

3M Reports Higher Fourth Quarter, Calendar Year 2002 Sales and Earnings

3M (NYSE:MMM) today announced its sales and profit results for the fourth quarter and calendar year 2002.

The company reported fourth quarter net income of \$511 million, or \$1.29 per share, versus \$381 million, or \$0.96 per share, in the fourth quarter of 2001. Excluding non-recurring items (a) in the fourth quarter of 2001, net income increased 31.8 percent from \$387 million in the year-earlier quarter. Required changes in goodwill accounting boosted earnings by 3 cents per share.

"Our fourth-quarter performance is another example of our team delivering solid results despite difficult economic circumstances," said W. James McNerney, Jr., 3M chairman and CEO. "By driving our five initiatives consistently and methodically across the entire enterprise, we were able to grow earnings by over 30 percent compared with a year ago. We're particularly pleased that our 3M Acceleration and Six Sigma initiatives are beginning to impact our top line performance."

Worldwide sales in the fourth quarter totaled \$4.138 billion, 7.3 percent higher than in the year-earlier quarter. Sales volumes increased by 6.0 percent. Volumes increased 14.2 percent in Transportation, Graphics and Safety, 4.6 percent in Industrial, 4.5 percent in Consumer and Office, 3.6 percent in Health Care and 2.2 percent in Electro and Communications and Specialty Material was down 1.7 percent. Currency effects increased worldwide sales by 2.0 percent while selling prices decreased 0.7 percent globally.

Sales in the United States totaled \$1.838 billion, up 1.8 percent from the same quarter of 2001. Volumes increased 2.2 percent, while selling prices decreased 0.4 percent.

Sales outside the United States totaled \$2.300 billion, 12.2 percent higher than the fourth quarter of 2001. Volumes increased 9.4 percent and changes in the value of the U.S. dollar increased international sales by 3.8 percent. Selling prices decreased 1.0 percent. Volumes increased 22 percent in Asia Pacific driven by a 15 percent increase in Japan and a 29 percent increase in the rest of the region. Volumes also increased in Latin America by 6.5 percent, whereas volumes were flat in Europe.

For the 2002 calendar year, net income was \$1.974 billion, or \$4.99 per share, compared with \$1.430 billion, or \$3.58 per share, in calendar year 2001. Included in these figures are non-recurring after-tax costs (a) of \$108 million (\$0.27 per share) in 2002 and \$312 million (\$0.78 per share) in 2001. Excluding these items, earnings per share increased 20.6 percent from the prior year.

Sales for the calendar year totaled \$16.332 billion, up 1.7 percent in U.S. dollars. Volumes improved 1.4 percent versus the prior year, and selling prices and currency effects increased 2002 sales by 0.2 percent and 0.1 percent, respectively.

"Despite challenging economic circumstances and many uncertainties in the marketplace, 3M employees exceeded expectations in 2002 and continued to lay the foundation for our future," McNerney said. "We increased earnings per share over 20 percent while simultaneously investing over \$1 billion in R&D related activities to support future growth opportunities. And we generated significant free cash flow in 2002, which allowed us to: make selected and strategic acquisitions; voluntarily contribute over \$1 billion to our global pension plans; pay almost \$1 billion in dividends to our shareholders; all while maintaining a strong and healthy balance sheet."

3M also provided its earnings outlook for 2003. For the year, the company expects earnings will be within a

range of \$5.80 to \$6.00 per share, a double-digit increase over 2002. First-quarter earnings are expected to be between \$1.38 and \$1.43 per share. In the first quarter of 2002, the company earned \$1.14 per share on a reported basis, which included non-recurring costs (a) of \$0.09 per share.

"We're committed to delivering double-digit earnings growth in 2003 despite the continuing uncertain economic and geopolitical landscape," McNerney said. "We'll continue to improve our operational efficiency while maintaining focus on long-term, profitable growth, driven primarily by our 3M Acceleration initiative. We anticipate the same broad based earnings performance across our businesses as we saw in the fourth quarter, when all six of our business segments grew profits over 10 percent compared to a year ago. In addition, our recently announced business portfolio realignment will make us even more market- and customer-focused."

McNerney and Patrick D. Campbell, senior vice president and chief financial officer, will conduct an investor teleconference at 9 a.m. Eastern Time today. Investors can access a webcast of this conference, along with related charts, at <http://investor.3M.com>.

(a) The first six months of 2002 included non-recurring charges that reduced operating income by \$202 million and net income by \$108 million (\$.27 per diluted share). These charges were associated with the company's restructuring plan that was announced in 2001. For the full year 2001, 3M incurred pre-tax charges of \$504 (\$312 million after-tax and minority interest, or \$.78 per diluted share), primarily related to this restructuring plan. The fourth quarter of 2001 includes items that together resulted in a pre-tax charge of \$15 million (\$6 million after tax, or \$.02 per diluted share). Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" required the cessation of goodwill and other indefinite-lived asset amortization effective Jan. 1, 2002. This goodwill and indefinite-lived asset amortization reduced diluted earnings per share by 12 cents in 2001 (3 cents in the fourth quarter of 2001). The above items are discussed in more detail in our 2001 Annual Report on Form 10-K and our 2002 Quarterly Reports on Form 10-Q.

Forward-Looking Statements

This news release contains forward-looking statements that reflect current views and estimates of 3M's management of future economic circumstances, industry conditions, company performance and financial results. The statements are based on many assumptions and factors including: (1) worldwide economic conditions; (2) foreign currency exchange rates and fluctuations in those rates; (3) the timing and acceptance of new product offerings; (4) purchased components and materials, including shortages and increases in the costs of such components and materials; (5) 3M's ability to successfully manage acquisitions, divestitures and strategic alliances; and (6) legal proceedings. Any changes in such assumptions or factors could produce significantly different results.

About 3M

3M is a \$16 billion diversified technology company with leading positions in health care, safety, electronics, telecommunications, industrial, consumer and office, and other markets. Headquartered in St. Paul, Minnesota, the company has operations in more than 60 countries and serves customers in nearly 200 countries. 3M businesses share technologies, manufacturing operations, brands, marketing channels and other important resources. 3M, which celebrated its 100th anniversary in 2002, is one of the 30 stocks that make up the Dow Jones Industrial Average and also is a component of the Standard & Poor's 500 Index. For more information about 3M go to www.3M.com or www.3M.com/profile/pressbox/index.jhtml.

3M Company and Subsidiaries
SALES CHANGE ANALYSIS
(Unaudited)

Fourth-Quarter 2002

	Worldwide		U.S.		Intl.	
Volume - core	5.3	%	1.3	%	8.9	%
Volume - acquisitions and divestitures	0.7		0.9		0.5	
Price	(0.7)	(0.4)		(1.0)
Translation	2.0		--		3.8	
Total	7.3	%	1.8	%	12.2	%

Year 2002

	Worldwide		U.S.		Intl.	
Volume - core	1.0	%	(1.6)	%	3.2	%
Volume - acquisitions and divestitures	0.4		0.4		0.4	
Price	0.2		(0.1)		0.5	
Translation	0.1		--		0.3	
Total	1.7	%	(1.3)	%	4.4	%

3M Company and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
(Amounts in millions, except per-share amounts)
(Unaudited)

	Three-months ended		Twelve-months ended	
	December 31		December 31	
	2002	2001	2002	2001
Net sales	\$ 4,138	\$ 3,856	\$ 16,332	\$ 16,054
Operating expenses				
Cost of sales	2,114	2,131	8,496	8,749
Selling, general and administrative expenses	955	969	3,720	4,036
Research, development and related expenses	273	262	1,070	1,084
Other expense (income)	--	(88)	--	(88)
Total	3,342	3,274	13,286	13,781

Operating income	796	582	3,046	2,273
Interest expense and income				
Interest expense	22	26	80	124
Interest income	(12)	(10)	(39)	(37)
Total	10	16	41	87
Income before income taxes and minority interest	786	566	3,005	2,186
Provision for income taxes	255	175	966	702
Minority interest	20	10	65	54
Net income	\$ 511	\$ 381	\$ 1,974	\$ 1,430
Weighted average common shares outstanding - basic	390.3	391.5	390.0	394.3
Earnings per share - basic	\$ 1.31	\$ 0.97	\$ 5.06	\$ 3.63
Weighted average common shares outstanding - diluted	395.6	396.8	395.5	399.9
Earnings per share - diluted	\$ 1.29	\$ 0.96	\$ 4.99	\$ 3.58

3M Company and Subsidiaries
Supplemental Unaudited Consolidated Statement of Income Information
(Dollars in millions, except per-share amounts)

	Three-months ended December 31, 2002			Three-months ended December 31, 2001		
	Excluding non- recurring items	Non- recurring items	Reported total	Excluding non- recurring items	Non- recurring items	Reported total
Net sales	\$ 4,138	\$ --	\$ 4,138	\$ 3,856	\$ --	\$ 3,856
Operating expenses						
Cost of sales	2,114	--	2,114	2,070	61	2,131
Selling, general and administrative expenses	955	--	955	927	42	969
Research, development and related expenses	273	--	273	262	--	262
Other expense						
(income)	--	--	--	--	(88)	(88)

Total	3,342	--	3,342	3,259	15	3,274
Operating income (loss)	796	--	796	597	(15)	582
Interest expense and (income), net	10	--	10	16	--	16
Income (loss) before income taxes and minority interest	786	--	786	581	(15)	566
Provision (benefit) for income taxes	255	--	255	184	(9)	175
Effective tax rate	32.5 %		32.5 %	31.6 %		31.0 %
Minority interest	20	--	20	10	--	10
Net income (loss)	\$ 511	\$ --	\$ 511	\$ 387	\$ (6)	\$ 381
Weighted average diluted shares			395.6			396.8
Net income per diluted share			\$ 1.29			\$ 0.96

	Twelve-months ended December 31, 2002			Twelve-months ended December 31, 2001		
	Excluding non- recurring items	Non- recurring items	Reported total	Excluding non- recurring items	Non- recurring items	Reported total
Net sales	\$ 16,332	\$ --	\$ 16,332	\$ 16,054	\$ --	\$ 16,054
Operating expenses						
Cost of sales	8,375	121	8,496	8,477	272	8,749

Selling, general and admini- strative expenses	3,643	77	3,720	3,736	300	4,036
Research, development and related expenses	1,066	4	1,070	1,064	20	1,084
Other expense						
(income)	--	--	--	--	(88)	(88)
Total	13,084	202	13,286	13,277	504	13,781
Operating income (loss)	3,248	(202)	3,046	2,777	(504)	2,273
Interest expense and (income), net	41	--	41	87	--	87
Income (loss) before income taxes and minority interest	3,207	(202)	3,005	2,690	(504)	2,186
Provision (benefit) for income taxes	1,042	(76)	966	886	(184)	702
Effective tax rate	32.5 %	--	32.1 %	32.9 %	--	32.1 %
Minority interest	83	(18)	65	62	(8)	54
Net income (loss)	\$ 2,082	\$ (108)	\$ 1,974	\$ 1,742	\$ (312)	\$ 1,430
Weighted average diluted shares			395.5			399.9
Net income per diluted share			\$ 4.99			\$ 3.58

(Dollars in millions, except per-share amounts)
(Unaudited)

	Dec. 31, 2002	Dec. 31, 2001
ASSETS		
Current assets		
Cash and cash equivalents	\$ 618	\$ 616
Accounts receivable - net	2,527	2,482
Inventories	1,931	2,091
Other current assets	983	1,107
Total current assets	6,059	6,296
Investments	238	275
Property, plant and equipment - net	5,651	5,615
Other assets	3,381	2,420
Total assets	\$ 15,329	\$ 14,606
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Short-term debt	\$ 1,237	\$ 1,373
Accounts payable	945	753
Payroll	411	539
Income taxes	518	596
Other current liabilities	1,346	1,248
Total current liabilities	4,457	4,509
Long-term debt	2,140	1,520
Other liabilities	2,739	2,491
Total liabilities	9,336	8,520
Total stockholders' equity - net	5,993	6,086
Shares outstanding		
December 31, 2002: 390,195,681 shares		
December 31, 2001: 391,303,636 shares		
Total liabilities and stockholders' equity	\$ 15,329	\$ 14,606

3M Company and Subsidiaries

BUSINESS SEGMENTS (Unaudited)

3M's net sales and operating income by segment for the fourth quarter and the twelve-month periods ended December 31, 2002 and 2001 follow. Effective January 1, 2002, the company adopted Emerging Issues Task Force Issue (EITF) No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." This adoption resulted in a reclassification of approximately \$25 million of advertising expenses from selling, general and administrative expenses to net sales for each of the years 1999 through 2001, with no impact on operating income. These adjustments were reflected in the company's Consumer and Office segment.

Effective July 1, 2002, the company also reclassified net sales and operating income for the realignment of certain businesses from Health Care to Consumer and Office. These businesses had net sales of \$118 million

and operating income of \$7 million for total year 2001. This realignment had no impact on total company net sales or operating income.

BUSINESS SEGMENT INFORMATION (Millions)	Three-months ended December 31		Twelve-months ended December 31	
	2002	2001	2002	2001

NET SALES

Transportation, Graphics and Safety	\$ 978	\$ 845	\$ 3,840	\$ 3,526
Health Care	918	865	3,560	3,301
Industrial	812	761	3,225	3,199
Consumer and Office	727	690	2,792	2,817
Electro and Communications	466	469	1,914	2,171
Specialty Material	226	220	953	1,022
Corporate and Unallocated	11	6	48	18
Total Company	\$ 4,138	\$ 3,856	\$ 16,332	\$ 16,054

OPERATING INCOME

Transportation, Graphics and Safety	\$ 222	\$ 150	\$ 915	\$ 695
Health Care	243	214	900	753
Industrial	134	99	563	518
Consumer and Office	126	97	514	454
Electro and Communications	56	29	265	218
Specialty Material	26	22	136	141
Corporate and Unallocated	(11)	(29)	(247)	(506)
Total Company	\$ 796	\$ 582	\$ 3,046	\$ 2,273

First and second quarter 2002 operating income includes non-recurring charges (included in Corporate and Unallocated) of \$54 million and \$148 million, respectively, principally related to employee separation costs, accelerated depreciation charges and other associated exit costs under the company's previously announced restructuring plan. The restructuring costs are not recorded in the individual business segments for internal management reporting purposes. This enhances comparability and reflects management focus on ongoing results.

Non-recurring items negatively impacted total year 2001 operating income by \$504 million. Fourth quarter 2001 non-recurring items (included in Corporate and Unallocated) on a combined basis resulted in a pre-tax charge of \$15 million (\$6 million after-tax, or \$.02 per share). This related to charges in connection with 3M's restructuring plan, a reversal of a 1999 litigation accrual, and a net gain related to the sale of available-for-sale equity securities, partially offset by the write-down of available-for-sale equity securities. Third quarter 2001 operating income includes non-recurring charges of \$69 million (included in Corporate and Unallocated) principally related to employee separation costs and accelerated depreciation charges under the company's restructuring plan. Second quarter 2001 operating income includes non-recurring charges of \$397 million (included in Corporate and Unallocated) principally related to employee separation costs under the same restructuring plan. First quarter 2001 operating income includes non-recurring costs of \$23 million recorded in cost of sales. These first quarter 2001 non-recurring costs (primarily related to acquisitions of inventory that must be recorded at fair market value instead of manufactured cost and the subsequent sale of these acquired inventories) totaled \$10 million in Health Care; \$7 million in Transportation, Graphics and Safety; and \$6 million

in the Electro and Communications segment.

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