LEADERSHIP IN LIFE SCIENCE AND HIGH TECHNOLOGY

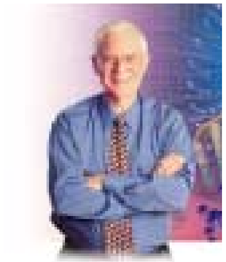
Report for the Period Ended June 30, 2001

2001 SECOND QUARTER REPORT

SIGMA-ALDRICH

August 14, 2001

SECOND QUARTER GROWTH HAS SIGMA-ALDRICH ON TRACK TO HIT YEAR-END GOALS



David R. Harvey
Chairman,
President and CEO

Dear Shareholder:

Sigma-Aldrich is pleased to report that the sales gain of 11.6%, excluding currency impacts, for the second quarter represented the strongest quarterly performance since the Company launched its efforts to improve growth and shareholder return at the beginning of 2000. Progressive improvement in quarterly sales performance raised currency adjusted sales growth to 10.4% year-to-date. The Company has not experienced any discernible adverse impact from the slowing worldwide economy. Diluted net income per share from continuing operations (excluding one-time charges for purchased in-process R&D) rose 8.9% for both the quarter and the first half. Q2 EPS of $.49 per share was up from $.45 in 2000, matching the performance for the first quarter and bringing year-to-date results to $.98 per share (excluding purchased in-process R&D).

Reported earnings results mask even stronger performance in the Company's underlying operations. The continued strengthening of the U.S. dollar reduced otherwise reportable earnings per share by $.04 and $.08 for the second quarter and first six months of 2001, respectively. Results from recent acquisitions — First Medical, Inc. and Amelung GmbH (both acquired in Q3 2000) — also reduced earnings per share for the second quarter and first six months by an additional $.03 and $.06, respectively. A one-time non-cash charge for purchased in-process research and development from the Isotec acquisition further reduced year-to-date diluted earnings per share by an additional $.01, but ongoing business operations of Isotec, Inc. (acquired in February 2001) continued to provide a modest addition to net income, as expected. A summary of net income and diluted net income per share for the three and six month periods, before and after these unusual items, is as follows:

	Three Months Ended June 30, 2001		Six Months Ended June 30, 2001	
	Net Income (millions)	**Diluted Net Income Per Share**	**Net Income** (millions)	**Diluted Net Income Per Share**
Income from operations before currency and acquisition impacts	$ 42.3	$ 0.56	$ 85.5	$ 1.12
Currency impacts	(2.9)	(0.04)	(6.1)	(0.08)
Operations of acquisitions	(2.4)	(0.03)	(4.9)	(0.06)
Income from operations before one-time charge	$ 37.0	$ 0.49	$ 74.5	$ 0.98
Purchased in-process R&D (one-time pretax charge of $1.2 million)	—	—	(0.8)	(0.01)
Reported income	$ 37.0	$ 0.49	$ 73.7	$ 0.97

We are pleased that the initiatives underway are delivering expected results. We posted strong growth in all businesses by continuing to implement a broad array of strategic initiatives to improve our customer, technology and life science focus. Management remains confident that we will achieve our announced 12% sales growth (excluding currency effects) and 10% EPS growth (excluding charges for purchased in-process R&D) targets by year-end en route to restoring our ROE to 20% by 2004. We intend to exploit market opportunities in life science and high technology, using our unrivaled scientific knowledge, passion for process improvement and commitment to unparalleled customer service to deliver these improved results.

Operations: With 9.8% of the second quarter's 11.6% currency adjusted sales growth coming from existing businesses and another 1.8% coming from acquisitions, the Company made ratable improvements toward its goals to hit 10% internal sales growth and add another 2% from acquisitions by year-end 2001. As reported, sales increased 7.3% to $293.7 million for the second quarter and 6.3% to $599.4 million year-to-date. A summary of reported and currency adjusted sales growth for our four business units and the Company is as follows:

	Three Months Ended June 30, 2001		Six Months Ended June 30, 2001	
	Reported	**Currency Adjusted**	**Reported**	**Currency Adjusted**
Scientific Research	6.3%	10.8%	5.0%	9.4%
Biotechnology	7.3%	12.0%	9.1%	13.7%
Fine Chemicals	12.1%	15.7%	7.9%	11.2%
Diagnostics	3.7%	6.3%	4.8%	7.6%
Total Company	7.3%	11.6%	6.3%	10.4%

Within these numbers, an overall price increase of 3.5% in Q2 maintained levels from the prior quarter and remained better than the 2.9% price increase achieved in 2000. Overall volume gains in Q2 exceeded 6%, up from the 5% achieved in the first quarter. Recent launches of First Medical and Amelung instruments, together with continuing sales growth from Isotec, are expected to increase reported growth from acquisitions during the balance of 2001.

Scientific Research currency adjusted sales gains for the quarter and year-to-date were 10.8% and 9.4%, respectively, including benefits from the February 2001 acquisition of Isotec. Internal gains of 8.0% and 7.2% for the second quarter and first six months, respectively, continued to exceed market rates. By hitting 8.0% internal sales growth in the most recent quarter, ***Scientific Research*** joined both ***Biotechnology*** and ***Fine Chemicals*** in reaching our announced long-term growth goals for these units (8%, 12% and 12%, respectively). ***Biotechnology*** sales gains of 12% (excluding currency impacts) in Q2 were in line with long-term growth expectations and continued to exceed market growth. New cell signaling and life science catalogs issued a year ago, which have provided extraordinary gains over the past four quarters, are expected to continue to support ongoing growth at or above the targeted level of 12%. More proactive customer contact and ongoing introduction of new products and promotions are also playing an important role in this unit's success. Slower growth in the sale of chromatography accessories reduced the unit's currency adjusted sales growth rate from the 15% levels it had achieved over the past five quarters. Currency adjusted sales gains for the first half of 2001 were strong at 13.7%. Customers continue to migrate toward the Company's web site as a preferred method of ordering. Electronic orders have increased to 14% of our U.S. research sales and 8% of worldwide research sales.

Resurgence in ***Fine Chemicals*** sales in Europe pushed currency adjusted growth for this unit to 15.7% for Q2, bringing year-to-date currency adjusted growth to 11.2%. Booked orders remain strong, with virtually no impact from slowing economies. ***Diagnostics*** enjoyed its second successive quarterly sales gain, with currency-adjusted sales growth of 6.3% and 7.6% for the second quarter and first six months, respectively. Acquisitions and growth in existing businesses contributed almost equally to these increases. ***Diagnostics'*** sales growth rate is expected to increase further as acquired businesses and a recently announced coagulation distribution agreement with Allegiance Healthcare add momentum in upcoming quarters.

Pretax income of 18.3% of sales for Q2 and 18.0% YTD (before the one-time charge for purchased in-process R&D noted above) was fully in line with expectations. Second quarter performance improved modestly from the 17.7%, also excluding the one-time charge for purchased in-process R&D, achieved in Q1. Gross margins of 48.4% were in line with Q1 results, but below prior year levels. Investments to develop new products, including those for acquired ***Diagnostics*** businesses, and higher utility costs in the U.S. were only partially offset by price increases. Savings from process improvements and cost controls reduced selling, general and administrative expenses from Q1 levels, bringing SG&A costs in line with the level experienced during Q2 of the prior year. Spending to enhance sales efforts, promote new products, distribute new and improved life science oriented catalogs and continue to upgrade internal operating systems also remained in line with prior year levels. Ongoing costs to create and promote new products and enhance service capabilities are expected to remain at current levels for the remainder of the year as we fulfill our commitment to remain the industry's leader in life science and high technology and paragon of customer service.

As noted above, recent acquisitions to reposition and improve growth in our ***Diagnostics*** business had a modest dilutive effect, reducing otherwise reportable pretax margins for the quarter and year by 1.3%. Isotec's operations have been immediately accretive. Interest expense reduced operating income by $4.0 million and $8.6 million for the second quarter and first six months, respectively, reflecting the costs to borrow funds for acquisitions and share repurchases. Increases in borrowing levels have brought the Company to its desired debt-to-total-capital structure of 33%, continued to lower the Company's overall cost of capital, and made significant share repurchase activity possible, all of which has contributed to an improvement in earnings per share.

Accounting Change: A recently enacted accounting standard will result in goodwill amortization being discontinued for all companies starting in 2002. Our Company's goodwill amortization is expected to be approximately $8.0 million ($.08 per share) for 2001 and would have been an equivalent amount in 2002 absent this change.

Share Repurchase: Through June 30, 2001, we have repurchased a cumulative total of 27.8 million (of an authorized repurchase of 30 million) shares at an average purchase price of $31.36 per share. 74.8 million shares were outstanding at that date. Additional shares purchased to date in July bring total repurchases to 28.1 million shares. The Company expects to continue repurchases to acquire the remaining 1.9 million authorized shares, but the timing and number of shares purchased will depend upon market conditions and other factors.

Working Capital and Debt: Tighter management of working capital continued. Accounts receivable days sales outstanding improved by 6 days (from December 31, 2000 levels) to 62 days. Inventories increased $7.7 million from the March 31, 2001 level and $40.0 million from the June 30, 2000 level through inventories added via acquisitions and built intentionally to support new instrument launches, rapid growth in international markets and service improvements in all areas. Total borrowings increased to $408.7 million, primarily to fund ongoing share repurchases and the capital expenditures associated with constructing our new Life Science center in St. Louis by year-end. Average interest rates are 4.4% on notes payable and 7.7% on long-term debt. The Company's return on equity is 15.6%, consistent with that reported at the end of 2000. Changes from Q1 levels reflect the inclusion of the gain from sale of our former metal business in equity in all calculation periods.

Share Ownership: To align the interests of the Company's management and owners, senior executives and other officers of the Company are required to own Company stock valued at 1/2 to 3 times their annual salaries. This program began in 2000 and is being phased in over a three to five year period for U.S.-based and non-U.S.-based managers, respectively. As of June 30, 2001, Sigma-Aldrich's senior management group held $14.8 million of Company stock.

Outlook: We expect sales in the remaining quarters of 2001 to continue to benefit from implementation of our strategic plan initiatives. ***Scientific Research, Biotechnology*** and ***Fine Chemicals*** equaled or exceeded their targeted internal growth rates in Q2 and ***Diagnostics*** is en route to hitting its target internal growth rate of 10% by year-end. We continue to believe that a 10% overall internal growth rate is obtainable by year-end 2001. Benefits from pricing are expected to remain at the level delivered during the first half. New product additions and continued growth in web-based ordering patterns provide the base from which to maintain this overall growth rate in 2002. For 2001 as a whole, ***Scientific Research, Biotechnology, Fine Chemicals*** and ***Diagnostics*** are expected to achieve internal (currency adjusted) growth of 7-8%, 12-15%, 10-12% and 5-7%, respectively. Overall annual (currency adjusted) growth, including 2% from completed acquisitions, is expected to be in the 11-12% range.

With expected improvements from sales momentum in recently acquired ***Diagnostics*** units over the latter half of the year, profit margins for 2001 are expected to be roughly in line with those achieved in 2000. The ongoing impact of adverse currency exchange rates is likely to continue to impact otherwise reportable earnings per share in 2001. Continued focus on process improvements should offset much of our ongoing investment aimed at delivering 10% internal growth by year-end. Based on results achieved to date, current market conditions and expectations and existing currency exchange rates, management expects diluted EPS to be in the $1.90-$1.96 range for the year. If foreign currencies strengthen against the U.S. dollar, that range could shift up slightly. We remain committed to reaching our longer-term goal of improving return on equity to 20% by 2004.

Dividend: At the Board of Directors meeting held August 14, 2001, the Directors declared a quarterly cash dividend of $.0825 per share. The dividend is payable on September 14, 2001 to shareholders of record on August 31, 2001.

Cautionary Statement: This report contains forward-looking statements relating to future performance, goals, strategic actions and initiatives and similar intentions and beliefs, including without limitation the "Outlook" section above and other statements regarding the Company's expectations, goals, beliefs, intentions and the like. These statements involve assumptions regarding Company operations, investments and acquisitions and conditions in the markets the Company serves. Although the Company believes its expectations are based on reasonable assumptions, such statements are subject to risks and uncertainties, including, among others, certain economic, political and technological factors. Actual results could differ materially from those stated or implied in this report, due to, but not limited to, such factors as changes in pricing and the competitive environment, other changes in the business environment in which the Company operates, changes in research funding, uncertainties surrounding government healthcare reform, government regulations applicable to the business, the impact of fluctuations in interest rates and foreign currency exchange rates and the effectiveness of the Company's further implementation of its global software systems. The Company does not undertake any obligation to update these forward-looking statements.

Sincerely,

David R. Harvey

David R. Harvey
Chairman, President and CEO

Consolidated Statements of Income

(Unaudited - in thousands except per share amounts)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2001	2000	2001	2000
Net sales	$ 599,379	$ 563,830	$ 293,733	$ 273,775
Cost of products sold	308,854	285,931	151,559	138,843
Gross profit	290,525	277,899	142,174	134,932
Selling, general and administrative expenses	173,996	158,886	84,512	78,760
Purchased in-process research and development	1,200	—	—	—
Interest, net	8,645	3,736	3,971	1,350
Income from continuing operations before income taxes	106,684	115,277	53,691	54,822
Provision for income taxes	32,994	35,736	16,644	16,995
Net income from continuing operations	73,690	79,541	37,047	37,827
Net income from discontinued operations	—	10,081	—	2,272
Gain on sale of discontinued operations, net of taxes	—	171,787	—	171,787
Net income	$ 73,690	$ 261,409	$ 37,047	$ 211,886
Weighted average shares outstanding - Basic	75,425	88,212	75,342	83,719
Weighted average shares outstanding - Diluted	76,098	88,432	76,095	84,004
Net income per share - Basic:				
Net income from continuing operations	$ 0.98	$ 0.90	$ 0.49	$ 0.45
Net income from discontinued operations	—	0.11	—	0.03
Gain on sale of discontinued operations, net of taxes	—	1.95	—	2.05
Net income	$ 0.98	$ 2.96	$ 0.49	$ 2.53
Net income per share - Diluted:				
Net income from continuing operations	$ 0.97	$ 0.90	$ 0.49	$ 0.45
Net income from discontinued operations	—	0.11	—	0.03
Gain on sale of discontinued operations, net of taxes	—	1.95	—	2.04
Net income	$ 0.97	$ 2.96	$ 0.49	$ 2.52

Condensed Consolidated Balance Sheets

(in thousands)

	June 30, 2001	December 31, 2000
Assets	(Unaudited)	
Cash and cash equivalents	$ 37,831	$ 31,058
Accounts receivable, net	206,425	185,938
Inventories	456,119	444,277
Other current assets	43,089	52,352
Total current assets	743,464	713,625
Property, plant and equipment, net	511,294	493,005
Other assets	179,269	141,077
Total assets	$ 1,434,027	$ 1,347,707
Liabilities and Stockholders' Equity		
Short-term debt	$ 307,966	$ 180,109
Accounts payable	61,199	58,050
Accrued expenses	60,697	49,302
Accrued income taxes	28,785	47,819
Total current liabilities	458,647	335,280
Long-term debt	100,746	100,846
Noncurrent liabilities	54,237	52,306
Stockholders' equity	820,397	859,275
Total liabilities and equity	$ 1,434,027	$ 1,347,707

Supplemental Financial Information-Continuing Operations

(Unaudited - in thousands)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2001	2000	2001	2000
Business Unit Sales				
Scientific Research	$333,173	$317,328	$163,290	$153,625
Biotechnology	120,849	110,725	59,195	55,187
Fine Chemicals	106,093	98,300	52,159	46,547
Diagnostics	39,264	37,477	19,089	18,416
	$599,379	$563,830	$293,733	$273,775
Selected Financial Information				
Depreciation and other amortization	$ 32,021	$ 29,525	$ 16,009	$ 14,678
Goodwill amortization	4,110	2,603	2,170	1,295
Property, plant and equipment additions, net	56,561	26,291	34,433	16,072
Share repurchase	92,171	530,454	43,913	231,844

Condensed Consolidated Statements of Cash Flows

(Unaudited - in thousands)

	Six Months Ended June 30, 2001	2000
Cash flows from operating activities:		
Net income	**$ 73,690**	$ 261,409
Adjustments:		
Depreciation and amortization	**36,131**	35,278
Purchased in-process research and development	**1,200**	—
Gain on sale of discontinued operations	**—**	(171,787)
Net changes in assets and liabilities	**(54,993)**	(24,806)
Net cash provided by operating activities	**56,028**	100,094
Cash flows from investing activities:		
Net property additions	**(56,561)**	(29,197)
Proceeds from sale of discontinued operations	**—**	425,200
Acquisitions	**(37,574)**	—
Other	**(6,508)**	(7,385)
Net cash (used in) provided by investing activities	**(100,643)**	388,618
Cash flows from financing activities:		
Net borrowings of debt	**128,873**	29,837
Payment of dividends	**(12,453)**	(13,448)
Treasury stock purchases	**(92,171)**	(530,454)
Exercise of stock options	**20,769**	6,241
Net cash provided by (used in) financing activities	**45,018**	(507,824)
Effect of exchange rate changes on cash	**6,370**	(2,557)
Net change in cash and cash equivalents	**6,773**	(21,669)
Cash and cash equivalents at January 1	**31,058**	43,847
Cash and cash equivalents at June 30	**$ 37,831**	$ 22,178

SIGMA-ALDRICH

More investor information is available on our web site at sigma-aldrich.com or email: krichter@sial.com

3050 Spruce Street St. Louis, Missouri 63103

In the USA/Canada: 800-521-8956 • Outside the USA/Canada: 314-771-5765