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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
For the fiscal year ended December 31, 2000

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 1-4462

STEPAN COMPANY
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-1823834 (I.R.S. Employer Identification Number)
Edens and Winnetka Road, Northfield, Illinois (Address of principal executive offices)	60093 (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 Chicago Stock Exchange
5 1/2% Convertible Preferred Stock, no par value	New York Stock Exchange Chicago Stock Exchange

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

None
(Title of Class)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K. [_] .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Aggregate market value at February 28, 2001, of voting stock held by nonaffiliates of the registrant: $134,631,000*

Number of shares outstanding of each of the issuer's classes of common stock as of February 28, 2001:

Class	Outstanding at February 28, 2001
Common Stock, $1 par value	9,253,685

Documents Incorporated by Reference

Part of Form 10-K	Document Incorporated
Part I, Item 1	2000 Annual Report to Stockholders
Part II, Items 5-8	2000 Annual Report to Stockholders
Part III, Items 10-12	Proxy Statement dated March 28, 2001

*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.

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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 has three reportable segments: 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 products, 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 derives its revenue from the sale of phthalic anhydride, polyols and polyurethane foam systems used in plastics, building materials and refrigeration industries. Polymers are also used in coating, adhesive, sealant and elastomer applications. Specialty products sells chemicals used in food, flavoring and pharmaceutical applications.

MARKETING AND COMPETITION

Principal markets for surfactants are manufacturers of detergents, shampoos, lotions, toothpastes and cosmetics. Surfactants are also sold to the producers of emulsifiers and lubricating products. The company also is a principal provider of polymers used in construction, refrigeration, automotive, boating and other consumer product industries. Specialty products are used primarily by food and pharmaceutical manufacturers.

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 a leading merchant producer 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 percent 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 periods of interruption. 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 2001, 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 2000, 1999 and 1998 were $13,383,000, $13,113,000, and $12,219,000, 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 $2,098,000 during 2000. These expenditures represented approximately seven percent of the company's capital expenditures in 2000. These expenditures, when incurred, are depreciated and charged on a straight-line basis to pre-tax earnings over their estimated useful lives which is 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, 2000 and 1999, the company employed worldwide 1,387 and 1,365 persons, respectively.

FOREIGN OPERATIONS

See Note 14, Segment Reporting, in the company's 2000 Annual Report to Stockholders which is incorporated by reference herein.

SEGMENTS

See Note 14, Segment Reporting, in the company's 2000 Annual Report to Stockholders which is incorporated by reference herein.

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 eight acre site. In addition, the company leases 49,000 square feet of office space in a nearby office complex.

Stepan Canada maintains a leased sales office in Mississagua, Canada. Stepan Mexico maintains a leased sales office in Mexico City, Mexico.

Surfactants are produced at four plants in the United States and five wholly owned subsidiaries: one in France, Canada, Mexico, Colombia and Germany. 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 eight acre site in Anaheim, California. A fourth plant is located on a 175 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. Stepan Germany is located on a five acre site in Cologne, Germany. Stepan Colombia is located on a five acre site in Manizales, Colombia. 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

As reported previously, the company's site in Maywood, New Jersey, and property formerly owned by the company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liabilities Act (CERCLA) because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the company for property formerly owned by the company, and the issuance of an order by USEPA to the company for property currently owned by the company, the company completed a Remedial Investigation Feasibility Study (RI/FS) in 1994. In addition, the company submitted a Feasibility Study Addendum to USEPA in October 2000. The company has been awaiting the issuance of a Record of Decision (ROD) from USEPA which would relate to both the currently owned and formerly owned company property and would recommend the type of remediation required on each property. The company's understanding is that USEPA anticipates that it will issue the proposed ROD sometime during fiscal year 2001 with a public comment period to follow. The final ROD will be issued sometime after the public comment period.

In 1985, the company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy (DOE) took title to radiological contaminated materials and was to remediate, at its expense, all radiological waste on the company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) was being remediated by the DOE under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the company that it had requested legal advice from the Department of Justice as to the impact of the Agreement.

By letter dated July 28, 2000, the Department of Justice advised the company that the USACE and USEPA had referred to the Justice Department claims against the company for response costs incurred or to be incurred by the USACE, USEPA and the DOE in connection with the Maywood site, and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter referred to both radiological and non-radiological hazardous waste at the Maywood site and stated that the United States has incurred unreimbursed response costs to date of $138.0 million. Costs associated with radiological waste at the Maywood site, which the company believes represent all but a small portion of the amount referred to in the Justice Department letter, could be expected to aggregate substantially in excess of that amount. In the letter, the Justice Department invited the company to discuss settlement of the matter in order to avoid the need for litigation. The company believes that its liability, if any, for such costs has been resolved by the aforesaid Agreement. Despite the fact that the company continues to believe that it has no liability to the United States for such costs, discussions with the Justice Department are currently ongoing to attempt to resolve this matter.

Based upon all of the above factors, the company has increased its reserves for claims associated with the Maywood site and believes that such increased reserves are now adequate. However, depending on the results of the ongoing discussions regarding the Maywood site, the final cost of the remediation could differ from current estimates.

As reported previously, the company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710) (JBS) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the company's liability at these sites was completed in March 2000. The company is awaiting a decision from the court. If the company is found liable at either site, a second trial as to the company's allocated share of clean-up costs at these sites will likely be held in late 2001 or 2002. The company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the company believes it has adequate reserves. On a related matter, the company has filed an appeal to the United States Third Circuit Court of Appeals objecting to the lodging of a partial consent decree in favor of the United States Government in this action. Under the partial consent decree, the government recovered past costs at the site from all PRPs including the company. The company paid its assessed share, but by objecting to the partial consent decree, the company is seeking to recover back the sums it paid.

As reported previously, the company received a Section 104(e) Request for Information from USEPA dated March 21, 2000, regarding the Lightman Drum Company Site located in Winslow Township, New Jersey. The company responded to this request on May 18, 2000. In addition, the company received a Notice of Potential Liability and Request to Perform RI/FS dated June 30, 2000, from USEPA. The company has decided that it will participate in the performance of the RI/FS. However, based on the current information known regarding this site, the company is unable to predict what its liability, if any, will be for this site.

The company received a Section 104(e) Request for Information from USEPA dated December 21, 2000, regarding the Prestige Chemical Superfund Site located in Senoia, Coweta County, Georgia. The company responded to this request on February 12, 2001, stating that it does not possess any information or records responsive to this request. Therefore, the company does not believe that it has any liability with respect to this site.

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, 2000.

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 February 15, 1999, F. Quinn Stepan, Jr., was elected President and Chief Operating Officer. He was previously Vice President and General Manager--Surfactants as of January 1, 1997, Vice President--Global Laundry and Cleaning Products as of May 1996 and Director--Business Management as of May 1992. Mr. F. Quinn Stepan, Sr., has served the company as Chairman and Chief Executive Officer since 1984. He served as President from 1973 until February 15, 1999.

Effective February 16, 1999, John V. Venegoni was appointed Vice President and General Manager--Surfactants. From May 1992 until May 1996, he served as a Senior Business Manager--Consumer Products. From May 1996 until February 16, 1999, he served as Director--Global Personal Care.

Effective January 1, 2001, Robert J. Wood was appointed Vice President and General Manager--Polymers. From April 1988 until March 1996, he served as a Business Manager--Polyols. From March 1996 until January 1, 2001, he served as Director--Polyols.

Ronald L. Siemon retired on December 31, 2000. Before the retirement, he served as Vice President and General Manager--Polymers.

Effective April 12, 2000, Susan S. Korthase was appointed Vice President--Human Resources. For the five years prior to coming to Stepan Company, she was a senior executive in Ernst & Young's global People & Organization Solutions consulting practice.

All other executive officers have remained in their current capacity for over five years.

The Executive Officers of the company, their ages as of February 28, 2001, and certain other information are as follows:

Name	Age	Title	Year First Elected Officer
F. Quinn Stepan.........	63	Chairman and Chief Executive Officer	1967
F. Quinn Stepan, Jr.....	40	President and Chief Operating Officer	1997
James A. Hartlage.......	63	Senior Vice President--Technology and Operations	1980
Walter J. Klein.........	54	Vice President--Finance	1985
Mickey Mirghanbari......	63	Vice President--Manufacturing and Engineering	1992
Earl H. Wagener.........	60	Vice President--Research and Development	1995
John V. Venegoni........	42	Vice President and General Manager--Surfactants	1999
Susan S. Korthase.......	50	Vice President--Human Resources	2000
Robert J. Wood..........	43	Vice President and General Manager--Polymers	2001

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 and the Chicago Stock Exchange. See Quarterly Stock Data in the company's 2000 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 and the Chicago Stock Exchange. See Note 7 in the company's 2000 Annual Report to Stockholders for the description of the preferred stockholders' rights which is incorporated by reference herein.

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

(b) On February 28, 2001, there were 1,307 holders of common stock of the company.

(c) See Quarterly Stock Data in the company's 2000 Annual Report to Stockholders for dividend information which is incorporated by reference herein. Also see Note 4 in the company's 2000 Annual Report to Stockholders which sets forth the restrictive covenants covering dividends.

Item 6. Selected Financial Data

See the Five Year Summary in the company's 2000 Annual Report to Stockholders for selected financial information which is incorporated by reference herein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk

See Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk in the company's 2000 Annual Report to Stockholders which is incorporated by reference herein.

Some information contained in the Management's Discussion and Analysis is forward looking and involves risks and uncertainties. The results achieved this year are not necessarily an indication of future prospects for the company. Actual results in future years may differ materially. Potential risks and uncertainties include, among others, fluctuations in the volume and timing of product orders, changes in demand for the company's products, changes in technology, continued competitive pressures in the marketplace, availability of raw materials, foreign currency fluctuations and general economic conditions.

Item 8. Financial Statements and Supplementary Data

See the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and Auditors' Report in the company's 2000 Annual Report to Stockholders.

See the Quarterly Financial Data in the company's 2000 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

Mr. Paul Stepan is a general partner of a partnership having an interest in certain real estate which is unrelated to the business of the company. The partnership of which Mr. Paul Stepan is a general partner filed in bankruptcy for Chapter 11 protection in February 1998. Mr. Paul Stepan advised that a refinancing package and successful discharge from Chapter 11 occurred.

(b) Executive Officers

See Executive Officers of the Registrant in Part I above.

Item 11. Executive Compensation

See company's Proxy Statement dated March 28, 2001, for the Annual Meeting of the Stockholders which is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

See company's Proxy Statement dated March 28, 2001, for the Annual Meeting of the Stockholders which is 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

None

(c) Exhibits

See Exhibit Index filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Stepan Company

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

March 13, 2001

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.

/s/ F. Quinn Stepan F. Quinn Stepan	Chairman, Chief Executive Officer and Director	March 13, 2001
/s/ F. Quinn Stepan, Jr. F. Quinn Stepan, Jr.	President, Chief Operating Officer and Director	March 13, 2001
/s/ Walter J. Klein Walter J. Klein	Vice President--Finance, Principal Financial and Accounting Officer	March 13, 2001
/s/ James A. Hartlage James A. Hartlage	Senior Vice President--Technology and Operations and Director	March 13, 2001
/s/ Thomas F. Grojean Thomas F. Grojean	Director	March 13, 2001
/s/ Paul H. Stepan Paul H. Stepan	Director	March 13, 2001
/s/ Robert D. Cadieux Robert D. Cadieux	Director	March 13, 2001
/s/ Robert G. Potter Robert G. Potter	Director	March 13, 2001

Walter J. Klein, 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.

Walter J. Klein

March 13, 2001

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, 2000, has been filed as an exhibit to this Annual Report on Form 10-K. 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 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.

SUPPLEMENTAL SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
AS REQUIRED TO COMPLY WITH REGULATION 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:

	2000	1999	1998
	(In Thousands)		
Balance, Beginning of Year	$2,389	$2,263	$2,121
Provision charged to income	1,281	222	339
Accounts written off, net of recoveries	(516)	(96)	(197)
Balance, End of Year	$3,154	$2,389	$2,263

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 16, 2001. 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 16, 2001

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)a(1)	Copy of Certificate of Amendment of Certificate of Incorporation, dated May 24, 1999. (Note 13)
(3)b	Copy of the Bylaws of the company as amended through February 15, 1999. (Note 14)
(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 10)
(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). (Note 9)
(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)
(4)o	Copy of Revolving Credit and Term Loan Agreement, dated January 9, 1998, with The First National Bank of Chicago. (Note 11)
(4)o(1)	Copy of Certificate of Amendment, dated March 12, 1999, amending Revolving Credit and Term Loan Agreement, dated January 9, 1998. (Note 12)
(4)p	Copy of Term Loan Agreement, dated October 1, 1998, with The Northwestern Mutual Life Insurance Company and Connecticut General Life Insurance Company. (Note 14)
	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)

Exhibit No.	Description
(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)
(10)g	Copy of the company's 2000 Stock Option Plan. (Note 15)
(13)	Copy of the company's 2000 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, 2000.
(23)	Consent of Independent Public Accountants.
(24)	Power of Attorney.

Notes To Exhibit Index

Note No.

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 Annual Report on Form 10-K for the year ended December 31, 1994, and incorporated herein by reference.

10. Filed with the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference.

11. Filed with the company's Annual report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference.

12. Filed with the company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference.

Note
No.
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13. Filed with the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, and incorporated herein by reference.

14. Filed with the company's Annual Report on Form 10-K for the year ended December 31, 1998, and incorporated herein by reference.

15. Filed with the company's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.

Exhibit 13

Financial Highlights

(In thousands, except per share and stockholder amounts)	2000	1999	% Change (2000 vs. 1999)	1998	% Change (1999 vs. 1998)
Net Sales *	$698,937	$694,659	+1	$635,756	+9
Net Income	15,008	22,129	-32	23,454	-6
Per Share (Diluted)	1.47	2.08	-29	2.12	-2
Percent of Net Sales	2.1%	3.2%	-34	3.7%	-14
Percent Return on Beginning Equity	9.7%	15.0%	-35	17.0%	-12
Depreciation and Amortization	39,277	39,452	--	37,347	+6
Capital Expenditures	28,442	32,697	-13	44,056	-26
Dividends Per Common Share	66.25c	61.25c	+8	56.25c	+9
Working Capital	68,872	68,615	--	61,814	+11
Current Ratio	1.6	1.7	-6	1.7	--
Long-term Debt, less current maturities	96,466	107,420	-10	107,708	--
Stockholders' Equity	154,176	155,064	-1	147,984	+5
Stockholders' Equity Per Share	15.57	15.20	+2	14.18	+7
Average Common Shares Outstanding	9,355	9,592	-2	9,843	-3
Number of Stockholders	1,357	1,514	-10	1,587	-5

* Prior years Net Sales have been restated to conform to the requirements of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs".

Net Sales (Dollars in thousands)	
1995	548,196
1996	557,973
1997	605,574
1998	635,756
1999	694,659
2000	698,937

Compound Annual Growth
Five Years +5%

Net Income (Dollars in thousands)	
1995	16,119
1996	19,067
1997	20,410
1998	23,454
1999	22,129
2000	15,008

Compound Annual Growth
Five Years -1%

Net Income Per Common Share (Diluted) (Dollars)	
1995	1.46
1996	1.71
1997	1.86
1998	2.12
1999	2.08
2000	1.47

Compound Annual Growth
Five Years +0%

Dividends Per Common Share (Dollars)	
1995	.4475
1996	.4775
1997	.5125
1998	.5625
1999	.6125
2000	.6625

Compound Annual Growth
Five Years +8%

Results of Operations

2000 Compared with 1999

Net sales for 2000 increased one percent from $694.7 million in 1999 to $698.9 million in 2000 (prior year data has been reclassified to conform to 2000 presentation). The increase was due to a three percent rise in sales volume. Net sales by segment were as follows:

(Dollars in thousands)	2000	1999	Percent Change
Surfactants	$537,006	$547,359	-2
Polymers	140,786	126,774	+11
Specialty Products	21,145	20,526	+3
Total	$698,937	$694,659	+1

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 agricultural products, and plastics and composites.

Surfactants net sales, representing 77 percent of the company's revenue, decreased $10.4 million, or two percent, from $547.4 million in 1999 to $537.0 million in 2000. Foreign operations' net sales decreased $13.2 million, or 10 percent, from $133.0 million in 1999 to $119.8 million in 2000, which accounted for the overall net sales decline. The decrease was mainly due to a decline in revenue reported by the company's Mexican and European subsidiaries. Mexican operations reported lower revenue due to decreased sales volume. Despite a volume gain between years, European operations' net sales decreased. Weaker selling prices and lower exchange rates contributed to the overall decline. Domestic sales increased $2.8 million, or one percent, from $414.4 million in 1999 to $417.2 million in 2000. A six percent rise in sales volume offset a five percent drop in average selling prices. Average selling prices declined largely due to sales mix, increased market competition and the non-recurring favorable impact in 1999 of the settlement of a contract cancellation. Sales volume grew six percent due to higher demand for the company's laundry and cleaning products and rising export sales to Asia.

The polymers product group includes phthalic anhydride (PA), polyurethane systems and polyurethane polyols. PA is used in polyester 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. Polyurethane polyols are also sold to the appliance, coatings, adhesives, sealants and elastomers markets.

Polymer net sales, accounting for 20 percent of the company's revenue, increased 11 percent, from $126.8 million in 1999 to $140.8 million in 2000. The increase was due to a five percent rise in sales volume coupled with increased average selling prices. Globally, polyurethane polyols' net sales rose $6.7 million, or ten percent, from $70.0 million in 1999 to $76.7 million in 2000. The increase was entirely due to a nine percent rise in sales volume. Both domestic and foreign operations sales increased between years. PA's net sales increased 14 percent from $36.3 million in 1999 to $41.4 million in 2000. The improvement was entirely due to a 14 percent rise in average selling prices. The higher prices were due to increased raw material costs, which were passed on to customers. Sales volume was flat between years. Polyurethane systems reported a $2.2 million, or 11 percent, increase in net sales. A nine percent rise in sales volume coupled with a two percent increase in average selling prices caused an overall improvement.

Specialty products include flavors, emulsifiers and solubilizers used in the food and pharmaceutical industry. Net sales for the year were $21.1 million, a rise of $0.6 million, or three percent over 1999. Higher average selling prices led to the growth.

Gross profit decreased to $112.0 million in 2000 from $120.9 million in 1999. Surfactants gross profit was down $8.3 million, or nine percent, from $87.6 million in 1999 to $79.3 million in 2000. Domestic operations reported a $6.6 million, or nine percent, decrease due to lower average margins. Termination of the previously mentioned supply contract coupled with lower pricing in the higher volume product lines led to the margin decline. Gross profit for foreign operations decreased $1.7 million, or 11 percent, between years. Decreased sales volume for Mexican operations coupled with lower margins reported by the company's French subsidiary led to the overall decline. Weaker exchange rates in Europe and strong competition contributed to the decrease. Polymers' gross profit increased slightly between years to $27.9 million in 2000 from $27.8 million in 1999. Lower margins offset the impact of increased sales volume. Globally, polyurethane polyols gross profit was down $2.6 million, or 12 percent, between years. Decreased domestic and European margins, due to higher raw material costs, caused the drop in gross profit. PA's gross profit was up $1.9 million, or 42 percent, between years, despite a $0.9 million write-off of damaged catalyst. Improved margins accounted for the increase. A rise in margins and sales volume also led to a $0.7 million, or 17 percent, increase in polyurethane systems gross profit. Specialty products gross profit decreased by $0.7 million, or 13 percent, between years mainly due to lower sales of higher margin products.

Operating income was $32.0 million, a $9.8 million, or 23 percent, decrease from 1999. Operating expenses, consisting of marketing, administrative and research and development expenses, increased one percent between years. Marketing expenses rose $1.4 million, or six percent, primarily due to increased bad debt provision. Administrative expenses decreased just $0.6 million, or two percent, despite unusually high 1999 expenses that resulted from a $10.2 million legal settlement charge. 2000 administrative expenses included $6.1 million of legal and environmental-related charges, most of which related to potential future remediation costs at the company's Maywood, New Jersey, plant (see Environmental and Legal Matters section of this discussion for additional information). General legal expense was also up $1.4 million between years.

Philippine joint venture equity income fell $0.7 million, or 51 percent, between years. An $0.8 million unfavorable swing in foreign currency exchange losses, due to a weaker Philippine peso, caused the decline. The impact from foreign exchange fluctuations excluding the joint venture was immaterial to the results of the company's operations.

Pretax income declined $10.4 million, or 30 percent, to $24.4 million in 2000 from $34.8 million in 1999.

The effective tax rate was 38.5 percent in 2000 compared to 36.5 percent in 1999. The higher effective tax rate was primarily attributable to the inability to tax benefit losses in Germany and Mexico. A lower tax benefit realized on Philippine income during 2000 also contributed to the higher effective tax rate (see Note 6 of the Notes to the Consolidated Financial Statements for a reconciliation of the statutory rate to the effective tax rate).

Net income for the year was $15.0 million, or $1.47 per share diluted, compared with $22.1 million, or $2.08 per share diluted, a year ago.

1999 Compared with 1998

Net sales for 1999 increased nine percent to $694.7 million. The increase was primarily the result of a nine percent growth in sales volume. Net sales by segment were as follows (prior year data has been reclassified to conform to 2000 presentation):

(Dollars in thousands)	1999	1998	Percent Change
Surfactants	$547,359	$493,930	+11
Polymers	126,774	122,148	+4
Specialty Products	20,526	19,678	+4
Total	$694,659	$635,756	+9

Surfactants net sales, accounting for 79 percent of the company's revenue, increased $53.4 million, or 11 percent, due mainly to a 10 percent rise in sales volume. Domestic and foreign operations contributed to the overall growth. Domestic operations increased $25.5 million, or seven percent, due to a six percent gain in sales volume. Rising demand for personal care and laundry and cleaning products was the main contributor to the improved sales volume. Exports to Asia also experienced a solid recovery from the weakness of a year ago. Foreign operations reported a $27.9 million, or 27 percent, increase in net sales, due largely to higher sales volume. All foreign operations posted net sales increases. Canadian operations benefited from the fourth quarter 1998 acquisition of the anionic and cationic surfactants business from Boehme-Filatex Canada, Inc. Mexican operations' net sales increase also was aided by a major customer switching from consigning raw material and paying a processing fee to buying finished products inclusive of raw materials costs. 1999 was the first full-year consolidation of Stepan Colombia.

Polymers' net sales, accounting for 18 percent of the company's revenue, increased four percent, mainly due to a four percent rise in sales volume. Globally, polyurethane polyols accounted for most of the growth with a gain in net sales of $5.3 million, or eight percent, due to a 12 percent growth in sales volume. North American, South American and European sales all increased between years. Polyurethane systems reported a $1.0 million, or five percent, growth in net sales based on improved sales volume. PA's sales volume drop of four percent, coupled with decreased average selling prices, caused a $1.7 million, or four percent, decline in net sales.

Specialty products net sales were $20.5 million, a rise of $0.8 million, or four percent, over 1998. Increased volume and higher average selling prices contributed to the growth.

Gross profit increased to $120.9 million in 1999 from $111.6 million in 1998. 1999 surfactants gross profit of $87.6 million rose 11 percent from $79.7 million in 1998. The increase was due to a nine percent growth in sales volume. Domestic operations reported a $5.9 million, or nine percent, rise based on a six percent improvement in sales volume. In addition, the early termination of a sales contract resulted in the recognition of $2.7 million of income. Higher sales volumes and margins for French and Canadian operations coupled with the whole year consolidation of the Colombian subsidiary led to the increase in foreign operations. Weakness in the German results adversely affected gross profit from foreign subsidiaries. Polymers' gross profit remained flat at $27.8 million between years despite record results from domestic polyurethane polyols and higher polyurethane systems profit. Globally, polyurethane polyols' profit rose $2.6 million, or 13 percent. Improved domestic margins and higher sales volume led to the gain. Decreased margins in Europe dampened polyurethane polyols results. Higher volumes and margins also caused a $0.5 million, or 14 percent, profit increase for polyurethane systems. Lower PA gross profit, due to decreased volume and margins, offset the gains reported by polyurethane polyols and systems. Specialty products gross profit grew by $0.5 million, or 11 percent, to $5.5 million in 1999. Improved margins caused the increase.

Average raw material costs increased approximately two percent from 1998 to 1999. Manufacturing labor costs increased due to higher fringe benefit costs and normal annual pay raises. Total number of company employees decreased to 1,365 during 1999 from 1,372 in 1998. Depreciation expenses increased to $36.2 million in 1999 from $34.8 million in 1998.

Operating income was $41.8 million, a $3.6 million, or eight percent, decrease from 1998. Operating expenses, consisting of marketing, administrative and research expenses, increased $13.0 million, or 20 percent. Administrative expenses climbed 50 percent due to a $10.2 million charge related to the settlement of a lawsuit (see Environmental and Legal Matters section of this discussion for additional information). Research expenses rose eight percent between years mainly due to increased staffing levels to support development and commercialization of high value added products. Marketing expenses grew two percent over 1998.

Pre-tax income declined 10 percent between years due mainly to the lawsuit settlement. Interest expense increased 12 percent due to decreased capitalized interest and higher average levels of debt partially offset by lower average interest rate.

The effective tax rate was 36.5 percent in 1999 compared to 39.5 percent in 1998. The lower effective tax rate primarily was attributable to tax losses utilized in Europe. An overall lower state apportionment factor and a higher tax benefit realized on Philippine income during 1999 also contributed to the lower effective tax rate (see Note 6 of the Notes to the Consolidated Financial Statements for a reconciliation of the statutory rate to the effective tax rate).

Net income for the year was $22.1 million, or $2.08 per share diluted, compared with $23.5 million, or $2.12 per share diluted, in 1998. Excluding the effect of the previously discussed lawsuit settlement ($6.3 million after-tax charge), net income would have been $28.4 million, a 21 percent increase over 1998.

Fourth Quarter 2000 Compared with 1999

For the quarter ended December 31, 2000, the company reported a net loss of $2.1 million, or a $0.25 loss per share diluted, compared to a record $8.0 million, or $0.76 per share diluted, in the fourth quarter of 1999. Approximately $6.1 million ($3.7 million after-tax) of legal and environmental charges were included in the fourth quarter results of 2000. Most of the charges were related to potential future remediation costs at the company's Maywood, New Jersey, plant. Net sales for the quarter decreased four percent to $169.4 million from $176.1 million a year ago. Gross profit was down 20 percent from $31.4 million in the fourth quarter of 1999 to $25.2 million in the fourth quarter of 2000. Surfactants gross profit decreased $6.3 million, or 27 percent, due primarily to lower average domestic margins and to lower foreign sales volumes and margins. Polymers reported a $1.9 million, or 35 percent, increase in gross profit. Increased average margins more than offset a three percent decline in sales volume. Gross profit for specialty products was down $1.8 million between quarters. A drop in sales volume of higher margin products led to the decline. Operating expenses rose $8.5 million, or 46 percent, in comparison to the fourth quarter of 1999. Higher administrative expenses ($8.1 million), which included the previously mentioned legal and environmental charges, accounted for most of the increase. Acquisition investigation ($0.6 million), other legal ($0.5 million) and severance ($0.5 million) expenses contributed to the administrative expense increase. Marketing expenses also rose between quarters ($0.6 million) largely due to an increased provision for bad debts. Philippine joint venture equity income fell $0.5 million between quarters. Foreign currency exchange losses, due to a weaker Philippine peso, accounted for about $0.4 million of the decline.

Liquidity and Financial Condition

For the 12 months ended December 31, 2000, net cash from operations totaled $53.5 million, up by $2.9 million from the total in 1999. Net income decreased by $7.1 million from year to year. However, non-cash income items were up by $4.2 million from 1999 levels, primarily due to a $5.1 million increase in environmental and legal liabilities. Working capital netted to a cash source of $1.4 million for the current year, compared to a cash use of $4.4 million in 1999. Accounts payable and accrued liabilities increased by $10.9 million while inventories and accounts receivables increased by $8.3 million and $1.4 million, respectively. Other working capital, mainly prepaid expenses, decreased by $0.2 million. Capital spending totaled $28.4 million, down by $4.3 million from the 1999 total.

Consolidated debt decreased by $9.0 million during 2000, ending the year at $106.1 million. As of December 31, 2000, the ratio of long-term debt to long-term debt plus shareholders' equity was 38.5 percent compared to 40.9 percent one year earlier.

The company maintains contractual relationships with its domestic banks that provide for $60 million of committed, 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. 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 and acquisitions.

The company anticipates that cash from operations and from committed credit facilities will be sufficient to fund anticipated capital expenditures, dividends and other planned financial commitments for the foreseeable future. Any substantial acquisitions would require additional funding.

Market Risk Analysis

FOREIGN CURRENCY EXCHANGE RISK

Because the company operates in the global marketplace, its cash flows and operating results are exposed to foreign currency fluctuations. The company manufactures and sells products in many foreign locations and, therefore, believes its currency exchange risk is well diversified. Except as noted below, substantially all the company's foreign subsidiaries' financial instruments are denominated in their respective functional currencies. As such, exposure to exchange rate risk on foreign currency financial instruments is insignificant.

The company's 50 percent owned Philippine joint venture has U.S. dollar-denominated debt with the potential for future translation gains or losses. A 10 percent change in this exchange rate would not have a material effect on the company's operating results or cash flow. A substantial majority of the revenues of the Philippine joint venture is also denominated in U.S. dollars.

INTEREST RATES

The company's debt was composed of fixed-rate and variable-rate borrowings totaling $92.4 million and $13.7 million, respectively, as of December 31, 2000. For 2001, it is projected that interest on variable-rate borrowings will comprise about 21 percent of the company's total interest expense. A 10 percent increase or decrease to short-term interest rates would be immaterial to the company's operating results or cash flow.

The fair value of the company's fixed-rate debt, including current maturities, was estimated to be $88.7 million as of December 31, 2000, which was approximately $3.7 million below the carrying value. Market risk was estimated as the potential increase to the fair value that would result from a hypothetical 10 percent decrease in the company's weighted average long-term borrowing rates at December 31, 2000, or $2.7 million. Such a rate decrease would be immaterial to future operating results or cash flow.

COMMODITY PRICE RISK

Certain raw materials used in the manufacture of the company's products are subject to price volatility caused by weather, petroleum prices and other unpredictable factors. In many cases, the company has the ability to pass on raw material price increases to customers. Therefore, commodity financial instruments are generally not used. Periodically, firm purchase commitments are entered into which fix the price of a specific commodity that will be delivered at a future time. Such commitments usually cover only a portion of the company's anticipated requirements. At December 31, 2000, the company had no significant firm commitments and, as a result, the price risk is not material to the company's consolidated financial position, results of operations or cash flow.

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 2000, the company's expenditures for capital projects related to the environment were $2.1 million. These projects are capitalized and depreciated over their estimated useful lives, which is typically 10 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 $7.9 million for 2000 compared to $7.5 million for 1999. While difficult to project, it is not anticipated that these recurring expenses will increase significantly in the future.

The company has been named by the government as a potentially responsible party at 16 waste disposal sites where cleanup costs have been or may be incurred under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes. In addition, damages are being claimed against the company in general liability actions for alleged personal injury or property damage in the case of some disposal and plant sites. The company believes that it has made adequate provisions for the costs it may incur with respect to the sites. After partial remediation payments at certain sites, the company has estimated a range of possible environmental and legal losses from $7.5 million to $35.0 million at December 31, 2000, compared to $4.2 million to $25.2 million at December 31, 1999. At December 31, 2000, the company's reserve was $16.6 million for legal and environmental matters compared to $11.6 million at December 31, 1999. The increase in the reserve was primarily due to additional potential remediation costs at the company's Maywood, New Jersey, plant (see Footnote 12, Contingencies, in the Notes to Consolidated Financial Statements). During 2000, non-capital expenditures related to legal and environmental matters approximated $2.5 million compared to $15.8 million, net of insurance recoveries, expended in 1999. While it is difficult to forecast the timing of the expenditures, the company believes that

$3.0 million of the $16.6 million reserve is likely to be paid out in 2001. The balance of the reserve would probably be paid out over many years.

For certain 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 2000 Form 10-K Annual Report and in other filings of the company with the Securities and Exchange Commission, which are available upon request from the company. See also Footnote 12, Contingencies, in the Notes to Consolidated Financial Statements for a summary of the environmental proceedings related to the company's Maywood, New Jersey, and Ewan and D'Imperio environmental sites.

New Accounting Standard

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date to fiscal years beginning after June 15, 2000. The new standard establishes accounting and reporting requirements for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Such instruments are to be recognized on the balance sheet as either an asset or a liability measured at fair value. Changes in fair value must be recognized currently in earnings or in other comprehensive income if specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the statement of income, to the extent effective. If a transaction is designated to receive hedge accounting, the company must establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedge and the measurement approach for determining the ineffective aspect of the hedge. Stepan Company has analyzed its activities and has determined that it has limited transactions that fall under the accounting rules of SFAS No. 133. As a result, the adoption of SFAS No. 133 in the first quarter of 2001 will not have a material effect on the company's consolidated results of operations or financial position.

In January 2001, the Emerging Issues Task Force (EITF), issued EITF Issue No. 00-22 "Accounting for `Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF Issue No. 00-22 provides guidance regarding timing of recognition and income statement classification of costs incurred in connection with offers of volume-based sales incentives that are provided to customers at a future date upon reaching certain volume purchase levels. This guidance requires certain volume rebate offers delivered subsequent to the related transactions in which they are earned, be recognized when incurred and reported as a reduction of revenue in the statement of operations. The effective date of EITF No. 00-22 is the first quarter ending after February 15, 2001. The company's accounting policies are currently consistent with the guidance provided in this EITF; therefore, this standard will have no impact on the company's statements of income or financial position.

Report of Management

Management Report on Financial Statements

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

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

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

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

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

Walter J. Klein
Vice President - Finance

February 16, 2001

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, 2000 and 1999, and the related consolidated statements of income, cash flows and stockholders' equity, for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Chicago, Illinois
February 16, 2001

Consolidated Balance Sheets
December 31, 2000 and 1999

(Dollars in thousands)	2000	1999
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,536	$ 3,969
Receivables, less allowances of $3,154 in 2000 and $2,389 in 1999	98,488	97,089
Inventories (Note 3)	60,132	51,849
Deferred income taxes (Note 6)	10,866	9,361
Other current assets	4,191	4,392
Total current assets	177,213	166,660
Property, Plant and Equipment:		
Land	5,786	5,905
Buildings and improvements	69,654	68,560
Machinery and equipment	530,564	514,397
Construction in progress	13,292	8,042
	619,296	596,904
Less: Accumulated depreciation	420,149	387,423
Property, plant and equipment, net	199,147	209,481
Other Assets	38,689	38,435
Total assets	$415,049	$414,576
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt (Note 4)	$ 9,586	$ 7,663
Accounts payable	57,255	48,676
Accrued liabilities (Note 10)	41,500	41,706
Total current liabilities	108,341	98,045
Deferred Income Taxes (Note 6)	39,170	41,975
Long-term Debt, less current maturities (Note 4)	96,466	107,420
Other Non-current Liabilities (Note 11)	16,896	12,072
Stockholders' Equity (Note 7):		
5 1/2 percent convertible preferred stock, cumulative, voting, without par value; authorized 2,000,000 shares; issued 583,469 in 2000 and 783,003 shares in 1999	14,587	19,575
Common stock, $1 par value; authorized 30,000,000 shares; issued 9,411,106 shares in 2000 and 9,684,600 shares in 1999	9,411	9,685
Additional paid-in capital	13,343	11,909
Accumulated other comprehensive loss	(12,402)	(10,631)
Retained earnings	133,308	134,224
	158,247	164,762
Less: Treasury stock, at cost	4,071	9,698
Stockholders' equity	154,176	155,064
Total liabilities and stockholders' equity	$415,049	$414,576

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, 2000, 1999 and 1998

(In thousands, except per share amounts)	2000	1999	1998
Net Sales (Note 1)	$698,937	$694,659	$635,756
Cost of Sales	586,911	573,714	524,161
Gross Profit	112,026	120,945	111,595
Operating Expenses:			
Marketing	25,166	23,799	23,365
Administrative (Note 13)	32,152	32,775	21,825
Research, development and technical services (Note 1)	22,680	22,593	20,982
	79,998	79,167	66,172
Operating Income	32,028	41,778	45,423
Other Income (Expenses):			
Interest, net (Note 4)	(8,328)	(8,376)	(7,453)
Income from equity joint venture (Note 1)	703	1,427	796
	(7,625)	(6,949)	(6,657)
Income Before Provision for Income Taxes	24,403	34,829	38,766
Provision for Income Taxes (Note 6)	9,395	12,700	15,312
Net Income	$ 15,008	$ 22,129	$ 23,454
Net Income Per Common Share (Note 15):			
Basic	$ 1.52	$ 2.22	$ 2.29
Diluted	$ 1.47	$ 2.08	$ 2.12
Shares Used to Compute Net Income Per Common Share (Note 15):			
Basic	9,355	9,592	9,843
Diluted	10,236	10,632	11,043

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

Combined Sales

(Dollars in thousands)

	Surfactants	Polymers	Specialty Products	Consolidated Total
1996	431,362	108,191	18,420	557,973
1997	475,585	110,753	19,236	605,574
1998	493,930	122,148	19,678	635,756
1999	547,359	126,774	20,526	694,659
2000	537,006	140,786	21,145	698,937

2000 Sales Dollar Distribution

(Dollars in thousands)

Material	415,707	59.5%
Other Expenses	122,288	17.5%
Payroll and Fringes	97,262	13.9%
Depreciation and Amortization	39,277	5.6%
Income Taxes	9,395	1.3%
Net Income	15,008	2.2%

Consolidated Statements of Cash Flows
For the years ended December 31, 2000, 1999 and 1998

(Dollars in thousands)	2000	1999	1998
Net Cash Flows from Operating Activities			
Net income	$ 15,008	$ 22,129	$ 23,454
Depreciation and amortization	39,277	39,452	37,347
Deferred revenue recognition	(1,761)	(5,165)	(4,327)
Customer prepayments	--	--	800
Deferred income taxes	(3,905)	3,745	4,244
Environmental and legal liabilities	5,069	(4,999)	(3,035)
Other non-cash items	(1,565)	(98)	(998)
Changes in Working Capital:			
Receivables, net	(1,399)	(15,199)	179
Inventories	(8,283)	647	(2,840)
Accounts payable and accrued liabilities	10,890	10,676	2,731
Other	201	(575)	1,292
Net Cash Provided by Operating Activities	53,532	50,613	58,847
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(28,442)	(32,697)	(44,056)
Investment in acquisitions	--	(450)	(21,195)
Other non-current assets	(1,122)	(594)	1,587
Net Cash Used for Investing Activities	(29,564)	(33,741)	(63,664)
Cash Flows from Financing and Other Related Activities			
Revolving debt and notes payable to banks, net	(1,500)	11,400	(10,310)
Other debt borrowings	--	--	30,000
Other debt repayments	(7,531)	(10,832)	(6,151)
Purchases of treasury stock, net	(8,732)	(8,255)	(8,402)
Dividends paid	(7,004)	(6,727)	(6,432)
Stock option exercises	1,397	1,088	2,473
Other non-cash items	(1,031)	(560)	(885)
Net Cash Provided by (Used for) Financing and Other Related Activities	(24,401)	(13,886)	293
Net Increase (Decrease) in Cash and Cash Equivalents	(433)	2,986	(4,524)
Cash and Cash Equivalents at Beginning of Year	3,969	983	5,507
Cash and Cash Equivalents at End of Year	$ 3,536	$ 3,969	$ 983
Supplemental Cash Flow Information			
Cash payments of income taxes, net of refunds	$ 13,262	$ 10,564	$ 9,295
Cash payments of interest	$ 8,775	$ 8,780	$ 7,781

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

Capital Expenditures
(Dollars in thousands)

1995	39,247
1996	44,923
1997	35,589
1998	44,056
1999	32,697
2000	28,442

Compound Annual Growth
Five Years -6%

Equity Per Share
(Dollars)

1995	11.25
1996	12.24
1997	13.01
1998	14.18
1999	15.20
2000	15.57

Compound Annual Growth
Five Years +7%

Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2000, 1999 and 1998

(Dollars in thousands)	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Comprehensive Income
Balance, January 1, 1998	$19,711	$10,342	$ 8,091	$(14,063)	$ (7,337)	$120,854	--
Sale of 151,200 shares under stock option plan	--	151	2,322	--	--	--	--
Purchase of 288,744 shares of common treasury stock, net of sales	--	--	462	(8,402)	--	--	--
Retirement of 500,000 shares of common treasury stock	--	(500)	(552)	11,450	--	(10,398)	--
Conversion of preferred stock to common stock	(100)	5	96	--	--	--	--
Net income	--	--	--	--	--	23,454	$23,454
Other comprehensive income:							
Foreign currency translation adjustments	--	--	--	--	(1,713)	--	(1,713)
Comprehensive income	--	--	--	--	--	--	$21,741
Cash dividends paid:	--	--	--	--	--	--	--
Preferred stock ($1.375 per share)	--	--	--	--	--	(896)	--
Common stock (56.25c per share)	--	--	--	--	--	(5,536)	--
Non-qualified stock option tax benefit	--	--	543	--	--	--	--
Balance, December 31, 1998	19,611	9,998	10,962	(11,015)	(9,050)	127,478	--
Sale of 85,250 shares under stock option plan	--	85	1,003	--	--	--	--
Purchase of 317,048 shares of common and 38,646 shares of preferred treasury stock, net of sales	--	--	4	(8,255)	--	--	--
Retirement of 400,000 shares of common treasury stock	--	(400)	(516)	9,572	--	(8,656)	--
Conversion of preferred stock to common stock	(36)	2	34	--	--	--	--
Net income	--	--	--	--	--	22,129	$22,129
Other comprehensive income:							
Foreign currency translation adjustments	--	--	--	--	(1,581)	--	(1,581)
Comprehensive income	--	--	--	--	--	--	$20,548
Cash dividends paid:	--	--	--	--	--	--	--
Preferred stock ($1.375 per share)	--	--	--	--	--	(858)	--
Common stock (61.25c per share)	--	--	--	--	--	(5,869)	--
Non-qualified stock option tax benefit	--	--	422	--	--	--	--
Balance, December 31, 1999	19,575	9,685	11,909	(9,698)	(10,631)	134,224	--
Sale of 113,950 shares under stock option plan	--	114	1,283	--	--	--	--
Purchase of 386,709 shares of common and 16,015 shares of preferred treasury stock, net of sales	--	--	(260)	(8,732)	--	--	--
Retirement of shares of treasury stock:							
400,000 shares of common stock	--	(400)	(565)	8,975	--	(8,010)	--
188,535 shares of preferred stock	(4,713)	--	239	5,384	--	(910)	--
Conversion of preferred stock to common stock	(275)	12	262	--	--	--	--
Net income	--	--	--	--	--	15,008	$15,008
Other comprehensive income:							
Foreign currency translation adjustments	--	--	--	--	(1,771)	--	(1,771)
Comprehensive income	--	--	--	--	--	--	$13,237
Cash dividends paid:	--	--	--	--	--	--	--
Preferred stock ($1.375 per share)	--	--	--	--	--	(815)	--
Common stock (66.25c per share)	--	--	--	--	--	(6,189)	--
Non-qualified stock option tax benefit	--	--	475	--	--	--	--
Balance, December 31, 2000	$14,587	$ 9,411	$13,343	$ (4,071)	$(12,402)	$133,308	--

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, 2000, 1999 and 1998

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 products, plastics, furniture, automotive equipment, insulation and refrigeration.

The company grants credit to its customers who are widely distributed across the Americas, Europe, Asia and the Pacific. 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 subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The investment in the 50 percent owned joint venture in the Philippines is accounted for on the equity method and is included in the "Other Assets" caption on the Consolidated Balance Sheet. The company's share of the net earnings of the investment is included in consolidated net income.

Cash and Cash Equivalents

The company considers all highly liquid investments with original maturities of six 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, 2000 and 1999, amounted to 86 percent of total inventories.

Property, Plant and Equipment

Depreciation of physical properties is provided on a straight-line basis over the estimated useful lives of various assets. Lives used for calculating depreciation are 30 years for buildings, 15 years for building improvements and from three to 15 years for machinery and equipment. Major renewals and betterments are capitalized in the property accounts, while maintenance and repairs ($18,472,000, $17,815,000 and

$18,350,000 in 2000, 1999 and 1998, 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.

Included in property, plant and equipment are costs related to the acquisition and development of internal-use software. Capitalized costs include external direct costs of materials and services consumed in obtaining and developing the software. For development projects where major internal resources are committed, payroll and payroll-related costs incurred during the application development phase of the project are also capitalized. The capitalized costs are amortized over the useful life of the software, which is generally three to five years. Costs incurred in the preliminary project phase are expensed.

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

Revenue Recognition

Revenue is recognized upon shipment of goods to customers.

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. Legal costs related to environmental matters are expensed as incurred. Expenditures that mitigate or prevent environmental contamination and that benefit future operations are capitalized. Capitalized expenditures are depreciated generally utilizing a 10 year life. See Note 12 for contingency information.

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 generally ranging from five to 15 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 $13,383,000, $13,113,000 and $12,219,000 in 2000, 1999 and 1998, 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. The resulting translation adjustments are included in stockholders' equity. Revenues and expenses are translated at average exchange rates prevailing during the year. Gains or losses on foreign currency transactions and the related tax effects are reflected in net income.

Long-Lived Assets

Operating assets and associated goodwill are written down to fair value whenever an impairment review indicates that the carrying value cannot be recovered on an undiscounted cash flow basis. No impairment loss has needed to be recognized for applicable assets of continuing operations.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the company's stock at the date of the grant over the amount an employee must pay to acquire the stock. See Note 8 for stock option plan information.

Per Share Data

Basic earnings per share amounts are computed based on the weighted-average number of common shares outstanding. Net income used in computing basic earnings per share has been reduced by dividends paid to preferred stockholders. Diluted earnings per share amounts are based on the increased number of common shares that would be outstanding assuming the exercise of certain outstanding stock options (under the treasury stock method) and the conversion of the convertible preferred stock, when such conversion would have the effect of reducing earnings per share. See Note 15 for the computation of earnings per share.

Comprehensive Income

Comprehensive income includes net income and all other nonowner changes in equity that are not reported in net income. For the twelve months ended December 31, 2000, 1999 and 1998, the company's comprehensive income included net income and foreign currency translation gains and losses. Comprehensive income is disclosed in the Consolidated Statements of Stockholders' Equity.

Segment Reporting

The company reports financial and descriptive information about its reportable operating segments. Operating segments are components of the company that have separate financial information that is regularly evaluated by the chief operating decision maker to assess segment performance and allocate resources. The company discloses segment revenue, operating income, assets, capital expenditures and depreciation and amortization expenses. Enterprise-wide financial information about the revenues derived from the company's products, the geographic locations in which the company earns revenues and holds assets and major customers (i.e. any customer accounting for 10 percent or more of the company's revenue) is also disclosed. See Note 14 for segment reporting information.

Shipping and Handling Fees and Costs

In September 2000, the Emerging Issues Task Force (EITF) reached a final consensus on the classification of shipping and handling fees (Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs"). Implementation of this consensus was required in the fourth quarter of 2000 with all prior periods restated to conform with current presentation. This consensus states that all amounts billed to a customer in a sale transaction related to shipping and handling, if any, represent revenue to the vendor and should be classified as revenue. The consensus did not conclude on classification of costs related to shipping and handling; however, it does suggest that all costs incurred by the seller for shipping and handling should be classified as cost of sales. Prior to the adoption of EITF Issue 00-10, the company netted shipping and handling costs with shipping and handling revenues in net sales. Therefore, compliance with EITF Issue 00-10 required the reclassification of shipping and handling costs from net sales to cost of sales. Adoption of EITF Issue 00-10 had no impact on the company's financial position or net income.

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.

Reclassifications

Certain amounts in the 1999 and 1998 financial statements have been reclassified to conform to the 2000 presentation.

2. Acquisitions

On May 8, 1998, the company purchased an additional 34.5 percent of the outstanding stock of Stepan Colombia raising its stake in the Colombia company to 84.5 percent. On August 19, 1998, the remaining shares (15.5 percent) were acquired. As a result, Stepan Colombia became a wholly-owned subsidiary. The transaction was accounted for as a step acquisition purchase, and Stepan Colombia's financial results have been reported on a consolidated basis from the date that controlling interest was acquired. Prior to the May 1998 purchase date, the investment was accounted for under the equity method. The reported consolidated results of operations for 1998 would not have been materially affected had this transaction occurred at the beginning of 1998.

Effective June 30, 1998, the company acquired selected specialty surfactant product lines from E.I. DuPont De Nemours Company. The acquired business consists of phosphate esters, specialty ethoxylates and other specialty quaternaries and polymers sold to the plastic and fiber industries. The product lines supplement the company's existing surfactants and polymers businesses and will be produced in current company manufacturing plants. The transaction was recorded as a purchase of intangible assets, including patents, trademarks, know-how and goodwill.

On November 11, 1998, the company's wholly owned subsidiary, Stepan Canada, Inc., acquired the Canadian anionic and cationic surfactant business from Boehme Filatex Canada, Inc. The acquired product lines are sold primarily into the personal care and the institutional cleaning product markets. No manufacturing facilities were included in this acquisition. The transaction was recorded as a purchase of intangible assets, including goodwill, non-compete agreement, know-how, patents and trademarks.

3. Inventories

The composition of inventories was as follows:

(Dollars in thousands)	December 31 2000	December 31 1999
Finished products	$40,515	$32,729
Raw materials	19,617	19,120
Total inventories	$60,132	$51,849

If the first-in, first-out (FIFO) inventory valuation method had been used, inventories would have been approximately $8,900,000 and $10,600,000 higher than reported at December 31, 2000 and 1999, respectively.

4. Debt

Debt was composed of the following:

(Dollars in thousands)	Maturity Dates	December 31 2000	December 31 1999
Unsecured promissory notes			
6.59%	2003-2013	$ 30,000	$ 30,000
7.77%	2001-2010	27,272	30,000
7.22%	2001-2007	21,000	24,000
7.69%	2001-2005	10,000	10,000
9.70%	2001-2003	2,667	4,000
Unsecured bank debt	2003	13,000	14,500
Debt of foreign subsidiaries payable in foreign currency	2001-2006	2,113	2,583
Total debt		106,052	115,083
Less current maturities		9,586	7,663
Long-term debt		$ 96,466	$107,420

Unsecured bank debt at December 31, 2000, consisted of borrowings under a committed $60,000,000 revolving credit agreement with interest at varying rates averaging 7.10 percent during the year. The agreement requires a commitment fee to be paid on the unused portion of the commitment which averaged 0.15 percent during the year. Periodically, the company also had other borrowings under notes payable to banks under which there were no outstanding balances at December 31, 2000 and 1999.

The various debt 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 $46,126,000 and $48,329,000 at December 31, 2000 and 1999, respectively. The company is in compliance with all debt covenants.

Debt at December 31, 2000, matures as follows: $9,586,000 in 2001; $9,025,000 in 2002; $24,393,000 in 2003; $10,724,000 in 2004; $10,724,000 in 2005 and $41,600,000 after 2005.

The fair value of the company's fixed-rate debt, including current maturities, was estimated to be $88.7 million as of December 31, 2000.

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

(Dollars in thousands)	2000	1999	1998
Interest expense	$8,724	$8,661	$8,235
Interest income	(124)	(211)	(364)
	8,600	8,450	7,871
Capitalized interest	(272)	(74)	(418)
Interest, net	$8,328	$8,376	$7,453

5. Leased Properties

The company leases certain property and equipment (primarily transportation equipment, buildings and computer equipment) under operating leases. Total rental expense was $4,242,000, $3,661,000 and $3,918,000 in 2000, 1999 and 1998, respectively.

Minimum future rental payments under operating leases with terms in excess of one year as of December 31, 2000, are:

(Dollars in thousands)	Year	Amount
	2001	$ 3,169
	2002	2,380
	2003	1,715
	2004	1,285
	2005	1,233
	Subsequent to 2005	5,728
Total minimum future rental payments		$15,510

6. Income Taxes

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

Taxes on Income (Dollars in thousands)	2000	1999	1998
Federal			
Current	$10,479	$ 6,618	$ 8,544
Deferred	(4,019)	2,280	3,285
State			
Current	1,890	1,301	1,704
Deferred	(650)	506	718
Foreign			
Current	2,104	1,983	1,047
Deferred	(409)	12	14
Total	$ 9,395	$12,700	$15,312

Income before Taxes (Dollars in thousands)	2000	1999	1998
Domestic	$20,850	$29,163	$35,766
Foreign	3,553	5,666	3,000
Total	$24,403	$34,829	$38,766

No federal income taxes have been provided on $32,250,000 of undistributed earnings of the company's foreign subsidiaries. In general, the company reinvests earnings of foreign subsidiaries in their operations indefinitely. However, the company will repatriate earnings from a subsidiary where excess cash has accumulated and it is advantageous for tax or foreign exchange reasons. 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 earnings reinvested indefinitely.

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

	2000		1999		1998	
(Dollars in thousands)	Amount	%	Amount	%	Amount	%
Income tax provision at statutory tax rate	$8,541	35.0	$12,190	35.0	$13,568	35.0
State taxes on income less applicable federal tax benefit	806	3.3	1,175	3.4	1,574	4.1
Effect of equity in foreign joint venture	(198)	-0.8	(499)	-1.4	(278)	-0.7
Other items	246	1.0	(166)	-0.5	448	1.1
Total income tax provision	$9,395	38.5	$12,700	36.5	$15,312	39.5

The net deferred tax liability at December 31 is comprised of the following:

(Dollars in thousands)	2000	1999
Current deferred income taxes		
Gross assets	$ 11,530	$ 10,148
Gross liabilities	(664)	(787)
Total current deferred tax assets	10,866	9,361
Non-current deferred income taxes		
Gross assets	9,326	7,001
Gross liabilities	(48,496)	(48,976)
Total non-current deferred tax liabilities	(39,170)	(41,975)
Net deferred tax liability	$(28,304)	$(32,614)

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

(Dollars in thousands)	2000	1999
Tax over book depreciation	$(44,667)	$(45,104)
Safe Harbor leases	(2,338)	(2,576)
SFAS No. 87 pension accounting	(3,146)	(2,736)
State income tax accrual	2,295	2,408
Deferred revenue	1,613	2,340
Book reserves deductible in other periods	16,758	12,456
Other, net	1,181	598
Net deferred tax liability	$(28,304)	$(32,614)

7. Stockholders' Equity

The company's preferred stock is convertible at the option of the holder at any time (unless previously redeemed) into shares of common stock at a conversion 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) 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 $0.14 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. 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.

On May 11, 1999, shareholders approved an amendment to the company's Certificate of Incorporation which increased the number of authorized shares of common stock, par value $1 per share, from 15,000,000 shares to 30,000,000 shares.

On November 3, 2000, 400,000 shares of common stock and 188,535 shares of preferred stock held in treasury were retired in accordance with the Board of Directors' authorization. At December 31, 2000, treasury stock consists of no shares of preferred stock and 183,573 shares of common stock. On December 17, 1999, 400,000 shares of common stock held in treasury were retired in accordance with the Board of Directors' authorization. At December 31, 1999, treasury stock consisted of 172,520 shares of preferred stock and 196,864 shares of common stock.

8. Stock Option Plans

The company has three fixed stock option plans: the 1982 Plan, the 1992 Plan and the 2000 Plan. No further grants may be made under the 1982 Plan. The 1992 Plan extends participation to directors who are not employees of the company. It 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. The 2000 Plan authorizes the award of 1,000,000 shares of the company's common stock for options, SAR and stock awards. A stock award is a grant of shares of stock to an employee, the earnings vesting or distribution of which is subject to certain conditions established by the Compensation and Development Committee of the Board of Directors. Options are granted at the market price on the date of grant. An option may not be exercised within two years from the date of grant and no option will be exercisable after 10 years from the date granted.

The company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for options granted under these stock option plans been determined based on the fair value at the grant date for awards in 2000, 1999 and 1998 consistent with the provisions of SFAS No. 123, the company's net income and earnings per share would have been reduced to the following pro forma amounts:

(Dollars in thousands, except per share data)	2000	1999	1998
Net Income - as reported	$15,008	$22,129	$23,454
Net Income - pro forma	14,008	21,272	22,575
Basic Earnings per share - as reported	1.52	2.22	2.29
Basic Earnings per share - pro forma	1.41	2.13	2.20
Diluted Earnings per share - as reported	1.47	2.08	2.12
Diluted Earnings per share - pro forma	1.37	2.01	2.05

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2000, 1999 and 1998: expected dividend yield of 2.5 percent in 2000, 1999 and 1998. Expected volatility of 24.7 percent in 2000, 26.7 percent in 1999 and 27.0 percent in 1998; expected lives of 7.5 years; and risk-free interest rate of 6.72 percent in 2000, 5.21 percent in 1999 and 5.75 percent in 1998.

A summary of the status of the company's stock option plans at December 31, 2000, 1999 and 1998, and changes during the years then ended is presented as follows:

	2000 Shares	Weighted-Average Exercise Price	1999 Shares	Weighted-Average Exercise Price	1998 Shares	Weighted-Average Exercise Price
Options outstanding, beginning of year	1,222,363	$19.38	1,247,591	$18.76	1,168,252	$16.06
Options exercised	(113,950)	12.26	(85,250)	12.76	(151,200)	16.36
Options canceled	(24,238)	25.43	(4,036)	30.97	(3,229)	30.97
Options granted	418,724	21.77	64,058	23.42	233,768	30.86
Options outstanding, end of year	1,502,899	20.49	1,222,363	19.38	1,247,591	18.76
Option price range at end of year	$ 12.563-30.969		$ 9.438-30.969		$ 9.438-30.969	
Option price range for exercised shares	$ 9.438-19.750		$ 9.438-19.750		$ 9.438-19.750	
Options available for grant at end of year	861,075		255,561		315,583	
Weighted-average fair value of options, granted during the year	$ 6.94		$ 6.98		$ 9.64	

A summary of stock options outstanding at December 31, 2000, is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at 12/31/00	Weighted-Average Remaining Contractual Life	Weighted -Average Exercise Price	Number Exercisable at 12/31/00	Weighted -Average Exercise Price
$12.563 - $14.000	352,900	5.13	$13.88	352,900	$13.88
$18.219 - $30.969	1,149,999	8.83	22.52	681,768	22.87
	1,502,899	7.96	$20.49	1,034,668	$19.81

9. 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 pension plan up to the maximum amount 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, 2000 and 1999, included $10,023,000 and $9,818,000, respectively, of the company's common stock.

Net 2000, 1999 and 1998 periodic pension cost for the plans consisted of the following:

(Dollars in thousands)	2000	1999	1998
Service cost	$ 2,047	$ 2,344	$ 1,969
Interest cost on projected benefit obligation	3,970	3,629	3,262
Expected return on plan assets	(5,812)	(5,156)	(4,658)
Amortization of unrecognized net transition assets	(567)	(567)	(567)
Amortization of unrecognized prior service cost	312	287	269
Amortization of unrecognized net loss/(gain)	(517)	14	(5)
Net pension expense/(income)	$ (567)	$ 551	$ 270

Changes in benefit obligations for the years ending December 31, 2000 and 1999, were as follows:

(Dollars in thousands)	2000	1999
Benefit obligation at beginning of year	$50,727	$53,169
Service cost	2,047	2,344
Interest cost	3,970	3,629
Plan amendments	844	515
Actuarial (gain)/loss	1,173	(7,217)
Benefits paid	(2,107)	(1,713)
Benefit obligation at end of year	$56,654	$50,727

Changes in the fair value of plan assets during years 2000 and 1999 were as follows:

(Dollars in thousands)	2000	1999
Fair value of plan assets at beginning of year	$76,249	$67,183
Actual return on plan assets	(792)	10,779
Employer contributions	314	--
Benefits paid	(2,107)	(1,713)
Fair value of plan assets at end of the year	$73,664	$76,249

The reconciliation of the funded status of the plans to the amount reported in the company's Consolidated Balance Sheets is as follows:

(Dollars in thousands)	2000	1999
Plan assets in excess of projected benefit obligations	$ 17,010	$ 25,522
Unrecognized net transition assets	--	(567)
Unrecognized prior service cost	2,300	1,767
Unrecognized net gain	(11,947)	(20,240)
Prepaid benefit cost	$ 7,363	$ 6,482

The prepaid pension asset is included in the "Other Assets" caption in the Consolidated Balance Sheets. The weighted-average assumptions as of December 31, 2000, 1999 and 1998, were as follows:

	2000	1999	1998
Discount rate	7.50%	7.75%	6.75%
Expected return on plan assets	8.50%	8.50%	8.50%
Rate of compensation increase	4.00%-6.00%	4.25%-6.25%	4.25%-6.25%

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.

10. Accrued Liabilities

Accrued liabilities consisted of:

	December 31	
(Dollars in thousands)	2000	1999
Accrued payroll and benefits	$16,308	$17,421
Accrued customer discounts	9,800	8,530
Other accrued liabilities	15,392	15,755
Total accrued liabilities	$41,500	$41,706

11. Other Non-current Liabilities

Other non-current liabilities were comprised of the following:

	December 31	
(Dollars in thousands)	2000	1999
Deferred revenue	$ 3,264	$ 2,508
Environmental and legal matters (Note 12)	13,632	9,564
Total other non-current liabilities	$16,896	$12,072

During and prior to 1998, 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. In 1999, approximately $1.4 million of previously deferred revenue was accelerated and recorded in net sales when a customer released the company from further performance under a prepaid contract that originally extended into the year 2000. In 2000, the term of a current contract was extended, and the recognition rate of deferred revenue into income was revised to correspond to the extended term. Related deferred revenue at December 31, 2000 and 1999, are $3,767,200 and $5,528,300, respectively, of which the amount recognizable within one year is included in the "Accrued Liabilities" caption in the Consolidated Balance Sheets.

12. 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.

After partial remediation payments at certain sites, the company has estimated a range of possible environmental and legal losses from $7.5 million to $35.0 million at December 31, 2000, compared to $4.2 million to $25.2 million at December 31, 1999. At December 31, 2000, the company's reserve was $16.6 million for legal and environmental matters compared to $11.6 million at December 31, 1999. The increase in the reserve was primarily due to additional potential remediation costs at the company's Maywood, New Jersey, plant (see discussion about the Maywood, New Jersey, site below). The company made payments of $2.5 million in 2000 and $15.8 million, net of insurance recoveries, in 1999 related to legal costs, settlements and costs related to remedial design studies at various sites.

For certain 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 2000 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. Following are summaries of the environmental proceedings related to the company's Maywood, New Jersey, and Ewan and D'Imperio environmental sites:

Maywood, New Jersey, Site
- -------------------------

As reported previously, the company's site in Maywood, New Jersey and property formerly owned by the company adjacent to its current site, were listed on the National Priorities List in September 1993 pursuant to the provisions of the Comprehensive Environmental Response Compensation and Liabilities Act (CERCLA) because of certain alleged chemical contamination. Pursuant to an Administrative Order on Consent entered into between the United States Environmental Protection Agency (USEPA) and the company for property formerly owned by the company, and the issuance of an order by USEPA to the company for property currently owned by the company, the company completed a Remedial Investigation Feasibility Study (RI/FS) in 1994. In addition, the company submitted a Feasibility Study Addendum to USEPA in

October 2000. The company has been awaiting the issuance of a Record of Decision (ROD) from USEPA which would relate to both the currently owned and formerly owned company property and would recommend the type of remediation required on each property. The company's understanding is that USEPA anticipates that it will issue the proposed ROD sometime during 2001 with a public comment period to follow. The final ROD will be issued sometime after the public comment period.

In 1985, the company entered into a Cooperative Agreement with the United States of America represented by the Department of Energy (Agreement). Pursuant to this Agreement, the Department of Energy (DOE) took title to radiological contaminated materials and was to remediate, at its expense, all radiological waste on the company's property in Maywood, New Jersey. The Maywood property (and portions of the surrounding area) was being remediated by the DOE under the Formerly Utilized Sites Remedial Action Program, a federal program under which the U.S. Government undertook to remediate properties which were used to process radiological material for the U.S. Government. In 1997, responsibility for this clean-up was transferred to the United States Army Corps of Engineers (USACE). On January 29, 1999, the company received a copy of a USACE Report to Congress dated January 1998 in which the USACE expressed their intention to evaluate, with the USEPA, whether the company and/or other parties might be responsible for cost recovery or contribution claims related to the Maywood site. Subsequent to the issuance of that report, the USACE advised the company that it had requested legal advice from the Department of Justice as to the impact of the Agreement.

By letter dated July 28, 2000, the Department of Justice advised the company that the USACE and USEPA had referred to the Justice Department claims against the company for response costs incurred or to be incurred by the USACE, USEPA and the DOE in connection with the Maywood site and the Justice Department stated that the United States is entitled to recovery of its response costs from the company under CERCLA. The letter referred to both radiological and non-radiological hazardous waste at the Maywood site and stated that the United States has incurred unreimbursed response costs to date of $138.0 million. Costs associated with radiological waste at the Maywood site, which the company believes represent all but a small portion of the amount referred to in the Justice Department letter, could be expected to aggregate substantially in excess of that amount. In the letter, the Justice Department invited the company to discuss settlement of the matter in order to avoid the need for litigation. The company believes that its liability, if any, for such costs has been resolved by the aforesaid Agreement. Despite the fact that the company continues to believe that it has no liability to the United States for such costs, discussions with the Justice Department are currently ongoing to attempt to resolve this matter.

Based upon all of the above factors, the company has increased its reserves for claims associated with the Maywood site and believes that such increased reserves are now adequate. However, depending on the results of the ongoing discussions regarding the Maywood Site, the final cost of the remediation could differ from current estimates.

Ewan and D'Imperio Site

As reported previously, the company has been named as a potentially responsible party (PRP) in the case USEPA v. Jerome Lightman (92 CV 4710) (JBS) which involves the Ewan and D'Imperio Superfund Sites located in New Jersey. Trial on the issue of the company's liability at these sites was completed in March 2000. The company is awaiting a decision from the court. If the company is found liable at either site, a second trial as to the company's allocated share of clean-up costs at these sites will likely be held in late 2001 or 2002. The company believes it has adequate defenses to the issue of liability. In the event of an unfavorable outcome related to the issue of liability, the company believes it has adequate reserves.

13. Legal Settlement

On December 1, 1999, the company settled a lawsuit in New Jersey, for alleged personal injuries related to environmental claims. All terms of the settlement are confidential pursuant to a court order. As a result of this settlement, the company incurred a $6.3 million after-tax charge ($0.59 per share diluted). The charge was net of insurance recoveries and previously recorded reserves and was included in administrative expenses in the accompanying Consolidated Statements of Income.

14. Segment Reporting

Stepan Company has three reportable segments: surfactants, polymers and specialty products. Each segment provides distinct products and requires separate management due to unique markets, technologies and production processes. Surfactants are used in a variety of consumer and industrial cleaning compounds as well as in agricultural products, lubricating ingredients and other specialized applications. Polymers derives its revenues from the sale of phthalic anhydride, polyurethane polyols and polyurethane systems used in plastics, building materials and refrigeration systems. Specialty products sells chemicals used in food, flavoring and pharmaceutical applications.

The company evaluates the performance of its segments and allocates resources based on operating income before interest income/expense, other income/expense items and income tax provisions. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. There is no intersegment revenue and all intercompany transactions are eliminated from segments' revenue.

Segment data for the three years ended December 31, 2000, 1999 and 1998, is as follows (prior year data has been reclassified to conform to 2000 presentation):

(Dollars in thousands)	Surfactants	Polymers	Specialty Products	Segment Totals
2000				
Net sales	$537,006	$140,786	$21,145	$698,937
Operating income	41,718	21,001	3,130	65,849
Assets	310,820	53,314	18,121	382,255
Capital expenditures	23,333	3,427	986	27,746
Depreciation and amortization expenses	30,276	5,981	1,334	37,591
1999				
Net sales	$547,359	$126,774	$20,526	$694,659
Operating income	51,123	21,453	4,454	77,030
Assets	315,580	52,434	18,760	386,774
Capital expenditures	24,423	4,846	807	30,076
Depreciation and amortization expenses	31,091	5,856	1,128	38,075
1998				
Net sales	$493,930	$122,148	$19,678	$635,756
Operating income	41,997	21,811	3,511	67,319
Assets	315,549	48,795	17,478	381,822
Capital expenditures	37,091	3,632	1,652	42,375
Depreciation and amortization expenses	29,265	5,847	1,249	36,361

Below are reconciliations of segment data to the accompanying consolidated financial statements:

(Dollars in thousands)	2000	1999	1998
Operating income - segment totals	$ 65,849	$ 77,030	$ 67,319
Unallocated corporate expenses(a)	(33,821)	(35,252)	(21,896)
Interest expense	(8,328)	(8,376)	(7,453)
Income from equity in joint venture	703	1,427	796
Consolidated income before income taxes	$ 24,403	$ 34,829	$ 38,766
Assets - segment totals	$382,255	$386,774	$381,822
Unallocated corporate assets(b)	32,794	27,802	22,539
Consolidated assets	$415,049	$414,576	$404,361
Capital expenditures - segment totals	$ 27,746	$ 30,076	$ 42,375
Unallocated corporate expenditures	696	2,621	1,681
Consolidated capital expenditures	$ 28,442	$ 32,697	$ 44,056
Depreciation and amortization expenses - segment totals	$ 37,591	$ 38,075	$ 36,361
Unallocated corporate depreciation expenses	1,686	1,377	986
Consolidated depreciation and amortization expenses	$ 39,277	$ 39,452	$ 37,347

(a) Includes corporate administrative and corporate manufacturing expenses which are not included in segment operating income and not used to evaluate segment performance.

(b) Includes items such as deferred tax asset, prepaid pension asset, joint venture investment and LIFO inventory reserve which are not allocated to segments.

Company-wide geographic data for the years ended December 31, 2000, 1999 and 1998, is as follows (net sales attributed to countries based on selling location):

(Dollars in thousands)	2000	1999	1998
Net sales			
United States	$569,357	$553,966	$526,560
All foreign countries	129,580	140,693	109,196
Total	$698,937	$694,659	$635,756
Long-lived assets			
United States	$180,369	$193,436	$200,587
All foreign countries	18,778	16,045	14,509
Total	$199,147	$209,481	$215,096

15. Earnings Per Share

Below is the computation of basic and diluted earnings per share for the years ended December 31, 2000, 1999 and 1998:

(In thousands, except per share amounts)	2000	1999	1998
Computation of Basic Earnings per Share			
Net income	$15,008	$22,129	$23,454
Deduct dividends on preferred stock	815	858	896
Income applicable to common stock	$14,193	$21,271	$22,558
Weighted-average number of shares outstanding	9,355	9,592	9,843
Basic earnings per share	$ 1.52	$ 2.22	$ 2.29
Computation of Diluted Earnings per Share			
Net income	$15,008	$22,129	$23,454
Weighted-average number of shares outstanding	9,355	9,592	9,843
Add net shares from assumed exercise of options (under treasury stock method)	203	324	456
Add weighted-average shares from assumed Conversion of convertible preferred stock	678	716	744
Shares applicable to diluted earnings	10,236	10,632	11,043
Diluted earnings per share	$ 1.47	$ 2.08	$ 2.12

Five Year Summary
(In thousands, except per share and employee data)

For the Year	2000	1999	1998	1997	1996
Net Sales(a)	$698,937	$694,659	$635,756	$605,574	$557,973
Operating Income	32,028	41,778	45,423	44,370	40,386
Percent of net sales	4.6%	6.0%	7.1%	7.3%	7.2%
Pre-tax Income	24,403	34,829	38,766	34,874	32,261
Percent of net sales	3.5%	5.0%	6.1%	5.8%	5.8%
Provision for Income Taxes	9,395	12,700	15,312	14,464	13,194
Net Income	15,008	22,129	23,454	20,410	19,067
Per share (Diluted)(b)	1.47	2.08	2.12	1.86	1.71
Percent of net sales	2.1%	3.2%	3.7%	3.4%	3.4%
Percent to stockholders' equity(c)	9.7%	15.0%	17.0%	15.5%	15.6%
Cash Dividends Paid	7,004	6,727	6,432	6,069	5,846
Per common share	.6625	.6125	.5625	.5125	.4775
Depreciation and Amortization	39,277	39,452	37,347	35,281	32,138
Capital Expenditures	28,442	32,697	44,056	35,589	44,923
Weighted-average Common Shares Outstanding	9,355	9,592	9,843	9,831	10,002

As of Year End					
Working Capital	$ 68,872	$ 68,615	$ 61,814	$ 63,789	$ 70,322
Current Ratio	1.6	1.7	1.7	1.8	1.8
Property, Plant and Equipment, net	199,147	209,481	215,096	206,601	207,159
Total Assets	415,049	414,576	404,361	374,936	381,012
Long-term Debt, less current maturities	96,466	107,420	107,708	94,898	102,567
Stockholders' Equity	154,176	155,064	147,984	137,598	131,615
Per share(d)	15.57	15.20	14.18	13.01	12.24
Number of Employees	1,387	1,365	1,372	1,292	1,270

(a) Prior years Net Sales have been restated to conform to the requirements of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs".
(b) Based on weighted-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.

Quarterly Stock Data (Unaudited)

	Stock Price Range				Dividends Paid Per Common Share	
	2000		1999		2000	1999
Quarter	High	Low	High	Low		
First	$23 3/16	$19 7/8	$26 11/16	$22 1/4	16.25c	15.00c
Second	$23 1/4	$20 15/16	25 11/16	22 1/4	16.25c	15.00c
Third	$25	$19 5/8	26 1/4	22 5/8	16.25c	15.00c
Fourth	$24	$18 1/2	24 1/8	22 3/16	17.50c	16.25c
Year	$25	$18 1/2	26 11/16	22 3/16	66.25c	61.25c

Quarterly Financial Data (Unaudited)
(Dollars in thousands, except per share data)

	2000				
Quarter	First	Second	Third	Fourth	Year
Net Sales	$174,988	$177,897	$176,608	$169,444	$698,937
Gross Profit	27,083	30,680	29,025	25,238	112,026
Interest, net	(2,051)	(2,186)	(2,099)	(1,992)	(8,328)
Pre-tax Income	7,003	10,859	9,989	(3,448)	24,403
Net Income	4,271	6,625	6,233	(2,121)	15,008
Net Income/(Loss) per Share (Diluted)	0.41	0.64	0.61	(0.25)	1.47

	1999				
Quarter	First	Second	Third	Fourth	Year
Net Sales	$170,892	$173,899	$173,789	$176,079	$694,659
Gross Profit	28,919	32,391	28,249	31,386	120,945
Interest, net	(2,110)	(2,158)	(2,052)	(2,056)	(8,376)
Pre-tax Income	10,148	12,963	23	11,695	34,829
Net Income	6,142	7,956	14	8,017	22,129
Net Income/(Loss) per Share (Diluted)	0.57	0.75	(0.02)	0.76	2.08

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
Stepan Deutschland GmbH	Germany
Stepan Colombiana de Quimicos	Colombia
Stepan Quimica Ltda.	Brazil

Exhibit (23)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K into the company's previously filed Registration Statements on Form S-8, File Nos. 2-64668, 2-40183, 2-80336, 33-57189, and 333-39938.

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 13, 2001

Exhibit (24)

POWER OF ATTORNEY

The undersigned hereby appoints F. Quinn Stepan and Walter J. Klein 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 13th day of March 2001

/s/ F. Quinn Stepan
F. Quinn Stepan

/s/ F. Quinn Stepan, Jr.
F. Quinn Stepan, Jr.

/s/ Walter J. Klein
Walter J. Klein

/s/ James A. Hartlage
James A. Hartlage

/s/ Thomas F. Grojean
Thomas F. Grojean

/s/ Paul H. Stepan
Paul H. Stepan

/s/ Robert D. Cadieux
Robert D. Cadieux

/s/ Robert G. Potter
Robert G. Potter