SFAS No. 109 ($4,254) and investment tax credits ($1,152). (Notes 1 and 5.) The restatement has increased net income per share $.96 for the first quarter and reduced net income per share $.04 and $.05 for the second and third quarters, respectively, from those previously reported amounts.

(b) In 1992, the provisions for environmental and restructuring charges (Note 10) had the effect of increasing pre-tax loss, net loss and net loss per share for the fourth quarter by $6,500, $4,355 and $.89, respectively.

Exhibit (21)

STEPAN COMPANY
SUBSIDIARIES OF REGISTRANT

Subsidiary	Organized under the Laws of:
Stepan Europe	France
Stepan Canada, Inc.	Canada
Stepan Mexico, S.A. de C.V.	Mexico

EXHIBIT (23)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 11, 1994, included or incorporated by reference in Stepan Company's Annual Report in this Form 10-K for the year ended December 31, 1993, into the Company's previously filed Registration Statements on Form S-8, File Nos. 2-64668, 2-40183 and 2-80336.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 24, 1994

Exhibit (24)

POWER OF ATTORNEY

The undersigned hereby appoints F. Quinn Stepan, Walter J. Klein and Jeffrey W. Bartlett, and each of them individually, the true and lawful attorney or attorneys of the undersigned, with substitution and resubstitution, to execute in his name, place and stead in his capacity as an officer or director or both of Stepan Company, a Delaware Corporation, the Annual Report of Form 10-K under the Securities Exchange Act of 1934, and any amendments or supplements thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed such Annual Report and related documents with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, every act whatsoever necessary or desirable to be done in the premises, as fully as all intents and purposes of the undersigned could do in person. The undersigned hereby ratifies and approves the actions of said attorneys and each of them.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on this ____ day of March, 1994.

F. Quinn Stepan
James J. Gavin, Jr.
Thomas F. Grojean
James A. Hartlage
Walter J. Klein
Paul H. Stepan
Robert D. Cadieux