UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

☐ **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 (847) 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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes ☒ 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 April 30, 2004
Common Stock, $1 par value	8,975,820

Part I FINANCIAL INFORMATION

Item 1 - Financial Statements

STEPAN COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2004 and 2003
Unaudited

(Dollars in thousands, except per share amounts)	Three Months Ended March 31 2004	2003
Net Sales	$ 221,387	$ 187,080
Cost of Sales	191,735	161,974
Gross Profit	29,652	25,106
Operating Expenses:		
Marketing	7,394	6,628
Administrative	7,941	7,375
Research, development and technical services	6,314	6,215
	21,649	20,218
Operating Income	8,003	4,888
Other Income (Expenses):		
Interest, net	(2,061)	(2,184)
Income from equity in joint venture	485	452
Other, net	(501)	284
	(2,077)	(1,448)
Income Before Provision for Income Taxes	5,926	3,440
Provision for Income Taxes	1,896	1,152
Net Income	$ 4,030	$ 2,288
Net Income Per Common Share (Note 6):		
Basic	$ 0.43	$ 0.24
Diluted	$ 0.42	$ 0.23
Shares Used to Compute Net Income Per Common Share (Note 6):		
Basic	8,943	8,882
Diluted	9,698	9,082
Dividends per Common Share	$ 0.1925	$ 0.1900

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

STEPAN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 2004 and December 31, 2003
Unaudited

(Dollars in thousands)	March 31, 2004	December 31, 2003
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,188	$ 4,235
Receivables, net	149,044	113,353
Inventories (Note 3)	64,978	70,548
Deferred income taxes	8,090	8,077
Other current assets	8,027	8,247
Total current assets	233,327	204,460
Property, Plant and Equipment:		
Cost	751,126	745,097
Less: accumulated depreciation	543,350	534,432
Property, plant and equipment, net	207,776	210,665
Goodwill, net (Note 9)	7,731	7,621
Other intangible assets, net (Note 9)	11,640	12,016
Other non-current assets	29,637	29,455
Total assets	$ 490,111	$ 464,217
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 16,430	$ 23,670
Accounts payable	87,060	74,113
Accrued liabilities	35,475	35,156
Total current liabilities	138,965	132,939
Deferred income taxes	15,449	14,570
Long-term debt, less current maturities	112,002	92,004
Other non-current liabilities	57,928	62,637
Stockholders' Equity:		
5 1/2% convertible preferred stock, cumulative, voting without par value; authorized 2,000,000 shares; issued 581,482 shares in 2004 and 582,082 shares in 2003	14,537	14,552
Common stock, $1 par value; authorized 30,000,000 shares; issued 9,925,205 shares in 2004 and 9,900,265 shares in 2003	9,925	9,900
Additional paid-in capital	22,653	22,277
Accumulated other comprehensive loss (Note 7)	(18,162)	(19,560)
Retained earnings (unrestricted approximately $31,506 in 2004 and $29,027 in 2003)	156,888	154,780
Less: Treasury stock, at cost 975,277 shares in 2004 and 966,671 in 2003	(20,074)	(19,882)
Stockholders' equity	165,767	162,067
Total liabilities and stockholders' equity	$ 490,111	$ 464,217

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

STEPAN COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2004 and 2003
Unaudited

(Dollars in thousands)	March 31, 2004	March 31, 2003
Cash Flows From Operating Activities		
Net income	$ 4,030	$ 2,288
Depreciation and amortization	10,105	10,085
Recognition of deferred revenue	(111)	(115)
Deferred income taxes	866	(252)
Other non-cash items	(655)	(608)
Changes in assets and liabilities:		
Receivables, net	(35,691)	(15,323)
Inventories	5,570	(3,748)
Accounts payable and other accrued liabilities	9,425	5,647
Pension liabilities	1,018	602
Environmental and legal liabilities	(798)	508
Other current assets	220	1,246
Net Cash Provided by (Used In) Operating Activities	(6,021)	330
Cash Flows From Investing Activities		
Expenditures for property, plant and equipment	(6,236)	(8,744)
Other non-current assets	169	636
Net Cash Used in Investing Activities	(6,067)	(8,108)
Cash Flows From Financing Activities		
Revolving debt and notes payable to banks, net	3,829	11,710
Other debt borrowings	9,842	29
Other debt repayments	(912)	(129)
Purchase of treasury stock, net	(192)	—
Dividends paid	(1,922)	(1,888)
Stock option exercises	385	69
Net Cash Provided by Financing Activities	11,030	9,791
Effect of Exchange Rate Changes on Cash	11	(372)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,047)	1,641
Cash and Cash Equivalents at Beginning of Period	4,235	3,188
Cash and Cash Equivalents at End of Period	$ 3,188	$ 4,829
Supplemental Cash Flow Information:		
Cash payments of interest	$ 1,741	$ 1,547
Cash payments of income taxes, net of refunds	$ (8)	$ (284)

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

STEPAN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2004
Unaudited

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by the Stepan Company (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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. In the opinion of management all normal recurring adjustments necessary to present fairly the condensed consolidated financial position of the Company as of March 31, 2004, and the condensed consolidated results of operations and cash flows for the three months then ended have been included.

2. STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards (SFAS) 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, no stock-based employee compensation cost is reflected in net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

	For the Three Months Ended March 31	
(In thousands, except per share amounts)	**2004**	**2003**
Net income, as reported	$ 4,030	$ 2,288
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	157	146
Net income, pro forma	$ 3,873	$ 2,142
Earnings per share:		
Basic - as reported	$ 0.43	$ 0.24
Basic - pro forma	$ 0.41	$ 0.22
Diluted - as reported	$ 0.42	$ 0.23
Diluted - pro forma	$ 0.40	$ 0.21

3. INVENTORIES

Inventories comprised the following:

(Dollars in thousands)	March 31, 2004	December 31, 2003
Finished products	$ 40,606	$ 47,809
Raw materials	24,372	22,739
Total inventories	$ 64,978	$ 70,548

Inventories priced at last-in, first-out (LIFO) as of March 31, 2004 and December 31, 2003, amounted to 79 and 78 percent of total inventories, respectively. If the first-in, first-out (FIFO) inventory valuation method had been used for all inventories, inventory balances would have been approximately $9.4 million and $8.6 million higher than reported at March 31, 2004, and December 31, 2003, respectively.

4. 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 (CERCLA) and the Superfund amendments of 1986 ("Superfund"). The Company has been named by the government as a potential responsible party at 18 waste disposal sites where clean up costs have been or may be incurred under CERCLA 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.

After partial remediation payments at certain sites, the Company has estimated a range of possible environmental and legal losses from $8.6 million to $40.6 million at March 31, 2004. At March 31, 2004, the Company's best estimate of the reserve for such losses was $18.8 million for legal and environmental matters compared to $19.6 million at December 31, 2003, the reduction being the result of a payment during the quarter.

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 the Company's financial position, cash flows and 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.

Following are summaries of the environmental proceedings related to the major environmental sites where the Company has responsibility for participating in remediation efforts:

Maywood, New Jersey, Site

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 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. The Company submitted the Draft Final FS for Soil and Source Areas (Operable Unit 1) in September 2002. In addition, the Company submitted the Draft Final FS for Groundwater (Operable Unit 2) in June 2003. Discussions between USEPA and the Company are continuing. The Company is awaiting the issuance of a Record of Decision (ROD) from USEPA relating to the currently owned and formerly owned Company property and the proposed remediation. The final ROD will be issued sometime after a 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) were 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 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.

The Company believes it has adequate reserves for claims associated with the Maywood site, and has recorded a liability for the estimated probable costs it expects to incur at the site related to remediation of chemical contamination. However, depending on the results of the ongoing discussions regarding the Maywood site, particularly, radiological remediation, the final cost of the remediation could differ from the current estimates.

Ewan and D'Imperio Sites

The Company has been named as a potentially responsible party (PRP) in the case *USEPA v. Jerome Lightman* (92 CV 4710 D. N. J.), 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 be held. 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.

Regarding the D'Imperio Superfund Site, USEPA previously indicated it would seek penalty claims against the Company based on the Company's alleged noncompliance with the modified Unilateral Administrative Order (Order). The Company recently entered into a Consent Decree with USEPA, which resolves all claims asserted against the Company for the alleged noncompliance with the Order. Following the requisite notice and comment period, the Company expects the Consent Decree to be entered by the court in 2004. The $65,000 payment due under the Consent Decree will not have a material impact on the financial position, results of operations or cash flows of the Company. In addition, the Company received notice from the New Jersey Department of Environmental Protection (NJDEP) dated March 21, 2001, that NJDEP will pursue cost recovery against the alleged responsible parties, including the Company. The NJDEP's claims include costs related to remediation of the D'Imperio Superfund Site in the amount of $434,406 and alleged natural resource damages in the amount of $529,584 (as of November 3, 2000). The NJDEP settled such claims against the alleged responsible parties, resulting in the Company paying its portion of $83,061 in July 2002. This payment is subject to reallocation after the allocation phase of the above-identified trial, if any, and did not have a material impact on the financial position, results of operations or cash flows of the Company. On November 6, 2003, USEPA issued a Unilateral Administrative Order directed to all PRPs to perform the remedial design and implement the amended remedial action described in the Agency's ROD Amendment.

Lightman Drum Site

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.

Liquid Dynamics Site

The Company received a General Notice of Potential Liability letter from the USEPA dated October 18, 2002, regarding the Liquid Dynamics Site located in Chicago, Illinois. The Company submitted a response to USEPA on November 5, 2002, stating that it is interested in negotiating a resolution of its potential responsibility at this site. In addition, the Company recently joined the PRP group. Based on the fact that the Company believes it is de minimis at this site, the Company believes that a resolution of its liability at this site will not have a material impact on its financial position, results of operations or cash flows.

Wilmington Site

The Company has received two Requests for Information from the Commonwealth of Massachusetts Department of Environmental Protection relating to the Company's formerly-owned site at 51 Eames Street, Wilmington, Massachusetts, the most recent of which was in October 2002. The Company's response to the October 2002 request was filed in December 2002. Remediation at this site is being managed by its current owner to whom the Company sold the property in 1980. The Company subsequently entered into an agreement with the current owner whereby the Company is obligated to contribute to the response costs associated with this site once total site remediation costs exceed certain levels. In July 2003, the Company received a notice that contribution levels had been reached and a demand for payment from the current owner as to the Company's outstanding share of environmental response costs incurred to-date ($0.9 million) is due under the terms of the agreement. The Company evaluated the current owner's demand for payment and paid the current owner $0.9 million in 2004, of which $0.8 million was paid prior to March 31, 2004. Under the agreement, the Company is obligated to contribute up to five percent of future response costs associated with this site with no limitation on the ultimate amount of contributions. The Company has recorded a reserve of $0.7 million for current and future claims associated with this site. However, depending on the ultimate cost of the remediation at this site, the amount for which the Company is liable could differ from the current estimates. In addition, the Company and other prior owners entered into an agreement in April 2004 waiving certain statute of limitations defenses for claims which may be filed by the Town of Wilmington, MA, in connection with this site. While the Company has denied any liability for any such claims, the Company agreed to this waiver while the parties continue to discuss the resolution of any potential claim which may be filed.

Martin Aaron Site

The Company received a Section 104(e) Request for Information from USEPA dated June 2, 2003, regarding the Martin Aaron Site located in Camden, New Jersey. The Company's response was submitted on August 11, 2003. The Company is currently investigating this matter and therefore, cannot predict what its liability, if any, will be for this site.

Wells G & H Superfund Site

The Company received a Section 104(e) Request for Information from USEPA dated December 15, 2003, regarding the Wells G & H Superfund Site located in Woburn, Massachusetts. The Company's response was submitted on March 18, 2004. The Company continues to investigate this matter and therefore, cannot predict what its liability, if any, will be for this site.

Other

The Company performs ongoing ground water monitoring at a number of its plant sites. Recent results of such monitoring indicated that future remediation may be required at one of the Company's sites. Although there has been no enforcement order, the Company is in the process of preparing a remediation plan that will be submitted to the appropriate governmental agency. The Company believes it has adequate reserves for the remediation of this site.

5. PENSION PLANS

Components of Net Periodic Benefit Cost

(Dollars in thousands)	Three Months Ended March 31			
	United States		United Kingdom	
	2004	2003	2004	2003
Service cost	$ 877	$ 787	$ 145	$ 101
Interest cost	1,426	1,357	169	128
Expected return on plan assets	(1,642)	(1,614)	(147)	(110)
Amortization of prior service cost	87	89	—	—
Amortization of net loss	324	37	13	11
Net periodic benefit cost	$ 1,072	$ 656	$ 180	$ 130

Employer Contributions

As disclosed in its financial statements for the year ended December 31, 2003, the Company expected to contribute $3,841,000 to its U.S. qualified pension plans and to pay $117,000 related to its unfunded non-qualified plans in 2004. In April 2004, pension relief legislation was signed into law; as a result, the Company now expects to contribute $1,574,000 to its U.S. qualified pension plans in 2004. The original estimate for the unfunded non-qualified is unchanged. As of March 31, 2004, no contributions had been made to the qualified plans and $54,000 had been paid related to the non-qualified plans.

6. EARNINGS PER SHARE

Below is the computation of basic and diluted earnings per share for the three months ended March 31, 2004 and 2003.

(In thousands, except per share amounts)	Three Months Ended March 31 2004	2003
Computation of Basic Earnings per Share		
Net income	$4,030	$2,288
Deduct dividends on preferred stock	200	200
Income applicable to common stock	$3,830	$2,088
Weighted-average number of common shares outstanding	8,943	8,882
Basic earnings per share	$ 0.43	$ 0.24
Computation of Diluted Earnings per Share		
Net income	$4,030	$2,288
Deduct dividends on preferred stock [a]	—	200
	$4,030	$2,088
Weighted-average number of common shares outstanding	8,943	8,882
Add net shares issuable from assumed exercise of options (under treasury stock method)	91	200
Add weighted-average shares issuable from assumed conversion of convertible preferred stock [a]	664	—
Shares applicable to diluted earnings	9,698	9,082
Diluted earnings per share	$ 0.42	$ 0.23

(a) The assumed conversion of convertible preferred stock is antidilutive for the three months ended March 31, 2003, and, accordingly, is excluded from the diluted earnings per share calculation.

7. COMPREHENSIVE INCOME

Comprehensive income includes net income and all other non-owner changes in equity that are not reported in net income. Below is the Company's comprehensive income for the three months ended March 31, 2004 and 2003.

(Dollars in thousands)	Three Months Ended March 31 2004	2003
Net income	$4,030	$2,288
Other comprehensive income:		
Foreign currency translation gain	1,316	179
Unrealized gain/(loss) on securities	82	(85)
Comprehensive income	$5,428	$2,382

At March 31, 2004, the total accumulated other comprehensive loss of $18,162,000 consisted of $4,473,000 of foreign currency translation adjustments, $206,000 of unrealized gains on securities (net of income taxes of $138,000) and $13,895,000 of minimum pension liability adjustments (net of income taxes of $9,000,000). At December 31, 2003, the total accumulated other comprehensive loss of $19,560,000 included $5,789,000 of foreign currency translation adjustments, $124,000 of unrealized gains on securities (net of income taxes of $83,000) and $13,895,000 of minimum pension liability adjustments (net of income taxes of $9,000,000). Unrealized gains on securities relate entirely to investments held for the deferred compensation plans.

8. SEGMENT REPORTING

The Company has three reportable segments: surfactants, polymers and specialty products. Financial results of the Company's operating segments for the three months ended March 31, 2004 and 2003, are summarized below:

(Dollars in thousands)	**Surfactants**	**Polymers**	**Specialty Products**	**Segment Totals**
For the quarter ended March 31, 2004				
Net sales	$ 176,001	$ 37,554	$ 7,832	$ 221,387
Operating income	8,353	3,837	2,730	14,920
For the quarter ended March 31, 2003				
Net sales	$ 153,390	$ 27,998	$ 5,692	$ 187,080
Operating income	7,525	2,546	1,283	11,354

Below are reconciliations of segment operating income to consolidated income before income taxes:

(Dollars in thousands)	**Three Months Ended March 31** **2004**	**2003**
Operating income segment totals	$14,920	$11,354
Unallocated corporate expenses	(6,917)	(6,466)
Interest expense	(2,061)	(2,184)
Equity in earnings of joint venture	485	452
Other, net	(501)	284
Consolidated income before income taxes	$ 5,926	$ 3,440

Unallocated corporate expenses include corporate administrative and corporate manufacturing expenses, which are not included in segment operating income and not used to evaluate segment performance.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company's net carrying values of goodwill were $7,731,000 and $7,621,000 as of March 31, 2004 and December 31, 2003, respectively. The entire amount of goodwill relates to the surfactants' reporting unit. The change in net carrying value resulted from the effects of currency translation.

The following table reflects the components of all other intangible assets, which have finite lives, as of March 31, 2004 and December 31, 2003.

	Gross Carrying Amount		Accumulated Amortization	
(Dollars in thousands)	March 31, 2004	Dec. 31, 2003	March 31, 2004	Dec. 31, 2003
Other Intangible Assets:				
Patents	$ 2,000	$ 2,000	$ 767	$ 733
Trademarks, customer lists, know-how	18,437	18,406	8,350	8,007
Non-compete agreements	2,319	2,310	1,999	1,960
Total	$ 22,756	$ 22,716	$ 11,116	$ 10,700

Aggregate amortization expenses for the quarters ended March 31, 2004 and March 31, 2003, were $389,000 and $374,000, respectively. Estimated amortization expense for identifiable intangibles assets, other than goodwill, for the current and each of the five succeeding fiscal years are as follows:

(Dollars in thousands)	
For year ending 12/31/04	$1,639
For year ending 12/31/05	$1,624
For year ending 12/31/06	$1,461
For year ending 12/31/07	$1,461
For year ending 12/31/08	$1,457
For year ending 12/31/09	$1,370

10. RECLASSIFICATIONS

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

Item 2 - Management’s Discussion and Analysis of Financial Conditions 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.

OVERVIEW

Management’s discussion and analysis should be read in conjunction with the ‘Overview’ section of management’s discussion and analysis included in the Company’s 2003 Form 10-K.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2004 and 2003

Summary

Net income for the first quarter of 2004 increased $1.7 million, or 76 percent, to $4.0 million, or $0.42 per diluted share, compared to $2.3 million, or $0.23 per diluted share, for the first quarter of 2003. Below is a summary discussion of the factors leading to the year-to-year improvement in profitability. A detailed discussion of first quarter 2004 segment operating performance follows the summary.

Consolidated net sales increased $34.3 million, or 18 percent, to $221.4 million for the first quarter of 2004 from $187.1 million for the first quarter of 2003. The effect of foreign currency translation, which reflected a year-to-year strengthening of the European euro, British pound sterling and Canadian dollar against the U.S. dollar, contributed $8.5 million of the increase in consolidated net sales. All three segments reported year-to-year increases in net sales dollars. Surfactants segment sales were up $22.6 million, or 15 percent, due to higher selling prices, favorable foreign currency translation, improved sales mix and increased sales volumes for foreign operations. Net sales for the polymers segment increased $9.6 million, or 34 percent, due primarily to higher sales volume and higher selling prices. The specialty products segment reported a $2.1 million, or 38 percent, increase in net sales due to higher sales volumes for all product lines.

Operating income was up $3.1 million, or 64 percent, to $8.0 million for the first quarter of 2004 from $4.9 million for the same quarter of 2003. Gross profit increased $4.5 million, or 18 percent, from year to year. All three segments reported gross profit increases over prior year results. Higher selling prices and sales volumes combined with a more favorable sales mix drove the improvement, although rising raw material costs continued to temper earnings. Operating expenses, which include marketing, administrative and research and development expenses, increased $1.4 million, or seven percent, to $21.6 million for the first three months of 2004 from $20.2 million for the same three months of 2003. Approximately half of the operating expense increase was due to the effect of foreign currency translation. Much of the remaining increase was attributable to higher domestic fringe benefit expense, primarily due to higher bonus and profit sharing expenses. Included in 2004 first quarter operating expenses was $0.8 million of income related to the Company’s deferred compensation plan compared to $0.9 million of income in the first quarter of 2003.

Interest expenses declined $0.1 million, or six percent, between years due to a higher proportion of bank debt, which carries lower interest rates than the Company's long-term notes.

Other, net, was $0.5 million of expense in the first quarter of 2004 compared to $0.3 million of income in the first quarter of 2003. Foreign exchange losses accounted for the current quarter results compared to foreign exchange gains in the same quarter of last year.

Segment Results

(Dollars in thousands)	Surfactants	Polymers	Specialty Products	Segment Results	Corporate	Total
For the three months ended March 31, 2004						
Net sales	$ 176,001	$ 37,554	$ 7,832	$ 221,387	—	$ 221,387
Operating income	8,353	3,837	2,730	14,920	(6,917)	8,003
For the three months ended March 31, 2003						
Net sales	$ 153,390	$ 27,998	$ 5,692	$ 187,080	—	$ 187,080
Operating income	7,525	2,546	1,283	11,354	(6,466)	4,888

Surfactants

Surfactants net sales increased $22.6 million, or 15 percent, from year to year. Approximately $7.7 million of the increase was attributable to the favorable effects of foreign currency translation, due particularly to the strengthening euro, British pound sterling and Canadian dollar against the U.S. dollar. The current quarter also includes three months of Stepan UK financial results compared to two months of financial results for the prior year's quarter as improvements resulting from the enterprise resource planning (ERP) system implementation for Stepan UK in the fourth quarter of 2003 allowed Stepan UK to report its quarterly results without a one-month lag. Excluding the effects of foreign currency translation and the additional month for Stepan UK, net surfactant sales increased $8.4 million. Foreign operations increased net sales $4.3 million on a 10 percent volume increase, primarily due to gains in France. Domestic net sales increased $4.1 million, or four percent, on sales volume that declined five percent. Second quarter 2003 price increases coupled with a change in sales mix more than compensated for the reduced sales volume and led to the rise in net sales. The decline in domestic sales volume was due principally to the loss of business from two large customers who brought previously outsourced production into internal production facilities. The effect of the lost business was mitigated by additional business with distributors, who serve a large diverse customer base, and by higher volumes of the Company's fabric softener, agricultural chemical and emulsion polymerization product lines. The additional sales volume carries higher average selling prices than the business that was lost.

Surfactants operating income increased $0.8 million, or 11 percent, from year to year. Surfactants operating income included approximately $0.3 million related to the extra month of Stepan UK's results in the first quarter of 2004. Gross profit increased $1.5 million, or eight percent, to $21.6 million for the first quarter of 2004 from $20.1 million for the first quarter of 2003. Excluding the effects of foreign currency translation and the additional month of Stepan

UK, surfactants gross profit increased $0.1 million, to $20.2 million. Domestic gross profit was up $0.7 million, or five percent, due to the previously noted selling price increases and sales mix change. Gross profit for foreign operations fell $0.6 million to $5.6 million for the first quarter of 2004 from $6.2 million for the first quarter of 2003. The drop in foreign operations gross profit reflected the effect of higher raw material costs. Operating expenses increased $0.7 million, or five percent, between quarters. Excluding the unfavorable effect of foreign currency translation, operating expenses increased just $0.1 million.

Polymers

Polymers net sales increased $9.6 million, or 34 percent, from year to year. An 18 percent increase in sales volume, higher prices, due primarily to partially passing raw material cost increases to customers and $0.8 million of favorable foreign currency translation on European sales all led to the increase in net sales. Within the polymers segment, polyurethane polyols net sales increased $4.3 million, or 26 percent, on sales volume that grew 13 percent due primarily to an increased share of the growing European laminate board market and to gaining additional domestic volume. Higher selling prices also contributed as the Company benefited in the 2004 quarter from the second quarter 2003 increase in selling prices, which passed a portion of raw material cost increases on to customers. Phthalic Anhydride's (PA) net sales were up $4.0 million, or 50 percent, due to higher selling prices that reflected passing raw material cost increases on to customers and to sales volume that improved 22 percent. Increased demand drove the higher volume. Polyurethane systems net sales improved $1.3 million, or 38 percent, on sales volume that increased 45 percent due to the acquisition of a new customer during the second quarter of 2003.

Polymers 2004 first quarter operating income increased $1.3 million, or 51 percent, over 2003 first quarter operating income. Gross profit increased $1.2 million, or 23 percent, from year to year. Polyurethane polyols accounted for the increase in gross profit, as 2004 first quarter results were $1.3 million, or 43 percent, greater than results for the same quarter of the prior year. The 13 percent increase in sales volume and the benefit of internal production economics of the Company's European polyurethane polyol plant, which commenced operations in July 2003, partially offset the effect of rising raw material costs and led to the gross profit growth. Gross profit for polyurethane systems grew $0.1 million, or 16 percent due to the impact higher sales volume, which was partially offset by rising raw material costs. Despite improved sales volume, gross profit for PA fell $0.2 million, or 10 percent, due to the effects of higher raw material costs. Polymer raw material price volatility is expected to continue in the near future as global demand for diethylene glycol and ozthoxylene is high and current supplier inventories are low. Polymer operating expenses declined $0.1 million from year to year.

Specialty Products

Net sales for the first quarter of 2004 were $7.8 million, a $2.1 million, or 38 percent, increase from the $5.7 million reported in the prior year first quarter. Operating income increased $1.4 million to $2.7 million for the first quarter of 2004 from $1.3 million for the first quarter of 2003. The increases in net sales and operating income reflected higher sales volumes for all major product lines. The sales volume gain was partly attributable to two pharmaceutical customers who purchased approximately 50 percent of their annual requirements during the quarter. Operating expenses increased $0.2 million, or 42 percent, primarily due to a higher allocation of research resources to support the business.

Corporate Expenses

Corporate expenses, which primarily include corporate administrative and corporate manufacturing expenses that are not allocated to the reportable segments, increased $0.4 million, or seven percent, to $6.9 million in 2004 from $6.5 million in 2003. Fringe benefit expense, which increased $0.5 million from year to year due to higher bonus and profit sharing expenses, accounted for the rise in corporate expenses. Higher year-to-year net income led to the increase in bonus and profit sharing expenses.

LIQUIDITY AND CAPITAL RESOURCES

For the first quarter of 2004, operating activities consumed $6.0 million of cash, compared to providing cash of $0.3 million for the same quarter last year. Net income was up by $1.7 million for the current year quarter; however, working capital consumed $20.5 million of cash in the quarter, or $8.3 million more than the prior year quarter.

For the current year quarter, accounts receivable increased by $35.7 million compared to $15.3 million last year, with little movement in days outstanding. The typical first quarter increase received an additional boost in the current period from strong March 2004 sales. Inventories decreased $5.6 million since year-end, reflecting successful management initiatives in the U.S. and strong March 2004 sales. Inventories had increased by $3.7 million in the first quarter of 2003. Accounts payable and accrued liabilities increased by $9.4 million during the quarter compared to an increase of $5.6 million for the same period in 2003.

Capital spending totaled $6.2 million for the first three months of 2004, compared to $8.7 million in the comparable period last year. Capital expenditures are projected to decrease during 2004 by approximately five percent as certain large projects, such as the German polyol manufacturing facility, were completed in 2003.

Consolidated debt was up by $12.7 million for the first quarter of 2004, from $115.7 million to $128.4 million, as debt increased to finance working capital. As of March 31, 2004, the ratio of long-term debt to long-term debt plus shareholders' equity was 40.3 percent, compared to 36.2 percent as of December 31, 2003.

The Company maintains contractual relationships with its U.S. banks that provide for revolving credit of up to $60 million, which may be drawn upon as needed for general corporate purposes through May 2, 2007 under a revolving credit agreement. At March 31, 2004, there were borrowings totaling $17.0 million under this agreement. The Company also meets short-term liquidity requirements through uncommitted domestic bank lines of credit.

On March 8, 2004, the Company obtained amendments to all of its U.S. loan agreements to modify the interest coverage test effective December 31, 2003. As a result, the Company is in compliance with all loan agreements.

The Company's foreign subsidiaries maintain bank term loans as well as short-term 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's European subsidiary completed $9.8 million of a new euro-denominated $16.0 million bank term loan during

February 2004. The proceeds of this new loan were used repay short-term bank debt. As of March 31, 2004, the Company's European subsidiaries had term loans totaling $23.0 million and short-term bank borrowings totaling $3.8 million, all in local currencies. As of March 31, 2004, the Company's foreign subsidiaries had approximately $11.1 million in unused borrowing capacity, mostly in local currencies, under their short-term bank lines of credit.

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.

There have been no material changes in the Company's market risks since December 31, 2003.

PENSION FUNDING

As disclosed in its Form 10-K for the year ended December 31, 2003, the Company expected to contribute $3,841,000 to its U.S. qualified pension plans and to pay $117,000 related to its unfunded non-qualified plans in 2004. In April 2004, pension relief legislation was signed into law; as a result, the Company now expects to contribute $1,574,000 to is U.S. qualified pension plans in 2004. The original estimate for the unfunded non-qualified is unchanged. As of March 31, 2004, no contributions had been made to the qualified plans and $54,000 had been paid related to the non-qualified plans.

OUTLOOK

The Company is optimistic that the overall economy is improving and, more importantly, that it can execute on opportunities to grow the business in 2004. Surfactants volume in Europe began the year strongly. North American volume, exclusive of the business lost last year, is growing, with much of the growth targeted for higher value-added products. Polymers looks to be on track for improved volume and earnings, and specialty products is also projecting a strong year. Raw material prices have increased significantly over the past six months. The Company's ability to maintain its margins will be critical to a successful 2004. The Company announced surfactant and polymer price increases effective April 1, 2004. It is anticipated that 2004 earnings will continue to show improvement over 2003.

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. 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 $2.0 million and $2.1 million for the first three months of 2004 and 2003, respectively. 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 18 waste disposal sites where cleanup costs have been or may be incurred under CERCLA 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. It is the Company's accounting policy to record liabilities 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, 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. Because reported liabilities are recorded based on estimates, actual amounts could differ from those estimates. After partial remediation payments at certain sites, the Company has estimated a range of possible environmental and legal losses from $8.6 million to $40.6 million at March 31, 2004. At March 31, 2004 and December 31, 2003, the Company's reserve was $18.8 million and $19.6 million, respectively, for legal contingencies and environmental matters, the reduction being the result of a payment during the quarter. During the first three months of 2004, non-capital expenditures related to legal and environmental matters, including payments to legal counsel, approximated $1.8 million compared to $0.7 million for the first three months of 2003.

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 the Company's financial position, cash flows or 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 1, Part 2, Legal Proceedings, in this report and in other filings of the Company with the Securities and Exchange Commission, which are available upon request from the Company. See also Note 4, Contingencies, in the Notes to Consolidated Financial Statements for a summary of the environmental proceedings related to certain environmental sites.

OTHER

Except for the historical information contained herein, the matters discussed in this document are forward looking statements that involve risks and uncertainties. The results achieved this quarter are not necessarily an indication of future prospects for the Company. Actual results in future quarters 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, the ability to pass on raw material price increases, changes in technology, continued competitive pressures in the marketplace, outcome of environmental contingencies, availability of raw materials, foreign currency fluctuations and the general economic conditions.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

For information regarding our exposure to market risk, see the caption entitled "Liquidity and Capital Resources" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated herein by reference.

Item 4 – Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures as of the end of the period covered by this Form 10-Q, our Chief Executive Officer and our acting Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934) are effective.

b. Changes in Internal Control Over Financial Reporting

There were no significant changes in internal controls that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II OTHER INFORMATION

Item 1 - Legal Proceedings

Maywood, New Jersey, Site

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 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. The Company submitted the Draft Final FS for Soil and Source Areas (Operable Unit 1) in September 2002. In addition, the Company submitted the Draft Final FS for Groundwater (Operable Unit 2) in June 2003. Discussions between USEPA and the Company are continuing. The Company is awaiting the issuance of a Record of Decision (ROD) from USEPA relating to the currently owned and formerly owned Company property and the proposed remediation. The final ROD will be issued sometime after a 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) were 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 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.

The Company believes it has adequate reserves for claims associated with the Maywood site, and has recorded a liability for the estimated probable costs it expects to incur at the site related to remediation of chemical contamination. However, depending on the results of the ongoing discussions regarding the Maywood site, particularly, radiological remediation, the final cost of the remediation could differ from the current estimates.

Ewan and D'Imperio Sites

The Company has been named as a potentially responsible party (PRP) in the case *USEPA v. Jerome Lightman* (92 CV 4710 D. N. J.), 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 be held. 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.

Regarding the D'Imperio Superfund Site, USEPA previously indicated it would seek penalty claims against the Company based on the Company's alleged noncompliance with the modified Unilateral Administrative Order (Order). The Company recently entered into a Consent Decree with USEPA, which resolves all claims asserted against the Company for the alleged noncompliance with the Order. Following the requisite notice and comment period, the Company expects the Consent Decree to be entered by the court in 2004. The $65,000 payment due under the Consent Decree will not have a material impact on the financial position, results of operations or cash flows of the Company. In addition, the Company received notice from the New Jersey Department of Environmental Protection (NJDEP) dated March 21, 2001, that NJDEP will pursue cost recovery against the alleged responsible parties, including the Company. The NJDEP's claims include costs related to remediation of the D'Imperio Superfund Site in the amount of $434,406 and alleged natural resource damages in the amount of $529,584 (as of November 3, 2000). The NJDEP settled such claims against the alleged responsible parties, resulting in the Company paying its portion of $83,061 in July 2002. This payment is subject to reallocation after the allocation phase of the above-identified trial, if any, and did not have a material impact on the financial position, results of operations or cash flows of the Company. On November 6, 2003, USEPA issued a Unilateral Administrative Order directed to all PRPs to perform the remedial design and implement the amended remedial action described in the Agency's ROD Amendment.

Lightman Drum Site

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.

Liquid Dynamics Site

The Company received a General Notice of Potential Liability letter from USEPA dated October 18, 2002, regarding the Liquid Dynamics Site located in Chicago, Illinois. The Company submitted a response to USEPA on November 5, 2002, stating that it is interested in negotiating a resolution of its potential responsibility at this site. In addition, the Company recently joined the PRP group. Based on the fact that the Company believes it is de minimis at this site, the Company believes that a resolution of its liability at this site will not have a material impact on the financial position, results of operations or cash flows of the Company.

Wilmington Site

The Company has received two Requests for Information from the Commonwealth of Massachusetts Department of Environmental Protection relating to the Company’s formerly-owned site at 51 Eames Street, Wilmington, Massachusetts, the most recent of which was in October 2002. The Company’s response to the October 2002 request was filed in December 2002. Remediation at this site is being managed by its current owner to whom the Company sold the property in 1980. The Company subsequently entered into an agreement with the current owner whereby the Company is obligated to contribute to the response costs associated with this site once total site remediation costs exceed certain levels. In July 2003, the Company received a notice that contribution levels had been reached and a demand for payment from the current owner as to the Company’s outstanding share of environmental response costs incurred to-date ($0.9 million) is due under the terms of the agreement. The Company evaluated the current owner’s demand for payment and paid the current owner $0.9 million in 2004, of which $0.8 million was paid prior to March 31, 2004. Under the agreement, the Company is obligated to contribute up to five percent of future response costs associated with this site with no limitation on the ultimate amount of contributions. The Company has recorded a reserve of $0.7 million for current and future claims associated with this site. However, depending on the ultimate cost of the remediation at this site, the amount for which the Company is liable could differ from the current estimates. In addition, the Company and other prior owners entered into an agreement in April 2004 waiving certain statute of limitations defenses for claims which may be filed by the Town of Wilmington, MA, in connection with this site. While the Company has denied any liability for any such claims, the Company agreed to this waiver while the parties continue to discuss the resolution of any potential claim which may be filed.

Martin Aaron Site

The Company received a Section 104(e) Request for Information from USEPA dated June 2, 2003, regarding the Martin Aaron Site located in Camden, New Jersey. The Company's response was submitted on August 11, 2003. The Company continues to investigate this matter and therefore, cannot predict what its liability, if any, will be for this site.

Wells G & H Superfund Site

The Company received a Section 104(e) Request for Information from USEPA dated December 15, 2003, regarding the Wells G & H Superfund Site located in Woburn, Massachusetts. The Company's response was submitted on March 18, 2004. The Company continues to investigate this matter and therefore, cannot predict what its liability, if any, will be for this site.

Item 2 - Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Below is a summary by month of share purchases by the Company during the first three months of 2004:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January	—	—	N/A	N/A
February	—	—	N/A	N/A
March	8,649	$ 22.34	N/A	N/A

The 8,649 shares purchased were shares of the Company's common stock, owned by employees for more than six months, which were tendered by employees in lieu of cash when exercising stock options.

Item 4 - Submission of Matters to a Vote of Security Holders

(a) The Company's 2004 Annual Meeting of Stockholders was held on April 27, 2004.

(b) At the annual meeting of the company's shareholders on April 27, 2004, shareholders elected Robert G. Potter, F. Quinn Stepan and Edward J. Wehmer as Directors of the company, all for three-year terms.

	For	Withheld
Robert G. Potter	8,815,541	122,213
F. Quinn Stepan	8,817,237	120,517
Edward J. Wehmer	8,839,846	97,908

(c) A majority of the outstanding shares voted to ratify the appointment of Deloitte & Touch LLP as independent auditors for the Company for 2004.

8,888,313	For
36,224	Against
13,217	Abstentions

Item 6 – Exhibits and Reports on Form 8-K

(a) Exhibit 31.1 – Certification of Chairman and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

(b) Exhibit 31.2 – Certification of Vice President and Corporate Controller pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)

(c) Exhibit 32 – Certification pursuant to 18 U.S.C. Section 1350

(d) Reports on Form 8-K

Form 8-K, which was filed on March 11, 2004, included a press release, which provided certain information with respect to the Company's amendments to its U.S. loan agreements effective December 31, 2003.

Form 8-K, which was filed on April 28, 2004, included a press release, which provided certain information with respect to the Company's financial results for the first quarter ended March 31, 2004.

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/ James E. Hurlbutt

Vice President and Corporate Controller

Date: May 6, 2004

Exhibit 31.1

CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a – 14(a)/15d-14(a)

I, F. Q. Stepan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stepan Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and we have:
   - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2004

/s/ F. Q. Stepan

Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF VICE PRESIDENT AND CORPORATE CONTROLLER
PURSUANT TO EXCHANGE ACT RULE 13a – 14(a)/15d-14(a)

I, James E. Hurlbutt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stepan Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and we have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2004

/s/ James E. Hurlbutt

Vice President and Corporate Controller

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Stepan Company (the "Company") on Form 10-Q for the period ended March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2004

/s/ F. Quinn Stepan

Name: F. Quinn Stepan
Title: Chairman and Chief Executive Officer

/s/ James E. Hurlbutt

Name: James E. Hurlbutt
Title: Vice President and Corporate Controller

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.