



Dana Earles  
Purchasing Agent  
UTMD Anderson Cancer Center, Houston, Texas

"The Sigma-Aldrich on-line system is user-friendly and designed to help researchers and purchasing personnel find catalog items, place orders and track orders directly from their computer. This site meets or surpasses my expectations of what an on-line ordering system should be."

The market for research chemicals and consumables is over \$16 billion



# L A B O R A T O R Y



Frank Wicks  
Division President  
Laboratory Products

## IMPROVING THE BASICS

Sigma-Aldrich is today's leading global source of specialty research chemicals and the second largest supplier of laboratory chemicals.

Universities, government agencies and commercial facilities all over the world now turn to the Sigma-Aldrich family of companies for their needs. Long known for breadth and quality in essential laboratory products, we offer more than 85,000 chemical compounds. Our Sigma-Aldrich brands, along with their research products, have become ingrained in the minds of investigators.

Every day, Sigma, Aldrich and Fluka/Riedel-de Haën catalogs are opened in laboratories across the world. These information-rich references and the highly-trained technical service people that back them up have earned wide respect. At Sigma-Aldrich, our most important product still is and has always been service. The fact that we deliver product "on-time, every time" is a Sigma-Aldrich hallmark we treasure. For this and many other reasons, we are a valued partner to laboratory workers all over the globe.

To provide even better service, our new Laboratory Products Division was created to sharpen our focus on client needs and to pursue our unending obsession with customer service. In this new role, the Laboratory Products Division is responsible for the largest sector of our chemical business, representing some 55% of sales.

We will continue our efforts in improving our levels of service to meet ever-increasing customer demands. While pursuing this goal, we plan to increase our rate of growth to 8% by year end 2001. Added emphasis will be placed on exceeding customers' expectations in service, ordering and speed of new product introduction.

## FOCUS ON SERVICE

Our ongoing interaction with customers has shown that they can have trouble navigating through the maze of Sigma-Aldrich brands, business units and departments to get information. As the first step in a new program designed to make interfacing easier, each major account has been assigned an account manager. This person provides major customers with a single point of contact they can depend on to manage all their needs.

Special programs are being implemented to help Sigma-Aldrich subsidiaries all over the world improve service to their customers. Our international business has been growing at a fast rate. To keep ahead of it, we are changing some features of our infrastructure. The changes will significantly reduce product delivery times to all our overseas offices. Accordingly, what used to take 2 to 3 weeks delivery will ultimately only require 3 to 5 days. Still another way of bringing better service to our international customers will stem from consolidating our distributor management system. This unifying approach with distributors in all parts of the world will create a more directed force that will drive sales even more vigorously.

## FOCUS ON ORDERING

Although starting out as a catalog company, we at Sigma-



Gerrit  
van den  
Dool  
Vice  
President  
Europe  
Laboratory  
Products  
Sigma-  
Aldrich

"We are well positioned to meet the challenge to develop and deliver new and innovative research and lab chemicals, and find innovative solutions with our customers to optimize their procurement process."

## R O D U C T S

Aldrich have always had a bent for the electronic side of the business. We appreciate our customers' desire to be "connected" in all aspects of chemical product procurement, covering everything from inventory management to billing information. Diligent efforts are underway to create the most seamless, streamlined ordering system ever used in the industry. In this new scheme, there is heavy emphasis on augmenting customers' on-line capabilities.

Our latest customer interviews indicate that about a third of our clients prefer to order on-line. For this reason, we have spent a great deal of time and money making our web site ([www.sigma-aldrich.com](http://www.sigma-aldrich.com)) very workable and user friendly. Today it stands as a model for conducting e-business. Our web site was recently heralded as "the preferred solution for buying chemicals on-line" in two

separate American Chemical Society studies. At year end, 5% of our total US sales were funneling through our award-winning web site. Our only question now is how high will sales through our web site go? By 2003, we expect on-line orders to represent 25-50%.

The fact that we are placing a great deal of emphasis on e-commerce is evidenced in other ways. For example, we have just aligned ourselves with Ariba and EMAX Solution Partners. Both of these companies are pacesetters in business-to-business e-commerce. We are introducing the first "end-to-end e-research supply chain." This new capability will allow researchers to access chemicals from Sigma-Aldrich as well as their own local inventories with a single search. This significantly reduces their time and cost in securing materials. And there's more to come...

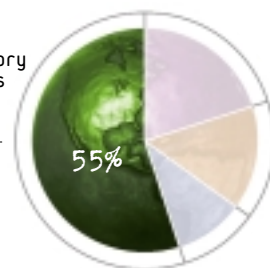
## FOCUS ON MARKETING

Expansion of our sales force to assign account managers to all of our top accounts will help us build even better relationships with our customers. We have and will continue to form valuable partnerships with many universities and corporations.

We are improving our systems to be able to provide competitive pricing on each of our 85,000 products in 16 currencies. Our ultimate goal is unchanged. We aim to provide the world's best service, supporting products delivered anywhere in the world, at the most competitive price offered by anyone.

We recognize the value of new products. They are and always have been the life blood of research and of our business. Therefore, expanding our capacity to introduce new

Laboratory  
products



products is of equal importance to providing the best service available. We are increasing our technological capabilities to lead the way in offering the latest and greatest product innovations.

Today, we stand as the dominant supplier of organic chemicals and the market leader in biochemicals. We reached this position through our ever-broadening range of products. To continue this, we plan to double our investment in R&D, insource aggressively and thereby deliver at least \$35 million in incremental sales from new products alone by the year 2004.

We look ahead with confidence.



**Richard K. Wilson, Ph.D.**  
 Co-Director,  
 Genome  
 Sequencing  
 Center  
 Washington  
 University  
 School of  
 Medicine  
 St. Louis,  
 Missouri

"Sigma has been a helpful and reliable supplier for all of our genomics work for the past ten years. Every time we've needed something fast for a crucial experiment, Sigma has come through for us."

The market  
 for  
 research  
 chemicals  
 alone  
 is over  
 \$6.5  
 billion



L I F E S C



**Dave Julien**  
 Division  
 President  
 Life  
 Sciences

**OPPORTUNITY  
 KNOCKS**

For decades the Life Sciences market for research tools and products has grown steadily. However, about 20 years ago there was a sudden surge due to advances made in genetic engineering. Researchers proved that the genetic manipulation of microorganisms could lead to the production of new and better diagnostic and therapeutic agents.

Momentum in the Life Sciences has accelerated through more creative genetic engineering. It has been further integrated into the agricultural and industrial businesses. More impetus is placed on the monumental Human Genome Project aimed

at clarifying the structure and function of every single gene in the human cell. The race and competition by researchers to achieve this end offers many opportunities. Genome exploration not only increases the demand for Life Science research products and tools but will result in the steady improvement of the quality of life.

Many of Sigma-Aldrich's current products are used in Life Science research. In fact, we have 6,000 of our biochemical products used routinely in the various areas of Life Science study. Our Life Science products are used in many techniques and disciplines of today's research that include molecular biology, cell culture, cellular biology, protein analysis and chromatography. Our products find their way into cancer, neuroscience, genomic, agricultural and drug discovery research, just to name a few.

When looking at the world mar-

ket for biochemicals, molecular biology products and tools take up the lion's share, about 40%. Their annual growth rate is estimated to be in double digits. Right now, Sigma-Aldrich has less than 10% of this market.

Many other Life Science areas also have double digit growth rates. It is important to note that we have not yet attained a dominant position in any of these Life Science specialty areas. Therefore, although we market Life Science research products, we still have a great opportunity to improve our presence and increase sales.

Greater penetration in the Life Sciences market is a key element in our current "Science for Life" strategic planning. Our new organization calls for us to behave as **One Company Worldwide**, bringing our marketing, sales, development and manufacturing capabilities together to focus on these challenges as they arise. We are

uniting our activities at our immunochemical facilities in St. Louis and Israel, our cell culture plants in St. Louis and Scotland, our chromatography installation in Pennsylvania, and our molecular biology groups in St. Louis with their Houston-based Genosys DNA synthesis counterpart to meet customer needs.

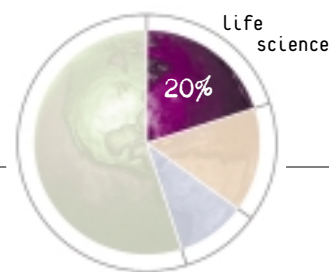
Without a doubt, we have one of the strongest collections of capabilities in the Life Science product industry. It rivals that of any competitor in the world. The real magic lies in bringing these capabilities together so that they work cohesively to completely satisfy our research customers' needs. Unification in the **One Company Worldwide** approach to Life Science product development and marketing has led to the identification of four basic goals:

- Developing new technical sales and support teams
- Positioning Sigma-Aldrich for Life Science
- Publishing a new Life



Dr. Nora Vaisman  
Department Head,  
Molecular Biology R&D,  
Sigma-Aldrich Life Sciences Team

"Realizing the vision of modern genomics and proteomics drives Life Science research. Sensitive and specific immunochemicals provided by Sigma-Aldrich are among the keys."



# I E N C E

Science Catalog

- Developing new and innovative products

## TECHNICAL SALES AND SUPPORT TEAMS

Decision-makers and customers in the Life Science areas need assistance in solving problems. They require application-based products and detailed information about the benefits and services that come with them. We will advise and collaborate with our customers on how to get the best out of every Life Science product to improve their lab's performance. This is done by establishing a worldwide technical sales force. These highly-trained people work closely with Life Science customers and our R&D groups to provide solutions for their problems using our Life Science products.

## POSITIONING FOR LIFE SCIENCE

Though we have about \$200 million in Life Science product

sales, Sigma-Aldrich is often still perceived only as a generalist supplier of research and specialty chemicals. Efforts are underway to gain better recognition in the Life Science sector by:

- Repositioning our products in application areas
- Becoming a warehouse of Life Science technical information
- Publishing a comprehensive Life Science product catalog

Our goal is to make our current and new products easier for customers to find for their particular research areas.

## LIFE SCIENCE CATALOG PREMIERS

The first Sigma-Aldrich Life Science Catalog is slated for release in mid-2000.

Within it, products will be presented in a helpful, application-based format. The catalog will contain a wealth of Life Science information and technical data.

Its pages will describe the 6,000 products used in today's Life Science research. Currently, these selected products comprise the majority of the Sigma-Aldrich biochemical business. We will make every effort to produce a user-friendly catalog that provides all the necessary information to help customers make informed purchasing decisions.

## INNOVATIVE NEW PRODUCTS

Our final goal involves increasing the flow of new products. We forecast an incremental increase in sales of about \$40 million from new products alone by year 2004. To achieve these sales we will build up our internal R&D capabilities in key application and research areas. We'll double our R&D staff to over 200 scientists. This staff will be housed in a state-of-the-art facility costing about \$50 million, slated to open in 2001 in St. Louis.

We will also move ourselves closer to the discovery process to identify the latest products and commercial technologies necessary for our customers to continue their fast-paced research.

Lastly, while we will continue to develop our own products, we will also increase our collaboration and licensing activities with academic and industrial partners throughout the world for new and innovative products and technologies. We have put together a business development and technology transfer function to accelerate our efforts in this area.

We have identified the Life Science issues that need to be addressed as we attain leadership in this area. We have the resources . . . the planning ability . . . the dedication . . . and best of all, we have the unvarnished enthusiasm to make it happen. And it will.



**Susan J. Morgan**  
Associate Director,  
Chemical Mfg. & Sourcing,  
Manufacturing Division  
**Dupont Pharmaceuticals Company**  
Wilmington, DE

"Dupont Pharmaceuticals Company relies heavily on outsourcing so it is a pleasure to find a company like Sigma-Aldrich which is willing to work with us to meet our goals."

The market for fine chemicals is over \$50 billion



# F I N E C H E M



**Jai Nagarkatti**  
Division President  
**Fine Chemicals**

## POISED FOR GROWTH

Sigma-Aldrich Fine Chemicals (SAFC) emerged from the success of the research chemical business. Today our unit markets bulk quantities of organic, inorganic and biochemicals to pharmaceutical, agricultural, diagnostic and industrial customers worldwide.

1999 had special significance for SAFC. We manufactured and sold the largest single order in our history. This material was delivered to a major pharmaceutical house for use in a new prescription medication. The SAFC business continues to grow in all bulk chemical areas, with large repeat orders. This indicates growing customer sat-

isfaction and continued confidence in our capabilities.

We have forged important new partnerships with key customers. These relationships have not only fostered repeat business, but they have kept many SAFC facilities all over the world working at peak capacity. Such strong business growth requires larger capital investment in manufacturing plants.

We recently completed construction of the largest organic production plant within the Sigma-Aldrich family of companies. Located in Wisconsin and costing close to \$26 million, this new facility will produce air-sensitive products. It will be fully operational early in 2000.

In St. Louis, a bio-organic production plant was constructed in 1999 and we have already booked very interesting projects to be made in this plant. Adding these two new production sites to our existing facili-

ties provides SAFC with the manufacturing capacity it will need for years to come.

## OUR GROWING MARKETS

Currently, SAFC sales account for about 15% of total Sigma-Aldrich revenues.

The unit is properly viewed as predominantly a source of semi-bulk or larger than usual quantities of research chemicals. Today, semi-bulk sales account for about 85% of SAFC sales. The remainder of the business is from the production of tailor-made compounds under custom synthesis contracts. These products are made under terms involving strict confidentiality for use by our customers' proprietary applications. Custom synthesis has become one of the fastest growing segments of SAFC's business. More and more customers are taking advantage of the unique synthetic capabilities that we offer.

## NEW OPPORTUNITIES

Not only is the Fine Chemicals market large, but it is extremely diverse, ever changing and constantly growing. Estimates suggest that about 80% of future SAFC sales will come from products used for Life Science. These include product applications for pharmaceutical, agricultural, diagnostic, flavor and fragrance companies. The remaining 20% of SAFC revenues will come from products manufactured for High Technology applications. Buyers of these SAFC products include manufacturers of integrated circuits, batteries and various kinds of specialty polymers.

SAFC continues to grow its capabilities in a way that mirrors the overall trend for pharmaceutical companies to outsource. Many major pharmaceutical companies are seeking partners for their development pro-



Sales  
Support  
Team  
Sigma-  
Aldrich  
Fine  
Chemicals

"Our dynamic team is focused to delight and exceed our customers' expectations."

# I C A L S

grams. These companies freely express their appreciation of SAFC's synthetic know-how and one-stop shopping convenience. In this and other ways, SAFC provides the major pharmaceutical companies a great deal more than just experience. They are helped through the intricate stages of their particular drug development program. SAFC is always there to assist them at any stage from discovery to commercial manufacturing.

SAFC is constantly in front with pace-setting production capabilities. Today, SAFC can scale up almost any one of 40,000 chemicals produced for Sigma-Aldrich catalogs. This puts us in a very favorable position as a partner for pharmaceutical companies to turn to whenever they need to scale up from research quantities to actual production. The SAFC proprietary database called CHESS also helps our partnerships with pharmaceutical companies. CHESS is an

unparalleled chemical sourcing information database providing access to suppliers of more than 400,000 compounds.

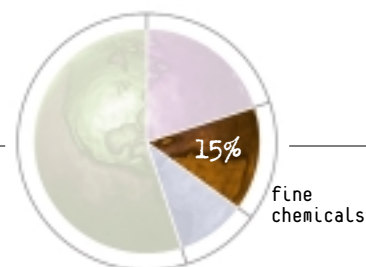
## TODAY'S STRATEGY

The potential sales growth for SAFC is unlimited. We are now a true "stand-alone" unit with our own facilities and people for manufacturing, sourcing, process development, order fulfillment, sales and technical service activities. The division is well-positioned to take advantage of today's trend toward outsourcing in the pharmaceutical industry. SAFC is an attractive supplier to these companies because of our product array. No less attractive is our worldwide manufacturing capability as well as our proven experience in discovering valuable new product sources. Looking ahead, SAFC will continue to "Delight Our Customers" by:

- Simplifying the transactional selling process for semi-bulk

products, making it much easier to do business with Sigma-Aldrich

- Offering products that are assayed and packaged to exacting specifications in a defined and well-controlled cGMP environment
- Increasing our plant capacity through the expansion of shift operations at selected sites and by moving people and projects between plants. This reduces lead times for manufactured products
- Building a cGMP compliant plant in Europe to serve pharmaceutical customers with a broad range of manufactured products
- Offering the most advanced, easy-to-use web site where customers can easily obtain product information from our two million certificates of analysis and material safety data sheets on over 90,000 listings



Above all, we have a capable and talented team of employees who are committed to "Delighting our Customers." Given all these strengths, we're confident we'll meet our goals to achieve steady, uninterrupted flows of sales and profits, growing 12% by 2001.

"SAFC understands that competitive South American companies need highly qualified suppliers to assist in the growth process of the region, in particular the growth of our company. For this reason, we are confident in the business relationship achieved with Sigma-Aldrich which will enable us to continue expanding in the international economy."

Mariano E. Spataro  
Purchasing Manager  
Bio Sidus S.A.,  
Buenos Aires, Argentina



**Karl Lloyd**  
Materials and Facilities Manager  
Trinity Biotech Ltd.,  
Bray Ireland

"One stop shopping . . . in partnership with Sigma-Aldrich."

The market for diagnostic reagents, kits and equipment is over \$20 billion.



# D I A G N O S T I C



**Bob Monaghan**  
Division President  
Diagnostics

## A NEW FOCUS

Sigma Diagnostics has always prided itself on being able to anticipate customer needs. We are in the business of creating new and better ways to respond to these needs. As a result of this proactive behavior, we stand poised to meet the challenges of an ever-moving \$20 billion market that is both dynamic and robust.

The goal for Sigma Diagnostics is to increase sales by 10 percent. To do this, we will reposition ourselves as a totally focused player in select product areas. Special emphasis will be placed on tests in the immunoassay and coagulation product categories. As a turnkey

supplier of both instrument systems and reagents, Sigma Diagnostics will concentrate on bringing well-rounded solutions to clinical laboratories in all corners of the world.

In addition, we will use our ISO 9001- and cGMP-certified manufacturing facilities and our skilled employees to produce private labeled (OEM) products for some of the world's largest diagnostic manufacturers. The same quality products that customers now receive directly from Sigma Diagnostics will soon become available through the global "large systems" providers. These manufacturers currently have a dominant presence in most clinical laboratories.

## UNLEASHING TESTING INNOVATION

Sigma Diagnostics provides reagents, controls and instrumentation for all areas of the clinical laboratory. Now as always, our commitment to exceptional patient care

through diagnostic testing remains a primary mission. Through an ever-expanding product line of reagents and instruments, we serve as the first line of defense against disease for patients around the world. Doctors and laboratory technicians rely on us for trusted test procedures in the areas of coagulation, autoimmune/infectious disease, clinical chemistry, cardiac profiling and hematology/histology/cytochemistry.

## CREATIVITY IN COAGULATION

Sigma Diagnostics is the first company to offer coagulation controls with 48-hour stability. Not only that, but in 1999, we also received a patent for our APTT (activated partial thromboplastin time) coagulation reagent. This unique material helps detect various blood coagulation disorders including hemorrhagic defects and vein thrombosis. Additional advantageous blood

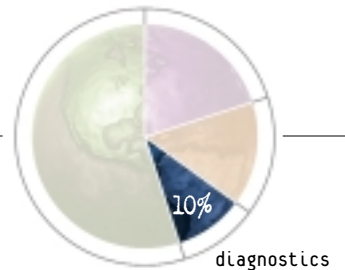
clotting reagents are currently on the drawing board awaiting patent approval.

Our comprehensive line of Amelung coagulation instruments give hospitals and laboratories something they need... a complete systems approach to evaluating coagulation defects. Our range of analyzers are suitable for laboratories of all sizes. We are awaiting the release of our newest mid-range analyzer, which should debut some time in 2000. Our coagulation instruments are recognized by many authorities as the best of class, since they provide highly accurate test results in a fraction of the time it takes others. By combining Sigma Diagnostics quality reagents with instrumentation, doctors and laboratory technicians in every major country have learned to rely on us as the **One Company Worldwide** they need to help them diagnose and treat patients with blood clotting diseases.



**Cheryl  
Winters-  
Heard**  
Director  
of Quality  
Assurance  
**Sigma  
Diagnostics**

"We are committed to the highest quality products because we know that Sigma Diagnostics products are used all over the world to help physicians diagnose and treat diseases. Because quality products give the right results the first time, the overall picture for the patient is brighter and their disease can be treated more quickly."



## C S

### PARTNERS IN HEALTHCARE

On another diagnostic front, over the past few years newer methods for diagnosing and treating autoimmune and infectious diseases have gained prominence. Physicians are beginning to distinguish changing patterns of diseases among patients. As always, Sigma Diagnostics is there to help. We now offer a single solution for doctors and laboratory technicians through advanced instrumentation linked with an ever-growing spectrum of advanced autoimmune and infectious disease assays.

The APTUS™ immunochemistry analyzer was first introduced in 1998 and has caught the attention of clinical laboratories all around the world. That is not surprising since the APTUS has so many sought-after features. For example, it takes just minutes to set up and performs automatically, giving laboratory technicians

walk-away convenience to pursue other tasks.

In 1999, we added several new reagents to our already impressive immunoassay line. It now includes tests for measles, mumps, rubella, Epstein-Barr, *H. pylori* and herpes.

Throughout year 2000, the menu of tests will continue to grow, with anticipated additions in the area of drugs of abuse. New features will also be added to the APTUS making it even more efficient and reliable.

Within the realm of clinical chemistries, year 2000 will see significant additions, particularly in the area of cardiac profiling. Sigma Diagnostics has long been recognized as a leader in this area of laboratory testing, since we introduced the first serum transaminase tests in the late 1950s. Today, this leadership is still in place with our innovative assays for direct measurement of LDL and HDL cholesterol. These procedures have

eliminated much of the guesswork from diagnosing cardiac disease, and we constantly seek newer and better tests in this area. We will use our experience in cardiac testing to bring it closer to the patient...even to the bedside if possible.

As part of Sigma Diagnostics' ongoing commitment to Life Science studies, we are totally focused on improving all of our high-quality, time-tested products. These include an unusually well-rounded assortment of dyes, stains and reagents. Laboratories everywhere use these materials to test tissues and cells for hematology and histology purposes. Our line of stains is certified by the Biological Stain Commission, thereby attesting to their reliable performance time after time.

Our spirit of resourcefulness will also extend on-line, as our web content will continue to expand during year 2000. It will include

fresh product updates and educational information as well as in-depth technical data that is not available from any other source. In this way, customers will always find it easy to get the most out of our products.

### THE TESTS OF TOMORROW

Modern healthcare continues to change and we are changing with it. As it does so through consolidation, through mergers and through managed care, Sigma Diagnostics is positioning itself to meet these changes. We are better organized than ever before to bring solutions to our customers worldwide. Our new stance as a focused specialty supplier, combined with our ongoing commitment to provide the best products available, forms a solid foundation for our future growth and success.



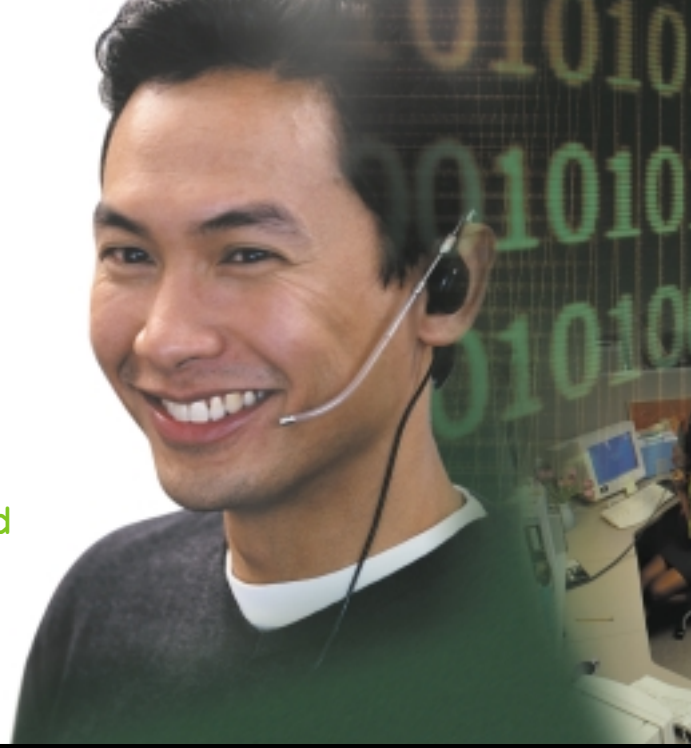


**Beth Schultz**  
Executive Editor  
Network World Signature Series  
Southborough, MA

"Sigma-Aldrich won Network World's annual E-comm Innovator Award for building a cool, easy-to-use e-commerce that ties into back-end sales and distribution systems. It's a world ahead of most e-comm players."



By year 2003 we expect 25-50% of our sales to be transacted on-line.



# A D M I N I S T R A T I V E



**Mike Hogan**  
Chief Administrative Officer and Chief Financial Officer  
Sigma-Aldrich

## UNLEASH OUR TALENTS

How are we unleashing the talents of our employees?

**By communicating** our plan in person to each of our 5,800 employees worldwide. And providing them with monthly progress updates on the plan's 28 new major initiatives.

**By reorganizing.** We've streamlined decision-making and delegated authority to levels closer to the customer. We've assembled a six-person Core Team at the top, surrounded them with a dozen Leadership Team members in company-wide and geographic roles, and enlisted another 30 Senior Management Team members to link closely

to our businesses and locations. We've launched interdisciplinary project teams to provide focus on major initiatives. And we've cut wasted time from approval processes to be more responsive to new ideas.

**By changing** the environment in which we work. A renewed focus on safety over the past decade yielded our safest workplace ever during 1999. In like fashion, we've begun to foster a more open, results- and reward-driven culture company-wide. From the look and feel of our work space to how we recognize and reward results. We look forward to your feedback on whether we're a more open and inviting place. The 425 managers in our new annual performance incentive program already tell us we're walking the talk on results-driven rewards. We have much yet to do to recruit and to train those here to be even better, but we're off to a great start.

## DELIGHT OUR CUSTOMERS

Behind the scenes, Administrative Services colleagues drive many of the customer-focused initiatives shared throughout this report.

### Systems improvements produce many of these.

Quick response times on quotes. Ease of ordering. The ability to see if desired items are in stock. The security that an order placed will be delivered as promised and on-time. Hassle-free billing. An informative, easy-to-use web site.

With the late 1999 addition of our Milwaukee locations, we've completed installation of SAP sales and distribution systems at all major US sites, enabling customers to order all our products with a single call, EDI transmission or visit to our web site. By linking SAP to our web site we can now integrate with our customers' own procurement systems to reduce their ordering

costs. We've also converted most of Europe, including our major operations in Germany.

During 2000, we'll expand SAP ordering and distribution capabilities to the United Kingdom and Asia, upgrade software to accommodate both the Euro and customers' desire to order more quickly by phone, and begin a two-year installation of new financial systems. We'll also pilot production planning capabilities at two St. Louis sites. During 2001, Switzerland will join our SAP-linked network.

Full realization of the power of inter-connected business processes lies several years ahead. But we're excited about what SAP, linked with our web site, is already delivering to our customers.

**Process improvements drive others.** As pleased as we are with more than \$2 million in process improvement savings in 1999, we're even more optimistic about its ongoing role in



SAP  
Installation  
Core Team  
Sigma-  
Aldrich

"We have successfully unleashed the power of SAP across our business units and into our e-commerce system. SAP brings us closer to our customers and will delight them with incredible service capabilities."

**€ S € R V I C E S**

delighting customers. Through on-site collaborations in service and support areas, we've identified over a dozen opportunities to increase responsiveness and cut costs. We expect these projects to both delight customers and double annual process improvement savings by 2002.

We also hope to delight customers through our just-launched \$7 million project to upgrade internal Quality systems by year-end 2001. Customers continue to applaud our overall quality, but tougher standards from their own customers cascade back to us as a major supplier. We intend to meet their needs quickly and completely.

**THRILL OUR SHAREHOLDERS**

Though increased sales and earnings from these initiatives will no doubt please our shareholders, we aspire to thrill them.

To prove our commitment, and more fully align our interests

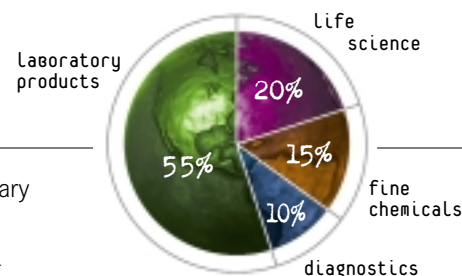
with shareholders, 50 members of our Senior Management Team are now required to purchase and hold from 1/2 to 3 times their annual salaries in Sigma-Aldrich stock. A dozen of us currently meet the requirement. By year-end 2004, all will. As a group, we'll hold more than one time our combined annual salaries in Company stock.

To further thrill shareholders, we recently initiated a program to buy back up to 10 million of the Company's shares. Though many that announce such programs don't complete them, we have completed ours in just three months. It is our intention to repurchase another 10 million shares if warranted by business and market conditions.

We have begun to use the strength of a virtually debt-free balance sheet to exploit attractive borrowing rates. As of year-end 1999, we had borrowed \$21 million to supplement cash

flows from operations. In January 2000, our Board authorized increasing our short-term borrowing capacity from \$100 million to \$500 million. We intend to use this capacity and anticipated net proceeds from the sale of B-Line wisely – for acquisitions, further share repurchases and/or opportunities in our Life Science businesses – with our commitment to restore our ROE to 20% by 2004 fully in mind.

We've also begun to sharpen our focus on another major driver of shareholder value creation – our balance sheet. In addition to using debt to lever returns, we're managing working capital more tightly. Despite Life Science and High Technology sales growth of 7.5% in 1999, inventories actually declined 1.5%. And accounts receivable balances fell from 76 to 70 days sales outstanding. These are good first steps. But, watch for further improvements as the full benefits of SAP and other ini-



tiatives are unveiled over the next few years.

Finally, knowing that every dollar saved is one returned to shareholders, we've made real progress in better managing a highly complex multi-national tax environment. Through effective use of R&D and other tax credits, we realized a \$5.2 million one-time gain for shareholders in 1999. An additional investment of roughly \$900 thousand to realign our European business legal structures with our new Strategic Plan yielded an additional \$4.6 million in one-time tax savings. And over the past 3 years we have cut the ongoing effective tax rate for our Life Science and High Technology businesses from 35.4% to 32.5%.

We look forward to sharing further progress toward meeting our goals with you in the years to come.