

3M Delivers Record Second-Quarter Earnings; Sales Increase 10.1 Percent to \$4.6 Billion, An All-Time High

3M (NYSE:MMM) today announced its sales and earnings results for second quarter 2003.

The company reported net income of \$619 million, or \$1.56 per share, versus \$466 million, or \$1.18 per share, in the second quarter of 2002. Excluding special items(a) in the second quarter of 2002, net income increased 14.8 percent from \$539 million last year, and earnings per share increased 14.7 percent from \$1.36 per share in last year's second quarter.

"Clearly, it is prudent to maintain a cautious outlook on global economic growth and to gear our plans accordingly"

"Our employees did a terrific job in the second quarter," said W. James McNerney, Jr., 3M chairman and CEO. "Sales reached an all-time high, and both net income and earnings per share were the highest of any second quarter in 3M's 100-year-plus history. Our corporate initiatives -- aimed at driving higher top-line growth, productivity and free cash flow -- are making a real difference in 2003."

Worldwide sales in the second quarter totaled \$4.580 billion, 10.1 percent higher than in the year-earlier quarter. Sales volumes increased 5.6 percent, including a positive 1.8 percent impact from acquisitions. Volumes increased 21.9 percent in Display and Graphics (includes 9 percent from acquisitions), 11.0 percent in Safety, Security and Protection Services, 7.1 percent in Transportation, 5.6 percent in Health Care, 3.0 percent in Consumer and Office and 0.1 percent in Industrial. Volumes declined 6.8 percent in Electro and Communications. Currency effects increased worldwide sales by 4.6 percent while selling prices were down 0.1 percent.

Sales outside the United States totaled \$2.655 billion, up 16.9 percent compared to the second quarter of 2002. Volumes increased 8.5 percent, while selling prices declined 0.1 percent. Changes in the value of the U.S. dollar increased international sales by 8.5 percent. Volumes increased almost 18 percent in Asia Pacific driven by a 7 percent increase in Japan and a 28 percent increase in the rest of the region. Volumes increased 9.7 percent in Latin America and 0.6 percent in Europe. In the United States, sales totaled \$1.925 billion, up 1.9 percent from the same quarter of 2002. Volumes increased 2.1 percent, while selling prices declined 0.2 percent.

"Clearly, it is prudent to maintain a cautious outlook on global economic growth and to gear our plans accordingly," McNerney said. "At the same time, we remain confident in our ability to improve every aspect of our company. By driving higher and sustainable sales growth, extending productivity improvements and generating cash flow to fuel growth, 3M can continue to deliver high-quality results into the future."

3M also increased its earnings outlook for 2003. For the year, the company now expects reported earnings will be within a range of \$5.75 to \$5.90 per share. Excluding special items(a), 3M expects 2003 earnings to be between \$5.90 and \$6.05 per share. Third-quarter earnings are expected to be in the range of \$1.56 to \$1.60 per share.

Patrick D. Campbell, senior vice president and chief financial officer, will conduct an investor teleconference at 9 a.m. Eastern Time (8 a.m. Central) today. Investors can access a webcast of this conference, along with related charts and materials, at <http://investor.3M.com>.

(a) During the second quarter of 2002, under its previously announced restructuring plan, 3M incurred pretax charges of \$148 million (\$73 million after-tax) primarily related to employee separation costs and accelerated

depreciation charges. The company incurred similar charges in the first quarter of 2002 that totaled \$54 million pre-tax (\$35 million after-tax). As previously announced by 3M on March 26, 2003, a court issued an adverse ruling associated with a lawsuit filed against 3M in 1997 by LePage's Inc. During the first quarter of 2003, 3M recorded pretax charges of \$93 million (\$58 million after-tax) related to this proceeding.

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 consumer and office; display and graphics; electronics and telecommunications; health care; industrial; safety, security and protection services; transportation and other businesses. Headquartered in St. Paul, Minnesota, the company has operations in more than 60 countries and serves customers in nearly 200 countries. 3M 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/profile/pressbox/index.jhtml.

3M Company and Subsidiaries

SALES CHANGE ANALYSIS

(Unaudited)

Second-Quarter 2003

	Worldwide	U.S.	Intl.
Volume - core	3.8 %	0.4 %	6.6 %
Volume - acquisitions and divestitures	1.8	1.7	1.9
Price	(0.1)	(0.2)	(0.1)
Translation	4.6	--	8.5
Total	10.1 %	1.9 %	16.9 %

Six-Months 2003

	Worldwide	U.S.	Intl.
Volume - core	3.6 %	0.0 %	6.7 %
Volume - acquisitions and divestitures	1.9	1.7	2.0
Price	(0.1)	(0.3)	0.1

Translation	5.1	--	9.4
Total	10.5	% 1.4	% 18.2%

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

	Three- months ended June 30		Six-months ended June 30	
	2003	2002	2003	2002
Net sales	\$ 4,580	\$ 4,161	\$ 8,898	\$ 8,051
Operating expenses				
Cost of sales	2,323	2,231	4,534	4,267
Selling, general and administrative expenses	1,021	975	1,984	1,852
Research, development and related expenses	276	269	546	533
Other expense	--	--	93	--
Total	3,620	3,475	7,157	6,652
Operating income	960	686	1,741	1,399
Interest expense and income				
Interest expense	24	20	47	39
Interest income	(5)	(9)	(11)	(18)
Total	19	11	36	21
Income before income taxes and minority interest	941	675	1,705	1,378
Provision for income taxes	310	210	558	437
Minority interest	12	(1)	26	23
Net income	\$ 619	\$ 466	\$ 1,121	\$ 918
Weighted average common shares outstanding - basic	390.9	390.0	390.5	390.0
Earnings per share - basic	\$ 1.58	\$ 1.19	\$ 2.87	\$ 2.35
Weighted average common shares outstanding - diluted	396.2	396.1	395.7	395.7
Earnings per share - diluted	\$ 1.56	\$ 1.18	\$ 2.83	\$ 2.32
Cash dividends paid per common share	\$ 0.66	\$ 0.62	\$ 1.32	\$ 1.24

(Dollars in millions, except per-share amounts)

	Three-months ended June 30, 2003			Three-months ended June 30, 2002		
	Excluding Special items	Special items	Reported total	Excluding special items	Special items	Reported total
Net sales	\$4,580	\$ --	\$4,580	\$4,161	\$--	\$4,161
Operating expenses						
Cost of sales	2,323	--	2,323	2,140	91	2,231
Selling, general and administrative expenses	1,021	--	1,021	919	56	975
Research, development and related expenses	276	--	276	268	1	269
Total	3,620	--	3,620	3,327	148	3,475
Operating income (loss)	960	--	960	834	(148)	686
Interest expense and (income), net	19	--	19	11	--	11
Income (loss) before income taxes and minority interest	941	--	941	823	(148)	675
Provision (benefit) for income taxes	310	--	310	267	(57)	210
Effective tax rate	33.0 %		33.0 %	32.5 %		31.2 %
Minority interest	12	--	12	17	(18)	(1)
Net income (loss)	\$619	\$ --	\$619	\$539	\$(73)	\$466
Weighted average diluted shares	396.2	--	396.2	396.1	396.1	396.1
Net income per diluted share	\$1.56	\$ --	\$1.56	\$1.36	\$(0.18)	\$1.18

3M Company and Subsidiaries

Supplemental Unaudited Consolidated Statement of Income Information

(Dollars in millions, except per-share amounts)

	Six-months ended June 30, 2003			Six-months ended June 30, 2002		
	Excluding special items	Special items	Reported total	Excluding special items	Special items	Reported total

Net sales	\$ 8,898	\$--	\$ 8,898	\$ 8,051	\$--	\$ 8,051
Operating expenses						
Cost of sales	4,534	--	4,534	4,146	121	4,267
Selling, general and administrative expenses	1,984	--	1,984	1,775	77	1,852
Research, development and related expenses	546	--	546	529	4	533
Other expense	--	93	93	--	--	--
Total	7,064	93	7,157	6,450	202	6,652
Operating income (loss)	1,834	(93)	1,741	1,601	(202)	1,399
Interest expense and (income), net	36	--	36	21	--	21
Income (loss) before income taxes and minority interest	1,798	(93)	1,705	1,580	(202)	1,378
Provision (benefit) for income taxes	593	(35)	558	513	(76)	437
Effective tax rate	33.0%	--	32.8%	32.5%	--	31.7%
Minority interest	26	--	26	41	(18)	23
Net income (loss)	\$ 1,179	\$(58)	\$ 1,121	\$ 1,026	\$(108)	\$ 918
Weighted average diluted shares	395.7	395.7	395.7	395.7	395.7	395.7
Net income per diluted share	\$ 2.98	\$(0.15)	\$ 2.83	\$ 2.59	\$(0.27)	\$ 2.32

3M Company and Subsidiaries
CONSOLIDATED BALANCE SHEET
(Dollars in millions, except per-share amounts)
(Unaudited)

	Jun. 30, 2003	Jun. 30, 2002	Dec. 31, 2002
ASSETS			
Current assets			
Cash and cash equivalents	\$974	\$665	\$618
Accounts receivable - net	2,771	2,795	2,527
Inventories	1,990	1,998	1,931
Other current assets	1,302	1,165	983
Total current assets	7,037	6,623	6,059
Investments	233	250	238
Property, plant and equipment - net	5,555	5,552	5,621
Other assets	3,741	2,536	3,411

Total assets	\$16,566	\$14,961	\$15,329
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short-term debt	\$1,059	\$806	\$1,237
Accounts payable	972	835	945
Payroll	438	476	411
Income taxes	813	678	518
Other current liabilities	1,545	1,391	1,346
Total current liabilities	4,827	4,186	4,457
Long-term debt	1,962	1,838	2,140
Other liabilities	2,822	2,557	2,739
Total liabilities	9,611	8,581	9,336
Total stockholders' equity - net	6,955	6,380	5,993
Shares outstanding			
June 30, 2003: 391,503,430 shares			
June 30, 2002: 390,014,808 shares			
December 31, 2002: 390,195,681 shares			
Total liabilities and stockholders' equity	\$16,566	\$14,961	\$15,329

3M Company and Subsidiaries
BUSINESS SEGMENTS
(Unaudited)

BUSINESS

SEGMENT INFORMATION (Millions)	Three-months ended		Six-months ended	
	June 30 2003	2002	June 30 2003	2002
NET SALES				
Health Care	\$ 1,017	\$ 896	\$ 1,963	\$ 1,741
Industrial	838	804	1,659	1,557
Consumer and Office	637	602	1,249	1,171
Display and Graphics	719	582	1,380	1,087
Electro and Communications	458	479	892	923
Safety, Security and Protection				
Services	518	445	976	858
Transportation	383	339	764	688
Corporate and Unallocated	10	14	15	26
Total Company	\$ 4,580	\$ 4,161	\$ 8,898	\$ 8,051

OPERATING INCOME

Health Care	\$ 263	\$ 213	\$ 501	\$ 433
Industrial	102	131	234	242
Consumer and Office	108	108	218	213
Display and Graphics	209	146	391	263
Electro and Communications	71	79	118	131
Safety, Security and Protection				
Services	131	92	236	178
Transportation	95	80	195	165
Corporate and Unallocated	(19)	(163)	(152)	(226)
Total Company	\$ 960	\$ 686	\$ 1,741	\$ 1,399

As previously announced by 3M on March 26, 2003, a court issued an adverse ruling associated with a lawsuit filed against 3M in 1997 by LePage's Inc. During the first quarter of 2003, 3M recorded pretax charges of \$93 million related to this proceeding (recorded in Corporate and Unallocated). During the second quarter of 2002, under its previously announced restructuring plan, 3M incurred pretax charges of \$148 million primarily related to employee separation costs and accelerated depreciation charges. The company incurred similar charges in the first quarter of 2002 that totaled \$54 million pre-tax. These 2002 charges were recorded in Corporate and Unallocated.

3M, St. Paul
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<https://news.3m.com/2003-07-21-3M-Delivers-Record-Second-Quarter-Earnings-Sales-Increase-10-1-Percent-to-4-6-Billion,-An-All-Time-High>