UNITED STATES
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, 1995

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 Number)
Edens and Winnetka Road, Northfield, Illinois	60093
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: 847-446-7500

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	New York Stock Exchange (Effective March 14, 1996) American Stock Exchange (Cancelled March 13, 1996) Chicago Stock Exchange
5 1/2% Convertible Preferred Stock, no par value	New York Stock Exchange (Effective March 14, 1996) 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 29, 1996, OF VOTING STOCK HELD BY NONAFFILIATES OF THE REGISTRANT: $141,542,000.*

NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK AS OF FEBRUARY 29, 1996:

CLASS	OUTSTANDING AT FEBRUARY 29, 1996
Common Stock, $1 par value	10,039,000 shares

DOCUMENTS INCORPORATED BY REFERENCE

PART OF FORM 10-K	DOCUMENT INCORPORATED
Part I, Item 1	1995 Annual Report to Stockholders
Part II, Items 5-8	1995 Annual Report to Stockholders
Part III, Items 10-12	Proxy Statement dated April 5, 1996

*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 specialty 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, toothpastes, cosmetics and other personal care products. Commercial and industrial applications include emulsifiers for agricultural insecticides and herbicides, 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.

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 the 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 manufactures selected surfactants and markets the company's complete line of surfactants in the Andean Pact countries of Colombia, Venezuela, Peru, Bolivia and Ecuador.

In 1994, Stepan Company entered into a 50 percent joint venture with United Coconut Chemicals, Inc. and United Coconut Planters International in the Philippines. The venture, called Stepan Philippines, Inc., will manufacture selected surfactants for sale in the Philippines and Asia/Pacific markets commencing in 1996.

In January 1996, Stepan Company agreed in principle to acquire a sulfonation plant and sulfonated products business from Shell Group in Cologne, Germany. This plant will allow the company to serve Northern European customers with a wide range of sulfate and sulfonate products used in household, personal care, individual, institutional and agricultural markets.

MARKETING AND COMPETITION

Principal markets for all products are manufacturers of cleaning or washing compounds (including detergents, shampoos, toothpastes and household cleaners), paints, cosmetics, food and beverages, agricultural insecticides 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 sales 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 has also faced periodic 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 the "spot delivery basis" and does not involve a significant backlog. The company does have some contract arrangements with certain customers, but purchases are generally 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 1996, 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 1995, 1994 and 1993 were $12,425,000, $12,281,000 and $12,613,000, respectively. During 1995 and 1994, the research and development staff consisted of 175 and 170 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 $6,840,000 during 1995. Such capital expenditures in 1996 should approximate $5.4 million. These expenditures represented approximately 17% of the company's capital expenditures in 1995 and are expected to be 10% of such expenditures in 1996. 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, 1995 and 1994, the company employed worldwide 1,267 and 1,265 persons, respectively.

FOREIGN OPERATIONS

See Note 12, Geographic Data, on page 29 of the company's 1995 Annual Report to Stockholders.

PRODUCT GROUPS

The manufacture of specialty 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, 1995, were:

	SURFACTANTS	POLYMERS	SPECIALTY PRODUCTS
1995	72%	22%	6%
1994	74%	18%	8%
1993	74%	18%	8%

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, polyurethane systems and polyurethane polyols plants are also located at Millsdale. 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 report Form 10-K for the years ended 1991, 1992 and 1994 and reports Form 10-Q for the quarters ended September 30, 1993, and September 30, 1995, regarding the company's Maywood site. No remediation action has occurred at this site, but the company still anticipates that the Record of Decision will be issued in the calendar year 1996.

Reference is made to the company's report Form 10-Q for the quarters ended September 30, 1993, September 30, 1994, and September 30, 1995, regarding the Ewan and D'Imperio cases and particularly U.S. v. Jerome Lightman (92 cv 4710 (JBS)). The government in this case has indicated a willingness to settle this case and settlement discussions are underway. However, even if the case with the government is settled, the case regarding issues of liability and allocation between the company and other potentially responsible parties will continue and is still scheduled for trial in the third or fourth quarter of 1996.

Reference is made to the company's report Form 10-K for the year ended 1992 and report Form 10-Q for the quarter ended September 30, 1995, relating to the insurance recovery case brought by the company against its insurers to recover the cost of remediation at various sites. On February 23, 1996, the Chancery Court Cook County, State of Illinois, ruled that the Hartford Insurance Company is "foreclosed" from contesting coverage under the policies which it wrote over a period of 14 years. The company has made a demand upon the Hartford which has not responded. After issuance of a final judgement order, the Hartford may appeal the decision and the company cannot at this time estimate what the outcome of such appeal, if any, will be.

Reference is made to the company's report Form 10-Q for the quarter ended September 30, 1993, relating to the Biddle Sawyer site located in Keyport, New Jersey. (Biddle Sawyer Corporation v. American Cyanamid Company in the United States District Court of New Jersey CA-93-1063). As reported previously, the company was named as a defendant in this action to recover remediation costs incurred at the site. Trial on the issues will commence the last quarter of 1996 or the first quarter of 1997. The company cannot predict what the outcome of the trial will be, but the company believes that it has defenses to all of the plaintiff's allegations.

Reference is made to the company's report Form 10-Q for the quarter ended March 31, 1995, relating to an action entitled General Electric Company v. Buzby Brothers Materials Corporation et al. (CA 87-4263 JHR). As reported previously, the company believed that it settled its liability at this site. The court recently approved the settlement. However, the company must cooperate in depositions by the non-settling parties.

Reference is made to the company's report 10-Q for the quarter ended March 31, 1995, referencing an action entitled Millmaster Onyx Group Inc. v. Stepan Company (CA No. 93-510-LON). Trial is still scheduled to commence on June 4, 1996. The company cannot predict what the outcome of the trial will be, but the company believes that it has defenses to all of the plaintiff's allegations.

On March 15, 1996, the company was notified by the Occupational Safety and Health Administration (OSHA) following an audit of the company's Maywood, New Jersey facility that the OSHA would be issuing a preliminary fine of approximately $206,000 for alleged violations at the Maywood site. The company has 15 days in which to appeal the preliminary findings, and the company plans to do so. At this time the company cannot anticipate what change, if any, to the preliminary fine will be made following the appeal.

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, 1995.

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.

Effective May 22, 1995, Jeffrey W. Bartlett, formerly Vice President, General Counsel and Corporate Secretary, was appointed Vice President, Regulatory Affairs, General Counsel and Corporate Secretary. Effective January 1, 1995, James A. Hartlage, who was formerly the Senior Vice President--Technology as of February, 1992, was appointed Senior Vice President--Technology and Operations. In addition, during 1995 he assumed Administrative responsibilities. Effective January 1, 1995, Earl H. Wagener, formerly Vice President--Product Development, was appointed Vice President--Research and Development.

Effective April 28, 1992, Charles W. Given, formerly Vice President--Marketing, was appointed Vice President and General Manager--Surfactants. Ronald L. Siemon, formerly Vice President--Polyurethanes, was appointed Vice President and General Manager--Polymers.

Effective January 1, 1992, Walter J. Klein, formerly the Vice President and Corporate Controller, was appointed Vice President--Finance. Mickey Mirghanbari, who previously served in the capacity of Vice President for Plant Operations, assumed the position of Vice President--Manufacturing and Engineering. 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 29, 1996, and certain other information are as follows:

NAME	AGE	TITLE	YEAR FIRST ELECTED OFFICER
F. Quinn Stepan.....	58	Chairman, President and Chief Executive Officer	1967
James A. Hartlage...	58	Senior Vice President--Technology and Operations	1980
Charles W. Given....	59	Vice President and General Manager--Surfactants	1992
Ronald L. Siemon....	58	Vice President and General Manager--Polymers	1992
Jeffrey W. Bartlett.	52	Vice President, Regulatory Affairs, General Counsel and Corporate Secretary	1983
Walter J. Klein.....	49	Vice President--Finance	1985
Mickey Mirghanbari..	58	Vice President--Manufacturing and Engineering	1992
Earl H. Wagener.....	55	Vice President--Research and Development	1995

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 New York Stock Exchange (effective March 14, 1996) and the Chicago Stock Exchange. See page 30 of the company's 1995 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 New York Stock Exchange (effective March 14, 1996) and the Chicago Stock Exchange. See Note 6 on page 27 of the company's 1995 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. In addition to these funding requirements, on November 6, 1995, the Board of Directors approved an additional open market repurchase of up to 300,000 shares of common stock.

(b) On February 29, 1996, there were 1,759 holders of record of common stock of the company.

(c) See page 30 of the company's 1995 Annual Report to Stockholders for dividend information which is incorporated by reference herein. Also see Note 3 on page 25 of the company's 1995 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 1995 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 1995 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 1995 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 1995 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 April 5, 1996, 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 April 5, 1996, for the Annual Meeting of the Stockholders which is 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 April 5, 1996, 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 Schedule filed herewith.

(b) Reports on Form 8-K

A report on Form 8-K was filed on April 12, 1995, regarding quarterly earnings.

A report on Form 8-K was filed on October 24, 1995, regarding quarterly earnings.

(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, Regulatory Affairs,
General Counsel and
Corporate Secretary

March 25, 1996

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 25, 1996
Thomas F. Grojean ____________________ Thomas F. Grojean	Director	March 25, 1996
James A. Hartlage ____________________ James A. Hartlage	Senior Vice President--Technology and Operations and Director	March 25, 1996
Walter J. Klein ____________________ Walter J. Klein	Vice President--Finance, Principal Financial and Accounting Officer	March 25, 1996
Paul H. Stepan ____________________ Paul H. Stepan	Director	March 25, 1996
Robert D. Cadieux ____________________ Robert D. Cadieux	Director	March 25, 1996
Robert G. Potter ____________________ Robert G. Potter	Director	March 25, 1996

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 25, 1996

INDEX TO THE
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULE

A copy of Stepan Company's Annual Report to Stockholders for the year ended December 31, 1995, 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, 1995 and 1994, the Consolidated Statements of Income, Stockholders' Equity and Cash Flows and Notes to Consolidated Financial Statements for the three years ended December 31, 1995, and the Auditors' Report covering the aforementioned financial statements. These consolidated financial statements and the Auditors' Report thereon are incorporated herein by reference.

Supplemental Schedule II--Allowance for Doubtful Accounts--to Consolidated Financial Statements, which is required to comply with regulation S-X, and the Auditors' report on such Supplemental Schedule are included on pages 9 and 10 of this Form 10-K.

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 SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1995
AS REQUIRED TO COMPLY WITH REGULATIONS S-X

SCHEDULE II--ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Below is an analysis of the allowance for doubtful accounts for the three years ended December 31, 1995:

	1995	1994	1993
	(IN THOUSANDS)		
Balance, Beginning of Year	$1,585	$1,739	$1,444
Provision charged to income	349	291	621
Accounts written off, net of recoveries	(190)	(445)	(326)
Balance, End of Year	$1,744	$1,585	$1,739

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SUPPLEMENTAL SCHEDULE

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 9, 1996. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The supplemental schedule listed in the index of financial statements is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states 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 LLP

Chicago, Illinois,
February 9, 1996

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. (Note 1)
(3)c	Copy of Certificate of Amendment, dated April 28, 1993, to Article IV of Certificate of Incorporation. (Note 7)
(3)d	Copy of Certificate of Amendment, dated May 5, 1987, to Article X of Certificate of Incorporation. (Note 1)
(4)h	Copy of Loan Agreement dated June 15, 1995, with Aid Association for Lutherans, the Northwestern Mutual Life Insurance Company and The Mutual Life Insurance Company of New York. (Note 9)
(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. (Note 3)
(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). (Note 4)
(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). (Note 8)
(4)m(2)	Copy of Fourth Amendment dated May 31, 1994, amending revolving credit and Term Loan Agreement dated February 20, 1990 (see (4)i, (4)m and (4)m(1) 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. (Note 7)
(4)n(2)	Copy of Issuer Tender Offer Statement on Schedule 13E-4 dated August 13, 1992. (Note 6)
(4)n(3)	Copy of Amendment No. 1 to Schedule 13E-4 (see also (4)n(2) above) dated September 23, 1992. (Note 6)
(4)n(4)	Copy of the company's Form 8-A dated August 13, 1992. (Note 6) 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. (Note 2)
(10)b	Copy of the 1969 Management Incentive Compensation Plan as amended and restated as of January 1, 1992. (Note 5)
(10)d	Copy of the 1982 Stock Option Plan. (Note 2)
(10)e	Copy of Leveraged Employee Stock Ownership Plan. (Note 3)
(10)f	Copy of the company's 1992 Stock Option Plan. (Note 5)
(11)	Statement re computation of per share earnings.
(13)	Copy of the company's 1995 Annual Report to Stockholders.
(18)	Letter re change in accounting principle for the year ended December 31, 1992. (Note 8)
(21)	Subsidiaries of Registrant at December 31, 1995.
(23)	Consent of Independent Public Accountants.
(24)	Power of Attorney.
(27)	Financial Data Schedule.

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NOTES TO EXHIBIT INDEX

NOTE NO.
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1. Filed with the company's Annual Report on Form 10-K for the year ended December 31, 1987, and incorporated herein by reference.
2. Filed with the company's Annual Report on Form 10-K for the year ended December 31, 1988, and incorporated herein by reference.
3. Filed with the company's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference.
4. Filed with the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, and incorporated herein by reference.
5. Filed with the company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, and incorporated herein by reference.
6. Filed with the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992, and incorporated herein by reference.
7. Filed with the company's Current Report on Form 8-K filed on April 28, 1993, and incorporated herein by reference.
8. Filed with the company's Annual Report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference.
9. Filed with the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference.

Exhibit (11)

STEPAN COMPANY
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	1995	1994
Computation of Per Share Earnings		
Net Income	$16,119	$13,845
Deduct dividends on preferred stock	1,069	1,076
Income applicable to common stock	$15,050	$12,769
Weighted average number of shares outstanding	9,984	9,924
Per share earnings*	$ 1.507	$ 1.287
Computation of Per Share Primary Earnings		
Income applicable to common stock	$15,050	$12,769
Weighted average number of shares outstanding	9,984	9,924
Add net shares issuable from assumed exercise of options (under treasury stock method)	166	142
Shares applicable to primary earnings	10,150	10,066
Per share primary earnings*	$ 1.483	$ 1.269
Dilutive effect	1.6%	1.4%
Computation of Per Share Fully Diluted Earnings		
Net income	$16,119	$13,845
Weighted average number of shares outstanding	9,984	9,924
Add net shares issuable from assumed exercise of options (under treasury stock method)	166	154
Add weighted average shares issuable from assumed conversion of convertible preferred stock	888	894
Shares applicable to fully diluted earnings	11,038	10,972
Per share fully diluted earnings*	$ 1.460	$ 1.262
Dilutive effect	3.1%	1.9%

* 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

1995 Compared with 1994

Sales for 1995 grew 19 percent to a record $528.2 million. The increase was the result of a 12 percent increase in sales volume. Sales by product group were:

(Dollars in Thousands)	1995	1994	Percent Change
Surfactants	$380,179	$329,186	+ 15
Polymers	115,833	78,778	+ 47
Specialty products	32,206	35,984	- 10
Total	$528,218	$443,948	+ 19

Surfactants are a principal ingredient in consumer and industrial cleaning products such as detergents, shampoos, lotions, toothpastes and cosmetics. Other applications include lubricating ingredients and emulsifiers for spreading of insecticides and herbicides. Domestic volume which contributes 85 percent of total surfactant sales volume grew 17 percent over 1994. Recent capacity expansions have kept pace with demand growth and ongoing capacity expansions should meet projected requirements. Higher average selling prices resulting from raw material cost increases also contributed to higher sales from the broad commercial customer base. Sales of foreign subsidiaries representing 15 percent of surfactant sales volume rose by four percent. European sales were up 29 percent due primarily to a 15 percent gain in volume coupled with a stronger French franc. Partially offsetting the European result was the reported lower Mexican sales on the significantly devalued Mexican peso that has lost 22 percent against the U.S. dollar since the beginning of 1995. However, Mexican sales volume only declined two percent. Canadian sales reported an eight percent increase reflecting mainly higher selling prices to pass through raw material cost increases.

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 increased due to higher selling prices reflecting a pass through of higher raw material costs and a 12 percent increase in volume. Phthalic anhydride, which represents 54 percent of polymer volume, experienced a 64 percent increase in sales due primarily to a 53 percent increase in average selling prices and a seven percent volume gain. The sharp rise in selling prices was driven by higher raw material costs and stronger market demand. Demand should remain steady in 1996 although selling prices are expected to decline significantly as a result of lower raw material costs. Polyurethane polyols, which represent 41 percent of total polymer volume, experienced a 23 percent increase in volume due to strong domestic demand and significant gains in the export business. Polyurethane systems sales held steady as efforts continue to commercialize new generation products with more favorable environmental characteristics.

Specialty products include flavors, lubricant additives, oil field chemicals and emulsifiers and solubilizers used in the food and pharmaceutical industry. Specialty products revenues declined 10 percent on reduced volume. Sales of certain lower margin lubricant additives were discontinued in the current year. This has led to an improved average selling price between years.

Gross profit in 1995 was $97.4 million, or 18.4 percent of net sales, a 20 percent growth from $81.1 million, or 18.3 percent of net sales in 1994. Surfactants gross profit was $72.5 million for 1995, an increase of 18 percent from 1994. Domestic surfactants were up $11.2 million, or 25 percent, as a result of the higher domestic sales volume. Gross profit of foreign operations was flat with Europe's modest gain being entirely offset by slight declines reported by Canada and Mexico. Continued competitive pricing pressure which affected the foreign subsidiaries' ability to fully pass through raw material cost increases was the main cause of the lackluster foreign results. Polymers gross profit jumped $6.3 million to $19.3 million in 1995 representing a 48 percent increase from 1994. Phthalic anhydride accounted for all of the increased polymer gross profit showing significantly increased gross profit margins as a result of the higher selling prices mentioned earlier. Polyurethane polyols gross profit decreased 30 percent despite higher volume due to the inability to fully pass on raw material cost increases. Polyurethane

systems gross profit declined 40 percent as a result of the unfavorable product mix and reduced volumes. Specialty products gross profit dropped $1.0 million to $5.6 million in 1995, a 16 percent decrease from 1994. The decline was due mainly to the cessation of certain low margin lubricant additives products.

Average raw material costs increased 11 percent during 1995, primarily reflecting higher polymer raw material costs. Manufacturing labor costs increased at a modest rate reflecting the recent low levels of inflation which are expected to continue in the near term. The company currently employs 1,267 people which is relatively unchanged from a year ago, but down 35 people from 1993 due to the voluntary early retirement program offered in 1994. Depreciation expense increased to $28.8 million in 1995 from $27.0 million in 1994 as a result of bringing into service significant capacity expansion projects in recent years, as well as continuing capital spending for plant improvements.

Operating income, pre-tax income before net interest expense, was $32.9 million in 1995, an 11 percent increase from 1994. Operating expenses, consisting of marketing, administrative and research expenses, rose 25 percent reflecting higher administrative expenses in 1995. Administrative expenses climbed 61 percent due to a $9.4 million increase in legal and environmental expenses which was precipitated by a draft Remedial Investigation Feasibility Study enumerating possible future costs for remediation of the company's Maywood, New Jersey plant and adjacent property. See Note 11 of the Notes to the Consolidated Financial Statements. Prior year's expenses benefited from $3.1 million of insurance recoveries related to previously incurred legal and environmental costs. Marketing expenses rose 10 percent primarily due to higher salaries as well as increased marketing effort in the Pacific Rim. Research and development expenses increased six percent due largely to increased salary expenses. Operating expenses related to legal and environmental are expected to decline significantly in 1996. Other cost saving initiatives and current low inflationary levels are expected to keep 1996 operating expense increases to a modest level.

The effective tax rate was 35.5 percent in 1995 compared to 38.5 percent in 1994 resulting in a modest two percent increase in the income tax provision. The decrease in the effective tax rate was attributable to the higher research and development tax credit benefits at the state level as well as tax credit carryforward benefits realized in Mexico. 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 1995 rose to a record $16.1 million, or $1.51 per share, compared to $13.8 million, or $1.29 per share in 1994. Surfactant and Polymer earnings are expected to show continued improvement in 1996. Operating expenses should decline due to lower legal and environmental expenses. Those factors should lead to further earnings growth in 1996.

1994 Compared with 1993

Sales for 1994 grew one percent to a record $444 million despite a one percent decline in sales volume. Sales by product group were:

(Dollars in Thousands)	1994	1993	Percent Change
Surfactants	$329,186	$324,809	+ 1
Polymers	78,778	79,071	--
Specialty products	35,984	34,945	+ 3
Total	$443,948	$438,825	+ 1

Surfactant sales rose one percent despite a four percent decline in sales volume. The moderate growth in sales was primarily contributed by foreign subsidiaries, as domestic sales were essentially flat between years. Domestic volume, representing 83 percent of total surfactant sales volume, was down seven percent from 1993 as a result of product reformulation by large national customers. Partially offsetting this was a significant volume growth in the broad commercial customer base. Sales of foreign subsidiaries, representing 17 percent of surfactant sales volume, grew six percent as a result of a strong volume gain. Mexico contributed a 46 percent year-to-year volume increase, followed by a 13 percent and a six percent increase from Canada and Europe, respectively. The weakened Canadian dollar has negatively affected the subsidiary's reported sales growth. The continued competitive pressure on prices in Europe has erased the revenue growth fueled by stronger sales volume and the strengthening French franc.

Polymer sales were essentially unchanged from 1993, although sales volume rose eight percent. Phthalic anhydride, which represents 57 percent of polymer volume, reported a 16 percent increase in sales due to a 13 percent increase in volume and higher selling prices. Higher selling prices were driven by improved market conditions and higher raw material costs. The increase in phthalic anhydride volume was the result of strong domestic demand, lower levels of competing foreign imports and high production levels attributable to refurbishments made to our manufacturing facility. Polyurethane polyols, which represent 38 percent of total polymer volume, posted 15 percent sales growth due entirely to improved volume. Polyurethane systems sales fell 44 percent as volume dropped 45 percent due to delays in the roll-out of new products with more favorable environmental characteristics.

Specialty products revenues grew three percent with most of the improvement coming from higher volume.

Gross profit in 1994 was $81.1 million, or 18.3 percent of net sales, an increase from $80.0 million, or 18.2 percent of net sales in 1993. Surfactant gross profit was $61.3 million for 1994, a decrease of three percent from 1993. Domestic surfactants were down $3.5 million, or seven percent, as a result of the reduced sales to larger national customers. Foreign operations were up $1.9 million as Mexico and Canada continued to post stronger sales over prior years. Negatively impacting the result was Stepan Europe which continued to face increasingly competitive price pressure in a recovering European economy. Polymer gross profit rose $3.4 million to $13.1 million for 1994 representing a 35 percent increase from 1993. Phthalic anhydride contributed most of the increased polymer gross profit, as a result of significantly improved margins and volume. Insurance recoveries of $1.1 million related to 1993 production outages also contributed to the improved margin. Despite the significant sales drop in polyurethane systems, gross profit only declined 26 percent due primarily to the development of lower cost formulations. While polyurethane polyols posted higher sales and volume, increased manufacturing expenses, raw material costs and export freight costs more than offset the volume gains. Specialty products gross profit fell $.7 million to $6.7 million for 1994 representing a nine percent decline from 1993. Despite the increased sales, the decline in gross profit was largely attributable to reduced royalty income compared to a year earlier.

Average raw material costs climbed six percent during 1994. Labor costs increased at a modest rate reflecting the recent low levels of inflation. Depreciation expense increased to $27.0 million in 1994 from $25.7 million in 1993 as a result of bringing into service capacity expansion projects in recent years, as well as continuing capital spending for plant improvements.

Operating income, pre-tax income before net interest expense, was $29.6 million in 1994, an 8.4 percent increase from 1993. Operating expenses declined three percent reflecting lower administrative expenses in 1994. Administrative expenses decreased $1.3 million, or seven percent due primarily to $3.1 million of insurance recoveries relating to legal costs previously incurred in defending environmental cases against the company. See Note 11 of the Notes to Consolidated Financial Statements. Net of these favorable recoveries, provision for legal and environmental costs was $.7 million in 1994 compared with $2.2 million recorded in 1993. Marketing expenses increased a modest one percent which was essentially offset by a decrease in research and product development expenses. Excluding the insurance recoveries, operating expenses for 1994 increased $1.8 million, or a moderate three percent. Continued insurance reimbursement of ongoing environmental legal defense costs is expected to minimize the company's share of future defense costs. Other cost containment efforts, including a voluntary early retirement program offered in 1994, are expected to keep 1995 operating expense increases to a modest level.

Net income in 1994 benefited from a substantially lower tax rate than 1993. The effective tax rate was 38.5 percent in 1994 compared to 45.1 percent in 1993. The 1993 tax rate was unusually high because of a U.S. tax rate hike and the resulting upward restatement of deferred tax liabilities. A recognition in the current year of tax benefits on loss carryforwards of foreign subsidiaries also contributed to the lower tax 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 1994 rose 28 percent to $13.8 million, or $1.29 per share, compared to $10.8 million, or $.98 per share in 1993. As a result of the two-for-one common stock split on December 15, 1994, earnings per share for 1993 and prior have been restated.

Fourth Quarter 1995 Compared with 1994

For the quarter ended December 31, 1995, the company reported net income of $5.1 million, or $.49 per share, compared to $3.6 million, or $.34 per share in the fourth quarter of 1994. Net sales for the quarter increased 12 percent to $126.8 million from $113.6 million recorded in 1994. Gross profit was $24.3 million, up 20 percent in the fourth quarter compared to the same quarter of 1994. Surfactants made the largest contribution as a result of considerably higher sales volume. Polymers recorded higher quarterly gross profit due to improved phthalic anhydride margins. Specialty products posted lower gross profit due to lower sales volume. Total operating expenses were 13 percent higher in the fourth quarter compared with the same quarter of 1994. The lower 1994 expenses benefited from insurance recoveries of $1.1 million related to previously incurred legal and environmental costs.

Liquidity and Financial Condition

For 1995, net cash from operations totaled $35.0 million, a decrease of $16.0 million compared to $51.0 million for 1994. During 1994, cash from operations included $12.9 million in customer prepayments under long-term contracts. Increased working capital requirements stemming from sales growth were responsible for substantially all of the remaining difference in operating cash flows from year to year.

Capital expenditures totaled $39.2 million for 1995, down from $42.9 million for 1994. The company also invested $7.5 million in capital contributions for a joint venture operation in the Philippines. Cash requirements for investing activities are expected to increase during 1996 driven mainly by higher planned capital spending as well as continued effort in global expansion.

Since December 31, 1994, total company debt has increased by $18.1 million to close the year at $116.0 million. At December 31, 1995, the ratio of long-term debt to long-term debt plus shareholders' equity stood at 47.1 percent compared to 44.7 percent one year earlier. For 1996, the company plans to derive cash from earnings and from committed credit lines in proportions close to the present capital structure. As a result, we expect the ratio of long-term debt to long-term debt plus shareholders' equity to remain relatively steady from year to year.

During June 1995, the company entered into unsecured long-term loan agreements totaling $40 million with maturities of 10 to 15 years. The proceeds of the new loans were used to reduce domestic bank debt. The terms and conditions of the new loan agreements are essentially the same as those of previously existing agreements.

The company maintains contractual relationships with its domestic banks which provide for $45 million of revolving credit which may be drawn upon as needed for general corporate purposes. The company also meets short-term liquidity requirements through uncommitted bank lines of credit and bankers' acceptances. The company's foreign subsidiaries maintain committed and uncommitted bank lines of credit in their respective countries to meet working capital requirements as well as to fund capital expenditure programs.

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 1996 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 1995, the company expenditures for capital projects related to the environment were $6.8 million and should approximate $5.4 million for 1996. These projects are capitalized and typically depreciated over ten years. Capital spending on such projects is likely to continue at these levels in future years. Recurring costs associated with the operation and maintenance of facilities for waste treatment and disposal and managing environmental compliance in ongoing operations at our manufacturing locations were approximately $7.0 million for 1995 compared to $7.1 million for 1994. 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 17 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 $4.3 million to $23.6 million at December 31, 1995, compared to $5.5 million to $21.6 million at December 31, 1994. At December 31, 1995, the company's reserve was $8.7 million for legal and environmental matters compared to $6.9 million at December 31, 1994. During 1995, expenditures related to legal and environmental matters approximated $7.8 million compared to $4.3 million expended in 1994. During 1994, the company recovered $3.1 million from insurers for reimbursement of previously incurred environmental defense costs which reduced that year's legal and environmental expense. The company continues to pursue potential recoveries of legal and environmental costs from insurers and other third parties. The potential benefit of such recoveries has not been recorded. While it is difficult to forecast the expenditures for 1996, the company believes that the $8.7 million reserve balance at December 31, 1995, is more likely to be paid out over many years. See also Note 11 of the Notes to Consolidated Financial Statements. 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 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 1995 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.

Accounting Standard

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121-Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("SFAS No. 121"). This standard must be adopted no later than the 1996 reporting year, but can be adopted early. SFAS No. 121 requires that operating assets and associated goodwill be written down to fair value whenever an impairment review indicates that the carrying value cannot be recovered on an undiscounted cash flow basis. After any such noncash write-down, results of operations would be favorably affected by reduced depreciation, depletion and amortization charges. The company believes this standard will have no impact on the results of operations upon adoption in the first quarter of 1996.

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.

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

/s/ Walter J. Klein
Walter J. Klein
Vice President-Finance

February 9, 1996

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, 1995 and 1994, and the related consolidated statements of income, cash flows and stockholders' equity, for each of the three years in the period ended December 31, 1995. 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, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP
Chicago, Illinois,
February 9, 1996

Consolidated Balance Sheets
December 31, 1995 and 1994

(Dollars in Thousands)	1995	1994
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,148	$ 2,452
Receivables, less allowances of $1,744 in 1995 and $1,585 in 1994	79,814	70,385
Inventories (Note 2)	54,363	45,464
Deferred income taxes (Note 5)	9,444	8,218
Other current assets	3,385	2,852
Total current assets	150,154	129,371
Property, Plant and Equipment:		
Land	4,611	4,576
Buildings and improvements	53,701	52,558
Machinery and equipment	379,363	343,629
Construction in progress	16,429	16,891
	454,104	417,654
Less accumulated depreciation	261,634	233,997
Property, plant and equipment, net	192,470	183,657
Other Assets	19,903	11,920
Total assets	$362,527	$324,948
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt (Note 3)	$ 6,946	$ 8,043
Accounts payable	42,530	37,904
Accrued liabilities (Note 9)	37,423	34,509
Total current liabilities	86,899	80,456
Deferred Income Taxes (Note 5)	36,469	32,976
Long-term Debt, less current maturities (Note 3)	109,023	89,795
Deferred Revenue (Note 10)	7,659	10,419
Stockholders' Equity (Note 6):		
5-1/2 percent convertible preferred stock, cumulative, voting, without par value; authorized 2,000,000 shares; issued 797,172 shares in 1995 and 799,196 shares in 1994	19,929	19,980
Common stock, $1 par value; authorized 15,000,000 shares; issued 10,086,653 shares in 1995 and 10,028,544 shares in 1994	10,087	10,029
Additional paid-in capital	4,568	3,983
Cumulative translation adjustments	(3,691)	(3,491)
Retained earnings	93,292	82,445
	124,185	112,946
Less: Treasury stock, at cost	1,708	1,644
Stockholders' equity	122,477	111,302
Total liabilities and stockholders' equity	$362,527	$324,948

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, 1995, 1994 and 1993

(Dollars in Thousands, except per share amounts)	1995	1994	1993
Net Sales	$528,218	$443,948	$438,825
Cost and Expenses:			
Cost of sales	430,815	362,848	358,790
Marketing	18,673	16,972	16,738
Administrative	27,412	17,082	18,378
Research, development and technical services (Note 1)	18,462	17,398	17,669
Interest, net (Note 3)	7,865	7,136	7,626
	503,227	421,436	419,201
Income Before Provision for Income Taxes	24,991	22,512	19,624
Provision for Income Taxes (Note 5)	8,872	8,667	8,848
Net Income	$ 16,119	$ 13,845	$ 10,776
Net Income Per Common Share:			
Primary	$1.51	$1.29	$ .98
Fully Diluted	$1.46	$1.26	$ .96
Average Common Shares Outstanding (Note 1)	9,984	9,924	9,894

All 1993 share and per share data have been restated for the two-for-one common stock split effective December 15, 1994.

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

Combined Sales
(Thousands of Dollars)

[GRAPH APPEARS HERE]

	1991	1992	1993	1994	1995
Surfactants..........	293,347	317,522	324,809	329,186	380,179
Polymers.............	89,848	87,060	79,071	78,778	115,833
Specialty Products...	30,874	31,182	34,945	35,984	32,206
Consolidated Total...	414,069	435,764	438,825	443,948	528,218

. Surfactants
. Polymers
. Specialty Products
(Consolidated Totals in bold)

1995 Sales Dollar Distribution
(Dollars in Thousands)

[PIE CHART APPEARS HERE]

. Material
$317,641
60.1%

. Other Expenses
$78,704
14.9%

. Payroll and Fringes
$76,498
14.5%

. Depreciation and Amortization
$30,384
5.7%

. Income Taxes

$8,872
1.7%

. Net Income
$16,119
3.1%

Consolidated Statements of Cash Flows
For the years ended December 31, 1995, 1994 and 1993

(Dollars in Thousands)	1995	1994	1993
Net Cash Flow from Operating Activities			
Net income	$ 16,119	$ 13,845	$ 10,776
Depreciation and amortization	30,384	28,935	27,679
Deferred revenues (Note 10)	(2,760)	12,883	--
Deferred income taxes	2,359	410	2,735
Other non-cash items	(605)	627	263
Changes in Working Capital:			
Receivables, net	(9,429)	(13,135)	(220)
Inventories	(8,899)	3,454	(1,140)
Accounts payable and accrued liabilities	7,911	4,106	(4,788)
Other	(74)	(96)	1
Net Cash Provided by Operating Activities	35,006	51,029	35,306
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment..................	(39,247)	(42,884)	(25,435)
Investment in joint ventures (Note 1)	(7,500)	(2,314)	(1,422)
Other non-current assets	(14)	(711)	(963)
Net Cash Used for Investing Activities	(46,761)	(45,909)	(27,820)
Cash Flows from Financing and Other Related Activities			
Revolving debt and notes payable to banks, net..................	(9,711)	13,313	(20,631)
Other debt borrowings	40,000	-	30,000
Other debt repayments	(12,053)	(11,455)	(12,633)
Purchases of treasury stock, net	(64)	(327)	(244)
Dividends paid	(5,540)	(5,294)	(5,105)
Other non-cash items	(181)	(420)	(273)
Net Cash Provided by (Used for) Financing and Other Related Activities	12,451	(4,183)	(8,886)
Net Increase (Decrease) in Cash and Cash Equivalents	696	937	(1,400)
Cash and Cash Equivalents at Beginning of Year	2,452	1,515	2,915
Cash and Cash Equivalents at End of Year	$ 3,148	$ 2,452	$ 1,515
Supplemental Cash Flow Information			
Cash payments of income taxes, net of refunds	$ 9,804	$ 8,554	$ 6,327
Cash payments of interest	$ 7,761	$ 8,536	$ 8,002

Capital Expenditures
(Thousands of Dollars)

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90......	38,375
91......	33,728
92......	34,440
93......	25,435
94......	42,884
95......	39,247

Compound Annual Growth
Five Years 0%

Equity Per Share
(Dollars)

[CHART APPEARS HERE]

90......	7.57
91......	8.35
92......	9.22
93......	9.65
94......	10.27
95......	11.25

Compound Annual Growth
Five Years + 8%

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, 1995, 1994 and 1993

(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, 1993	$20,000	$ 5,101	$3,688	$(4,619)	$(1,023)	$ (445)	$76,804
Sale of 23,800 shares under stock option plan	--	12	132	--	--	--	--
Purchase of 44 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 (40.5c 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
Sale of 51,940 shares under stock option plan	--	27	290	--	--	--	--
Purchase of 4,222 shares of common and 11,508 shares of preferred treasury stock, net of sales	--	--	21	(327)	--	--	--
Retirement of 250,000 shares of common treasury stock	--	(125)	(121)	3,546	--	--	(3,300)
Conversion of preferred stock to common stock	(12)	--	12	--	--	--	--
Compensation expense (Note 7)	--	--	--	--	--	223	--
Net income	--	--	--	--	--	--	13,845
Cash dividends paid							
Preferred stock ($1.375 per share)	--	--	--	--	--	--	(1,076)
Common stock (42.5c per share)	--	--	--	--	--	--	(4,218)
Preferred stock dividends declared	--	--	--	--	--	--	(267)
Translation adjustments	--	--	--	--	(1,433)	--	--
Two-for-one common stock split (Note 6)	--	5,014	--	--	--	--	(5,014)
Balance, December 31, 1994	19,980	10,029	3,983	(1,644)	(3,491)	--	82,445
Sale of 55,800 shares under stock option plan	--	56	484	--	--	--	--
Purchase of 536 shares of common treasury stock, net of sales	--	--	52	(64)	--	--	--
Conversion of preferred stock to common stock	(51)	2	49	--	--	--	--
Net income	--	--	--	--	--	--	16,119
Cash dividends paid							
Preferred stock ($1.375 per share)	--	--	--	--	--	--	(801)
Common stock (44.75c per share)	--	--	--	--	--	--	(4,471)
Translation adjustments	--	--	--	--	(200)	--	--
Balance, December 31, 1995	$19,929	$10,087	$4,568	$(1,708)	$(3,691)	$ --	$93,292

All 1993 share and per share data have been restated for the two-for-one common stock split effective December 15, 1994.

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

Notes to Consolidated Financial Statements
For the years ended December 31, 1995, 1994 and 1993

1. Summary of Significant Accounting Policies

Nature of Operations

The company's operations consist predominantly of the production and sale of specialty 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, toothpastes and household cleaners), paints, cosmetics, food and beverages, agricultural insecticides 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 foreign subsidiary companies. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in 50 percent owned joint ventures in the Philippines and Colombia are accounted for on the equity method and are included in the "Other Assets" caption on the Consolidated Balance Sheet. The company's share of the net earnings of the investments is included in consolidated net income. Differences between the cost of equity investments and the amount of underlying equity in net assets of the investees are amortized systematically to income.

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 company inventories. The first-in, first-out (FIFO) method is used for all other inventories. Inventories priced at LIFO as of December 31, 1995 and 1994 amounted to 88 percent and 87 percent of total inventories, respectively.

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 ($16,791,000, $16,468,000 and $16,505,000 in 1995, 1994 and 1993, 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 or range of possible costs can be reasonably estimated. When no amount within the range is a better estimate than any other amount, at least the minimum is accrued. Some of the factors on which the company bases its estimates include information provided by feasibility studies, potentially responsible party negotiations and the development of remedial action plans. 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. 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 ten-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 $12,425,000, $12,281,000 and $12,613,000 in 1995, 1994 and 1993, 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

The provision for income taxes includes federal, foreign, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. 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.

Translation of Foreign Currencies

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, 9,984,000 in 1995, 9,924,000 in 1994 and 9,894,000 in 1993. 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 paid 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 11,038,000 in 1995, 10,972,000 in 1994 and 10,100,000 in 1993. The 1993 share data has been retroactively adjusted for the two-for-one common stock split of December 15, 1994.

Reclassifications

Certain amounts in the 1994 and 1993 financial statements have been reclassified to conform with the 1995 presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Inventories

The composition of inventories was as follows:

	December 31	
(Dollars in Thousands)	1995	1994
Finished products	$32,204	$27,632
Raw materials	22,159	17,832
Total inventories	$54,363	$45,464

If the first-in, first-out (FIFO) inventory valuation method had been used, inventories would have been approximately $12,100,000 and $13,200,000 higher than reported at December 31, 1995 and 1994, respectively.

3. Debt

Debt was composed of the following:

		December 31	
(Dollars in Thousands)	Maturity Dates	1995	1994
Unsecured promissory notes			
7.22%	1999--2008	$ 30,000	$30,000
7.77%	2000--2010	30,000	-
9.52%	1996--2000	10,714	15,000
7.69%	2000--2005	10,000	-
9.70%	1997--2006	10,000	10,000
10.54%	1996--1997	5,951	10,712
9.70%	1996--1999	4,000	6,000
9.40%	-	-	955
Unsecured bank debt	1998--2001	13,000	21,800
Debt of foreign subsidiaries			

payable in foreign currency	1996--2003	2,304	3,371
Total debt		115,969	97,838
Less current maturities		6,946	8,043
Long-term debt		$109,023	$89,795

Unsecured bank debt at December 31, 1995, consists of borrowings under a committed $45,000,000 revolving credit agreement which bears interest at varying rates which averaged 6.69 percent during the year. Borrowings under this agreement at May 31, 1998, 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, 1995 and 1994.

The various loan agreements contain provisions which, among others, require maintenance of certain financial ratios and place limitations on additional debt, investments and payment of dividends. Unrestricted retained earnings were $37,904,000 and $36,336,000 at December 31, 1995 and 1994, respectively. The company is in compliance with all loan agreements.

Debt at December 31, 1995, matures as follows: $6,946,000 in 1996; $6,729,000 in 1997; $8,056,000 in 1998; $11,501,000 in 1999; $13,225,000 in 2000 and $69,512,000 after 2000.

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

(Dollars in Thousands)	1995	1994	1993
Interest expense	$9,043	$8,428	$8,552
Interest income	(629)	(295)	(331)
	8,414	8,133	8,221
Capitalized interest	(549)	(997)	(595)
Interest, net	$7,865	$7,136	$7,626

4. Leased Properties

The company leases certain property and equipment (primarily transportation equipment, buildings and computer equipment) under operating leases. Total rental expense was $3,398,000, $2,994,000 and $2,932,000 in 1995, 1994 and 1993, respectively.

Minimum future rental payments under operating leases with terms in excess of one year as of December 31, 1995, are:

(Dollars in Thousands)	Year	Amount
	1996	$2,163
	1997	1,395
	1998	1,233
	1999	886
	2000	600
	Subsequent to 2000	1,898
Total minimum future rental payments		$8,175

5. INCOME TAXES

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

TAXES ON INCOME

(Dollars in Thousands)	1995	1994	1993
Federal			
Current	$ 3,698	$ 6,732	$ 3,818
Deferred	2,003	(1,524)	1,365
State			
Current	899	2,020	1,076
Deferred	278	(646)	239
Foreign			
Current	1,973	2,299	1,426
Deferred	21	(214)	924
Total	$ 8,872	$ 8,667	$ 8,848

INCOME BEFORE TAXES

(Dollars in Thousands)	1995	1994	1993
Domestic	$18,044	$15,429	$14,493
Foreign	6,947	7,083	5,131
Total	$24,991	$22,512	$19,624

No federal income taxes have been provided on approximately $20,939,000 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.

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)	1995	1994
Current deferred income taxes		
Gross assets	$ 9,982	$ 8,413
Gross liabilities	(538)	(195)
Total current deferred tax assets	9,444	8,218
Non-current deferred income taxes		
Gross assets	4,313	5,684

	1995	1994
Valuation allowance	(409)	(741)
Gross liabilities	(40,373)	(37,919)
Total non-current deferred tax liabilities	(36,469)	(32,976)
Net deferred tax liability	$(27,025)	$(24,758)

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

(Dollars in Thousands)	1995	1994
Tax over book depreciation	$(33,947)	$(30,748)
Safe Harbor leases	(3,914)	(4,228)
SFAS No. 87 pension accounting	(2,628)	(2,346)
State income tax accrual	1,305	1,188
Deferred revenue	3,912	4,837
Book reserves deductible in other periods	8,149	6,941
Valuation allowance	(409)	(741)
Other, net	507	339
Net deferred tax liability	$(27,025)	$(24,758)

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

	1995		1994		1993	
(Dollars in Thousands)	Amount	%	Amount	%	Amount	%
Income tax provision at statutory tax rate	$8,747	35.0	$7,879	35.0	$6,731	34.3
State taxes on income less applicable federal tax benefit	765	3.1	893	4.0	864	4.4
Deferred tax adjustment for tax rate change	-	-	-	-	558	2.8
Research and development credit	(138)	(0.6)	(244)	(1.1)	(55)	(.3)
Other items	(502)	(2.0)	139	.6	750	3.9
Total income tax provision	$8,872	35.5	$8,667	38.5	$8,848	45.1

6. STOCKHOLDERS' EQUITY

On November 11, 1994, the Board of Directors declared a two-for-one stock split on the company's common stock in the form of a 100 percent stock dividend, payable December 15, 1994, to shareholders of record on December 1, 1994. As a result of the split, 5,014,272 additional shares were issued, and retained earnings were reduced by $5,014,272. All share and per share data appearing in the consolidated financial statements and notes thereto have been retroactively adjusted for the stock split.

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.

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 1.14175 shares 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, 1995 and 1994. Preferred stock is entitled to 1.14175 votes 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 1,600,000 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 $8.12500 to $19.62500 with option expiration dates ranging from April 28, 1996 to April 30, 2005. The options become exercisable as follows: 589,416 currently exercisable and 8,000 on April 29, 1996, 446,400 on May 2, 1996, and 994 on May 1, 1997.

A summary of option transactions during the three years ended December 31, 1995, follows:

(Dollars in Thousands, except per share amounts)	Shares Available for Grant	Options Outstanding: Shares	Options Outstanding: Price per Share	Options Outstanding: Aggregate Option Price
BALANCE, JANUARY 1, 1993	1,351,696	742,444	$ 3.84375-18.21875	$ 9,240
Exercised	-	(23,800)	3.84375-12.09375	(144)
Cancelled	-	(4,400)	18.21875	(80)
BALANCE, DECEMBER 31, 1993	1,351,696	714,244	3.84375-18.21875	9,016
Granted	(464,400)	464,400	14.00000	6,502
Exercised	-	(51,940)	3.84375-12.09375	(318)
BALANCE, DECEMBER 31, 1994	887,296	1,126,704	8.12500-18.21875	15,200
Granted	(994)	994	19.62500	20
Exercised	-	(55,800)	8.12500-14.68750	(541)
Cancelled	27,088	(27,088)	14.00000-18.21875	(451)
BALANCE, DECEMBER 31, 1995	913,390	1,044,810	$ 8.12500-19.62500	$14,228
Became exercisable in 1995		-	-	-
Became exercisable in 1994		243,904	$ 18.21875	$ 4,444

Became exercisable in 1993	70,000	$ 12.56250	$ 879

At December 31, 1995, treasury stock consists of 20,208 shares of preferred stock and 84,816 shares of common stock. At December 31, 1994, treasury stock consisted of 20,208 shares of preferred stock and 84,280 shares of common stock.

7. Deferred ESOP Compensation

In 1985, the company established an Employee Stock Ownership Plan ("ESOP"). Under the Plan, the company can make discretionary contributions to a trust for the benefit of eligible employees. The trust originally borrowed $2,000,000 to purchase 438,356 common shares for the Plan. The company guaranteed the loan and contributed sufficient cash to the Plan to repay the loan. Compensation expense was recognized in equal annual amounts through 1994. As of December 31, 1994, the company had made the last contribution and the loan was repaid. The company currently has no plan for further ESOP contributions.

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, 1995, include $6,983,000 of the company's common stock.

Net 1995, 1994 and 1993 periodic pension cost for the plans consists of the following:

(Dollars in Thousands)	1995	1994	1993
Service cost	$ 1,244	$ 1,639	$ 1,251
Interest cost on projected benefit obligation	2,383	2,454	2,228
Actual return on plan assets	(8,653)	1,190	(3,222)
Net amortization and deferral	4,611	(5,449)	(824)
Net prepaid pension cost	$ (415)	$ (166)	$ (567)

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)	1995	1994
Vested benefit obligation	$(24,909)	$(18,583)
Accumulated benefit obligation	(28,030)	(21,127)
Projected benefit obligation	(35,329)	(27,129)
Plan assets at fair value	46,455	38,830
Plan assets in excess of projected benefit obligation	11,126	11,701
Unrecognized net gain	(3,173)	(3,616)
Unamortized net transitional assets	(2,835)	(3,402)
Unamortized prior service cost	1,244	1,058
Prepaid pension asset	$ 6,362	$ 5,741

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 7.5 and 8.5 percent for 1995 and 1994, respectively. The projected benefit obligations were determined under assumed compensation increases ranging from five percent to seven percent for different employee groups for 1995 and 1994. The assumed long-term rate of return on plan assets was 8.5 percent for 1995 and 1994. 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 1995	December 31 1994
Accrued payroll and benefits	$12,121	$10,514
Accrued uninsured risks	10,472	8,741
Other accrued liabilities	14,830	15,254
Total accrued liabilities	$37,423	$34,509

10. Deferred Revenue

During 1994, the company received prepayments on certain multi-year commitments for future shipments of products. As the commitments are fulfilled, a proportionate share of the deferred revenue is recognized into income. Related deferred revenue at December 31, 1995 and 1994 is $10,059,000 and $12,819,000, respectively, of which the amount recognizable within one year is included in the "Accrued Liabilities" caption of the Consolidated Balance Sheets.

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 $4.3 million to $23.6 million at December 31, 1995, compared to $5.5 million to $21.6 million at December 31, 1994. At December 31, 1995, the company's reserve is $8.7 million for legal and environmental matters compared to $6.9 million at December 31, 1994. The 1995 provision included an additional $5.0 million charge for costs that may be incurred for the remediation of the company's Maywood, New Jersey plant and adjacent property based on a draft Remedial Investigation Feasibility Study prepared for that site. The company made payments of $7.8 million in 1995 and $4.3 million in 1994 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. During 1994, the company received $3.1 million from insurers related to legal costs previously incurred by the company. The recoveries reduced administrative expense in the Consolidated Statements of Income.

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 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 1995 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)	1995	1994	1993
United States			
Net Sales-Unaffiliated	$452,013	$377,986	$376,325
Interarea Transfers	13,052	10,701	7,620
Total	$465,065	$388,687	$383,945
Operating Income	26,174	22,504	22,122
Identifiable Assets	315,393	279,919	256,398
Other			
Net Sales-Unaffiliated	$ 76,205	$ 65,962	$ 62,500
Interarea Transfers	19,971	16,426	15,484
Total	$ 96,176	$ 82,388	$ 77,984
Operating Income	6,682	7,144	5,128
Identifiable Assets	47,134	45,029	44,090
Eliminations			
Net Sales	$(33,023)	$(27,127)	$(23,104)
Consolidated			
Net Sales	$528,218	$443,948	$438,825
Operating Income	32,856	29,648	27,250
Identifiable Assets	362,527	324,948	300,488

Interarea transfers consist principally of surfactant intermediates and finished products. They are generally transferred at cost plus an appropriate mark-up for profit. Operating income is calculated as income before net interest expense and provision for income taxes. Marketing and services in the United States, Canada and Mexico are managed as a single enterprise. However, in compliance with Statement of Financial Accounting Standards 14, "Financial Reporting for Segments of a Business Enterprise," the United States is reported as a separate geographic area. Other includes subsidiaries in Canada, Mexico and Europe. Prior years' information has been reclassified to conform with current year's presentation.

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

FOR THE YEAR	1995	1994	1993
Net Sales	$528,218	$443,948	$438,825
Income from Operations(f)	24,991	22,512	19,624
Percent of net sales	4.7%	5.1%	4.5%
Gain on Sale of Assets	-	-	-
Environmental and Restructuring Charges	-	-	-
Pre-tax Income	24,991	22,512	19,624
Percent of net sales	4.7%	5.1%	4.5%
Provision for Income Taxes	8,872	8,667	8,848
Net Income	16,119	13,845	10,776
Per share (a) (b)	1.51	1.29	.98
Percent of net sales	3.1%	3.1%	2.5%
Percent to stockholders' equity (c)	14.5%	13.3%	10.8%
Cash Dividends Paid	5,540	5,294	5,105
Per common share (a)	.4475	.4250	.4050
Depreciation and Amortization	30,384	28,935	27,679
Capital Expenditures	39,247	42,884	25,435
Average Common Shares Outstanding (a)	9,984	9,924	9,894
AS OF YEAR END			
Working Capital	$ 63,255	$ 48,915	$ 48,569
Current Ratio	1.7	1.6	1.7
Property, Plant and Equipment, net	192,470	183,657	170,270
Total Assets	362,527	324,948	300,488
Long-term Debt, less current maturities	109,023	89,795	89,660
Stockholders' Equity	122,477	111,302	104,217
Per share (a) (d)	11.25	10.27	9.65
Number of Employees	1,267	1,265	1,302

(a) Adjusted for two-for-one common stock splits in 1988 and 1994.
(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 and the assumed conversion of the convertible preferred shares outstanding at year end.
(e) Change in method of accounting for pensions increased net income in 1986 by $467 or $.04 per share.
(f) Pre-tax income before applicable gain on sale of assets, environmental and restructuring charges, and cumulative effect of accounting changes.
(g) Reflected cumulative effect of accounting changes for income taxes and investment tax credits of $5.4 million, or $.51 per primary share and $.49 per fully diluted share.

QUARTERLY STOCK DATA (UNAUDITED)

	Stock Price Range				Dividends Paid Per Common Share	
	1995		1994		1995	1994
Quarter	High	Low	High	Low		
First	$19-1/2	$14-3/4	$16	$13-5/16	11.00c	10.50c
Second	20-7/8	17	14-5/16	13	11.00c	10.50c
Third	17-3/4	15-5/8	17-5/8	12-3/8	11.00c	10.50c
Fourth	17-1/2	15	17-11/16	14-1/2	11.75c	11.00c
Year	20-7/8	14-3/4	17-11/16	12-3/8	44.75c	42.50c

1992	1991	1990	1989	1988	1987	1986
$435,764	$414,069	$389,612	$346,350	$333,033	$288,935	$259,787
23,865	18,866	21,420	11,701	20,554	19,230	14,037
5.5%	4.6%	5.5%	3.4%	6.2%	6.7%	5.4%
-	-	874	-	-	-	-
6,500	-	-	-	-	-	-
17,365	18,866	22,294	11,701	20,554	19,230	14,037
4.0%	4.6%	5.7%	3.4%	6.2%	6.7%	5.4%
6,942	6,319	7,803	3,861	7,126	8,271	6,524
15,829(g)	12,547	14,491	7,840	13,428	10,959	7,513(e)
1.46	1.15	1.32	.71	1.19	.91	.63(e)
3.6%	3.0%	3.7%	2.3%	4.0%	3.8%	2.9%
17.4%	15.2%	20.5%	11.7%	22.4%	19.9%	15.2%
4,172	3,603	3,190	2,919	2,658	2,386	2,145
.3700	.3300	.2900	.2650	.2375	.2075	.1850
23,914	21,108	19,391	17,061	15,393	13,815	11,630
34,440	33,728	38,375	34,090	20,442	25,705	14,322
10,572	10,916	10,992	11,034	11,216	11,954	11,888

$44,265	$ 41,972	$ 38,943	$ 36,952	$ 28,498	$ 26,637	$ 23,386
1.6	1.7	1.7	1.8	1.6	1.7	1.6
167,930	157,063	143,342	122,509	104,697	98,994	85,607
297,080	271,442	246,992	215,351	185,601	172,726	152,794
90,505	89,759	77,326	68,568	45,369	44,399	34,868
99,506	90,866	82,698	70,741	66,790	59,936	55,029
9.22	8.35	7.57	6.45	6.06	5.32	4.76
1,317	1,317	1,311	1,152	1,028	1,002	948

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

	1995				
Quarter	First	Second	Third	Fourth	Year
Net Sales	$134,786	$136,258	$130,410	$126,764	$528,218
Gross Profit	26,655	25,807	20,647	24,294	97,403
Interest, net	(1,864)	(2,128)	(2,046)	(1,827)	(7,865)
Pre-tax Income (Loss)	9,936	8,506	(879)	7,428	24,991
Net Income (Loss)	6,109	5,418	(550)	5,142	16,119
Net Income (Loss) per Share	.59	.52	(.08)	.49	1.51

	1994				
Quarter	First	Second	Third	Fourth	Year
Net Sales	$107,279	$112,305	$110,761	$113,603	$443,948
Gross Profit	19,143	20,657	20,983	20,317	81,100
Interest, net	(1,918)	(1,803)	(1,639)	(1,776)	(7,136)
Pre-tax Income	3,427	6,912	6,939	5,234	22,512
Net Income	2,022	4,078	4,112	3,633	13,845

Net Income per Share	.18	.38	.39	.34	1.29

Exhibit (21)

STEPAN COMPANY
SUBSIDIARIES OF REGISTRANT

Subsidiary	Organized under the Laws of:
Stepan Europe S.A.	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 9, 1996, included or incorporated by reference in Stepan Company's Annual Report in this Form 10-K for the year ended December 31, 1995, into the company's previously filed Registration Statements on Form S-8, File Nos. 2-64668, 2-40183, 2-80336 and 33-57189.

ARTHUR ANDERSEN LLP

Chicago, Illinois,
March 25, 1996

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 25th day of March 1996.

/s/ F. Quinn Stepan
____
F. Quinn Stepan

/s/ Thomas F. Grojean
____
Thomas F. Grojean

/s/ James A. Hartlage
____
James A. Hartlage

/s/ Walter J. Klein
____
Walter J. Klein

/s/ Paul H. Stepan
____
Paul H. Stepan

/s/ Robert D. Cadieux
____
Robert D. Cadieux

/s/ Robert G. Potter
____
Robert G. Potter

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1995 AND CONSOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTHS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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DEC-31-1995
DEC-31-1995
3,148
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81,558
1,744
54,363
150,154
454,104
261,634
362,527
86,899
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528,218
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503,227
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24,991
8,872
16,119
0
0
0
16,119
1.51
1.46