UNRIVALED SCIENTIFIC KNOWLEDGE

Report for the Period Ended June 30, 2002

SIGMA-ALDRICH

2002 SECOND QUARTER REPORT

David R. Harvey
Chairman,
President and CEO

Dear Shareholder:

Sigma-Aldrich is pleased to report an increase in second quarter sales and EPS from continuing operations. All financial information presents separate results for the continuing Chemical business (*Scientific Research, Biotechnology* and *Fine Chemicals*) and discontinued *Diagnostics* business as a result of the Company's decision (announced on April 23, 2002) to exit the *Diagnostics* business. Income statements presenting continuing and discontinued operations for all quarters of 2001 and the first quarter of 2002 are presented on the last page in this report.

OVERALL RESULTS:

Continuing Operations: Reported sales for the second quarter of 2002 for the Company's *Scientific Research, Biotechnology* and *Fine Chemicals* businesses increased 9.6%. For the first time in over three years the weaker U.S. dollar enhanced reported quarterly sales gains, resulting in a lower currency adjusted sales gain of 8.3%. Growth in our *Scientific Research* and *Biotechnology* businesses improved from first quarter 2002 levels, partially as a result of the timing of observed holidays. Reported year-to-date sales growth was 7.1%. Year-to-date, currency-adjusted sales increased 7.8%, as the negative impact of exchange rates in the first quarter exceeded the benefit realized in the current quarter. Overall, the Company has experienced only modest impacts from slowed growth in the worldwide economy.

Diluted net income per share for the second quarter (adjusting 2001 results to exclude goodwill amortization) rose 7.4% to $.58 in 2002 from $.54 in 2001. Year-to-date diluted net income per share (adjusting 2001 results to exclude goodwill amortization and a one-time charge for purchased in-process research and development) increased 6.4% to $1.16 in 2002 from $1.09 in 2001. Currency impacts masked even stronger performance in the Company's underlying operations by reducing otherwise reportable second quarter and year-to-date diluted per share earnings by $.02 and $.04, respectively.

Discontinued (*Diagnostics*) Operations: Ongoing efforts to sell the assets of and discontinue the *Diagnostics* business resulted in the sale of the EIA product line to IVAX *Diagnostics* in June 2002 and the signing of a non-binding letter of intent to sell the coagulation product line to Trinity Biotech plc. These two product lines represented approximately 42% of *Diagnostics* sales in 2001(after reclassifying products that contributed $11 million in 2001 *Diagnostics* sales to the Company's *Scientific Research* unit). Efforts to sell other product lines continue. Activities to minimize costs while continuing to supply customers under contract — including reassignment of *Diagnostics* employees to other parts of the Company — reduced an expected $.05 second quarter diluted EPS operating loss to an actual quarterly loss of $.03 per diluted share, bringing year-to-date operating results to a loss of $.07 per diluted share. A previously announced one-time charge of $63 million ($.85 per share) was recorded in the second quarter of 2002. This one-time charge included reductions in the carrying value of applicable assets, including unamortized goodwill and other intangible assets of $21 million, to an expected realizable amount and the costs of staff reductions. The Company continues to expect that the discontinuance of this business will provide at least $20 million in after-tax cash.

NET INCOME ANALYSIS:

A summary of the Company's reported net income and diluted earnings per share for the three and six months ended June 30, 2002 and 2001 — before and after currency impacts in 2002 and goodwill amortization and a one-time charge in 2001 — as well as net income and diluted EPS for continuing and discontinued operations is as follows:

	Three Months Ended June 30, 2002		Three Months Ended June 30, 2001		Six Months Ended June 30, 2002		Six Months Ended June 30, 2001	
	Net Income (millions)	Diluted Earnings Per Share	Net Income (millions)	Diluted Earnings Per Share	Net Income (millions)	Diluted Earnings Per Share	Net Income (millions)	Diluted Earnings Per Share
Net income from continuing operations before currency impact, goodwill amortization and one-time charge	**$44.3**	**$0.60**	**$41.5**	**$0.54**	**$88.3**	**$1.20**	**$82.8**	$1.09
Currency impact	(1.4)	(0.02)	—	—	(2.8)	(0.04)	—	—
Net income from continuing operations before goodwill amortization and one-time charge	**42.9**	**0.58**	**41.5**	**0.54**	**85.5**	**1.16**	**82.8**	**1.09**
Goodwill amortization	—	—	(1.3)	(0.01)	—	—	(2.5)	(0.03)
One-time charge - purchased in-process R&D	—	—	—	—	—	—	(0.8)	(0.01)
Net income from continuing operations	**42.9**	**0.58**	**40.2**	**0.53**	**85.5**	**1.16**	**79.5**	**1.05**
Net operating loss from discontinued business	(2.2)	(0.03)	(3.2)	(0.04)	(5.1)	(0.07)	(5.9)	(0.08)
Net loss on disposition of discontinued operations	(63.0)	(0.85)	—	—	(63.0)	(0.85)	—	—
Reported net income	$(22.3)	$(0.30)	$37.0	$0.49	$17.4	$0.24	$73.6	$0.97

RESULTS FOR CONTINUING OPERATIONS:

Reported sales increased 9.6% to $304.3 million for the second quarter and 7.1% to $605.9 million year-to-date. On a currency-adjusted basis, second quarter and year-to-date sales gains were 8.3% and 7.8%, respectively. Sales volumes for *Scientific Research* and *Biotechnology* rebounded from the impact of the holidays at the close of the first quarter of 2002 and overall year-to-date price gains improved to 3.1%. A summary of reported and currency-adjusted sales gains is as follows:

	Three Months Ended June 30, 2002		Six Months Ended June 30, 2002	
	Reported	Currency Adjusted	Reported	Currency Adjusted
Scientific Research	8.3%	7.0%	5.4%	6.2%
Biotechnology	13.5%	12.5%	10.1%	11.2%
Fine Chemicals	9.5%	7.8%	8.8%	9.0%
Total	9.6%	8.3%	7.1%	7.8%

- *Scientific Research* sales gains (excluding currency impacts, but including product sales reclassified from *Diagnostics* for both 2001 and 2002) improved in international markets in the second quarter while growth in sales to U.S. customers was in line with first quarter levels.
- *Biotechnology* sales gains improved in the second quarter to exceed expectations. Percentage growth in key life science areas was in the mid to high teens, with sales of chromatography products providing modest growth in the quarter. Market opportunities, new product development efforts and enhanced sales activities all contributed to this improved growth.
- Customers continued to increase their ordering using the Company's web site. Electronic orders increased to 21% of our U.S. and 14% of our worldwide research sales.
- *Fine Chemicals* growth moderated in the last quarter as slower growth in sales to U.S. customers was partially offset by improved gains in international markets. Booked orders, including those from pharmaceutical customers, remained strong.

Dear Shareholder
(continued)

Pretax income from continuing operations was 20.4% and 20.5% of related sales for the second quarter and first six months of 2002, respectively. After adjusting prior year results for goodwill amortization and a one-time charge for purchased in-process research and development, the current pretax income level shows a modest improvement over the 20.3% achieved for the entire year of 2001. Results benefited from price gains, process improvement savings and the abatement of higher utility costs that had been experienced in the first half of 2001. These benefits were offset by new costs to operate our Life Science and High Technology Center, higher insurance and employee benefit costs and the reassignment of roughly 80 former *Diagnostics* employees to various open positions in the continuing business. Interest expense for the first half of 2002 declined by $0.9 million from that incurred in the first half of 2001 due to interest rate reductions and reduced short-term borrowing levels resulting from lower tax payments and capital expenditures in the second quarter.

OUTLOOK:
Reported sales gains from our continuing *Scientific Research, Biotechnology* and *Fine Chemicals* businesses are expected to benefit from both the weakening of the U.S. dollar and the ongoing implementation of our strategic plan initiatives throughout the balance of 2002. Overall currency-adjusted sales gains in the second half of 2002 are expected to improve from those achieved to date. Pricing should continue to benefit from special initiatives in 2002. New product additions, active promotion of existing and new products, an expected continuing growth of web-based sales, the recent distribution of a new Cell Signaling and Neuroscience catalog and the issuance of new Aldrich and Fluka/Riedel-de Haën catalogs in the upcoming months are expected to drive sales growth. Additional growth from acquisitions remains questionable for 2002, as seller's expectations remain unrealistic and we remain committed to our longer-term goal to grow profits in line with sales. Profit improvement initiatives and the weaker U.S. dollar are expected to enhance earnings and management is raising its expected EPS range from continuing operations slightly to $2.26 to $2.30 for 2002. As previously announced, operating our discontinued *Diagnostics* business as assets are held for sale is expected to continue to reduce otherwise reportable diluted earnings per share by as much as $.01 in both the third and fourth quarters of the year.

We are encouraged by our improved growth in the second quarter. While we've certainly heard concerns about slowdowns in some of our markets, we did not see a significant change in the first half of 2002. So, we expect to improve on first half growth levels in all of our businesses with continuing selling price increases, new catalogs and promotions.

OTHER INFORMATION:
Share Repurchase: No shares were repurchased during the second quarter. Cumulative repurchases remain at 29.7 million (out of an authorized repurchase of 35 million) shares, with an average purchase price of $32.12 per share. There were 73.4 million shares outstanding at June 30, 2002. The Company expects to resume share repurchases to acquire the remaining 5.3 million authorized shares, but timing and number of shares purchased, if any, will depend upon market conditions and other factors.

Working Capital, Capital Expenditures and Debt: Initiatives to manage working capital continued in the second quarter. Accounts receivable days outstanding increased by one day from the December 31, 2001 level to 61 days as improvements in domestic receivables were offset by the stronger growth in international sales and the currency impact on valuing international receivables. Inventory management programs in continuing operations reduced inventory by nearly $16 million from prior year-end levels, but was almost exactly offset by the impact of currency in valuing inventories. These initiatives together with $26 million less in capital expenditures significantly improved cash flow, enabling us to reduce total borrowings by $103.6 million in the first half of 2002 to $344.5 million. At June 30, 2002, short-term borrowings were $167.6 million at a weighted average interest rate of 2.2% and long-term debt was $176.9 million at a weighted average interest rate of 6.6%. The Company's return on equity improved to 17.5%. We remain committed to achieving a 20% return on equity by 2004.

Export matter: In April 1997, a wholly-owned subsidiary of the Company ("RBI") acquired the assets of Research Biochemicals Limited Partnership ("RBLP"), which engaged in the business of supplying research products for neuroscience discovery. The Company, RBI and an intermediate subsidiary have received charging letters from the U.S. Department of Commerce alleging that they had violated Export Administration Regulations as a result of exports by RBLP and/or RBI of certain toxins without requisite licenses between January 1995 and April 1998. These shipments represented approximately $200,000 of revenues in total, the majority of which took place prior to the acquisition of the assets of RBLP. RBI has since applied for and received licenses for all subsequent shipments of such toxins. After attempting unsuccessfully to reach an acceptable settlement with the Department of Commerce, the Company submitted motions for summary judgment to an Administrative Law Judge, who heard arguments on the motions in June 2002 and is expected to rule on them by the end of August. If required, a trial on this matter is scheduled for October.

The total number of charges against the Company and its subsidiaries is 1,751. If overlapping charges are eliminated, the total is 1,019. The maximum possible penalty for all three entities is $10,780,000, assuming overlapping charges are eliminated. While the charging letters do not specify the amount sought, the Department of Commerce demanded $3,760,000 to settle the case prior to the letters being sent. The charging letters state that the Department may seek the maximum civil penalty allowed by law and, although believed unlikely, the denial of export privileges.

The Company believes there are substantial legal defenses to a number of the charges and expects that some of the charges will be dismissed and/or consolidated. Although the Company intends to defend its position vigorously, it is unable to predict the outcome of these motions or the ultimate resolution of this matter. While the Company believes that an adverse determination on the civil penalties would not have a material adverse effect on its consolidated financial condition, it could have a material adverse effect on the Company's results of operations in a given quarter or year.

DIVIDEND:
At the Board of Directors meeting held August 13, 2002 the Directors declared a quarterly cash dividend of $.085 per share. The dividend is payable on September 13, 2002 to shareholders of record on August 30, 2002.

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 "Highlights", "Overall Results-Discontinued (Diagnostics) Operations", "Outlook" and "Other Information-Export Matter" sections contained above and other statements regarding the Company's expectations, goals, beliefs, intentions and the like regarding future sales, earnings, return on equity, the discontinuance of its Diagnostics business, including the effect on sales and earnings from running the discontinued business as assets are held for sale and possible cash proceeds from the discontinuance, and other matters. These statements involve assumptions regarding Company operations, investments and acquisitions, conditions in the markets the Company serves and the sale of assets and actions related to the discontinuance of its Diagnostics business. 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 including, without limitation, export controls, the impact of fluctuations in interest rates and foreign currency exchange rates, the effectiveness of the Company's further implementation of its global software systems, expectations for the discontinuance of the Diagnostics business, including the ability to supply customers while assets are held for sale and the ability to retain customers, suppliers and employees and the outcome of the export matter described in "Other Information" above.
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)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Net sales	$304,288	$277,532	$605,893	$565,958
Cost of products sold	148,516	131,174	295,369	268,150
Gross profit	155,772	146,358	310,524	297,808
Selling, general and administrative expenses	79,598	74,348	158,210	153,776
Research and development expenses	10,323	9,825	20,581	19,009
Purchased in-process research and development	–	–	–	1,200
Interest, net	3,698	3,971	7,761	8,645
Income from continuing operations before income taxes	62,153	58,214	123,972	115,178
Provision for income taxes	19,266	18,046	38,430	35,627
Net income from continuing operations	42,887	40,168	85,542	79,551
Discontinued operations:				
Net loss from operations of discontinued business, net of taxes	(2,171)	(3,121)	(5,091)	(5,861)
Net loss on disposition of discontinued operations, net of taxes	(63,000)	–	(63,000)	–
Net income (loss)	$ (22,284)	$ 37,047	$ 17,451	$ 73,690
Supplemental net income information				
Net income from continuing operations	$ 42,887	$ 40,168	$ 85,542	$ 79,551
Add back: goodwill amortization, net of taxes	–	1,343	–	2,492
Adjusted net income from continuing operations	$ 42,887	$ 41,511	$ 85,542	$ 82,043
Weighted average number of shares outstanding - Basic	73,253	75,342	73,135	75,425
Weighted average number of shares outstanding - Diluted	73,941	76,095	73,753	76,098
Net income per share - Basic				
Net income from continuing operations	$ 0.59	$ 0.53	$ 1.17	$ 1.06
Net loss from operations of discontinued business, net of taxes	(0.03)	(0.04)	(0.07)	(0.08)
Net loss on disposition of discontinued operations, net of taxes	(0.86)	–	(0.86)	–
Net income (loss)	$ (0.30)	$ 0.49	$ 0.24	$ 0.98
Net income per share - Diluted				
Net income from continuing operations	$ 0.58	$ 0.53	$ 1.16	$ 1.05
Net loss from operations of discontinued business, net of taxes	(0.03)	(0.04)	(0.07)	(0.08)
Net loss on disposition of discontinued operations, net of taxes	(0.85)	–	(0.85)	–
Net income (loss)	$ (0.30)	$ 0.49	$ 0.24	$ 0.97
Supplemental net income per share - Diluted				
Net income from continuing operations	$ 0.58	$ 0.53	$ 1.16	$ 1.05
Add back: goodwill amortization, net of taxes	–	0.01	–	0.03
Adjusted net income from continuing operations	$ 0.58	$ 0.54	$ 1.16	$ 1.08

Condensed Consolidated Balance Sheets
(Unaudited - in thousands)

	June 30, 2002	December 31, 2001
Assets		
Cash and cash equivalents	$ 52,425	$ 37,637
Accounts receivable, net	214,861	181,450
Inventories	427,419	427,094
Other current assets	31,483	35,231
Current assets held for sale	6,598	45,899
Total current assets	732,786	727,311
Property, plant and equipment, net	534,078	531,391
Other assets	145,862	140,844
Noncurrent assets held for sale	–	40,256
Total assets	$1,412,726	$1,439,802

	June 30, 2002	December 31, 2001
Liabilities and Stockholders' Equity		
Short-term debt	$ 167,654	$ 270,382
Accounts payable	61,044	59,509
Accrued expenses	64,738	54,281
Accrued income taxes	3,585	13,391
Current liabilities of discontinued operations	18,972	–
Total current liabilities	315,993	397,563
Long-term debt	176,870	177,700
Noncurrent liabilities	57,323	54,824
Stockholders' equity	862,540	809,715
Total liabilities and equity	$1,412,726	$1,439,802

Condensed Consolidated Statements of Cash Flows
(Unaudited - in thousands)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Cash flows from operating activities:		
Net income	$ 17,451	$ 73,690
Adjustments:		
Net loss from operations of discontinued business	5,091	5,861
Net loss on disposition of discontinued operations	63,000	–
Depreciation and amortization	32,940	33,681
Purchased in-process research and development	–	1,200
Net changes in assets and liabilities	45,807	(54,732)
Net cash provided by operating activities of continuing operations	164,289	59,700
Net cash (used in) operating activities of discontinued operations	(4,153)	(3,672)
Net cash provided by operating activities	160,136	56,028
Cash flows from investing activities:		
Net property additions	(28,943)	(53,967)
Acquisitions	–	(37,574)
Proceeds from disposition of discontinued operations	2,259	
Other	(952)	(6,906)
Net cash (used in) investing activities of continuing operations	(27,636)	(98,447)
Net cash (used in) investing activities of discontinued operations	(2,286)	(2,196)
Net cash (used in) investing activities	(29,922)	(100,643)
Cash flows from financing activities:		
Net (repayment) borrowings of debt	(104,592)	128,873
Payment of dividends	(12,440)	(12,453)
Treasury stock purchases	(3,129)	(92,171)
Exercise of stock options	13,075	20,769
Net cash (used in) provided by financing activities	(107,086)	45,018
Effect of exchange rate changes on cash	(8,340)	6,370
Net change in cash and cash equivalents	14,788	6,773
Cash and cash equivalents at January 1	37,637	31,058
Cash and cash equivalents at June 30	$ 52,425	$ 37,831

Supplemental Financial Information – Continuing Operations
(Unaudited - in thousands)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Business Unit Sales				
Scientific Research	$179,989	$166,178	$357,427	$339,016
Biotechnology	67,165	59,195	133,009	120,849
Fine Chemicals	57,134	52,159	115,457	106,093
Total	$304,288	$277,532	$605,893	$565,958

	Amount	% of Sales
Research and Development		
First Quarter 2001	$ 9,184	3.2%
Second Quarter 2001	9,825	3.5%
Third Quarter 2001	9,263	3.4%
Fourth Quarter 2001	9,650	3.5%
First Quarter 2002	10,258	3.4%
Second Quarter 2002	10,323	3.4%

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Selected Financial Information		
Property, plant and equipment additions, net	$ 28,943	$ 53,967
Share repurchase	3,129	92,171

Supplemental Financial Information
(Unaudited - in thousands except per share amounts)

	Three Months Ended 2001				Twelve Months Ended 2001	Three Months Ended 2002
	March 31	June 30	September 30	December 31	December 31	March 31
Net sales	$288,426	$277,532	$272,816	$275,714	$1,114,488	**$301,605**
Cost of products sold	136,976	131,174	134,396	129,720	532,266	**146,853**
Gross profit	151,450	146,358	138,420	145,994	582,222	**154,752**
Selling, general and administrative expenses	79,428	74,348	73,094	80,571	307,441	**78,612**
Research and development expenses	9,184	9,825	9,263	9,650	37,922	**10,258**
Purchased in-process research and development	1,200	–	–	–	1,200	–
Interest, net	4,674	3,971	4,598	3,299	16,542	**4,063**
Income from continuing operations before income taxes	56,964	58,214	51,465	52,474	219,117	**61,819**
Provision for income taxes	17,581	18,046	14,454	16,266	66,348	**19,164**
Net income from continuing operations	39,383	40,168	37,011	36,208	152,769	**42,655**
Discontinued operations:						
Net loss from operations of discontinued business, net of taxes	(2,740)	(3,121)	(3,228)	(2,975)	(12,064)	**(2,920)**
Net loss on disposition of discontinued operations, net of taxes	–	–	–	–	–	**–**
Net income	$ 36,643	$ 37,047	$ 33,783	$ 33,233	$ 140,705	**$ 39,735**
Supplemental net income information						
Net income from continuing operations	$ 39,383	$ 40,168	$ 37,011	$ 36,208	$ 152,769	**$ 42,655**
Add back: goodwill amortization, net of taxes	1,149	1,343	1,286	1,291	5,070	**–**
Adjusted net income from continuing operations	$ 40,532	$ 41,511	$ 38,297	$ 37,499	$ 157,839	**$ 42,655**
Weighted average number of shares outstanding - Basic	75,510	75,342	74,196	73,217	74,559	**73,017**
Weighted average number of shares outstanding - Diluted	76,134	76,095	74,826	73,771	75,175	**73,604**
Net income per share - Basic						
Net income from continuing operations	$ 0.53	$ 0.53	$ 0.50	$ 0.49	$ 2.05	**$ 0.58**
Net loss from operations of discontinued business, net of taxes	(0.04)	(0.04)	(0.04)	(0.04)	(0.16)	**(0.04)**
Net income	$ 0.49	$ 0.49	$ 0.46	$ 0.45	$ 1.89	**$ 0.54**
Net income per share - Diluted						
Net income from continuing operations	$ 0.52	$ 0.53	$ 0.49	$ 0.49	$ 2.03	**$ 0.58**
Net loss from operations of discontinued business, net of taxes	(0.04)	(0.04)	(0.04)	(0.04)	(0.16)	**(0.04)**
Net income	$ 0.48	$ 0.49	$ 0.45	$ 0.45	$ 1.87	**$ 0.54**
Supplemental net income per share - Diluted						
Net income from continuing operations	$ 0.52	$ 0.53	$ 0.49	$ 0.49	$ 2.03	**$ 0.58**
Add back: goodwill amortization, net of taxes	0.01	0.01	0.01	0.01	0.07	**–**
Adjusted net income from continuing operations	$ 0.53	$ 0.54	$ 0.50	$ 0.50	$ 2.10	**$ 0.58**

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