

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)
October 22, 1999

STEPAN COMPANY

(Exact name of registrant as specified in its charter)

Delaware

1-4462

36-1823834

State or other jurisdiction (Commission File No.) (I.R.S. Employer
of incorporation Identification Number)

Edens and Winnetka Road, Northfield, Illinois 60093

(Address of principal executive offices)

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

Not Applicable

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

Item 5. STEPAN REPORTS 3RD QUARTER EARNINGS

NORTHFIELD, Illinois, October 21, 1999 -- Stepan Company today reported lower quarterly earnings that reflected higher legal charges relating to an agreement in principle to settle a lawsuit. Excluding these legal charges, third quarter earnings would have been up 25 percent.

Net income for the third quarter declined 100 percent to \$14,000, or \$0.00 per share (diluted), from \$5,032,000, or \$0.45 per share (diluted), for the same quarter of 1998. Net sales increased to \$166,932,000, up eight percent from \$154,134,000 reported a year ago. The third quarter results included a \$6,252,000 after-tax charge, or \$0.59 per share (diluted), for legal charges relating to an agreement in principle to settle a lawsuit. Excluding the third quarter legal charges, diluted earnings per share would have been \$0.59, up 31 percent.

Year-to-date earnings decreased 21 percent to \$14,112,000, or \$1.32 per share (diluted), compared to \$17,864,000, or \$1.62 per share (diluted), reported in 1998. Net sales for this period increased eight percent to \$497,652,000, compared to \$460,031,000. Excluding the third quarter legal charges, diluted earnings per share would have been \$1.91, up 18 percent.

Higher legal charges recorded in the third quarter related to an agreement in principle, reached October 21, 1999, to settle a lawsuit in New Jersey, alleging possible personal injuries relating to environmental claims. F. Quinn Stepan, Chairman and CEO, said, "While the company believes it would have prevailed on the merits of the case if it had gone to trial, it was judged to be in the shareholders best interest to settle the lawsuit to avoid protracted and expensive litigation." The company is pursuing recovery from third parties. Polymer earnings were down slightly due to lower sales volumes of polyester polyols.

While led by the strong North American surfactant results, global surfactant earnings also rose due to increased sales volumes. Earnings included \$0.07 per share (diluted) relating to a contract settlement. Surfactants represent 79 percent of company revenues.

Excluding the third quarter legal charges, operating expenses rose two percent for the quarter. Research and development expenses increased 14 percent due to higher salary and fringe benefit costs. Administrative costs declined nine percent due to reimbursement of certain costs by our joint venture. Interest expense was up 11 percent due to higher levels of debt.

"As a result of the legal charges," said Mr. Stepan, "the company no longer anticipates a record year in 1999 assuming no significant recovery of legal costs. We are very optimistic about the future of the company and we expect record sales and earnings in 2000."

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

STEPAN COMPANY
Statements of Income
For the Three and Nine Months Ended September 30, 1999 and 1998
(Unaudited - 000's Omitted)

	Three Months Ended September 30			Nine Months Ended September 30		
	1999	1998	%	1999	1998	%
			Change			Change
Net Sales	\$ 166,932	\$ 154,134	+ 8	\$ 497,652	\$ 460,031	+ 8
Cost of Sales	138,683	128,307	+ 8	408,093	376,721	+ 8
Gross Profit	28,249	25,827	+ 9	89,559	83,310	+ 8
Operating Expenses:						
Marketing	5,810	5,593	+ 4	17,636	17,137	+ 3
Administrative	15,187	5,428	-	26,732	15,810	+69
Research, Development and Technical Services	5,624	4,955	+ 14	16,411	15,531	+ 6
	26,621	15,976	+ 67	60,779	48,478	+25
Operating Income	1,628	9,851	- 83	28,780	34,832	-17
Other Income (Expense):						
Interest, Net	(2,052)	(1,853)	+ 11	(6,320)	(5,529)	+14
Income (Loss) from Equity Joint Ventures	447	133	-	674	225	-
	(1,605)	(1,720)	- 7	(5,646)	(5,304)	+ 6
Income Before Income Taxes	23	8,131	-100	23,134	29,528	-22
Provision for Income Taxes	9	3,099	-100	9,022	11,664	-23
Net Income	\$ 14	\$ 5,032	-100	\$ 14,112	\$ 17,864	-21
Net Income Per Common Share						
Basic	\$ (0.02)	\$ 0.49	-104	\$ 1.40	\$ 1.74	-20
Diluted	\$ 0.00	\$ 0.45	-100	\$ 1.32	\$ 1.62	-19
Average Common Shares Outstanding	9,560	9,881	- 3	9,619	9,861	- 2

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 hereunto duly authorized.

Date: October 22, 1999

Stepan Company

By: /s/ Walter J. Klein

Name: Walter J. Klein

Title: Vice President - Finance
