

PEOPLE MAKE THE DIFFERENCE

We know that high-tech systems and new facilities are not enough to ensure success. The people of Sigma-Aldrich are the real force behind our past and future success. At Sigma-Aldrich our values place the success of our employees equal with that of customers and shareholders. In everything we do, we strive to treat each other with dignity and respect. Every employee is expected to act as a role model by living our values and helping others do the same.

Sigma-Aldrich employees are driving our growth by their constant search for better solutions. Process improvement is woven into everything we do. This means that each employee is responsible for trying to find a better way to accomplish our goals, a better way to manage expenses, a better way to succeed. We look to employees to help us find ways to work smarter. Sometimes this means finding simple things that we can change quickly, while at other times the benefits can be realized only through more formally defined process improvements, employing a methodology known as "Plan, Do, Study, Act". We refer to



Sigma-Aldrich employees' technical expertise helps us provide customers with the best service available.

the former as low-hanging fruit and to the latter as high-hanging fruit, but in either case we look at every proposal to eliminate unnecessary expenses or improve efficiency. Based on our earnings-to-sales ratio, we know that one dollar of savings is equal to five dollars of sales. This ratio highlights the importance of process improvement to Sigma-Aldrich.

Safety is always a top priority. Our employees are justifiably proud of their safety record, which is much better than industry averages.

This record is a result of our commitment to safety at all levels of our organization.

Our employees' technical expertise helps us to earn the respect of our customers. Over 2,000 have advanced degrees which enable us to relate closely to the needs of those we serve. We have ongoing training programs designed to ensure that we stay abreast of technological and market changes. Our workforce is efficient and dedicated to customer satisfaction and Sigma-Aldrich's growth.

Increased capacity provides the ability to meet future demand.

Top Left - Expanded cable tray capacity, Troy, Illinois.

Middle left - New automated warehouse in Milwaukee, Wisconsin.

Lower left - 2000 gallon reactor, Sheboygan, Wisconsin.



CAPACITY FOR GROWTH

The markets we serve are growing, some very quickly. Sigma-Aldrich's ability to meet growing demand and to deliver the highest levels of service, in the most efficient manner possible, depends on continuously improving production and distribution capability. In 1998 we made a record \$130 million in capital investments, the majority directed to increasing our production and distribution capacity. With our recently completed pro-

jects we now have the capacity to meet future demand.

In addition to increasing our capacity through capital investments, we strive to increase efficiency through constant process improvements. As part of this approach, we began a corporate-level effort designed to improve operational efficiency worldwide. This includes a coordinated logistics plan to maximize our produc-



tivity and streamline our distribution processes. The aim is to ensure optimum use of our resources.

PRODUCTION

Our production capacity and capability to manufacture products to exacting standards gives Sigma-Aldrich a competitive advantage in both our chemical and metal businesses. Many of our customers, especially those in the Fine Chemicals market, need products manufactured to unique specifications, under strict cGMP guidelines. These customers place orders for custom products that tend to evolve into long-term partnerships involving large quantities. Customers often audit our facilities in order to be certain we can meet their exacting standards. To serve these valuable customers we continue to increase our cGMP manufacturing capacity. A \$19 million investment in a production facility in St. Louis, which came on line in 1998, enables us to produce bulk bio-organics in a tightly controlled environment. We also added a cGMP packaging area in St. Louis to handle bulk filling for Sigma-Aldrich Fine Chemicals.

In Sheboygan, Wisconsin we started construction of a \$30 million expansion, to be completed in 1999, that will increase our capacity for production of air-sensitive organic chemicals. This facility, like the one in St. Louis, offers special capabilities that can be used to support Sigma-Aldrich Fine Chemicals sales. Our goal now is to load all plants to capacity.

In the metals business, the ability to manufacture at the lowest cost is crucial to our success. In 1998 we invested \$4 million in our Troy, Illinois plant to increase cable tray production capacity. Like recent invest-

ments in other plants, this is designed to improve our efficiency and lower our unit production costs. We have the manufacturing capacity to support future growth in the metals business.

DISTRIBUTION

Demand for our chemical products comes from around the world, and very often customers need product immediately, so it is vital that we have the ability to deliver anywhere, and quickly. Sigma-Aldrich now has distribution centers in 15 countries, including the 1998 addition of Denmark.

Our metals business requires efficient distribution in order to be competitive. We have distribution facilities throughout the U.S. in order to give the best service in the industry.

For both our chemical and metal customers, timely delivery is an indicator of good service. Efficient delivery has always been a Sigma-Aldrich hallmark and as we grow we continue to improve our delivery systems.

In 1998 we made some important improvements, most notably at our distribution center in Milwaukee, Wisconsin. We invested \$25 million to increase the capacity and efficiency of this 600,000 square foot distribution center. With tens of thousands of products to choose from, it took a "picker" several minutes to find the one he or she needed to fill an order. The new, automated warehouse management system includes an innovation called pick-to-light, which automatically illuminates a small light over a bin to indicate where the required product is located. The new system greatly increases efficiency and cuts down on errors. The entire operation is now computer-monitored, with handheld transmitters providing picking and stocking instructions.



Top Right - New cGMP fill line in St. Louis.

Lower Right - Air sensitive production lab, Sheboygan, Wisconsin.

CAPACITY FOR GROWTH (CONT.)

In Schnelldorf, Germany, we have completed a fully automatic distribution facility at a cost of \$21 million. Expected to be our most efficient location when fully operational, we will consolidate operations into the convenient Schnelldorf location in order to provide faster distribution within Germany and throughout continental Europe. In 1998 we moved some operations into the facility and expect to have it

completely on line in 1999.

We intend to continue to improve distribution and production systems throughout the world. These improvements provide the capacity necessary to support the growth of our business in line with our strategic objectives. We constantly look for better ways to supply customers with both the quality products and the excellent service that are Sigma-Aldrich hallmarks.

STRATEGIES FOR GROWTH

Our goal is the achievement of steady growth of sales and profits over the long term. In recent years, the internal sales growth of our company has been about 8%, excluding currency effects. The internal sales growth is derived from a combination of price and volume increases plus the contribution from new products, with global expansion playing a key role. New products and acquisitions are very important for the growth of our company, since during the past five years they accounted for almost 25% of sales. With acquisitions, we believe double-digit growth is a realistic aim, with profits growing in line with sales.

Future acquisitions will complement our current lines of business, strengthen our competitive position and preferably have growth potential greater than our existing business as this ultimately leads to higher internal growth.

The key to future growth is that we maintain our world leadership in Research chemicals, which accounts for 60% of our business, while actively pursuing new opportunities for all our businesses.

We will continue to promote each of the Research chemical brands—Sigma, Aldrich, Fluka, Supelco and Riedel-de Haën—as the leader in its carefully defined market segment. Our aim is to be the customer's

single source for research products. Particular emphasis will be placed on becoming a major supplier of life science products, especially in the fast growing area of molecular and cell biology. Our 1998 acquisition of Genosys, which supplies the synthetic DNA needed for genome research, considerably

increases our presence in this market. As the Human Genome project progresses there will be increased demand for research products for the diagnosis and treatment of disease, and we intend to be a major supplier. To support our life sciences strategy, in 1998 we again increased our R&D effort, including the addition of a new biotechnology research and development laboratory in St. Louis. We intend to further increase our level of R&D expenditures for the life sciences. We also see considerable growth potential in the areas of synthetic and analytical chemistry, where we have a comprehensive range of products.



Growth will come through our focus on the life sciences, improved processes, acquisitions and geographic expansion.

Top right - Molecular biology research.

Top left - Multi-brand distribution in Israel.

Bottom left - New distribution center in Schnelldorf, Germany.

Our Fine Chemicals sales will benefit from the recent capital expenditure for new plants, both in the U.S. and internationally. Now, we will further develop relationships with the world's leading pharmaceutical companies with the aim of becoming the preferred Fine Chemical supplier for their outsourcing needs.

In Diagnostics, where we are a small player, our aim is to develop a leading position in the second tier of in vitro diagnostic suppliers. We intend to expand our specialty clinical testing and instrument systems and, in particular, develop a leading position in coagulation testing.

For our metals business, we will maintain a leading position in support systems for electrical and mechanical applications while achieving a leading position with our enclosure and telecommunication support systems.

We intend to continue our geographic expansion. We expect our international chemical business, which is already larger than the domestic, to continue to grow faster. Particular emphasis is being placed on the Far East. After the U.S., Japan is the second largest chemical market and we are moving quickly to increase our presence there.

All our markets are highly competitive. Consequently, it is essential we continue to raise the level of customer service. The installation of our new information system

will provide customers with the speed and convenience of electronic data interchange and direct access to even more information on our Internet site. We are convinced the

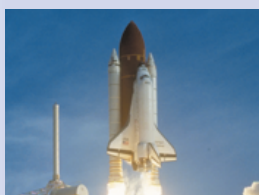
Internet will play a major role in the future of our Company and we intend to be at the forefront of suppliers using this medium.

Process improvement is already a way of life within our Company. Even more emphasis will be placed on worldwide improvement programs in the future to ensure that we maintain our profitability as we increase our R&D expenditure in the Life Sciences.

The strategy for growth includes upgrading and strengthening the organization. Our employees will continue to be supported by improved information systems, more comprehensive safety and compliance programs and the necessary investments in plant and equipment. With the recent high level of capital expenditures we now have sufficient production and warehouse capacity, so expenditures will be at a reduced level during the next couple of years. Our strong financial position will allow us to continue to invest in the growth of the Company and take advantage of opportunities that may arise.

As we move forward, we are confident that our strategy, resources and dedicated employees working together as one company will provide superior customer service and result in continued success for Sigma-Aldrich.

*We are Committed
to the Success of
our Customers through
Science, Technology
and Service.*



Sigma-Aldrich Reaching New Heights

Sigma-Aldrich products have been used for scientific experiments on space shuttles and on the Cassini probe to one of Saturn's moons.



OFFICERS

Back Row from left to right:

Jai Nagarkatti
President
Aldrich

Bob Monaghan
President
Sigma Diagnostics

Tom Briggs
President
B-Line Systems

Kirk Richter
Treasurer

Tom Tallarico
Secretary and Vice
President

Richard Morris
President
Research

Russel Gant
President
Supelco

Front Row from left to right:

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Vice President
Safety

Karsten Bode
President
Riedel-de Haën
Laboratory
Chemicals

Karen Miller
Controller

Phillip Ottiger
President
Fine Chemicals

Herbert Vuilleumier
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Fluka

Tom Cori
Chairman and CEO

Dave Julien
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Sigma

David Harvey
President and COO

Larry Blazeovich
Vice President
Information Services

Terry Colvin
Vice President
Human Resources

Jim Meteer
Vice President
Quality

Frank Wicks
Vice President
Operations

CORPORATE OFFICES

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TRANSFER AGENT

Harris Trust
Chicago, Illinois

ANNUAL MEETING

Date: May 4, 1999
Time: 11:00 a.m.
Place: Mercantile Bank
721 Locust Street
St. Louis, Missouri
63101

GENERAL INFORMATION

Shares traded on NASDAQ
National Market System.
Trading symbol: SIAL
Options traded on the Chicago
Board Options Exchange.

10-K

A copy of the Company's Form
10-K annual report, as filed with
the Securities and Exchange
Commission, may be obtained
without charge by writing to
the Secretary, Sigma-Aldrich
Corporation,
P.O. Box 14508,
St. Louis, Missouri 63178

OPERATIONS LOCATED IN:

Argentina, Australia, Austria,
Belgium, Brazil, Canada,
Czech Republic, Denmark,
Finland, France, Germany,
Greece, Hungary, India, Ireland,
Israel, Italy, Japan, Mexico,
The Netherlands, Norway, Poland,
Russia, Singapore, South Africa,
South Korea, Spain, Sweden,
Switzerland, United Kingdom,
United States



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