The Stephan Co.
First Quarter Report
March 31, 2015

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Financial results are unaudited unless otherwise indicated.

The Stephan Co
CONSOLIDATED BALANCE SHEETS
At March 31, 2015 and December 31, 2014
(In thousands, except share and per share amounts)

	2015	2014 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,064	$ 1,721
Accounts receivable, net	276	147
Inventories	980	908
Prepaid expenses and other current assets	95	94
Short-term assets of discontinued operations	833	1,986
Total Current Assets	4,248	4,856
Other assets, net	---	12
Property, plant, and equipment, net	170	137
Goodwill, net	1,395	1,395
TOTAL ASSETS	$ 5,813	$ 6,400
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 150	$ 127
Short-term liabilities of discontinued operations	1,615	1,899
Total Current Liabilities	1,765	2,026
Deferred income tax liability	140	140
TOTAL LIABILITIES	1,905	2,166
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
At March 31, 2015 and December 31, 2014:		
Preferred stock, $.01 par value; 1,000,000 shares authorized; none issued or outstanding	---	---
Common stock, $.01 par value; 25,000,000 shares authorized; 4,389,611 shares issued (4,049,075 shares outstanding)	44	44
Additional paid-in capital	18,174	18,174
Accumulated deficit	(13,447)	(13,121)
Treasury stock (340,536 shares) at cost	(863)	(863)
TOTAL STOCKHOLDERS' EQUITY	3,908	4,234
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 5,813	$ 6,400

The Stephan Co
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2015 and March 31, 2014
(in thousands, except per share data)

	2015	2014
Revenue	$ 2,059	$ 2,429
Cost of revenue	1,428	1,694
Gross profit	631	735
Selling, general and administrative expenses	550	619
Depreciation and amortization	1	4
Operating income	80	112
Interest income, net	---	---
Income from continuing operations before income taxes	80	112
Provision for income taxes	---	5
Income from continuing operations	80	107
Loss from discontinued operations, net of tax of $0 in 2015 and 2014	(406)	(200)
NET LOSS	$ (326)	$ (93)
Per common share:		
Basic and diluted net income from continuing operations	$ 0.02	$ 0.03
Basic and diluted net loss from discontinued operations	(0.10)	(0.05)
Net loss	$ (0.08)	$ (0.02)
Weighted average common shares outstanding	4,049,075	4,049,075

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Quarter Ended March 31, 2015

(in thousands, except share information)

	Shares Issued	Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Stockholders' Equity
Balance at December 31, 2014	4,389,611	$ 44	$ 18,174	$ (13,121)	$ (863)	$ 4,234
Net loss	---	---	---	(326)	---	(326)
Balance at March 31, 2015	4,389,611	$ 44	$ 18,174	$ (13,447)	$ (863)	$ 3,908

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2015 and March 31, 2014

(in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
NET LOSS	$ (326)	$ (93)
Loss from discontinued operations, net of tax	406	200
Income from continuing operations	80	107
Net cash flows provided by (used in) operating activities:		
Depreciation and amortization	1	9
Stock option compensation	---	1
Changes in operating assets & liabilities:		
Increase in accounts receivable, net	(20)	(19)
(Increase) decrease in inventories	(65)	128
Decrease in prepaid expenses and other current assets	45	5
Increase (decrease) in accounts payable and accrued expenses	13	(40)
Net cash provided by operating activities - continuing operations	54	191
Net cash used in operating activities - discontinued operations	(57)	(552)
Net cash used in operating activities	(3)	(361)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(34)	(4)
Net cash used in investing activities - continuing operations	(34)	(4)
Net cash provided by (used in) investing activities - discontinued operations	380	(53)
Net cash provided by (used in) investing activities	346	(57)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash used in financing activities - continued and discontinued operations	---	(24)
Net cash used in financing activities	---	(24)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	343	(442)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,721	1,958
CASH AND CASH EQUIVALENTS AT END OF EACH QUARTER	$ 2,064	$ 1,516

Liquidity and Capital Resources

We had cash and cash equivalents of $2.1 million at March 31, 2015. Our cash was maintained in FDIC-insured bank accounts and collateralized short-term investments.

Our Company generated cash flow of approximately $343,000 in the three months ended March 31, 2015. Significant sources and uses of cash during this period include, but are not limited to 1) sale of Brand assets related to our discontinuance strategy of $380,000 2) capital expenditures of $34,000 primarily related to operational enhancements within our ongoing Distribution businesses and 3) chemical disposal costs associated with our exit from our Brand business of $153,000.

We have adequate liquidity and do not foresee the need for additional capital for day-to-day operations in the next year. At March 31, 2015, we had almost $19.0 million of net operating loss ("NOL") carryforwards available to offset future taxable income, maintain approximately $2.5 million in working capital and have a tangible net worth of $2.5 million.

We have no off-balance sheet financing arrangements except for operating leases primarily related to our Distributor operations.

Results of Operations Three Months Ended March 31, 2015 vs. Three Months Ended March 31, 2014

As discussed in our Annual Report for 2014 which can be found at www.otcmarkets.com (symbol: SPCO.PK), during November 2014, the Company's Board of Directors made a difficult decision to exit the manufacturing side of our business and discontinue operations within our Brands operating segment as it determined the inherent risk associated with continuing operations outweighed the future benefit. The Company is accounting for Brand operations as Discontinued Operations in accordance with ASU 2014-08 with an effective date of November 2014. Therefore, all current and prior period operations of Brands are classified as Discontinued Operations. As a result of these changes, activities within our Distributor segment and corporate overhead costs are the sole operations represented in Continuing Operations.

Overall revenues for the three months ended March 31, 2015 were $2,059,000 compared to $2,429,000 for the three months ended March 31, 2014. This $370,000 decrease, or 15.2%, is a result of decreased revenues within our Williamsport/Bowman operating unit which experienced a $366,000 decrease, or 17.9%. Despite this decline in revenues, operating income in the Williamsport/Bowman operating unit declined only $34,000, or 14.4% as the Company integrated its Williamsport and Bowman operating units late in 2014 into one operating unit located in Williamsport, Pennsylvania.

Selling, General and Administrative expenses decreased by approximately $69,000, or 11.1%, as the Company realized savings from the aforementioned consolidation of Williamsport/Bowman and also opted to limit catalog distribution during the consolidation period.

Please read our Audited Annual Report for 2014 for further information about the Company's financial results and future plans.