

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1994

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

1-4462

Commission File Number

STEPAN COMPANY

(Exact name of registrant as specified in its charter)

Delaware

36 1823834

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

Edens and Winnetka Road Northfield, Illinois 60093

(Address of principal executive offices)

Registrant's telephone number

(708) 446-7500

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at July 31, 1994

Common Stock, \$1 par value

4,970,000 Shares

Item 1 - Financial Statements

STEPAN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1994 and December 31, 1993
Unaudited

(Dollars in Thousands)	6/30/94	12/31/93
	-----	-----
ASSETS		

CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,457	\$ 1,515
Receivables, net	66,773	57,250
Inventories (Note 3)	42,493	48,918
Other current assets	11,439	11,477
	-----	-----
Total current assets	123,162	119,160
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Cost	399,891	378,828
Less accumulated depreciation	223,167	208,558
	-----	-----
	176,724	170,270
	-----	-----
OTHER ASSETS		
	10,967	11,058
	-----	-----
Total assets	\$310,853	\$300,488
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 8,588	\$ 7,447
Accounts payable	32,615	34,832
Accrued liabilities	26,654	28,312
	-----	-----
Total current liabilities	67,857	70,591
	-----	-----
DEFERRED INCOME TAXES		
	35,172	36,020
	-----	-----
LONG-TERM DEBT, less current maturities (Note 4)		
	93,383	89,660
	-----	-----
DEFERRED REVENUE (Note 9)		
	5,808	-
	-----	-----
STOCKHOLDERS' EQUITY:		
5-1/2% convertible preferred stock, cumulative, voting without par value; authorized 2,000,000 shares; issued 799,684 shares in 1994 and in 1993	19,992	19,992
Common stock, \$1 par value; authorized 15,000,000 shares; issued 5,127,244 shares in 1994 and 5,113,024 shares in 1993	5,127	5,113
Additional paid-in capital	3,909	3,781
Cumulative translation adjustments	(1,268)	(2,058)
Retained earnings (approximately \$33,937 unrestricted in 1994 and \$32,789 in 1993)	85,955	82,475
	-----	-----
	113,715	109,303
Less - Treasury stock, at cost (Note 6)	4,971	4,863
Deferred ESOP compensation	111	223

Stockholders' equity	----- 108,633 -----	----- 104,217 -----
Total liabilities and stockholders' equity	\$310,853 =====	\$300,488 =====

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

STEPAN COMPANY
CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 1994 and 1993
Unaudited

(In Thousands, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
NET SALES	\$112,305	\$110,578	\$219,584	\$225,198
COSTS AND EXPENSES:				
Cost of Sales (Note 7)	91,648	89,916	179,784	181,668
General and Administrative (Note 8)	3,301	4,526	8,238	9,012
Marketing	4,118	4,145	8,339	8,294
Research, Development and Technical Services	4,523	4,327	9,163	8,698
Interest, net (Note 4)	1,803	1,904	3,721	3,791
	105,393	104,818	209,245	211,463
PRE-TAX INCOME	6,912	5,760	10,339	13,735
PROVISION FOR INCOME TAXES	2,834	2,392	4,239	5,680
NET INCOME	\$ 4,078	\$ 3,368	\$ 6,100	\$ 8,055
NET INCOME PER COMMON SHARE (Note 5)				
Primary	\$0.77	\$ 0.63	\$ 1.12	\$ 1.52
Fully Diluted	\$0.75	\$ 0.61	\$ 1.11	\$ 1.46
DIVIDENDS PER COMMON SHARE	\$0.21	\$ 0.20	\$ 0.42	\$ 0.40
AVERAGE COMMON SHARES OUTSTANDING	4,957	4,948	4,953	4,944

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

STEPAN COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 1994 and 1993
Unaudited

(Dollars in Thousands)	6/30/94	6/30/93
	-----	-----
NET CASH FLOW FROM OPERATING ACTIVITIES		
Net income	\$ 6,100	\$ 8,055
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,117	13,944
Deferred taxes	419	426
Recognition of prepaid pension cost	(147)	(357)
Other non-cash items	365	176
Deferred revenue (Note 9)	5,808	-
Changes in Working Capital:		
Receivables, net	(9,523)	(5,967)
Inventories	6,425	2,482
Accounts payable and accrued liabilities	(5,040)	(8,111)
Other	105	625
	-----	-----
Net Cash Provided by Operating Activities	19,629	11,273
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(20,797)	(13,436)
Investment in joint venture	(1,000)	(1,401)
Other non-current assets	(416)	(183)
	-----	-----
Net Cash Used for Investing Activities	(22,213)	(15,020)
	-----	-----
CASH FLOWS FROM FINANCING AND OTHER RELATED ACTIVITIES		
Revolving debt and notes payable to banks, net	13,147	(2,365)
Other debt borrowings	-	15,000
Other debt repayments	(7,349)	(7,431)
Purchases of treasury stock, net of sales	(108)	137
Dividends paid	(2,620)	(2,529)
Other	456	18
	-----	-----
Net Cash Provided by Financing and Other Related Activities	\$ 3,526	2,830
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	942	(917)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ 1,515	\$ 2,915
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,457	\$ 1,998
	=====	=====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 4,234	\$ 4,142
Income taxes	\$ 4,202	\$ 3,422

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

STEPAN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1994 and December 31, 1993
Unaudited

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Management believes that the disclosures are adequate and make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report to Stockholders and the Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1993. In the opinion of Management all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position of Stepan Company as of June 30, 1994 and the consolidated results of operations for the three and six months then ended, and cash flows for the six months then ended, have been included.

Because the inventory determination under the LIFO method can only be made at the end of each year based on the inventory levels and costs at that point, interim LIFO determinations must necessarily be based upon Management's estimates of expected year-end inventory levels and costs. Since future estimates of inventory levels and prices are subject to many forces beyond the control of Management, interim financial results are subject to final year-end LIFO inventory amounts.

2. 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 will base its estimates include information provided by feasibility studies, potentially responsible party negotiations and the development of remedial action plans. Liabilities are recorded at gross amounts of probable future cash outlays and are not discounted to reflect the time value of money. While the Company has insurance policies that may cover some of its liabilities, it does not record those claims until such time as they become probable. Expenditures that mitigate or prevent environmental contamination that has yet to occur

and that otherwise may result from future operations, are capitalized. Capitalized expenditures are depreciated generally utilizing a 10-year life.

3. INVENTORIES

Inventories include the following amounts:

(Dollars in Thousands)	6/30/94	12/31/93
Inventories valued primarily on LIFO basis -		
Finished products	\$23,556	\$27,269
Raw materials	18,937	21,649
Total inventories	\$42,493	\$48,918

If the first-in, first-out (FIFO) inventory valuation method had been used for all inventories, inventory balances would have been approximately \$10,200,000 and \$9,700,000 higher than reported at June 30, 1994 and December 31, 1993, respectively.

4. DEBT

Long-term debt includes unsecured bank debt of \$22.3 million and \$7.0 million at June 30, 1994 and December 31, 1993, respectively. The unsecured bank debt is available to the Company under a line of credit based on rates that fluctuate daily. The average interest rate on unsecured bank debt for the three month period ended June 30 was 4.78 percent and 3.86 percent for 1994 and 1993, respectively. For the six months ended June 30, 1994 and 1993, the average interest rate was 4.56 percent and 3.90 percent, respectively.

5. NET INCOME PER COMMON SHARE

Primary net income per common share amounts are computed by dividing net income, less the convertible preferred stock dividend requirement, by the weighted average number of common shares outstanding. Fully diluted net income per share amounts are based on an increased number of common shares that would be outstanding assuming the exercise of certain outstanding stock options and the conversion of the convertible preferred stock, when such conversion would have the effect of reducing net income per share. For computation of earnings per share, reference should be made to Exhibit 11.

6. TREASURY STOCK

At June 30, 1994, treasury stock consists of 20,208 shares of preferred stock and 161,189 shares of common stock. At December 31, 1993, treasury stock consisted of 8,700 shares of preferred stock and 165,029 shares of common stock.

7. COST OF SALES

Cost of sales in the first half of 1994 includes a pre-tax gain of \$950,000 arising from the settlement of claims filed against the Company's insurance carrier in connection with production outages and business interruption suffered in the phthalic anhydride business in 1993.

8. GENERAL AND ADMINISTRATIVE EXPENSES

In the second quarter of 1994, the Company received \$1.6 million for insurance recoveries of legal costs previously incurred in defending environmental actions against the Company. The Company recorded the recoveries as reductions to the current year's legal and environmental expense which is included in the "General and Administrative" caption on the Consolidated Statements of Income. As discussed in Note 10, the Company is involved in certain environmental actions. While further recoveries are possible in the future, the Company only recognizes them as they become probable.

9. DEFERRED REVENUE

During the first and second quarters of 1994, the Company received partial prepayments on certain multi-year commitments for future shipments of products. Upon shipment, sales will be included in the Company's consolidated statement of income along with the related cost of sales. As the commitments are fulfilled, a proportionate share of the deferred revenue will be taken into income. Related deferred revenue at June 30, 1994 is \$5.8 million which is included in the "Deferred Revenue" caption of the Condensed Consolidated Balance Sheets.

10. 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 included in this filing, the Company believes that it has made adequate provisions for the costs it may incur with respect to these sites. The Company has estimated a range of possible environmental and legal losses from \$5.5 million to \$21.8 million at June 30, 1994. At June 30, 1994, the Company's reserve was \$6.6 million for legal and environmental matters compared to \$7.2 million at December 31, 1993. While the Company has insurance policies that may cover some of its environmental costs, it does not record those

claims until such time as they become probable. For the three months ended June 30, 1994, the Company received \$1.6 million from insurers related to legal costs previously incurred by the Company. The recovery was included in income and reduced General and Administrative Expense in the Consolidated Statements of Income. There were no insurance recoveries recorded in 1993.

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

11. RECLASSIFICATIONS

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

STEPAN COMPANY
Management's Discussion and Analysis of
Financial Condition and Results of Operations

The following is Management's discussion and analysis of certain significant factors which have affected the Company's financial condition and results of operations during the interim period included in the accompanying condensed consolidated financial statements.

LIQUIDITY AND FINANCIAL CONDITION

For the first six months of 1994, cash from operations totaled \$19.6 million compared to \$11.3 million for the same period in 1993. Net income, adjusted for non-cash items, totaled \$21.9 million, compared to \$22.2 million last year. Included in cash flow from operations for 1994 is \$5.8 million in advances from customers for future delivery of products. During 1994, working capital items comprised an \$8.0 million use of cash compared to \$11.0 million during 1993.

Capital expenditures totaled \$20.8 million for the first half of 1994, compared to \$13.4 million for the same period last year. It is expected that total expenditures for 1994 will approximate \$40 million, compared to \$25.4 million spent in 1993 which represented a five-year low for the Company. A significant portion of the projected spending relates to a specific capacity expansion project for the production of higher active ingredients. Future year capital spending is not expected to be at this higher level. Separately, the Company repaid a \$1.0 million note related to its Colombian joint venture entered into a year ago.

Since December 31, 1993, total company debt has increased by \$4.9 million. Since year end, the ratio of long-term debt to long-term debt plus shareholders' equity has remained at 46.2 percent.

The Company maintains contractual relationships with its banks which provide for \$45 million of revolving credit which may be drawn upon as needed for general corporate purposes. The Company also meets short-term liquidity requirements through uncommitted bank lines of credit and bankers' acceptances.

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

RESULTS OF OPERATIONS

Three Months Ended June 30, 1994 and 1993

Net income for the quarter ended June 30, 1994 was \$4.1 million, or \$.77 per share, up 21 percent from \$3.4 million, or \$.63 per share for the same quarter a year ago. Included in the current quarter results was a \$915,000 after-tax benefit from insurance recoveries relating to legal

costs previously incurred in defending environmental cases against the Company. Net sales rose two percent to \$112.3 million, up from \$110.6 million reported a year earlier. Net sales by product group were

	Three Months Ended June 30		
(Dollars in Thousands)	1994	1993	% Change
Surfactants	\$ 83,747	\$ 80,132	+5
Polymers	18,543	22,008	-16
Specialty Products	10,015	8,438	+19
Total	\$112,305	\$110,578	+2

Surfactants net sales increased \$3.6 million or five percent from the comparable quarter in 1993. Both domestic and international operations reported increased sales. The increase from the domestic operation was due primarily to the volume increase of the broad commercial customer base, partially offset by reduced volume of the larger national customers which was attributable to product reformulations. The increase in international sales was attributable to a strong 20 percent increase in volume.

Surfactants gross profit increased \$.7 million or five percent to \$16.2 million for the second quarter of 1994 compared to \$15.5 million a year ago. The majority of the increase arose from increased gross profit in both the Mexican and Canadian subsidiaries on their respective strong volume gains. Despite the European subsidiary's reported volume gain, its gross profit declined eight percent from the same quarter in last year as it was pressured by competitive pricing.

Polymers net sales decreased \$3.5 million or 16 percent from the same quarter a year earlier. Lower selling prices in phthalic anhydride (PA) and reduced volume in polyurethane systems were the main causes of the sales decline. Slightly offsetting the decline were polyurethane polyols sales which increased by \$.9 million on a 13 percent volume gain. Lower PA selling prices were driven mainly by the competitive pressure of foreign imports and lower raw material prices. Slow introduction of new products with more favorable environmental characteristics contributed to the 40% volume decline in polyurethane systems.

Polymers gross profit declined \$.6 million or 19 percent to \$2.6 million for the current quarter versus \$3.2 million reported in the prior year. The decline was due primarily to reduced earnings in PA and polyurethane systems. PA's decline was attributable to competitive pressure on margins and lower sales volume. Lower polyurethane systems earnings resulted primarily from lower sales volume. While polyurethane polyols recorded higher sales, increased manufacturing and logistical expenses almost offset the result.

Specialty products sales were up \$1.6 million or 19 percent from the same quarter in 1993. Contributing to this result was a strong 70 percent volume gain over last year's quarter. Lubricant additives and industrial chemicals led the volume gains, partially offset by lower food additives sales.

Specialty products gross profit decreased \$.2 million, despite the strong volume gain, as a result of unfavorable sales mix and a decline in royalty income compared to the prior year's quarter.

Operating expenses decreased eight percent due primarily to the \$1,551,000 pre-tax, or \$915,000 after-tax, insurance recoveries relating to legal costs previously incurred in defending environmental cases against the Company. (See also Note 8 of the Notes to Condensed Consolidated Financial Statements). The recoveries are recorded as reductions to the current quarter's administrative expenses.

Six Months Ended June 30, 1994 and 1993

Net income for the six months ended June 30, 1994 was \$6.1 million, or \$1.12 per share, down 25 percent from \$8.1 million, or \$1.52 per share for the same period a year ago. Included in the year-to-date results were a \$560,000 after-tax insurance recovery related to production outages in 1993 and \$915,000 after-tax insurance recoveries related to legal costs previously incurred in defending environmental cases. Net sales fell a moderate two percent to \$219.6 million, down from \$225.2 million recorded a year ago. Net sales by product group were

(Dollars in Thousands)	Six Months Ended June 30		
	1994	1993	% Change
Surfactants	\$166,868	\$167,511	-
Polymers	34,914	40,324	-13
Specialty Products	17,802	17,363	+3
Total	\$219,584	\$225,198	-2
	=====	=====	

Surfactants net sales were relatively flat for the first six months of 1994 compared to the same period a year ago. Domestic sales were down slightly due mostly to volume losses in larger national customers who reformulated their products. Partially offsetting this was a 13 percent volume growth in the broad commercial customer base. Foreign operations reported a slight volume growth in the broad commercial customer base. Foreign operations reported a slight increase in sales. The Canadian and Mexican subsidiaries posted strong 14 percent and 20 percent volume gains, respectively, while the European subsidiary's volume growth was more than offset by reduced selling prices in response to competitive pressures.

Surfactants gross profit dropped \$1.2 million or four percent to \$32.4 million for the first half of 1994 compared to \$33.6 million a year ago. The decrease was primarily attributed to the reduced margin from the European subsidiary and the lower domestic volume to larger national customers. Partially offsetting this were stronger volume growth in Canadian and Mexican operations, as well as volume gain in the broad domestic commercial customer base.

Polymers net sales fell \$5.4 million or 13 percent from the same period a year earlier. PA and polyurethane systems accounted for the majority of the sales decline which was partially offset by an 18 percent growth in polyurethane polyols sales on a 19 percent volume gain. Foreign imports and lower raw material prices have kept PA's selling prices down which has resulted in lower sales despite volumes which have held up between years. Lower polyurethane systems sales were due to a volume decline attributable to delays in new product roll-outs.

Polymers gross profit declined \$1.0 million or 17 percent to \$4.9 million for the first half of 1994 compared to \$5.9 million recorded a year ago. This was mainly due to lower profit margins for PA. The current year results for PA included a \$950,000 pre-tax insurance recovery related to 1993 production outages. PA's decline was attributable to decreased margins caused largely by the foreign imports. Despite the significant drop in polyurethane systems sales and volume, gross profit declined modestly due primarily to the development of lower cost formulations. While polyurethane polyols posted increased sales and volume, higher manufacturing expenses and logistics costs nearly offset all the volume gains.

Specialty products sales were up \$.4 million or a moderate three percent from the same first half in 1993. Strong volume gain in the second quarter has made up for the slow first quarter, posting an 18 percent gain on a year-to-date basis over a year ago. Lubricant additives and industrial chemicals accounted for all the volume increase, partially offset by the drop in food ingredients. The average selling price declined eight percent reflecting an unfavorable sales mix in lubricant additives partially offset by a favorable mix in industrial chemicals.

Specialty products gross profit fell \$1.4 million, or 36 percent to \$2.5 million for the first six months in 1994. Despite the increased sales and volume noted above, the drop in gross profit was largely attributable to unfavorable sales mix and reduced royalty income compared to a year earlier.

Operating expenses declined one percent reflecting lower administrative expenses partially offset by higher research and development spending for the first half of 1994. The reduced administrative expenses were due primarily to the \$1,551,000 pre-tax, or \$915,000 after-tax, insurance recoveries relating to legal costs previously incurred in defending environmental cases against the Company. Research and product development expenses increased five percent mainly for salaries, while marketing expenses were virtually unchanged between years.

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 the first six months of 1994, Company expenditures for capital projects related to the environment were \$2.7 million and should approximate \$5.6 million for the full year 1994. These projects are capitalized and typically depreciated over 10 years. Capital spending on such projects is likely to continue at these or higher levels in future years. Recurring costs associated with the operation and maintenance of environmental protection facilities in ongoing operations were \$3.6 million for the first six months of 1994. While difficult to project, it is not anticipated that these recurring expenses will increase significantly in the future.

The Company has been named by the government as a potentially responsible party at 15 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 these sites. The Company has estimated a range of possible environmental and legal losses from \$5.5 million to \$21.8 million at June 30, 1994. At June 30, 1994, the Company's reserve was \$6.6 million for legal and environmental matters compared to \$7.2 million at December 31, 1993. During the first six months of 1994, expenditures related to legal and environmental matters approximated \$2.1 million. During the first six months of 1994, the Company has recovered \$1.6 million of legal costs from insurance claims. The recovery is recorded as a reduction to the current year's legal and environmental expense. (See also Note 8 of the Notes to Condensed Consolidated Financial Statements). At certain of the sites, estimates cannot be made of the total costs of compliance, or the Company's share of such costs; accordingly, the Company is unable to predict the effect thereof on future results of operations. In the event of one or more adverse determinations in any annual or interim period, the impact on results of operations for those periods could be material. However, based upon the Company's present belief as to its relative involvement at these sites, other viable entities' responsibilities for cleanup and the extended period over which any costs would be incurred, the Company believes that these matters will not have a material effect on the Company's financial position. Certain of these matters are discussed in Item 3, Legal Proceedings in the 1993 Form 10-K Annual Report and in other filings of the Company with the Securities and Exchange Commission, which filings are available upon request from the Company.

Item 1 - Legal Proceedings

On June 22, 1994, the Commonwealth of Pennsylvania, Department of Environmental Resources, sent to the Company a request for information regarding the Company's Fieldsboro, New Jersey plant use of Reclamation Resource, Inc. and its landfill located at Lenhart Road, Hartfield Township, Montgomery County, Pennsylvania. The Company has responded that it has no knowledge of Reclamation Resource, Inc. or the landfill and, to the Company's knowledge, no use of Reclamation Resource, Inc. or the landfill and, to the Company's knowledge, no use of Reclamation Resource, Inc. was ever made by the Company. Consequently, the Company cannot determine what its liability, if any, will be.

Item 6 - Exhibits and Reports on Form 8-K

- (A) Exhibits
 - (11) Statement re Computation of Per Share Earnings
- (B) Reports on Form 8-K
 - None

SIGNATURES

Pursuant to the requirements 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

/s/ Walter J. Klein

Walter J. Klein
Vice President - Finance
Principal Financial and
Accounting Officer

Date: 8/11/94

STEPAN COMPANY
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
For the Three and Six Months Ended June 30, 1994 and 1993
Unaudited

(In Thousands, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
Computation of Per Share Earnings				
Net income	\$4,078	\$3,368	\$6,100	\$8,055
Deduct dividends on preferred stock	268	275	539	550
Income applicable to common stock	<u>\$3,810</u>	<u>\$3,093</u>	<u>\$5,561</u>	<u>\$7,505</u>
Weighted average number of shares outstanding	4,957	4,948	4,953	4,944
Per share earnings *	<u>\$0.769</u>	<u>\$0.625</u>	<u>\$1.123</u>	<u>\$1.518</u>
Computation of Per Share Primary Earnings				
Income applicable to common stock	<u>\$3,810</u>	<u>\$3,093</u>	<u>\$5,561</u>	<u>\$7,505</u>
Weighted average number of shares outstanding	4,957	4,948	4,953	4,944
Add net shares issuable from assumed exercise of options (under treasury stock method)	71	108	75	109
Shares applicable to primary earnings	<u>5,028</u>	<u>5,056</u>	<u>5,028</u>	<u>5,053</u>
Per share primary earnings *	<u>\$0.758</u>	<u>\$0.612</u>	<u>\$1.106</u>	<u>\$1.485</u>
Dilutive effect	1.4%	2.1%	1.5%	2.2%
Computation of Per Share Fully Diluted Earnings				
Net income (See Note A)	<u>\$4,078</u>	<u>\$3,368</u>	<u>\$5,561</u>	<u>\$8,055</u>
Weighted average number of shares outstanding	4,957	4,948	4,953	4,944
Add net shares issuable from assumed exercise of options (under treasury stock method)	71	108	75	109
Add weighted average shares issuable from assumed conversion of convertible preferred stock (See Note A)	447	457	-	457
Shares applicable to fully diluted earnings	<u>5,475</u>	<u>5,513</u>	<u>5,028</u>	<u>5,510</u>
Per share fully diluted earnings *	<u>\$0.745</u>	<u>\$0.611</u>	<u>\$1.106</u>	<u>\$1.462</u>
Dilutive effect	3.2%	2.2%	1.5%	3.7%

(A) For the six months ended June 30, 1994, the assumed conversion of convertible preferred stock would have been antidilutive. Accordingly, the dividends and shares issuable from assumed conversion have been excluded pursuant to APB No. 15.

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* Rounded

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