

---

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

**Form 8-K**

**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): 10/31/2007**

**STEPAN COMPANY**

(Exact name of registrant as specified in its charter)

**Commission File Number: 1-4462**

**Delaware**  
(State or other jurisdiction of  
incorporation)

**36-1823834**  
(IRS Employer  
Identification No.)

**Edens and Winnetka Road, Northfield, Illinois 60093**  
(Address of principal executive offices, including zip code)

**(847)446-7500**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 2.02. Results of Operations and Financial Condition**

On October 31, 2007, Stepan Company ("Stepan") issued a press release providing its financial results for the third quarter ended September 30, 2007. A copy of the press release is attached as Exhibit 99.1 hereto and incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

Exhibit Number: 99.1

Description: Press Release of Stepan Company dated October 31, 2007

---

**Signature(s)**

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 hereunto duly authorized.

STEPAN COMPANY

Date: October 31, 2007

By: /s/ Kathleen M. Owens

---

Kathleen M. Owens  
Assistant Secretary

## Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
EX-99.1	Press Release of Stepan Company dated October 31, 2007

## STEPAN REPORTS THIRD QUARTER SALES AND EARNINGS

NORTHFIELD, Illinois, October 31, 2007 -- Stepan Company (NYSE: SCL) today reported third quarter results for the period ended September 30, 2007.

### SUMMARY

	Three Months Ended			Nine Months Ended		
	September 30			September 30		
<i>(\$ in thousands)</i>	<u>2007</u>	<u>2006</u>	<u>% Change</u>	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Net Sales	\$338,398	\$302,773	+ 12	\$987,558	\$884,418	+ 12
Net Income	3,086	6,091	- 49	13,510	12,217	+ 11
Earnings per Diluted Share	\$0.31	\$0.61	- 49	\$1.34	\$1.23	+ 9

### THIRD QUARTER RESULTS

Net income decreased 49 percent to \$3.1 million, or \$0.31 per diluted share. Pretax income declined by \$4.6 million (50 percent), primarily due to a \$1.6 million (\$1.0 million after tax) increase in deferred compensation expense, a \$1.4 million (\$0.9 million after tax) charge for a pension plan freeze and a \$1.3 million (\$0.8 million after tax) increase of foreign exchange losses due to the sharp decline in the U.S. dollar versus other currencies.

Gross profit declined by \$1.0 million (three percent) on sales volume that was down by less than one percent. The lower gross profit included the \$1.3 million of costs related to freezing the Millsdale, Illinois plant's pension plan and replacing it with a defined contribution plan.

- Surfactant gross profit declined by \$1.9 million (eight percent) on a one percent decline in volume. Gross profit on sales of biodiesel declined \$3.5 million due to lower margins attributable to the increase in the cost of soybean oil used to produce biodiesel. The decline in biodiesel gross profit more than offset improved profitability across the remaining surfactant business.
- Polymer gross profit declined \$0.8 million (seven percent) due to a sharp decline in phthalic anhydride (PA) gross profit caused by unplanned production outages, resulting in lower sales volume and high maintenance and outsourcing costs. Significant work has been completed to improve PA plant performance. We plan to replace additional equipment during the remainder of 2007 and 2008 to further improve plant reliability. Gross profit on sales of polyol rose on significant volume improvement combined with the recovery of higher raw material costs in the marketplace.
- Specialty Products gross profit grew by \$1.1 million (52 percent) on improvement in both the pharmaceutical and food ingredient markets.

Operating expenses increased \$2.0 million, or eight percent, for the quarter. The increase was primarily due to the \$1.6 million increase in deferred compensation expense. The accounting requirement for the Company's deferred compensation plan results in expense when the price of Stepan Company stock or mutual funds held in the plan rise and income when they decline. During the quarter, mutual fund appreciation accounted for most of the expense.

Foreign exchange losses, included in the other, net line of the income statement, were \$1.2 million during the quarter compared to \$0.2 million of gains in the prior year quarter. The quarterly loss was attributable to the significant decline

in the U.S. dollar versus most other currencies. The majority of the loss related to U.S. dollar denominated receivables held by the Company's Canadian subsidiary.

Net sales increased 12 percent due to higher selling prices (nine percent) and foreign exchange impact (three percent), while slightly lower volume reduced sales by less than one percent.

### **YEAR-TO-DATE RESULTS**

Net income for the year was \$13.5 million, or \$1.34 per diluted share, compared to \$12.2 million, or \$1.23 per diluted share, last year. Pretax income grew \$2.4 million (14 percent). The pretax income improvement resulted from a \$6.5 million increase in gross profit (six percent), partially offset by a \$2.4 million (three percent) increase in operating expenses and a \$1.8 million increase in foreign exchange losses. Also included in pretax income are the gain on a product line sale of \$4.3 million (\$2.7 million after tax) and the goodwill impairment expense of \$3.5 million (also \$3.5 million after tax), both recorded in the second quarter.

The \$6.5 million (six percent) improvement in gross profit came from increases in all three segments. See segment results below.

Net sales increased 12 percent to \$988 million due to improved volume (six percent), higher selling price (four percent) and foreign exchange impact (two percent).

### **SEGMENT RESULTS**

	Three Months Ended			Nine Months Ended		
	September 30			September 30		
<i>(\$ in thousands)</i>	<u>2007</u>	<u>2006</u>	<u>% Change</u>	<u>2007</u>	<u>2006</u>	<u>% Change</u>
<b>Net Sales</b>						
Surfactants	\$243,196	\$221,687	+ 10	\$722,437	\$666,053	+ 8
Polymers	86,301	73,725	+ 17	239,875	196,606	+ 22
Specialty Products	<u>8,901</u>	<u>7,361</u>	+ 21	<u>25,246</u>	<u>21,759</u>	+ 16
Total Net Sales	<u>\$338,398</u>	<u>\$302,773</u>	+ 12	<u>\$987,558</u>	<u>\$884,418</u>	+ 12

Surfactant gross profit declined \$1.9 million (eight percent) for the quarter, while growing by \$3.2 million (five percent) for the nine months. Biodiesel gross profit declined by \$3.5 million for the quarter and \$6.0 million for the year. Improved product mix and volume in North America partially offset the effect of the weaker biodiesel results. European surfactant gross profit improved for the quarter and year-to-date on higher volume. Latin America reported lower gross profit for the quarter and year-to-date due to lower margins brought about by outsourcing and delays in recovering higher raw material costs in our selling prices.

Polymer gross profit declined \$0.8 million (seven percent) for the quarter, while growing \$1.0 million (three percent) for the nine months. The quarterly decline was due to lower phthalic anhydride earnings caused by production outages. The year-to-date improvement reflects significant polyol volume growth.

Specialty Products gross profit grew by \$1.1 million (52 percent) for the quarter and \$1.9 million (32 percent) for nine months. The improvement reflects higher sales volumes in both pharmaceutical and food ingredient markets.

## **OPERATING EXPENSES**

	Three Months Ended				Nine Months Ended		
	September 30				September 30		
<i>(\$ in thousands)</i>	<u>2007</u>	<u>2006</u>	<u>% Change</u>		<u>2007</u>	<u>2006</u>	<u>% Change</u>
Marketing	\$8,899	\$8,876	¾		\$26,940	\$25,874	+ 4
Administrative - General	8,861	8,537	+ 4		27,460	26,906	+ 2
Administrative - Deferred Compensation Obligations	887	(679)	NM		1,519	1,901	- 20
Research, development and technical service	<u>7,983</u>	<u>7,885</u>	+ 1		<u>23,566</u>	<u>22,378</u>	+ 5
Total	<u>\$26,630</u>	<u>\$24,619</u>	+ 8		<u>\$79,485</u>	<u>\$77,059</u>	+ 3

Operating expenses rose \$2.0 million, or eight percent, for the quarter due to the \$1.6 million increase in deferred compensation expense. For the nine month period, operating expenses increased three percent. Research costs rose five percent and included \$0.6 million of new product registration costs in Europe for our biocide product line.

## **OTHER INCOME AND EXPENSE**

Interest expense rose three percent and ten percent for the quarter and nine months, respectively, due to higher average debt levels and interest rates.

The loss from our equity in the Philippine Joint Venture decreased slightly. Fabric softener volume is increasing and efforts to improve the product mix in order to restore profitability are progressing.

Other, net is largely attributable to the previously explained foreign exchange losses caused by the sharp decline in the value of the U.S. dollar.

## **PROVISION FOR INCOME TAXES**

The year-to-date effective tax rate rose to 33.12 percent from 31.79 percent due to the goodwill impairment recorded during the second quarter for which no tax benefit was realized.

## **OUTLOOK**

"We expect results from operations in both the fourth quarter and full year to exceed prior year results," said F. Quinn Stepan, Jr., President and Chief Executive Officer. "Surfactants volume and margin improvement are expected to overcome the projected decline in fourth quarter biodiesel profitability. Polymers is expected to overcome the phthalic anhydride production problems and should exceed its year ago performance, driven by higher global polyol volume. As we close out 2007, we expect that both the surfactant and polymer segments will deliver further earnings improvement in 2008," said Mr. Stepan.

## **CONFERENCE CALL**

Stepan Company will host a conference call to discuss the third quarter results at 2:00 p.m. Eastern Daylight Time on October 31, 2007. To listen to a live webcast of this call, please go to our Internet website at: [www.stepan.com](http://www.stepan.com), click on investor relations, next click on conference calls and follow the directions on the screen.

Stepan Company, headquartered in Northfield, Illinois, is a leading producer of specialty and intermediate chemicals used in household, industrial, personal care, agricultural, food and insulation related products. The common and the convertible preferred stocks are traded on the New York and Chicago Stock Exchanges under the symbols SCL and SCLPR.

\* \* \* \* \*

table follows

*Except for historical information, all other information in this news release consists of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Stepan Company's Form 10-K, Form 8-K and Form 10-Q reports and exhibits to those reports, and include (but are not limited to), prospects for our*

foreign operations, foreign currency fluctuations, certain global and regional economic conditions, the probability of future acquisitions and the uncertainties related to the integration of acquired businesses, the probability of new products, the loss of one or more key customer or supplier relationships, the costs and other effects of governmental regulation and legal and administrative proceedings, and general economic conditions. These forward-looking statements are made only as of the date hereof, and Stepan Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

<b>STEPAN COMPANY</b>						
<b>Statements of Income</b>						
<b>For the Three and Nine Months Ended September 30, 2007 and 2006</b>						
<b>(Unaudited - 000's Omitted)</b>						
	<b>Three Months Ended</b>			<b>Nine Months Ended</b>		
	<b>September 30</b>			<b>September 30</b>		
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>% Change</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>% Change</u></b>
<b>Net Sales</b>	<b>\$338,398</b>	\$302,773	<b>+ 12</b>	<b>\$987,558</b>	\$884,418	<b>+ 12</b>
<b>Cost of Sales</b>	<b><u>303,530</u></b>	<u>266,877</u>	<b>+ 14</b>	<b><u>879,607</u></b>	<u>782,944</u>	<b>+ 12</b>
<b>Gross Profit</b>	<b>34,868</b>	35,896	<b>- 3</b>	<b>107,951</b>	101,474	<b>+ 6</b>
<b>Operating Expenses:</b>						
Marketing	<b>8,899</b>	8,876	<b>+ -</b>	<b>26,940</b>	25,874	<b>+ 4</b>
Administrative	<b>9,748</b>	7,858	<b>+ 24</b>	<b>28,979</b>	28,807	<b>+ 1</b>
Research, development and technical services	<b><u>7,983</u></b>	<u>7,885</u>	<b>+ 1</b>	<b><u>23,566</u></b>	<u>22,378</u>	<b>+ 5</b>
	<b>26,630</b>	24,619	<b>+ 8</b>	<b>79,485</b>	77,059	<b>+ 3</b>
Gain on Sale of product line	<b>35</b>	¾	<b>NM</b>	<b>(4,255)</b>	¾	<b>NM</b>
Goodwill Impairment Charge	¾	¾	¾	<b>3,467</b>	¾	<b>NM</b>
<b>Operating Income</b>	<b>8,203</b>	11,277	<b>- 27</b>	<b>29,254</b>	24,415	<b>+ 20</b>
<b>Other Income (Expense):</b>						
Interest, net	<b>(2,395)</b>	(2,333)	<b>+ 3</b>	<b>(7,218)</b>	(6,573)	<b>+ 10</b>
Loss from equity in Joint Venture	<b>(66)</b>	(134)	<b>- 51</b>	<b>(202)</b>	(237)	<b>- 15</b>
Other, net	<b><u>(1,187)</u></b>	<u>308</u>	<b>NM</b>	<b><u>(1,740)</u></b>	<u>82</u>	<b>NM</b>
	<b>(3,648)</b>	(2,159)	<b>+ 69</b>	<b>(9,160)</b>	(6,728)	<b>+ 36</b>
<b>Income Before Income Taxes and Minority Interest</b>	<b>4,555</b>	9,118	<b>- 50</b>	<b>20,094</b>	17,687	<b>+ 14</b>

Provision for Income Taxes	1,457	3,105	- 53		6,656	5,623 + 18
Minority Interest	<u>12</u>	(78)	NM		(72)	(153) - 53
Net Income	<u>\$3,086</u>	<u>\$6,091</u>	- 49		<u>\$13,510</u>	<u>\$12,217</u> + 11
Net Income Per Common Share						
Basic	<u>\$0.31</u>	<u>\$0.64</u>	- 52		<u>\$1.39</u>	<u>\$1.28</u> + 9
Diluted	<u>\$0.31</u>	<u>\$0.61</u>	- 49		<u>\$1.34</u>	<u>\$1.23</u> + 9
Shares Used to Compute Net Income Per Common Share						
Basic	<u>9,325</u>	<u>9,168</u>	+ 2		<u>9,306</u>	<u>9,113</u> + 2
Diluted	<u>10,119</u>	<u>9,982</u>	+ 1		<u>10,092</u>	<u>9,918</u> + 2