

3M Delivers Second-Quarter Sales of \$7.8 Billion and Earnings of \$2.58 per Share; Company Updates Its 2017 Outlook

Second-Quarter Highlights:

Sales of \$7.8 billion, up 1.9 percent; organic local-currency growth of 3.5 percent with positive growth across all five business groups

GAAP EPS of \$2.58, up 24.0 percent year-on-year; includes \$0.33 benefit from divestiture gains net of strategic investments

Returned \$1.2 billion to shareholders via dividends and gross share repurchases

Updated 2017 full-year outlook: GAAP EPS of \$8.80 to \$9.05 versus \$8.70 to \$9.05, previously

3M (NYSE: MMM) today reported second-quarter earnings of \$2.58 per share, an increase of 24.0 percent versus the second quarter of 2016. Sales were \$7.8 billion, up 1.9 percent year-on-year in dollar terms. Organic local-currency sales increased 3.5 percent while divestitures reduced sales by 1.0 percent. Foreign currency translation decreased sales by 0.6 percent year-on-year.

Operating income was \$2.2 billion and operating income margin for the quarter was 28.0 percent, up 3.6 percentage points year-on-year. This result includes a net benefit of \$273 million, which is comprised of divestiture gains of \$451 million (net of lost operating income), partially offset by \$178 million of incremental investments in accelerated growth programs, productivity and portfolio actions. Second-quarter net income was \$1.6 billion, up 22.6 percent. The company's operating cash flow was \$1.6 billion, contributing to conversion of 85 percent of net income to free cash flow, as referenced in the "Supplemental Financial Information Non-GAAP Measures" section.

3M paid \$701 million in cash dividends to shareholders and repurchased \$494 million of its own shares during the quarter.

Total sales grew 7.5 percent in Electronics and Energy, 2.5 percent in Industrial, 1.8 percent in Health Care, and 0.5 percent in Consumer; total sales declined 0.9 percent in Safety and Graphics. Organic local-currency sales increased 8.4 percent in Electronics and Energy, 3.8 percent in Industrial, 3.2 percent in Safety and Graphics, 2.5 percent in Health Care, and 0.7 percent in Consumer.

On a geographic basis, total sales grew 8.3 percent in Asia Pacific, 2.5 percent in Latin America/Canada, and 0.5 percent in the U.S.; total sales declined 3.6 percent in EMEA (Europe, Middle East and Africa). Organic local-currency sales increased 10.0 percent in Asia Pacific, 3.7 percent in Latin America/Canada, and 1.9 percent in the U.S.; organic local-currency sales declined 1.6 percent in EMEA.

"Our team posted another quarter of strong and broad-based organic growth, which included positive growth across all five of our business groups," said Inge G. Thulin, 3M chairman, president and chief executive officer. "We also continued to deliver premium margins and returns, while accelerating investments to support growth and strengthen the portfolio – which is part of our playbook to build an even stronger and more competitive 3M."

Coming off a strong first half of the year, 3M updated its guidance for 2017. The company now forecasts organic local-currency sales growth to be 3 to 5 percent, up from previous guidance of 2 to 5 percent. 3M expects earnings in the range of \$8.80 to \$9.05 per share – up 8 to 11 percent year-on-year – versus a prior expectation of \$8.70 to \$9.05.

Second-Quarter Business Group Discussion

Industrial

Sales of \$2.7 billion, up 2.5 percent in U.S. dollars. Organic local-currency sales increased 3.8 percent, foreign currency translation reduced sales by 0.7 percent and divestitures reduced sales by an additional 0.6 percent. On an organic local-currency basis:

Sales growth led by advanced materials, automotive and aerospace solutions, and industrial adhesives and tapes; separation and purification sciences declined.

Sales grew in all geographic areas led by Asia Pacific and the U.S.

Operating income was \$523 million, a decrease of 15.6 percent year-on-year; operating margin of 19.2 percent.

Safety and Graphics

Sales of \$1.5 billion, down 0.9 percent in U.S. dollars. Organic local-currency sales increased 3.2 percent, while foreign currency translation reduced sales by 0.7 percent and divestitures decreased sales by 3.4 percent. On an organic local-currency basis:

Sales increased in personal safety, were flat in commercial solutions, and declined in transportation safety and roofing granules.

Sales grew in all geographic areas led by Asia Pacific and Latin America/Canada.

Operating income was \$852 million, up 102.0 percent year-on-year, reflecting divestiture gains of \$451 million (net of lost operating income); operating margin of 55.1 percent.

Health Care

Sales of \$1.4 billion, up 1.8 percent in U.S. dollars. Organic local-currency sales increased 2.5 percent and foreign currency translation reduced sales by 0.7 percent.

On an organic local-currency basis:

Sales grew in drug delivery systems, food safety, and medical consumables; oral care was flat.

Sales increased in Latin America/Canada, Asia Pacific, and the U.S.; declined in EMEA.

Operating income was \$412 million, a decrease of 10.6 percent year-on-year; operating margin of 28.6 percent.

Electronics and Energy

Sales of \$1.2 billion, up 7.5 percent in U.S. dollars. Organic local-currency sales increased 8.4 percent, foreign currency translation reduced sales by 0.5 percent and divestitures decreased sales by 0.4 percent.

On an organic local-currency basis:

Electronics-related sales were up 15 percent with growth in both electronics materials solutions, and display materials and systems; energy-related sales declined 3 percent, with electrical markets flat, while telecom declined.

Sales grew in Asia Pacific and Latin America/Canada; U.S. was flat; EMEA declined.

Operating income was \$301 million, an increase of 38.8 percent year-on-year; operating margin of 24.8 percent.

Consumer

Sales of \$1.1 billion, up 0.5 percent in U.S. dollars. Organic local-currency sales increased 0.7 percent and foreign currency translation decreased sales by 0.2 percent.

On an organic local-currency basis:

Sales grew in home improvement, home care and consumer health care; stationery and office declined.

Sales grew in Asia Pacific and Latin America/Canada; declined in the U.S. and EMEA.

Operating income was \$195 million, down 30.4 percent year-on-year; operating margin of 17.2 percent.

3M will conduct an investor teleconference at 9:00 a.m. EDT (8:00 a.m. CDT) today. Investors can access this conference via the following:

Live webcast at <http://investors.3M.com>.

Live telephone:

Call 800-762-2596 within the U.S. or +1 212-231-2916 outside the U.S. Please join the call at least 10 minutes before the start time.

Webcast replay:

Go to 3M's Investor Relations website at <http://investors.3M.com> and click on "Quarterly Earnings."

Telephone replay:

Call 800-633-8284 within the U.S. or +1 402-977-9140 outside the U.S. (for both U.S. and outside the U.S., the access code is 21841623). The telephone replay will be available until 11:30 a.m. EDT (10:30 a.m. CDT) on July 30, 2017.

Forward-Looking Statements

This news release contains forward-looking information about 3M's financial results and estimates and business prospects that involve substantial risks and uncertainties. You can identify these statements by the use of words such as "anticipate," "estimate," "expect," "aim," "project," "intend," "plan," "believe," "will," "should," "could," "target," "forecast" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance or business plans or prospects. Among the factors that could cause actual results to differ materially are the following: (1) worldwide economic, political, and capital markets conditions and other factors beyond the Company's control, including natural and other disasters or climate change affecting the operations of the Company or its customers and suppliers; (2) the Company's credit ratings and its cost of capital; (3) competitive conditions and customer preferences; (4) foreign currency exchange rates and fluctuations in those rates; (5) the timing and market acceptance of new product offerings; (6) the availability and cost of purchased components, compounds, raw materials and energy (including oil and natural gas and their derivatives) due to shortages, increased demand or supply interruptions (including those caused by natural and other disasters and other events); (7) the impact of acquisitions, strategic alliances, divestitures, and other unusual events resulting from portfolio management actions and other evolving business strategies, and possible organizational restructuring; (8) generating fewer productivity improvements than estimated; (9) unanticipated problems or delays with the phased implementation of a global enterprise resource planning (ERP) system, or security breaches and other disruptions to the Company's information technology infrastructure; (10) financial market risks that may affect the Company's funding obligations under defined benefit pension and postretirement plans; and (11) legal proceedings, including significant developments that could occur in the legal and regulatory proceedings described in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2016, and any subsequent quarterly reports on Form 10-Q (the "Reports"). Changes in such assumptions or factors could produce significantly different results. A further description of these factors is located in the Reports under "Cautionary Note Concerning Factors That May Affect Future Results" and "Risk Factors" in Part I, Items 1 and 1A (Annual Report) and in Part I, Item 2 and Part II, Item 1A (Quarterly Reports). The information contained in this news release is as of the date indicated. The Company assumes no obligation to update any forward-looking statements contained in this news release as a result of new information or future events or developments.

3M Company and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

(Millions, except per-share amounts)

(Unaudited)

Three months

	ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Net sales	\$ 7,810	\$ 7,662	\$ 15,495	\$ 15,071
Operating expenses				
Cost of sales	4,007	3,799	7,876	7,477
Selling, general and administrative expenses	1,607	1,560	3,207	3,093
Research, development and related expenses	473	437	944	887
Gain on sale of businesses	(461)	—	(490)	(40)
Total operating expenses	5,626	5,796	11,537	11,417
Operating income	2,184	1,866	3,958	3,654
Interest expense and income				
Interest expense	54	38	99	85
Interest income	(12)	(7)	(20)	(12)
Total interest expense – net	42	31	79	73
Income before income taxes	2,142	1,835	3,879	3,581
Provision for income taxes	557	542	968	1,010
Net income including noncontrolling interest	\$ 1,585	\$ 1,293	\$ 2,911	\$ 2,571
Less: Net income attributable to noncontrolling interest	2	2	5	5
Net income attributable to 3M	\$ 1,583	\$ 1,291	\$ 2,906	\$ 2,566
Weighted average 3M common shares outstanding – basic	598.1	606.9	598.1	607.2
Earnings per share attributable to 3M common shareholders – basic	\$ 2.65	\$ 2.13	\$ 4.86	\$ 4.23
Weighted average 3M common shares outstanding – diluted	612.8	620.9	612.4	621.1
Earnings per share attributable to 3M common shareholders – diluted	\$ 2.58	\$ 2.08	\$ 4.74	\$ 4.13
Cash dividends paid per 3M common share	\$ 1.175	\$ 1.11	\$ 2.35	\$ 2.22

3M Company and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEET (Dollars in millions)

(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,654	\$ 2,398

Marketable securities – current	140	280
Accounts receivable – net	4,919	4,392
Inventories	3,838	3,385
Other current assets	1,090	1,271
Total current assets	12,641	11,726
Marketable securities – non-current	17	17
Investments	137	128
Property, plant and equipment – net	8,566	8,516
Goodwill and intangible assets – net	11,306	11,486
Other assets	1,290	1,033
Total assets	\$ 33,957	\$ 32,906

LIABILITIES AND EQUITY

Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 213	\$ 972
Accounts payable	1,782	1,798
Accrued payroll	666	678
Accrued income taxes	432	299
Other current liabilities	2,604	2,472
Total current liabilities	5,697	6,219
Long-term debt	11,088	10,678
Other liabilities	5,528	5,666
Total liabilities	\$ 22,313	\$ 22,563
Total equity	\$ 11,644	\$ 10,343
Shares outstanding		
June 30, 2017: 596,767,147 shares		
December 31, 2016: 596,726,278 shares		
Total liabilities and equity	\$ 33,957	\$ 32,906

3M Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Six months ended June 30,	
	2017	2016
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$2,630	\$2,545
Cash flows from investing activities:		
Purchases of property, plant and equipment	(589)	(637)
Acquisitions, net of cash acquired	—	(4)
Purchases and proceeds from sale or maturities of marketable securities and investments – net	136	(61)
Proceeds from sale of businesses, net of cash sold	862	56
Other investing activities	18	16
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	427	(630)
Cash flows from financing activities:		

Change in debt	(763)	775
Purchases of treasury stock	(1,184)	(2,055)
Proceeds from issuances of treasury stock pursuant to stock option and benefit plans	496	612
Dividends paid to shareholders	(1,403)	(1,344)
Other financing activities	(2)	(16)
NET CASH USED IN FINANCING ACTIVITIES	(2,856)	(2,028)
Effect of exchange rate changes on cash and cash equivalents	55	3
Net increase (decrease) in cash and cash equivalents	256	(110)
Cash and cash equivalents at beginning of year	2,398	1,798
Cash and cash equivalents at end of period	\$2,654	\$1,688

3M Company and Subsidiaries

SUPPLEMENTAL FINANCIAL INFORMATION

NON-GAAP MEASURES

(Dollars in millions, except full-year 2017 forecast)

(Unaudited)

Major GAAP Cash Flow Categories	Three months ended		Six months ended		
	June 30, 2017	2016	June 30, 2017	2016	
Net cash provided by operating activities	\$1,642	\$1,285	\$2,630	\$2,545	
Net cash provided by (used in) investing activities	517	(350)	427	(630)	
Net cash used in financing activities	(1,705)	(602)	(2,856)	(2,028)	
Free Cash Flow (non-GAAP measure)					Full-Year 2017 Forecast (Billions)
Net cash provided by operating activities	\$1,642	\$1,285	\$2,630	\$2,545	\$6.3 to \$7.0
Purchases of property, plant and equipment	(302)	(323)	(589)	(637)	\$1.3 to \$1.5
Free cash flow (a)	1,340	962	2,041	1,908	\$5.0 to \$5.5
Net income attributable to 3M	\$1,583	\$1,291	\$2,906	\$2,566	\$5.3 to \$5.5
Free cash flow conversion (a)	85 %	75 %	70 %	74 %	95% to 100%

Free cash flow and free cash flow conversion are not defined under U.S. generally accepted accounting principles (GAAP). Therefore, they should not be considered a substitute for income or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to similarly titled measures used by

- other companies. The Company defines free cash flow as net cash provided by operating activities less purchases of property, plant and equipment. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. The Company defines free cash flow conversion as free cash flow divided by net income attributable to 3M. The Company believes free cash flow and free cash flow conversion are meaningful to investors as they function as useful measures of performance and the Company uses these measures as an indication of the strength of the company and its ability to generate cash.
- (a)

	June 30, 2017	December 31, 2016
Net Debt (non-GAAP measure)		
Total debt	\$ 11,301	\$ 11,650
Less: Cash and cash equivalents and marketable securities	2,811	2,695
Net debt (b)	\$ 8,490	\$ 8,955

- Net debt is not defined under U.S. GAAP and may not be computed the same as similarly titled measures used by other companies. The Company defines net debt as total debt less the total of cash, cash equivalents and current and long-term marketable securities. 3M believes net debt is meaningful to investors as 3M considers net debt and its components to be an important indicator of liquidity and a guiding measure of capital structure strategy.
- (b)

3M Company and Subsidiaries

SALES CHANGE ANALYSIS (c) (Unaudited)

Sales Change Analysis By Geographic Area	Three months ended June 30, 2017							
	United States	Asia- Pacific	Europe, Middle East and Africa	Latin America/ Canada	World- Wide			
Volume - organic	2.3 %	10.7 %	(2.0)	3.5 %	3.8 %			
Price	(0.4)	(0.7)	0.4	0.2	(0.3)			
Organic local-currency sales	1.9	10.0	(1.6)	3.7	3.5			
Divestitures	(1.4)	(0.4)	(0.8)	(1.3)	(1.0)			
Translation	—	(1.3)	(1.2)	0.1	(0.6)			
Total sales change	0.5 %	8.3 %	(3.6)	2.5 %	1.9 %			

Worldwide Sales Change Analysis By Business Segment	Three months ended June 30, 2017							
	Organic local- currency sales	Divestitures	Translation	Total sales change				
Industrial	3.8 %	(0.6)	(0.7)	2.5 %				
Safety and Graphics	3.2 %	(3.4)	(0.7)	(0.9)				
Health Care	2.5 %	—	(0.7)	1.8 %				

Electronics and Energy	8.4	% (0.4) % (0.5) % 7.5	%
Consumer	0.7	% —	% (0.2) % 0.5	%
Total Company	3.5	% (1.0) % (0.6) % 1.9	%

Six months ended June 30, 2017

Sales Change Analysis By Geographic Area	United States	Asia- Pacific	Europe, Middle East and Africa	Latin America/ Canada	World- Wide
Volume – organic	1.9	% 10.4	% 0.6	% 2.1	% 4.1
Price	(0.3)	(0.4)	0.4	1.0	(0.1)
Organic local-currency sales	1.6	10.0	1.0	3.1	4.0
Divestitures	(1.1)	(0.2)	(0.4)	(0.9)	(0.7)
Translation	—	(0.7)	(2.5)	2.1	(0.5)
Total sales change	0.5	% 9.1	% (1.9)	% 4.3	% 2.8

Six months ended June 30, 2017

Worldwide Sales Change Analysis By Business Segment	Organic local- currency sales	Divestitures	Translation	Total sales change
Industrial	4.8	% (0.7)	% (0.7)	% 3.4
Safety and Graphics	4.0	% (2.1)	% (0.7)	% 1.2
Health Care	2.8	% —	% (0.7)	% 2.1
Electronics and Energy	10.0	% (0.3)	% (0.4)	% 9.3
Consumer	(0.3)	% —	% 0.2	% (0.1)
Total Company	4.0	% (0.7)	% (0.5)	% 2.8

Total sales change is calculated based on reported sales results. The components of sales change include organic local-currency sales, acquisitions, divestitures, and translation. Organic local-currency sales includes (c) both organic volume impacts (which excludes acquisition and divestiture impacts), plus selling price changes. Acquisition and divestiture impacts are measured separately for the first 12 months post-transaction.

3M Company and Subsidiaries

BUSINESS SEGMENTS

(Dollars in millions)

(Unaudited)

Effective in the first quarter of 2017, as part of 3M's continuing effort to improve the alignment of its businesses around markets and customers the Company made the following changes:

1. Integrated the former Renewable Energy Division into existing divisions;
2. Combined two divisions to form the Automotive and Aerospace Solutions Division; and
3. Consolidated U.S. customer account activity - impacting dual credit reporting.

Integration of former Renewable Energy Division

The (a) solar and wind and (b) energy product lines (along with certain technology previously included in Corporate and Unallocated) of the former Renewable Energy Division (RED) were integrated into the existing

Electrical Markets Division and Electronics Materials and Solutions Division, respectively, within the Electronics and Energy business segment. In addition, the former RED's window film products were moved into the Commercial Solutions Division within the Safety and Graphics business segment. This change resulted in a decrease in previously reported net sales and operating income for total year 2016 of \$203 million and \$38 million, respectively, in the Electronics and Energy segment. These decreases were offset by a \$207 million and \$29 million increase in previously reported total year 2016 net sales and operating income, respectively, in the Safety and Graphics business segment and a \$4 million decrease and \$9 million increase in previously reported net sales and operating income, respectively, in Corporate and Unallocated.

Creation of Automotive and Aerospace Solutions Division

The former Automotive Division and Aerospace and Commercial Transportation Division (both within the Industrial business segment) were combined to create the Automotive and Aerospace Solutions Division. Because this realignment was within the Industrial business segment, it had no impact on business segment reporting.

Consolidation of U.S. customer account activity - impacting dual credit reporting

The Company consolidated its customer account activity in the U.S. into more centralized sales districts to better serve customers. As discussed further below, 3M business segment reporting measures include dual credit to business segments for certain U.S. sales and related operating income. This dual credit is based on which business segment provides customer account activity ("sales district") with respect to a particular product sold in the U.S. Previously, a customer in the U.S. may have been aligned to several sales districts associated with multiple divisions or segments based on the individual products the customer purchased across 3M's portfolio. The alignment of U.S. customer accounts to fewer, more focused sales districts therefore changed the attribution of dual credit across 3M's business segments. As a result, previously reported aggregate business segment net sales and operating income for total year 2016 increased \$163 million and \$36 million, respectively, offset by similar increases in the elimination of dual credit net sales and operating income amounts.

The financial information presented herein reflects the impact of the preceding product line reporting change between business segments for all periods presented. Refer to 3M's Current Report on Form 8-K furnished on March 9, 2017, for additional supplemental unaudited historical business segment net sales and operating income information. In addition, these business segment changes were reflected in 3M's Current Report on Form 8-K dated May 4, 2017, (which updated 3M's 2016 Annual Report on Form 10-K) and 3M's Quarterly Report on Form 10-Q for the period ended March 31, 2017.

BUSINESS SEGMENT INFORMATION	Three months ended		Six months ended	
NET SALES	June 30,		June 30,	
(Millions)	2017	2016	2017	2016
Industrial	\$ 2,720	\$ 2,654	\$ 5,429	\$ 5,253
Safety and Graphics	1,547	1,561	3,074	3,038
Health Care	1,440	1,414	2,863	2,805
Electronics and Energy	1,214	1,129	2,424	2,218
Consumer	1,137	1,130	2,179	2,180
Corporate and Unallocated	2	3	4	3
Elimination of Dual Credit	(250)	(229)	(478)	(426)
Total Company	\$ 7,810	\$ 7,662	\$ 15,495	\$ 15,071

BUSINESS SEGMENT INFORMATION	Three months ended		Six months ended	
OPERATING INCOME	June 30,		June 30,	
(Millions)	2017	2016	2017	2016
Industrial	\$ 523	\$ 620	\$ 1,148	\$ 1,242
Safety and Graphics	852	421	1,251	780

Health Care	412	462	846	919
Electronics and Energy	301	217	526	412
Consumer	195	281	417	519
Corporate and Unallocated	(44)	(84)	(125)	(124)
Elimination of Dual Credit	(55)	(51)	(105)	(94)
Total Company	\$ 2,184	\$ 1,866	\$ 3,958	\$ 3,654

About 3M

At 3M, we apply science in collaborative ways to improve lives daily. With \$30 billion in sales, our 90,000 employees connect with customers all around the world. Learn more about 3M's creative solutions to the world's problems at www.3M.com or on Twitter @3M or @3MNewsroom.

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