



**We are
forever
new.**

At 3M, what's old is new and what's new is new.

For the last 98 years, we've been
inventing and reinventing...
focusing and expanding...
creating new technology platforms...
and developing innovative products
for new and existing markets.

Our spirit of innovation and commitment
to growth put us everywhere you are,
and everywhere you want us to be.

Dear Shareholder:

Thanks to the hard work of thousands of excellent people worldwide, 3M delivered solid results in 2000. Our unique product and global diversity gave us the strength to post solid results despite difficult economic trends in the United States and negative currency impacts.

For many years, we've all been impressed by 3M's broad portfolio of businesses and leading market positions built on technical differentiation. 3M's tremendous international capabilities and vibrant culture continue to deliver innovation on a global scale. And our brand strength is matched in power only by the loyalty of our customer base.

Add to this a deep and dedicated talent pool. And add, even further, a corporate value system that puts mutual respect, environmental safety, and customer and shareholder satisfaction on the front lines every day.

I feel privileged and excited to start 2001 at the helm of this great company. Before I discuss our outlook for the future, let's recap last year's highlights.

2000 RESULTS

3M achieved record sales, net income and earnings per share in 2000. Sales of \$16.7 billion increased more than 6 percent in U.S. dollars and about 9 percent in local currencies.

Earnings per share rose 11.2 percent to \$4.68, excluding non-recurring items. Currency effects reduced our earnings per share by 14 cents, or 3 percent.

Operating income was 18.4 percent of sales, up from a profit margin of 18.1 percent in 1999. Return on invested capital was 19.3 percent, up from 18.6 percent the previous year. All six 3M business segments were again highly profitable.

We continued to grow well internationally. Sales volume grew more than 15 percent, and profit margins exceeded 21 percent. Asia Pacific, Europe and Latin America all achieved double-digit volume growth.

Sales growth was particularly strong in 3M businesses that serve fast-growing, high-tech markets, such as electronics, telecommunications and optical systems. Dynamic, high-growth markets now account for a quarter of 3M's sales.

In 2000, the company experienced one of the highest levels of innovation in our history, generating \$5.6 billion — nearly 35 percent of total sales — from products introduced during the past four years, with over \$1.5 billion of sales coming from products introduced in 2000.

W. James McNerney, Jr.
Chairman of the Board and Chief Executive Officer



WHERE 3M IS GOING

Despite the slowing of the U.S. economy and uncertain economic conditions abroad, we are committed to delivering on our promise of solid earnings growth in 2001. To meet this goal in a challenging global economy, our leadership team has acted quickly and aggressively to reduce costs and sharpen our competitive edge. At the same time, 3M's potential to build on its uniquely strong base is enormous. Each of the following represents a multibillion dollar opportunity over the next few years:

- *Geographic Penetration:* If we just maintain our current rate of improvement in market penetration internationally, we add another \$4 billion to the top line. And we intend to do better.
- *Innovation/New Markets:* 3M's distinguishing strength is its entrepreneurial drive to transform three dozen technology platforms into a constant and consistent new-product flow, providing new solutions for new customers in new markets. Just think of Post-it® Notes and optical products for electronic displays — large product families invented by 3M — to see this potential.
- *Dynamic Growth Products:* Fast-growing markets like health care, telecommunications and electronics represent another multibillion dollar opportunity. Product families like immune response modifiers, interconnect systems and our Filtrete™ Filtration product line progressed well in 2000 and exhibit even greater potential than first envisioned.
- *Business Alliances:* We will aggressively look for acquisitions to accelerate our expansion into high-growth markets, and leverage our global reach and capabilities. Examples announced or completed in 2000 approach a billion dollars in additional annual sales, and include ESPE, in Dental; Quante, in Telecom; MicroTouch, in Optical Systems; and Robinson Nugent, in Interconnect Solutions.

HOW WE WILL GET THERE

In a word, together. 3M has a tremendous opportunity to unify efforts and unleash the full power of its size and scope. We'll use this to our advantage where it makes sense, building on the same values, best practices and standards — while continuing to treat each customer in each market as if they were the only customer we have in the world! Only an enterprise as diverse as 3M has this kind of opportunity, and we have to seize it at

a faster pace. To truly make 3M bigger than the sum of its parts, we're driving several key initiatives across the entire company.

- *Global Products/Local Execution... Everywhere:* Already one of our huge strengths (three-quarters of our top 100 managers have lived outside their home countries for three or more years), we can get even more global in thinking and execution, and our investment and management development will reflect that. The payoff is a superior ability to deliver global technology faster and more pervasively in support of our growth goals.
- *Process Improvement:* Process improvement means nothing if it doesn't lower costs, increase sales, satisfy customers, develop managers, increase cash flow and make the whole organization faster. 3M is quickly moving from multiple quality-management systems within the company to one — Six Sigma. A uniform, companywide approach shared by employees, customers and suppliers will both advance our competitiveness and improve our efficiency.
- *3M Acceleration:* This initiative targets generating even greater returns on our over \$1 billion investment in R&D. The senior management team will be applying Six Sigma tools to drive time out of product development and commercialization cycles. Further, we will work as a team to sharpen our corporate focus on growth areas with the greatest returns for our investors.
- *Increasing e-effectiveness:* Anyone with costs, revenues, suppliers and customers has flirted with the potential of the Internet. We're intent on generating a significant payoff for 3M through what we call "e-productivity." This is another opportunity to use the entire scope and scale of 3M — along with some dogged discipline — to our advantage.
- *Sourcing:* By truly sourcing as one company, we have an opportunity that adds up to hundreds of millions of dollars of cost savings over the next few years. We're already the low-cost producer in key markets, and this initiative will strengthen both our competitiveness and our bottom line.

Today, the people of 3M are pursuing a shared vision of accelerated growth and higher performance, of a company more powerful and more valuable than the sum of its parts, and of a company creating opportunities, delivering innovation and fully realizing its tremendous potential. I'm honored to be part of the team.

TRIBUTE TO DESI

On April 1, 2001, L. D. "Desi" DeSimone retires from 3M, finishing 43 years of service to the company.

Born and raised in Montreal, Desi worked for 3M in Canada, Australia, Brazil and the United States. His experience in leading each of 3M's business segments; his background in engineering, manufacturing and research; and his global business acumen combined to grace him with a broad and visionary perspective.

During his nine years as chairman and CEO, Desi made decisions that consistently strengthened the company. He carefully balanced the interests of all constituencies, including investors, customers, employees and 3M communities. He took a long-term view, investing heavily in R&D and capital improvements, expanding our international reach, and consolidating and boosting 3M's manufacturing capability. Perhaps most importantly, Desi invariably advanced the company's core values of integrity, dignity and innovation.

On behalf of the entire 3M family, I thank Desi for his many years of dedication to our company, and wish him and his family much happiness in the years ahead.



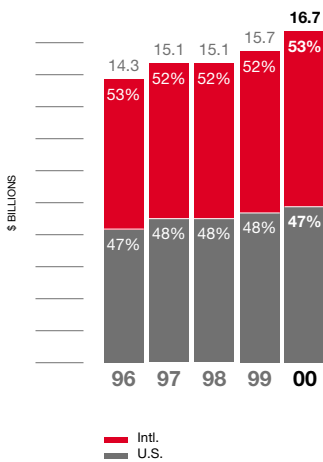
W. James McNerney, Jr.
Chairman of the Board and Chief Executive Officer
February 12, 2001

FINANCIAL HIGHLIGHTS

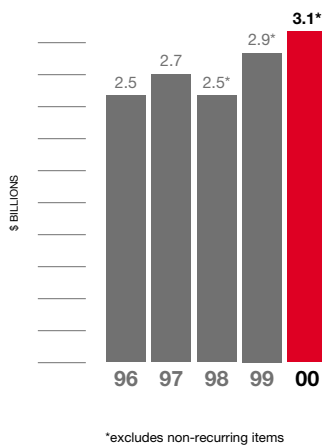
Years ended December 31 (Dollars in millions, except per-share amounts)	2000	1999	% change in U.S. dollars	% change in local currencies
Net sales	\$ 16,724	\$ 15,748	6.2%	8.8%
Operating income	3,081	2,856	7.9%	10.6%
% to sales	18.4%	18.1%		
Net income	\$ 1,872	\$ 1,711	9.4%	12.6%
% to sales	11.2%	10.9%		
Per share – diluted	\$ 4.68	\$ 4.21	11.2%	14.5%
Economic profit	974	855	13.9%	
Return on invested capital	19.3%	18.6%		
Cash dividends per share	\$ 2.32	\$ 2.24	3.6%	

Certain reclassifications have been made to prior-period net sales to conform to the current-year presentation. 2000 excludes non-recurring items that together reduced net income by \$90 million, or 23 cents per diluted share. 1999 excludes non-recurring items that together increased net income by \$52 million, or 13 cents per diluted share.

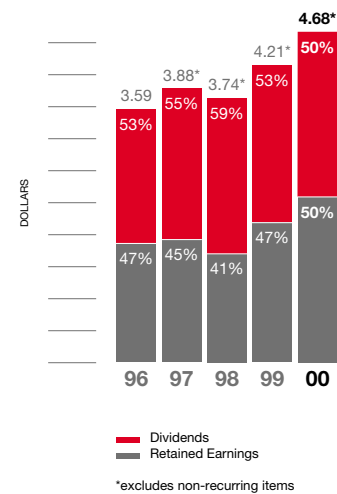
NET SALES



OPERATING INCOME



DILUTED EARNINGS PER SHARE



**At 3M, we're
growing and
innovating**

**our products,
our brands,
our global reach**

through...

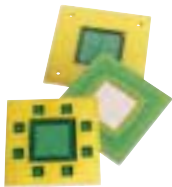


Touch Screens

The world is in your hands! Using touch screens to access computerized information, even small fingers can pull down complex menus and move objects. Touch screens eliminate the need for complex computer keyboards, providing easier access to everything from education and entertainment to shopping, banking, inventory control and hospital patient charting. 3M entered the nearly \$1 billion, rapidly growing touch panel market with the recent acquisitions of Dynapro and MicroTouch Systems Inc. All of which leads us to point fingers at our phenomenal projected sales growth in the touch panel market for the next several years.

forever interacting...

touch screen
displays



Multilayer Interconnects

Faster computers are practically begging for better connections between processors and circuit boards. 3M understands the need for speed. So we're bringing multilayer integrated circuit packages to high-density, high-end computing and telecommunications applications. Made with three to seven layers, our electronic interconnections pick up the pace of processing and transmission of voice, data and video images and rush the flow of information among workstations, servers and telecommunications routers. We're also extending our leadership in flexible circuits for ink-jet printers, hard-disk drives and portable computing devices, as well as in high-speed cabling for data/telecom applications.

connecting...

**high-speed
computing**



Immune Response Modifiers



Doing well can also mean doing good. Take 3M's immune response modifiers (IRMs), for example. An entirely new class of 3M pharmaceuticals, IRMs stimulate the body's immune system to combat certain diseases. Our first approved IRM — Aldara™ (imiquimod) 5% Cream for genital warts — is the leading treatment in its category, and generated sales of about \$70 million in 2000. Phase III clinical trials are planned or under way in three new indications for the IRMs — actinic keratosis and basal cell carcinoma, which are skin diseases caused by sun damage, and genital herpes. These new indications for the IRMs could lead to more than \$1 billion of annual sales by the end of the decade.

caring...

**treatments for
viral diseases**



Digital Library Assistant

Move over Dewey! A hundred years after the decimal system was introduced, libraries are making the quantum leap into the new millennium with 3M's new digital library assistant. This portable, handheld device revolutionizes library organization by helping librarians shelve, sort and search for books more quickly and easily. Advanced radio frequency technology identifies books via a smart tag in the book and a memory card loaded with information from the library's circulation database, and provides audible and visual recognition cues. With sales of this proprietary 3M library management tool growing rapidly, the future's as easy to read as an open book.

organizing...

**library
management**



Electrostatic Filters

Homeowners, breathe easy. 3M's family of high-efficiency furnace filters tackle indoor air pollution with a vengeance. Conventional fiberglass filters protect the furnace, but Filtrete™ Ultra Allergen Reduction Filters can help improve indoor air quality. That's good news, since the U.S. Environmental Protection Agency has identified indoor air pollution as one of the top environmental risks to public health. Particles as small as dust, pollen, mold and smoke are trapped when air passes through the filters' permanently charged electrostatic fibers. The only furnace filter to meet the guidelines of the American Lung Association's Health House Project, the Filtrete filter is as popular as it is efficient.

breathing...

air filters
for the home



Super Strong Tapes

Strong. Durable. Reliable. That's why design and manufacturing engineers around the world trust versatile 3M™ VHB™ Tapes to replace mechanical fasteners in trucks, electronic products, sign manufacturing, office furniture and hundreds of other products. VHB tapes create sleek, seamless connections, while also making finished products lightweight and quiet, with improved efficiency. Customers enjoy savings in equipment, labor and material costs. Soon, we will be introducing a next-generation 3M bonding tape that expands VHB tape applications even further. The possibilities abound.

and adhering

industrial
tapes

3M is in the business of building brands. Our brands are the basis for our relationship with customers. So, we treat each 3M brand as a promise to be kept, as an ambassador that delivers innovation to our most important markets, and as a standard-bearer of superior value. In business terms, our brand portfolio allows us to capture a larger share of customer business, introduce new products more effectively and attract new customers.

Today, our brand portfolio is flourishing, a result of both the creation of new brands and the renewal and extension of time-tested brands. The Scotch® brand, for example, started 75 years ago as masking tape and has evolved through countless innovations — from Magic® brand and “pop-up” tape to satin tape. Meanwhile, the Scotch-Brite® brand continues its household recognition through cleaning products such as scouring pads, sponges and wipes. Another 3M veteran, the 20-year-old Post-it® brand, has grown from yellow notepads to a myriad of products — all of which provide fast, friendly tools for communication and organization.



**forever
building...**

**leveraging our
established brands**

SCOTCH®
TAPES

SCOTCH-BRITE®
CLEANING PRODUCTS

POST-IT®
REPOSITIONABLE PRODUCTS



We've identified 21 potential strategic brands, consisting of both established and newer brands. Each is supported by a rich base of science and technology, and will be developed at a quickened pace. Among our promising new brands are Vikuiti™ Display Enhancement, Volition™ Fiber Optic Network Solutions, Command™ Adhesive and Nexcare™ First-Aid Products.

Of course, the most valuable name in the portfolio is the 3M brand itself. Because 3M is an authority brand with a reputation for quality and trust that is second to none, new brands and products get off to a good start when they're wearing a 3M logo. By continuing to sharpen our brand promise and vision, we're building even greater familiarity worldwide, and further strengthening the 3M brand.



**and
creating**

**establishing
new brands**



Vikuiti™ Display Enhancement

Harnessing the power of light, Vikuiti™ Display Enhancement improves the clarity, intelligibility and impact of electronic displays. Maximizing readability, the brand signals superior performance for laptops, LCD desktop monitors, mobile phones, PDAs and other handheld devices. Launched in 2000, Vikuiti is a bright new brand, beaming the digital world into the next dimension of luminosity.



Volition™ Fiber Optic Network Solutions

With the Volition™ System, the high-speed capacity of fiber optic cabling is available to local area networks at a cost comparable to traditional copper wiring. Schools, hospitals, offices and government facilities worldwide are among institutions using this 3M breakthrough.



Command™ Adhesive

From hooks, cord clips and decorating clips to picture hangers and poster strips, Command™ Adhesive holds firmly and allows removal without damage. A simple stretch of the Command adhesive tab cleanly removes the proprietary 3M adhesive, leaving paint, plaster and tile intact. Your decorating wish is our command!



Nexcare™ Bandages and First-Aid Products

With innovations like colorful Tattoo™ Bandages for kids, the Nexcare™ brand is admired as a pioneer in its category — and has become the number-two name in bandages on retail shelves in the United States. A prime example of how we grow and extend 3M markets, the Nexcare brand brilliantly leverages 3M's strength in hospital products and skin health technologies.

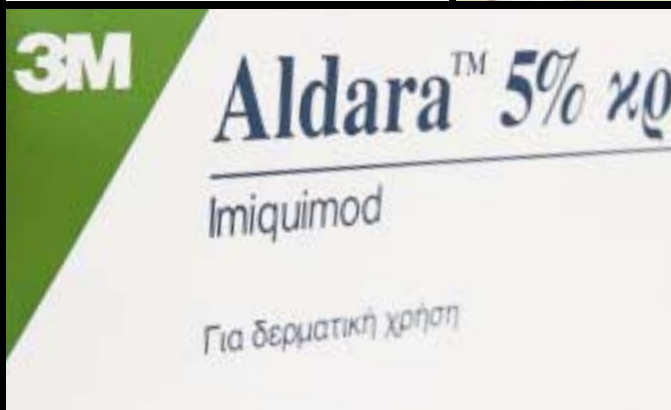
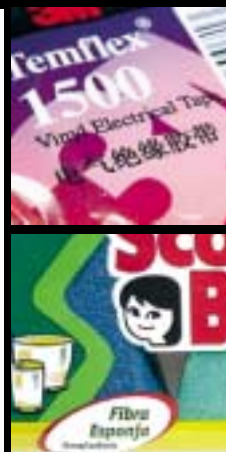
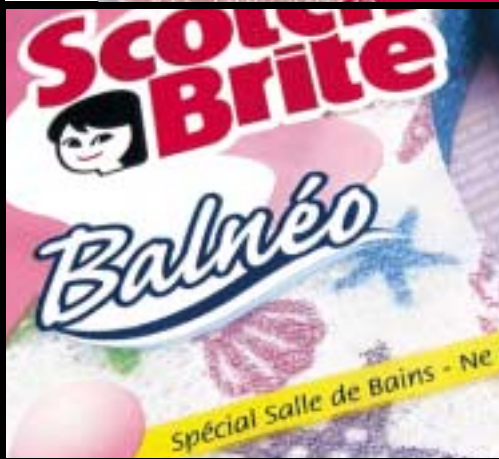
The world is our workplace. With companies in more than 60 countries and representation offices in another 25, we leverage 3M technologies and products across the globe. Our worldwide network of people and facilities meets the needs of local and multinational customers in a wide variety of industries and languages, while adhering to our internal global environmental and business conduct policies.

Internationally, we increased volume more than 15 percent in 2000, with double-digit gains in all major geographic areas. Understanding that international markets remain a large avenue for growth, we continue to increase our technical, manufacturing and sales capabilities anywhere and everywhere there are customers asking for 3M.



**forever
expanding**

**reaching
global markets**



3M



“Hire good people, and leave them alone.” Part radical motto (of former 3M President William L. McKnight) and part realistic management philosophy (of every 3M leader since), this short statement represents the long tradition of trust, innovation and growth on which our company is built. Celebrating our employees’ massive creative power and unbridled productive energy, we cultivate an environment that respects individual and cultural differences and encourages people to grow personally and professionally as they help grow the company. The payoff? More than 500 new 3M products every year — and 75,000 enthusiastic 3M people at work, every day.



**All this works because of
3M people and the customers
they have earned.**

3M At A Glance

BUSINESS SEGMENT

Industrial

WHO WE ARE

3M's Industrial business segment represents some of our original businesses, such as tape, coated and nonwoven abrasives, and specialty adhesives. As industrial brands are continuously transformed through technological innovation, this business segment also aptly represents 3M innovation at work. Industrial now offers the broadest line of products for markets in marine trades, aerospace and automotive aftermarkets. Product applications range from heavy grinding, surface conditioning, microfinishing and micropolishing to packaging systems and electronics manufacturing.

Transportation, Graphics and Safety

Products that enhance worker, public and product safety around the world make up this business segment. Major product lines include advanced reflective materials for traffic and personal safety; graphic films, hardware, software, inks and toners for large-format identity and advertising graphics; anti-counterfeiting films for document and brand protection; optical films and materials for electronic displays; respirators for worker safety; and automotive solutions for car and truck manufacturers worldwide.

Health Care

Our Health Care businesses provide innovative products and technologies that help improve people's health and well-being. 3M holds leading positions in a broad array of market segments — from medical and surgical products to prescription and over-the-counter pharmaceuticals, dental and orthodontic products, health information systems, and technologies for other health care manufacturers. Breakthroughs include translucent orthodontic brackets, as well as the first CFC-free, metered-dose inhalers for the treatment of asthma.

Consumer and Office

Supplying an array of products that help keep homes cleaner, offices organized and buildings maintained, this business segment features some of the world's best-known brands, from Scotch® to Scotch-Brite® and Post-it® to O-Cel-O™. Recent innovations include the Scotch-Brite® High Performance Cleaning Cloth, O-Cel-O™ Sponges with fun designs, and Filtrete™ Ultra Allergen Reduction Filters.

Electro and Communications

3M is a leading supplier of connecting, splicing, insulating and protective products for the telecommunications, electronics and electrical industries. This business segment ensures that our products speed the delivery of information and ideas through innovations such as a local area network fiber optic cabling system, and smaller, lighter, more powerful flexible electronic circuits.

Specialty Material

Our Specialty Material businesses provide high-value materials for demanding applications in telecommunications, chemical processing, automotive and other industries. Innovations include hydrofluoroethers (HFEs) for CFC replacement, liquids and gases for the electronics industry and ultrapure, high-performance fluoropolymers for semiconductor processing.

2000 HIGHLIGHTS

Outpacing market growth with a volume gain of nearly 6 percent, this segment increased profit margins to 18.2 percent, despite negative currency effects. We experienced continued strong growth in precision polishing abrasives for electronics and telecommunications applications, and in products for the marine trades. We maintained leadership in tapes, abrasives and specialty adhesives, while our newly established business organizations maximized 3M opportunities for serving the aerospace, electronics and recreational vehicle markets.

We increased volume 13.5 percent and boosted profit margins to 22.3 percent from 20.9 percent in 1999. Growth was particularly strong in optical films used in computers, personal digital assistants, cell phones and other electronic devices. Our optical films business broadened its horizons with the acquisition of two touch screen companies in 2000 and early 2001. We also achieved good volume gains in automotive, safety and security, and respiratory protection products.

Despite accelerated investments to support large new 3M pharmaceutical opportunities, the Health Care segment strengthened core businesses and maintained profit margins at nearly the 20-percent level. Health information systems reported continued outstanding growth, while our skin health and dental businesses also continued to excel and grow. Divestitures reduced sales by nearly 2.5 percent. In moving to significantly expand our participation in the dental industry, in early 2001 we combined our German dental business with ESPE Dental AG, a leading German supplier of crowns, bridges and other dental products.

A volume gain of 9 percent allowed us to outpace market growth. Among our achievements were posting double-digit volume increases in home improvement and construction-related businesses, and good gains in office and home care products. Our deep relationships with customers, including industry leaders, supported the continued extension of the 3M™, Scotch®, Post-it®, Scotch-Brite® and O-Cel-O™ brands, and bolstered the building of newer brands like Filtrete™ and Command™. In 2000, 3M also confirmed its trademark protection of the canary-yellow color for Post-it® Notes.

We increased volume 35 percent on a reported basis and more than 20 percent excluding acquisitions. Both our electronics and telecommunications businesses achieved strong volume gains. We expanded our industry participation through new-product development, as well as through the acquisition of Quante AG, a German-based telecommunications supplier, and the multilayer integrated circuit packaging line of W. L. Gore and Associates. In early 2001, we also completed the acquisition of Robinson Nugent, a U.S.-based manufacturer of electronic interconnects. Strong customer relationships continue throughout the business segment.

Year 2000 saw an improvement in our operating profit margin to 18.9 percent, versus 15.5 percent in 1999. We benefited from strong demand for 3M™ Novec™ Engineered Fluids and Dyneon™ Fluoroelastomers and other high-performance materials used in the electronics, semiconductor and telecommunications markets. After successfully managing a phaseout of the chemistry used to produce certain 3M repellents and surfactant products, the company has introduced alternatives for some applications and industry segments, including carpet protection, and is working to develop replacement chemistries for some of the other applications.

FINANCIAL HIGHLIGHTS

Industrial

(Millions)	2000	1999	% change in U.S. dollars	% change in local currency
Net sales	\$ 3,525	\$ 3,409	3%	6%
Operating income	\$ 641	\$ 612	5%	
% to sales	18.2%	18.0%		

Transportation, Graphics and Safety

(Millions)	2000	1999	% change in U.S. dollars	% change in local currency
Net sales	\$ 3,518	\$ 3,234	9%	11%
Operating income	\$ 783	\$ 675	16%	
% to sales	22.3%	20.9%		

Health Care

(Millions)	2000	1999	% change in U.S. dollars	% change in local currency
Net sales	\$ 3,135	\$ 3,138	0%	4%
Operating income*	\$ 625	\$ 618	1%	
% to sales	19.9%	19.7%		

* excludes non-recurring items

Consumer and Office

(Millions)	2000	1999	% change in U.S. dollars	% change in local currency
Net sales	\$ 2,848	\$ 2,705	5%	8%
Operating income	\$ 434	\$ 401	8%	
% to sales	15.3%	14.8%		

Electro and Communications

(Millions)	2000	1999	% change in U.S. dollars	% change in local currency
Net sales	\$ 2,467	\$ 2,017	22%	24%
Operating income*	\$ 417	\$ 402	4%	
% to sales	16.9%	19.9%		

* excludes non-recurring items

Specialty Material

(Millions)	2000	1999	% change in U.S. dollars	% change in local currency
Net sales	\$ 1,197	\$ 1,194	0%	3%
Operating income*	\$ 225	\$ 185	22%	
% to sales	18.9%	15.5%		

* excludes non-recurring items

Analysis of Financial Condition and Results of Operations

OPERATING RESULTS

SALES: Sales in 2000 totaled \$16.724 billion, compared with \$15.748 billion in 1999 and \$15.094 billion in 1998. In 2000, volume grew 10 percent, with the stronger U.S. dollar reducing sales by about 2.5 percent. Selling prices declined about 1.5 percent, mainly due to reductions in certain 3M electronic products both in the United States and internationally. In 1999, volume grew 5 percent, with the stronger U.S. dollar reducing sales by about 1 percent.

In the United States, sales in 2000 totaled \$7.858 billion, up 4 percent from 1999. U.S. volume rose about 5 percent. Internationally, sales totaled \$8.866 billion, up 8 percent from 1999. International volume increased 15 percent. The stronger U.S. dollar reduced international sales by 5 percent. In 1999, U.S. sales increased 3 percent. Volume rose 4 percent, while selling prices were down 1 percent. Internationally, sales rose 5 percent. Volume increased 7 percent and selling prices were up 1 percent. The stronger U.S. dollar reduced international sales by 3 percent.

COMPONENTS OF SALES CHANGE						
	2000			1999		
	U.S.	Intl.	W.W.	U.S.	Intl.	W.W.
Volume	5%	15%	10%	4%	7%	5%
Price	(1)	(2)	(1.5)	(1)	1	0
Translation	—	(5)	(2.5)	—	(3)	(1)
Total	4%	8%	6%	3%	5%	4%

NON-RECURRING ITEMS: In 2000, non-recurring items include costs of \$208 million (included in cost of sales) and gains of \$185 million, included in the other expense (income) line within operating income. Non-recurring costs in 2000 include \$168 million of costs in the Specialty Material segment related to the company's phaseout of per-fluorooctanyl-based chemistry products, a \$20 million write-down of corporate and unallocated assets, and \$20 million of other non-recurring

expenses (\$13 million related to acquisitions in the Electro and Communications segment). Major non-cash costs included above are \$73 million of accelerated depreciation and \$48 million of impairment losses, primarily related to production equipment used to manufacture products phased out in the Specialty Material segment. Non-recurring gains in 2000 were largely related to asset dispositions, principally the sale of available-for-sale equity securities, and also included \$50 million from the termination of a product distribution agreement in the Health Care segment. A cumulative effect of accounting change relating to revenue recognition was also recorded in 2000, reducing earnings by \$75 million net of tax. Combined, these non-recurring items reduced net income by \$90 million, or 23 cents per diluted share.

In 1999, non-recurring items include a net gain of \$147 million (\$81 million after tax) related to gains on the divestitures of Eastern Heights Bank and certain health care businesses, net of an investment valuation adjustment. 1999 also includes a charge of \$73 million (\$46 million after tax) relating to an adverse jury verdict and legal fees associated with a lawsuit filed by LePage's, Inc. In the third quarter of 1999, the company recorded a change in estimate that reduced the 1998 restructuring charge by \$26 million (\$17 million after tax). Combined, this net pre-tax gain of \$100 million (\$52 million after tax, or 13 cents per diluted share) is included in the other expense (income) line within operating income.

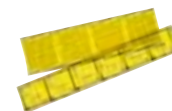
In 1998, 3M recorded a \$493 million (\$313 million after tax) restructuring charge, with \$454 million recorded in the other expense (income) line within operating income. The inventory portion of the restructuring charge totaling \$39 million was recorded in cost of sales. Details are discussed in the Notes to Consolidated Financial Statements. In 1998, the company also refinanced debt relating to its Employee Stock Ownership Plan, replacing the debt with a new bond that carries a significantly lower interest rate. This resulted in a \$38 million extraordinary after-tax charge, or 9 cents per diluted share, from early extinguishment of debt.

The following table shows amounts for non-recurring items in 2000, 1999 and 1998, as well as amounts excluding these items.

SUPPLEMENTAL CONSOLIDATED STATEMENT OF INCOME INFORMATION						
Years ended December 31						
	Non-recurring items			Total (Excluding non-recurring items)		
	2000	1999	1998	2000	1999	1998
(Millions, except per-share amounts)						
Operating income (loss)	\$ (23)	\$ 100	\$ (493)	\$ 3,081	\$ 2,856	\$ 2,532
Other (income) expense	—	—	—	84	76	87
Income (loss) before income taxes, minority interest, extraordinary loss and cumulative effect	(23)	100	(493)	2,997	2,780	2,445
Provision (benefit) for income taxes	(8)	48	(180)	1,033	984	865
Effective tax rate	32.4%	47.8%	36.5%	34.5%	35.4%	35.4%
Minority interest	—	—	—	92	85	54
Income (loss) before extraordinary loss and cumulative effect	\$ (15)	\$ 52	\$ (313)	\$ 1,872	\$ 1,711	\$ 1,526
Extraordinary loss	—	—	(38)	—	—	—
Cumulative effect	(75)	—	—	—	—	—
Net income (loss)	\$ (90)	\$ 52	\$ (351)	\$ 1,872	\$ 1,711	\$ 1,526
Per share – diluted	(.23)	.13	(.86)	4.68	4.21	3.74

ELECTRONIC CIRCUIT SOLUTIONS

3M™ Microflex Circuits are thin, lightweight interconnects that provide superior performance and greater design flexibility. They're widely used in print cartridges for ink-jet printers.



The following discussion excludes the impact of non-recurring items in all years, except where indicated.

COSTS: Cost of sales was 51.3 percent of sales, down three-tenths of a percentage point from 1999. In 2000, gross margins benefited from volume growth, productivity gains and lower employee benefit costs, but were negatively affected by raw material costs and currency effects. In 1999, gross margins benefited from volume gains, restructuring actions and slightly lower raw material costs, but were negatively affected by the stronger U.S. dollar. Cost of sales includes manufacturing, engineering expenses, and freight costs.

Selling, general and administrative (SG&A) expenses were 23.7 percent of sales in 2000, 23.6 percent in 1999 and 23.5 percent in 1998. In both 2000 and 1999, these expenses reflected increased new product investments. SG&A spending in 2000 benefited from lower employee benefit costs. In 1999, this spending benefited from productivity gains related to restructuring actions.

(Percent of sales)	2000	1999	1998
Cost of sales	51.3	51.6	52.9
Selling, general and administrative expenses	23.7	23.6	23.5
Research, development and related expenses	6.6	6.7	6.8
Operating income	18.4	18.1	16.8

OPERATING INCOME: Operating income totaled \$3.081 billion, up 7.9 percent from 1999. Operating income was 18.4 percent of sales, up from 18.1 percent in 1999 and 16.8 percent in 1998. In 2000, volume growth and productivity gains drove most of the improvement in operating income. Lower employee benefit costs resulting from lower pension expense, primarily in the United States, increased operating profit margins in 2000 by an estimated five-tenths of a percentage point. This benefit was more than offset by higher payroll costs and other inflationary impacts. In 1999, unit volume growth and productivity gains helped results. During 1998, economic contractions in many international markets, softness in a few key U.S. markets and negative currency effects impacted operating profit margins. The company estimates that currency effects reduced operating income by about \$78 million in 2000, \$18 million in 1999, and \$235 million in 1998.

In the United States, operating income in 2000 decreased 3 percent and profit margins were down one percentage point. In 1999, operating income increased 1 percent and profit margins were down four-tenths of a percentage point.

Internationally, operating income increased 16 percent and profit margins increased 1.4 percentage points. In 1999, operating income increased 23 percent and profit margins increased by 3 percentage points.

OTHER INCOME AND EXPENSE: Interest expense was \$111 million, compared with \$109 million in 1999 and \$139 million in 1998. The 1999 decrease reflected lower debt balances due to increased operating cash flow and reduced capital expenditures.

Interest and other income was \$27 million, compared with \$33 million in 1999 and \$52 million in 1998, with the declines in both years due to lower interest income. In 1998, interest and other income included a \$10 million gain from a divestiture.

PROVISION FOR INCOME TAXES: The worldwide effective income tax rate was 34.5 percent in 2000 and 35.4 percent in both 1999 and 1998. Including non-recurring items, 3M's effective tax rate was 34.5 percent in 2000, compared with 35.8 percent in 1999 and 35.1 percent in 1998. The decrease in the 2000 worldwide effective income tax rate was primarily due to a decrease in the average effective tax rate for international operations.

MINORITY INTEREST: Minority interest was \$92 million, compared with \$85 million in 1999 and \$54 million in 1998. Minority interest represents the elimination of the non-3M ownership interests, primarily in Sumitomo 3M Limited and Dyneon LLC (in 1999 and 1998 only). These companies' results are fully consolidated in 3M's financial statements, and then partially eliminated on the minority interest line to reflect 3M's net position. The increase in 2000 reflects higher profits in Sumitomo 3M Limited, partially offset by a decrease as a result of 3M's acquisition of the 46 percent minority interest in Dyneon in December of 1999. This acquisition is discussed in the Notes to Consolidated Financial Statements. The 1999 increase in minority interest was driven by higher profits in Sumitomo 3M Limited and Dyneon LLC.

NET INCOME: Net income totaled \$1.872 billion, or \$4.68 per diluted share, compared with \$1.711 billion, or \$4.21 per diluted share, in 1999, and \$1.526 billion, or \$3.74 per diluted share, in 1998. Per-share income was up 11.2 percent in 2000 and 12.6 percent in 1999.

In 2000, 1999 and 1998, changes in the value of the U.S. dollar reduced net income by an estimated \$55 million, \$23 million and \$141 million, respectively. Currency effects reduced earnings by 14 cents per share, 6 cents per share and 35 cents per share in 2000, 1999 and 1998, respectively. These estimates include the effect of translating profits from local currencies into U.S. dollars; the impact of currency fluctuations on the value of goods transferred between 3M operations in the United States and abroad; and foreign currency transaction gains and losses, including derivative instruments designed to reduce exchange rate risks. Derivative transactions resulted in a net, pre-tax gain of \$19 million (included in cost of sales) for 2000, primarily related to terminated foreign exchange forward contracts used to hedge euro exposures.

OTHER INDICES: Excluding non-recurring items, economic profit totaled \$974 million in 2000, up from \$855 million in 1999 and \$604 million in 1998, and return on invested capital was 19.3 percent in 2000, up from 18.6 percent in 1999 and 15.9 percent in 1998. Economic profit equals after-tax operating income less a charge for

operating capital employed in 3M's businesses. Return on invested capital is after-tax operating income divided by average operating capital.

At December 31, 2000, employment totaled about 75,000 people, an increase of about 4,500 from year-end 1999, with about 3,400 of the increase related to acquisitions. At December 31, 1999, employment totaled about 70,500, a decrease of about 3,000 from year-end 1998. The 1999 decline was due both to restructuring actions and attrition. Sales per employee in local currencies increased about 7 percent in 2000, about 10 percent in 1999 and about 3 percent in 1998.

RESTRUCTURING CHARGE: To reduce costs and improve productivity, the company initiated a restructuring program in the second half of 1998 to streamline corporate structure, consolidate manufacturing operations and exit certain product lines. These product lines, discontinued primarily in 1998, had combined annual sales of less than \$100 million. In 1999, the company also divested Eastern Heights Bank and the cardiovascular systems and other health care businesses that together had annual sales of approximately \$200 million.

The company recorded a restructuring charge in 1998, and subsequently recorded a change in estimate that reduced the restructuring charge in 1999. As of the end of 1999, the restructuring program was substantially complete. The company experienced a net reduction of about 2,200 positions in the second half of 1998, with a total net reduction of more than 5,000 positions by December 31, 1999. This decline was due to both restructuring actions and attrition. Of the employment reductions, about one-third were in the United States and about one-third were in Europe, with the remainder split about equally between the Asia Pacific geographic area and the Latin America, Africa and Canada geographic area. Each business segment of the company was affected by this restructuring plan.

The restructuring plan provided annual pre-tax savings of about \$250 million upon completion of the plan. The incremental benefit in 2000 versus 1999 was an estimated \$60 million, primarily in the first half. Implementation costs associated with this restructuring plan totaled about \$30 million in 1999. These costs, which are not included in the restructuring charge, included expenses for relocating employees, inventory and equipment; unfavorable overhead variances; and other expenses.

FINANCIAL CONDITION AND LIQUIDITY

3M's financial condition remained strong in 2000. The company's key inventory index was 3.4 months, up about 10 percent from year-end 1999. This increase was partially attributable to lower-than-expected sales in the United States due to the significant slowdown in economic growth late in 2000. The accounts receivable index was 60 days, down 1 day from 1999. The current ratio was 1.3, down from 1.6 at the end of 1999. The lower current ratio is principally due to a shift in debt financing from long-term to short-term at year-end 2000 compared with the end of 1999.

Total debt was \$2.837 billion, up from \$2.610 billion at year-end 1999. Total debt was 30 percent of total capital, compared with

29 percent in 1999. In September 2000, the company completed a three-year, 16 billion yen (approximately \$150 million), 1.0 percent yen eurobond offering. In December 2000, the company issued a \$350 million security, remarketable annually, which is classified as short-term debt. On October 30, 2000, the company filed a shelf registration statement with the Securities and Exchange Commission providing the means to offer debt securities of up to \$1.5 billion. 3M plans to use the net proceeds from future issuances of debt securities under this shelf registration for general corporate purposes, including the repayment of debt, investments in or extensions of credit to the company's subsidiaries, or the financing of possible acquisitions. As of December 31, 2000, no debt securities had been issued under this shelf registration. Of total debt outstanding at the end of 2000, \$333 million represented a guarantee of debt of the 3M Employee Stock Ownership Plan.

Various assets and liabilities, including cash and short-term debt, can fluctuate significantly from month to month depending on short-term liquidity needs. Investments decreased \$177 million from year-end 1999, impacted by the sale of a portion of the available-for-sale equity securities and decreases in the market value of the remaining equity securities.

During 2000, cash flows provided by operating activities totaled \$2.326 billion, compared with \$3.081 billion in 1999 and \$2.417 billion in 1998. In 2000, certain working capital increases, partially driven by the 10 percent increase in sales volume, reduced cash provided by operating activities. In 1999, the increase in net income, along with certain working capital improvements, drove the increase. Working capital changes in 1999 include a \$205 million use of cash for the impact of employee termination benefits paid in connection with restructuring activities.

Purchases of property, plant and equipment totaled \$1.115 billion, an increase of about 6 percent from 1999. This followed a decrease of about 28 percent in 1999 compared with 1998. These investments are helping to meet global demand for new products and increase manufacturing efficiency.

Cash used for acquisitions of businesses totaled \$472 million, \$374 million and \$200 million in 2000, 1999 and 1998, respectively. Acquisitions in 2000 included the purchase of 91 percent of Quante AG (a telecommunications supplier), the purchase of the multilayer integrated circuit packaging line of W. L. Gore and Associates, and the acquisition of seven smaller businesses. Acquisitions in 1999 included about \$340 million related to the acquisition of the outstanding minority interest in Dyneon LLC. Acquisitions in 1998 were primarily in the occupational health and safety, and telecommunications areas.

Cash proceeds from the sale of businesses totaled \$1 million, \$249 million and \$57 million in 2000, 1999 and 1998, respectively. The company received cash proceeds in 1999 related to divestitures of Eastern Heights Bank and the cardiovascular systems and other health care businesses.

SURGICAL TAPE

3M™ Micropore™ Surgical Tape features special non-irritating adhesive and a porous backing that allows the skin to “breathe” normally. This hypoallergenic tape leaves little or no residue — ideal for sensitive skin.



Purchases of investments totaled \$12 million, \$56 million and \$42 million in 2000, 1999 and 1998, respectively. These purchases include patents, and equity and cost basis investments.

Cash dividends paid to stockholders in 2000 totaled \$918 million, or \$2.32 per share. 3M has paid dividends since 1916. In February 2001, the Board of Directors increased the quarterly dividend on 3M common stock to 60 cents per share, equivalent to an annual dividend of \$2.40 per share. This marks the 43rd consecutive year of dividend increases.

Repurchases of 3M common stock totaled \$814 million in 2000, compared with \$825 million in 1999 and \$618 million in 1998. Repurchases were made to support the company's stock-based compensation plans, its employee stock purchase plans and for other corporate purposes. In 2000 and 1999, a reduction in weighted average shares outstanding resulted in a benefit to earnings of 8 cents and 2 cents per diluted share, respectively. In 1998, the combination of a reduction in weighted average shares outstanding and higher interest expense resulted in a net benefit to earnings of 3 cents per diluted share.

In November 2000, the Board of Directors authorized the repurchase of up to 10 million of the company's shares of common stock. This share repurchase authorization is effective from January 1, 2001, through December 31, 2001. In 2000, under a preceding authorization, the company purchased about 9.1 million shares.

The company's strong credit rating provides ready and ample access to funds in global capital markets. At year-end 2000, the company had available short-term lines of credit totaling about \$694 million.

Most of the company's implant liabilities have been paid; accordingly, receipt of related insurance recoveries will increase future cash flows. For a more detailed discussion, refer to legal proceedings in the Notes to Consolidated Financial Statements.

FUTURE OUTLOOK

3M expects to achieve at least 10 percent earnings growth in an environment of slower economic growth and with the assumption that currency effects will continue at current or slightly more negative levels in 2001.

3M is moving forward with a more conservative set of growth assumptions for 2001, while maintaining its growth objectives over the longer term. This more conservative plan assumes organic volume growth of about 6 percent, with another 2.5 to 3 percentage points of growth provided by acquisitions. 3M expects pricing to be down about 1 percent. 3M assumes, for planning purposes, that currency would reduce 2001 worldwide sales by about 3 percent.

3M is sizing costs to achieve its 2001 earnings target with significantly lower sales growth than originally anticipated.

3M has in place strict cost controls to hold selling, general and administrative expenses flat compared with the first quarter of 2000. This represents a running rate improvement of \$50 million, or 5 percent, compared with the fourth quarter of 2000.

3M expects mid-single-digit growth in first-quarter 2001 earnings.

In early 2001, 3M completed the acquisition of MicroTouch Systems Inc., a manufacturer of touch-screen products, and also combined its German dental business with ESPE Dental AG, a leading German supplier of high quality materials for dental restoration. The combined product lines are marketed globally as 3M ESPE. In early 2001, 3M also completed its acquisition of Robinson Nugent, a manufacturer of electronic interconnects. 3M is actively considering other acquisitions.

The company expects capital spending to total about \$1.0 billion to \$1.1 billion in 2001. The company does not expect a significant change in its tax rate in 2001.

FINANCIAL INSTRUMENTS

The company enters into contractual derivative arrangements in the ordinary course of business to manage foreign currency exposure, interest rate risks and commodity price risks. A financial risk management committee, composed of senior management, provides oversight for risk management and derivative activities. This committee determines the company's financial risk policies and objectives, and provides guidelines for derivative instrument utilization. This committee also establishes procedures for control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting.

The company enters into forward contracts and swaps to hedge certain intercompany financing transactions, and purchases options to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies. The company manages interest expense using a mix of fixed, floating and variable rate debt. To help manage borrowing costs, the company may enter into interest rate swaps. Under these arrangements, the company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. The company manages commodity price risks through negotiated supply contracts, price protection swaps and forward physical contracts.

A variance/covariance value-at-risk model was used to test the company's exposure to changes in currency and interest rates. An historical value-at-risk model was used to assess commodity risks. All models used a 95 percent confidence level over a one-month time horizon. The Riskmetrics dataset was used for the variance/covariance analysis. Both models assessed the risk of loss in market value of outstanding financial instruments and derivatives. Based on a value-at-risk analysis of the company's foreign exchange, interest rate and commodity derivative instruments outstanding at December 31, 2000, 3M believes that probable near-term changes in exchange rates, interest rates or commodity prices would not materially affect the company's consolidated financial position, results of operations or cash flows. However, over a one-year period, exchange rates can significantly impact results (for example, in 1998, currency effects reduced net income by an estimated \$141 million, or 35 cents per diluted share).

YEAR 2000 UPDATE

From December 31, 1999, to January 14, 2000, the company operated global information centers to monitor the company's facilities and operations during the Year 2000 transition. No material problems were reported in any of the company's facilities or operations during this period. During 2000, the company did not experience any material Year 2000 problems with its information technology (IT) or non-IT systems or products, nor did the company experience any material problems with any of its key customers or suppliers.

THE EURO CONVERSION

On January 1, 1999, 11 of the 15 member countries of the European Union (EU) established fixed conversion rates through the European Central Bank (ECB) between existing local currencies and the euro, the EU's new single currency. The participating countries had agreed to adopt the euro as their common legal currency on that date. From that date, the euro has been traded on currency exchanges and available for non-cash transactions. The EU agreed in June 2000 that Greece will join the European Monetary Union (EMU) and will fix its conversion rate on January 1, 2001, adopting the physical euro currency on January 1, 2002 (simultaneously with the previous 11 countries).

Local currencies will remain legal tender until December 31, 2001. Goods and services may be paid for with the euro or the local currency under the EU's "no compulsion, no prohibition" principle. If cross-border payments are made in a local currency during this transition period, the amount will be converted into euros and then converted from euros into the second local currency at rates fixed by the ECB. The participating countries will issue new euro-denominated bills and coins for use in cash transactions on or about December 31, 2001. By no later than July 1, 2002, participating countries will withdraw all bills and coins denominated in local currencies.

In February 1997, the company created an EMU Steering Committee and project teams representing all company business and staff units in Europe. The objective of these teams is to ensure a smooth transition to EMU for the company and its constituencies. The scope of the teams' efforts includes (i) assessing the euro's impact on the company's business and pricing strategies for customers and suppliers, and (ii) ensuring that the company's business processes and information technology (IT) systems can process transactions in euros and local currencies during the transition period and achieve the con-

version of all relevant local currency data to the euro by December 31, 2001, in the participating countries.

The Europe and Middle East market contributed 24 percent of consolidated sales and 19 percent of consolidated operating income in 2000. The participating countries accounted for 67 percent of the company's sales in the Europe and Middle East market in 2000. The company believes that the euro will, over time, increase price competition for the company's products across Europe due to cross-border price transparency. The company also believes that the adverse effects of increased price competition will be offset somewhat by new business opportunities and efficiencies. The company, however, is not able to estimate the net long-term impact of the euro introduction on the company.

The company has made significant investments in IT systems in Europe and these investments already enable the company to manage customer orders, invoices, payments and accounts in euros and in local currencies according to customer needs. The company anticipates spending approximately \$35 million to \$40 million to complete the conversion of all its IT systems in Europe to the euro by December 31, 2001. The company is developing appropriate contingency plans in order that the euro adoption does not jeopardize the operations of the company.

The euro introduction is not expected to have a material impact on the company's overall currency risk. Although the company engages in significant trade within the EU, the impact to date of changes in currency exchange rates on trade within the EU has not been material. The company anticipates the euro will simplify financial issues related to cross-border trade in the EU and reduce the transaction costs and administrative time necessary to manage this trade and related risks. The company believes that the associated savings will not be material to corporate results.

The company has derivatives outstanding beyond December 31, 2000, in several European currencies. Under the EU's "no compulsion, no prohibition" principle, the outstanding derivative positions will either mature as local currency contracts or convert to euro contracts at no additional economic cost to the company. The company has modified systems to track derivatives in euros. The company believes the impact of the euro introduction on the company's derivative positions will not be material.

SANDING PRODUCTS

3M™ SandBlaster™ Sanding Products provide three times the cutting power of conventional sanding sheets. Washable sponges feature a tough backing and may be used wet or dry.



Responsibility for Financial Reporting

Management is responsible for the integrity and objectivity of the financial information included in this report. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Where necessary, the financial statements reflect estimates based on management judgment.

Established accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions, and that policies and procedures are implemented by qualified personnel. Internal auditors continually review the accounting and control systems.

The Audit Committee, composed of four members of the Board of Directors who are not employees of the company, meets regularly with representatives of management, the independent auditors and the company's internal auditors to monitor the functioning of the accounting control systems and to review the results of the auditing activities. The Audit Committee recommends to the Board independent auditors for appointment, subject to shareholder ratification. The independent auditors have full and free access to the Audit Committee.

The independent auditors conduct an objective, independent audit of the financial statements. Their report appears at the right.



Robert J. Burgstahler
Vice President and Chief Financial Officer

Report of Independent Auditors

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF
MINNESOTA MINING AND MANUFACTURING COMPANY:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in stockholders' equity and comprehensive income, and of cash flows present fairly, in all material respects, the consolidated financial position of Minnesota Mining and Manufacturing Company and Subsidiaries at December 31, 2000, and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



PricewaterhouseCoopers LLP
St. Paul, Minnesota
February 12, 2001

Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of words like "plan," "expect," "aim," "believe," "project," "anticipate," "intend," "estimate," "will," "should," "could" and other expressions that indicate future events and trends. All statements that address expectations or projections about the future, including statements about the company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertain-

ties. Actual future results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including but not limited to the following: the effects of, and changes in, worldwide economic conditions; foreign currency exchange rates and fluctuations in those rates; the timing and market acceptance of new product offerings; fluctuations in the costs of raw materials due to market demand, currency exchange risks, shortages and other factors; the possibility that acquisitions, divestitures and strategic alliances may not meet sales and/or profit expectations; and various legal proceedings.

Consolidated Statement of Income

MINNESOTA MINING AND MANUFACTURING COMPANY AND SUBSIDIARIES			
Years ended December 31			
(Amounts in millions, except per-share amounts)	2000	1999	1998
Net sales	\$ 16,724	\$ 15,748	\$ 15,094
Operating expenses			
Cost of sales	8,787	8,126	8,020
Selling, general and administrative expenses	3,963	3,712	3,553
Research, development and related expenses	1,101	1,056	1,028
Other expense (income)	(185)	(102)	454
Total	13,666	12,792	13,055
Operating income	3,058	2,956	2,039
Other income and expense			
Interest expense	111	109	139
Interest and other income	(27)	(33)	(52)
Total	84	76	87
Income before income taxes, minority interest, extraordinary loss and cumulative effect of accounting change	2,974	2,880	1,952
Provision for income taxes	1,025	1,032	685
Minority interest	92	85	54
Income before extraordinary loss and cumulative effect of accounting change	1,857	1,763	1,213
Extraordinary loss from early extinguishment of debt	—	—	(38)
Cumulative effect of accounting change	(75)	—	—
Net income	\$ 1,782	\$ 1,763	\$ 1,175
Weighted average common shares outstanding – basic	395.7	402.0	403.3
Earnings per share – basic			
Income before extraordinary loss and cumulative effect of accounting change	\$ 4.69	\$ 4.39	\$ 3.01
Extraordinary loss	—	—	(.10)
Cumulative effect of accounting change	(.19)	—	—
Net income	\$ 4.50	\$ 4.39	\$ 2.91
Weighted average common shares outstanding – diluted	399.9	406.5	408.0
Earnings per share – diluted			
Income before extraordinary loss and cumulative effect of accounting change	\$ 4.64	\$ 4.34	\$ 2.97
Extraordinary loss	—	—	(.09)
Cumulative effect of accounting change	(.19)	—	—
Net income	\$ 4.45	\$ 4.34	\$ 2.88

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

FIBER OPTIC NETWORKING

The Volition™ Network Solution is the first fiber-structured system that is a viable, cost-competitive alternative to copper. This high-speed, high-capacity system is serving local area networks in hospitals, schools and offices.



Consolidated Balance Sheet

MINNESOTA MINING AND MANUFACTURING COMPANY AND SUBSIDIARIES		
At December 31		
(Dollars in millions)	2000	1999
Assets		
Current assets		
Cash and cash equivalents	\$ 302	\$ 387
Accounts receivable – net	2,891	2,778
Inventories	2,312	2,030
Other current assets	874	871
Total current assets	6,379	6,066
Investments	310	487
Property, plant and equipment – net	5,823	5,776
Other assets	2,010	1,567
Total	\$ 14,522	\$ 13,896
Liabilities and Stockholders' Equity		
Current liabilities		
Short-term debt	\$ 1,866	\$ 1,130
Accounts payable	1,081	1,008
Payroll	382	361
Income taxes	462	464
Other current liabilities	963	856
Total current liabilities	4,754	3,819
Long-term debt	971	1,480
Other liabilities	2,266	2,308
Stockholders' equity		
Common stock, par value \$.01 per share in 2000	5	236
Shares outstanding – 2000: 396,085,348		
1999: 398,710,817		
Capital in excess of par value	291	60
Retained earnings	11,517	10,741
Treasury stock	(4,065)	(3,833)
Unearned compensation – ESOP	(303)	(327)
Accumulated other comprehensive income (loss)	(914)	(588)
Stockholders' equity – net	6,531	6,289
Total	\$ 14,522	\$ 13,896
The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.		

Consolidated Statement of Changes in Stockholders' Equity and Comprehensive Income

MINNESOTA MINING AND MANUFACTURING COMPANY AND SUBSIDIARIES						
(Dollars in millions, except per-share amounts)	Total	Common Stock and Capital in Excess of Par	Retained Earnings	Treasury Stock	Unearned Compensation ESOP	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 1997	\$ 5,926	\$ 296	\$ 9,848	\$ (3,300)	\$ (379)	\$ (539)
Net income	1,175		1,175			
Cumulative translation adjustment – net	29					29
Debt and equity securities, unrealized gain – net of tax of \$1 million	2					2
Total comprehensive income	1,206					
Dividends paid (\$2.20 per share)	(887)		(887)			
Amortization of unearned compensation	29				29	
Reacquired stock (7.4 million shares)	(618)			(618)		
Issuances pursuant to stock option and benefit plans (4.6 million shares)	280		(156)	436		
Balance at December 31, 1998	\$ 5,936	\$ 296	\$ 9,980	\$ (3,482)	\$ (350)	\$ (508)
Net income	1,763		1,763			
Cumulative translation adjustment – net	(176)					(176)
Minimum pension liability adjustment – net of tax of \$36 million	(30)					(30)
Debt and equity securities, unrealized gain – net of tax of \$77 million	126					126
Total comprehensive income	1,683					
Dividends paid (\$2.24 per share)	(901)		(901)			
Amortization of unearned compensation	23				23	
Reacquired stock (9.0 million shares)	(825)			(825)		
Issuances pursuant to stock option and benefit plans (5.7 million shares)	373		(101)	474		
Balance at December 31, 1999	\$ 6,289	\$ 296	\$ 10,741	\$ (3,833)	\$ (327)	\$ (588)
Net income	1,782		1,782			
Cumulative translation adjustment – net	(191)					(191)
Minimum pension liability adjustment – net of tax of \$37 million	(28)					(28)
Debt and equity securities, unrealized loss – net of tax of \$65 million	(107)					(107)
Total comprehensive income	1,456					
Dividends paid (\$2.32 per share)	(918)		(918)			
Amortization of unearned compensation	24				24	
Reacquired stock (9.1 million shares)	(814)			(814)		
Issuances pursuant to stock option and benefit plans (6.3 million shares)	483		(88)	571		
Issuances pursuant to acquisitions (129 thousand shares)	11			11		
Balance at December 31, 2000	\$ 6,531	\$ 296	\$ 11,517	\$ (4,065)	\$ (303)	\$ (914)

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

ENGINEERED FLUIDS

3M™ Novec™ Engineered Fluid HFE-7200 is a hydrofluoroether used in vapor degreasing and cold cleaning applications. This practically non-toxic, non-flammable solvent replaces ozone-depleting and chlorinated materials.



Consolidated Statement of Cash Flows

MINNESOTA MINING AND MANUFACTURING COMPANY AND SUBSIDIARIES			
Years ended December 31			
(Dollars in millions)	2000	1999	1998
Cash Flows from Operating Activities			
Net income	\$ 1,782	\$ 1,763	\$ 1,175
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,025	900	866
Asset impairment and restructuring	48	(31)	182
Deferred income tax provision	89	95	139
Implant litigation – net	49	93	(255)
Changes in assets and liabilities			
Accounts receivable	(171)	(186)	(160)
Inventories	(261)	96	195
Other current assets	(172)	(256)	11
Other assets – net of amortization	(145)	119	(255)
Income taxes payable	27	196	21
Accounts payable and other current liabilities	119	89	462
Other liabilities	(92)	173	36
Other – net	28	30	—
Net cash provided by operating activities	2,326	3,081	2,417
Cash Flows from Investing Activities			
Purchases of property, plant and equipment	(1,115)	(1,050)	(1,453)
Proceeds from sale of property, plant and equipment	104	108	25
Acquisitions of businesses	(472)	(374)	(200)
Proceeds from sale of businesses	1	249	57
Purchases of investments	(12)	(56)	(42)
Proceeds from sale of investments	121	9	41
Net cash used in investing activities	(1,373)	(1,114)	(1,572)
Cash Flows from Financing Activities			
Change in short-term debt – net	(236)	(164)	55
Repayment of long-term debt	(23)	(179)	(129)
Proceeds from remarketable securities and long-term debt	495	2	645
Purchases of treasury stock	(814)	(825)	(618)
Reissuances of treasury stock	425	347	249
Dividends paid to stockholders	(918)	(901)	(887)
Distributions to minority interests	(60)	(51)	(96)
Net cash used in financing activities	(1,131)	(1,771)	(781)
Effect of exchange rate changes on cash	93	(20)	(83)
Net increase (decrease) in cash and cash equivalents	(85)	176	(19)
Cash and cash equivalents at beginning of year	387	211	230
Cash and cash equivalents at end of year	\$ 302	\$ 387	\$ 211

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

Notes to Consolidated Financial Statements

NOTE 1 Significant Accounting Policies

CONSOLIDATION: All significant subsidiaries are consolidated. All significant intercompany transactions are eliminated. As used herein, the term “3M” or “company” refers to Minnesota Mining and Manufacturing Company and subsidiaries unless the context indicates otherwise.

FOREIGN CURRENCY TRANSLATION: Local currencies generally are considered the functional currencies outside the United States, except in countries treated as highly inflationary. Assets and liabilities for operations in local-currency environments are translated at year-end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. Cumulative translation adjustments are recorded as a component of accumulated other comprehensive income in stockholders’ equity.

For operations in countries treated as highly inflationary, certain financial statement amounts are translated at historical exchange rates, with all other assets and liabilities translated at year-end exchange rates. These translation adjustments are reflected in income and are not material.

RECLASSIFICATIONS: Certain prior-period amounts have been reclassified to conform with the current-year presentation. Research, development and related expenses have been reclassified from cost of sales and are now presented separately. Pursuant to FASB Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, the company has also reclassified freight billed to customers from selling, general and administrative expenses to net sales, and has reclassified related freight costs from selling, general and administrative expenses to cost of sales.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased.

INVESTMENTS: Investments primarily include debt securities held by captive insurance operations, the cash surrender value of life insurance policies, and real estate and venture capital investments. Unrealized gains and losses relating to investments classified as available-for-sale are recorded as a component of accumulated other comprehensive income in stockholders’ equity.

INVENTORIES: Inventories are stated at lower of cost or market, with cost generally determined on a first-in, first-out basis.

PROPERTY, PLANT AND EQUIPMENT: Depreciation of property, plant and equipment generally is computed using the straight-line method based

on estimated useful lives of the assets. Estimated useful lives range from 5 to 40 years for buildings and improvements and 3 to 20 years for machinery and equipment. Fully depreciated assets are retained in property and accumulated depreciation accounts until removed from service. Upon disposal, assets and related accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to operations.

OTHER ASSETS: Other assets include product and other insurance receivables, goodwill, patents, other intangible assets, deferred income taxes and other noncurrent assets. Goodwill is amortized on a straight-line basis over the periods benefited, ranging from 5 to 40 years. Other intangible assets are amortized on a straight-line basis over their estimated economic lives.

IMPAIRMENT OF LONG-LIVED ASSETS: Long-lived assets, including identifiable intangibles and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset’s carrying value over its fair value. Fair value is determined using a discounted cash flow analysis.

REVENUE RECOGNITION: Revenue is recognized when the risks and rewards of ownership have substantively transferred to customers, regardless of whether legal title has transferred. This condition is normally met when the product has been delivered or upon performance of services. The company sells a wide range of products to a diversified base of customers around the world and, therefore, believes there is no material concentration of credit risk. Prior to 2000, the company recognized revenue upon shipment of goods to customers and upon performance of services (refer to “Accounting Change” that follows).

ADVERTISING AND MERCHANDISING: These costs are charged to operations in the year incurred.

INTERNAL-USE SOFTWARE: The company capitalizes direct costs of materials and services used in the development of internal-use software. Amounts capitalized are amortized on a straight-line basis over a period of 3 to 5 years and are reported as a component of machinery and equipment within property, plant and equipment.

ENVIRONMENTAL: Environmental expenditures relating to existing conditions caused by past operations that do not contribute to current or future revenues are expensed. Liabilities for remediation costs are recorded on an undiscounted basis when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or the company’s commitment to a plan of action.

DERIVATIVES AND HEDGING ACTIVITIES: The company uses interest rate swaps, currency swaps, and forward and option contracts to manage risks generally associated with foreign exchange rate, interest rate

REFLECTIVE SIGNS

Signs made from 3M™ Scotchlite™ Diamond Grade™ Fluorescent Yellow sheeting offer an additional margin of safety. They provide high visibility day and night, dusk and dawn.



and commodity market volatility. All hedging instruments are designated and effective as hedges, in accordance with U.S. generally accepted accounting principles. Instruments that do not qualify for hedge accounting are marked to market with changes recognized in current earnings. The company does not hold or issue derivative financial instruments for trading purposes and is not a party to leveraged derivatives.

Realized and unrealized gains and losses for qualifying hedge instruments are deferred until offsetting gains and losses on the underlying transactions are recognized in earnings. These gains and losses generally are recognized either as interest expense over the borrowing period for interest rate and currency swaps, as an adjustment to cost of sales for inventory-related hedge transactions, or as a component of accumulated other comprehensive income in stockholders' equity for hedges of net investments in international companies. If the underlying hedged transaction ceases to exist, all changes in fair value of the related derivatives that have not been settled are recognized in earnings. Cash flows attributable to these financial instruments are included with the cash flows of the associated hedged items.

ACCOUNTING FOR STOCK-BASED COMPENSATION: The company uses the intrinsic value method for the Management Stock Ownership Program (MSOP). The General Employees' Stock Purchase Plan is considered noncompensatory.

COMPREHENSIVE INCOME: Total comprehensive income and the components of accumulated other comprehensive income are presented in the Consolidated Statement of Changes in Stockholders' Equity and Comprehensive Income. Accumulated other comprehensive income is composed of foreign currency translation effects, including hedges of net investments in international companies, minimum pension liability adjustments, and unrealized gains and losses on available-for-sale debt and equity securities.

EARNINGS PER SHARE: The difference in the weighted average shares outstanding for calculating basic and diluted earnings per share is attributable to the assumed exercise of MSOP stock options, if dilutive.

NEW ACCOUNTING PRONOUNCEMENTS: In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended, was adopted by the company on January 1, 2001. Based on the company's analysis of its current derivative positions, this standard will not materially affect its financial position or results of operations.

NOTE 2 Accounting Change

During the fourth quarter of 2000, the company changed its revenue recognition policy. Essentially, the new policies recognize that the risks and rewards of ownership in many transactions do not substantively transfer to customers until the product has been delivered, regardless of whether legal title has transferred. In addition to this change in accounting that affects a substantial portion of its product sales, the company has revised aspects of its accounting for services provided in several of its smaller businesses. These new policies are consistent with the guidance

contained in SEC Staff Accounting Bulletin No. 101. The effect of these changes in revenue recognition policies, as of January 1, 2000, is reported as the cumulative effect of an accounting change in the fourth quarter of 2000. This change did not have a significant effect on previously reported 2000 quarters or on prior years.

NOTE 3 Restructuring Charge

To reduce costs and improve productivity, the company initiated a restructuring program in the second half of 1998 to streamline corporate structure, consolidate manufacturing operations and exit certain product lines. Related to this, the company recorded a restructuring charge of \$493 million (\$313 million after tax). A portion of this restructuring charge (\$39 million) has been classified as a component of cost of sales. In 1999, the company recorded a change in estimate that reduced the restructuring charge by \$28 million. The restructuring charge does not include the write-down of goodwill or other intangible assets. As of December 31, 1999, this restructuring program was substantially complete.

Of the total restructuring charge, \$275 million related to employee termination benefits for personnel reductions in each business segment and geographic area of the company and in all major functions. Under the plan, the company terminated 1,225 employees in the second half of 1998 and 3,288 employees in 1999, of whom about one-third were in the United States and two-thirds were abroad. Because certain employees can defer receipt of termination benefits, cash payments lag job eliminations. After subtracting payments of \$268 million made through December 31, 2000, the company had a remaining liability of \$7 million related to employee termination benefits at year-end. This amount is classified in current liabilities (payroll) on the Consolidated Balance Sheet.

The company has consolidated or downsized manufacturing operations, including actions in seven locations in the United States, nine in Europe, four in the Asia Pacific area and two in Latin America. As part of the restructuring plan, the company has discontinued product lines that had combined annual sales of less than \$100 million and marginal operating income.

RESTRUCTURING INFORMATION

(Millions)	Employee Termination Benefits	Write-down of Property, Plant and Equipment	Inventory	Other	Total
1998 restructuring charge					
Third quarter	\$ 102	\$ 161	\$ 29	\$ 40	\$ 332
Fourth quarter	169	—	10	—	179
Fourth quarter change in estimate	—	(18)	—	—	(18)
Total-year 1998	\$ 271	\$ 143	\$ 39	\$ 40	\$ 493
1999 change in estimate	4	(31)	—	(1)	(28)
Total restructuring charge	\$ 275	\$ 112	\$ 39	\$ 39	\$ 465

RESTRUCTURING LIABILITY			
(Millions)	Employee Termination Benefits	Other	Total
September 30, 1998 liability	\$ 102	\$ 40	\$ 142
Fourth-quarter 1998 employee termination benefits charge	169	—	169
Fourth-quarter 1998 cash payments	(39)	(8)	(47)
December 31, 1998 liability	\$ 232	\$ 32	\$ 264
1999 cash payments	(205)	(23)	(228)
1999 change in estimate	4	(1)	3
December 31, 1999 liability	\$ 31	\$ 8	\$ 39
2000 cash payments	(24)	(4)	(28)
December 31, 2000 liability	\$ 7	\$ 4	\$ 11

The restructuring charge included \$112 million, net of salvage value, for the write-down of assets included in property, plant and equipment. These assets primarily included specialized 3M manufacturing machinery and equipment. Estimated salvage values are based on estimates of proceeds upon sale of certain affected assets.

The restructuring charge also included \$78 million for losses on inventory write-downs and other exit costs. The company has taken an inventory write-down of \$39 million, which has been classified as a component of cost of sales, for certain product lines that were discontinued primarily in 1998. Other exit costs included \$39 million in incremental costs and contractual obligations for items such as leasehold termination payments and other facility exit costs incurred as a direct result of the plan. After subtracting \$35 million in payments made through December 31, 2000, the company had a remaining balance of \$4 million in other current liabilities for these exit costs at December 31, 2000.

NOTE 4 Acquisitions and Divestitures

YEAR 2000 ACQUISITIONS: During 2000, 3M acquired 91 percent of Quante AG (a telecommunications supplier), 100 percent of the multi-layer integrated circuit packaging line of W. L. Gore and Associates, and seven smaller businesses for a total purchase price of \$472 million in cash (net of cash acquired) plus 128,994 shares of 3M common stock. The stock had a fair market value of \$11 million at the

(Millions)	Asset (Liability)
Accounts receivable	\$ 86
Inventories	112
Other working capital – net	(80)
Property, plant and equipment	179
Purchased intangible assets	326
Other assets	30
Interest bearing debt	(123)
Long-term liabilities	(47)
Net assets acquired	\$ 483

acquisition date and was previously held as 3M treasury stock. All of these transactions were accounted for using the purchase method of accounting. The preliminary estimated fair values of assets acquired and liabilities assumed relating to these acquisitions are summarized in the Note 4 Acquisitions and Divestitures table.

The 2000 purchased intangible assets, including goodwill, are being amortized on a straight-line basis over the periods benefited, ranging from 3 to 20 years. In-process research and development charges associated with these acquisitions were not significant. Pro forma information related to these acquisitions is not included because the impact of these acquisitions on the company's results of operations is not considered to be significant.

YEAR 1999 ACQUISITION: On December 28, 1999, 3M finalized the acquisition of the outstanding 46 percent minority interest in Dyneon LLC from Celanese AG for approximately \$340 million in cash, primarily financed by debt. The purchase method of accounting was used for this acquisition. The purchase price exceeded the fair value of the minority interest net assets by approximately \$267 million, of which approximately \$242 million represents goodwill and other intangible assets that will be amortized over 20 years or less. Dyneon's assets, liabilities, revenues and expenses were already fully consolidated in 3M's financial statements, with the 46 percent minority interest eliminated on the minority interest line to reflect 3M's net position. If this acquisition had occurred at the beginning of 1999, the effect on results of operations would not have been material.

YEAR 1999 DIVESTITURES: On June 30, 1999, the company closed on the sale of Eastern Heights Bank, a subsidiary banking operation, and on the sale of the assets of its cardiovascular systems business. These divestitures generated cash proceeds of \$203 million and, net of an investment valuation adjustment, resulted in a pre-tax gain of \$104 million (\$55 million after tax) in the second quarter of 1999. 3M also recorded a pre-tax gain of \$43 million (\$26 million after tax) related to divestitures, mainly in the Health Care segment, in the third quarter of 1999. These pre-tax gains are recorded in the other expense (income) line within operating income.

NOTE 5 Supplemental Statement of Income Information

(Millions)	2000	1999	1998
Research, development and related expenses	\$ 1,101	\$ 1,056	\$ 1,028
Advertising and merchandising costs	544	484	448

Research and development expenses, covering basic scientific research and the application of scientific advances to the development of new and improved products and their uses, totaled \$727 million, \$688 million and \$648 million in 2000, 1999 and 1998, respectively. Related expenses primarily include technical support provided by the laboratories for existing products.

PURPLE ABRASIVE DISCS

3M™ Imperial™ Hookit™ II Abrasives feature a re-engineered attachment system for less shifting of the abrasive during sanding. The trademarked purple color represents a product manufactured with state-of-the-art technology.



NOTE 6 Supplemental Balance Sheet Information

(Millions)	2000	1999
Accounts receivable		
Accounts receivable	\$ 2,975	\$ 2,860
Less allowances	84	82
Accounts receivable – net	\$ 2,891	\$ 2,778
Inventories		
Finished goods	\$ 1,231	\$ 1,103
Work in process	663	544
Raw materials	418	383
Total inventories	\$ 2,312	\$ 2,030
Other current assets		
Product and other insurance receivables	\$ 267	\$ 291
Deferred income taxes	152	172
Other	455	408
Total other current assets	\$ 874	\$ 871
Investments		
Available-for-sale (fair value)	72	254
Other (cost, which approximates fair value)	238	233
Total investments	\$ 310	\$ 487
Property, plant and equipment – at cost		
Land	\$ 249	\$ 265
Buildings and leasehold improvements	3,477	3,429
Machinery and equipment	9,958	9,356
Construction in progress	486	602
	14,170	13,652
Less accumulated depreciation	8,347	7,876
Property, plant and equipment – net	\$ 5,823	\$ 5,776
Other assets		
Intangible assets – net	\$ 852	\$ 537
Product and other insurance receivables	541	634
Prepaid pension benefits	412	265
Deferred income taxes	143	88
Other	62	43
Total other assets	\$ 2,010	\$ 1,567
Other current liabilities		
Product and other claims	\$ 107	\$ 141
Nonfunded pension and postretirement benefits	93	72
Other	763	643
Total other current liabilities	\$ 963	\$ 856
Other liabilities		
Nonfunded pension and postretirement benefits	\$ 754	\$ 761
Product and other claims	339	397
Minority interest in subsidiaries	346	371
Deferred income taxes	362	332
Other	465	447
Total other liabilities	\$ 2,266	\$ 2,308

NOTE 7 Supplemental Stockholders' Equity and Comprehensive Income Information

Common stock (\$.01 par value per share; \$.50 par value at December 31, 1999 and 1998) of 1.5 billion shares is authorized (1 billion shares at December 31, 1999), with 472,016,528 shares issued in 2000, 1999 and 1998. Common stock and capital in excess of par includes \$231 million transferred from common stock to capital in excess of par value during 2000 in connection with the change in par value of the company's common stock to \$.01 per share. Preferred stock, without par value, of 10 million shares is authorized but unissued.

The following table shows the ending balances of the components of accumulated other comprehensive income (loss).

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
(Millions)	2000	1999	1998
Cumulative translation – net	\$ (885)	\$ (694)	\$ (518)
Minimum pension liability adjustments – net	(58)	(30)	—
Debt and equity securities, unrealized gain – net	29	136	10
Total accumulated other comprehensive income (loss)	\$ (914)	\$ (588)	\$ (508)

Reclassification adjustments in 2000 for realized gains included in net income totaled \$62 million (\$101 million before tax). These gains related to the sale of appreciated equity securities. Reclassification adjustments in 1999 for realized gains included in net income totaled \$25 million (\$41 million before tax). These gains related to appreciated equity securities donated to the 3M Foundation in December 1999. In 2000, 1999 and 1998, other reclassification adjustments were not material. Income tax effects for cumulative translation are not material since no tax provision has been made for the translation of foreign currency financial statements into U.S. dollars.

NOTE 8 Supplemental Cash Flow Information

SUPPLEMENTAL CASH FLOW INFORMATION			
(Millions)	2000	1999	1998
Income tax payments	\$ 852	\$ 653	\$ 467
Interest payments	104	114	130
Depreciation	915	822	798
Amortization of software	45	39	28
Amortization of patents, other identifiable acquisition intangibles, and goodwill	65	39	40

As required by a third-quarter 2000 Emerging Issues Task Force consensus, stock option tax benefits have been classified as a component of cash flows from operating activities. Prior-period Consolidated Statement of Cash Flows amounts have been restated to conform with this presentation.

Individual amounts on the Consolidated Statement of Cash Flows exclude the effects of acquisitions, divestitures and exchange rate impacts, which are presented separately. The net impact of cumulative effect of accounting changes is recorded in "Other – net" within operating activities.

In 1999, 3M exchanged assets used in the business, but not held for sale, with a fair market value of \$61 million plus cash of \$12 million, for similar assets having a fair market value of \$73 million. No gain was recognized on this nonmonetary exchange of productive assets. Also in 1999, 3M donated to the 3M Foundation appreciated equity securities with a market value of \$66 million, resulting in \$8 million of pre-tax expense, which represented the company's cost of the securities.

In 1998, the 3M Employee Stock Ownership Plan (ESOP) refinanced its existing debt by issuing new debt of \$385 million. Because the company has guaranteed repayment of the ESOP debt, the debt and related unearned compensation are recorded on the Consolidated Balance Sheet. The repayment of principal and proceeds of long-term debt relating to the ESOP have been excluded from the financing activities of the company in the Consolidated Statement of Cash Flows because the funds involved were received and disbursed by the ESOP trust.

NOTE 9 Debt

SHORT-TERM DEBT			
(Millions)	Effective Interest Rate*	2000	1999
Commercial paper	6.49%	\$ 655	\$ 786
Long-term debt – current portion	5.94%	646	36
6.325% dealer remarketable securities	5.67%	352	—
Other borrowings	7.79%	213	308
Total short-term debt		\$ 1,866	\$ 1,130

LONG-TERM DEBT

(Millions)	Effective Interest Rate*	Maturity Date	2000	1999
ESOP debt guarantee	5.62%	2002–2009	\$ 303	\$ 333
U.S. dollar				
6.375% note	6.38%	2028	330	330
Japanese yen				
1% eurobond	1.00%	2003	139	—
Sumitomo 3M Limited				
0.795% note	0.80%	2003	87	98
Other borrowings	6.11%	2002–2037	112	719
Total long-term debt			\$ 971	\$ 1,480

* Reflects the effects of interest rate and currency swaps at December 31, 2000.

At December 31, 2000, debt with fixed interest rates includes the ESOP, U.S. dollar 6.375 percent note, Japanese yen eurobond, Sumitomo 3M Limited note and a portion of other borrowings. The ESOP debt is serviced by dividends on stock held by the ESOP and by company contributions. These contributions are reported as an employee benefit expense in the Consolidated Statement of Income. At December 31, 2000, debt not denominated in U.S. dollars includes the Japanese yen eurobond, the Sumitomo 3M Limited note and most of other borrowings. Other borrowings include debt held by 3M's international companies, and floating rate notes and industrial bond issues in the United States. Other borrowings in long-term debt significantly decreased in 2000 as a result of certain debt securities becoming due in 2001, with the corresponding increase reflected in the current portion of long-term debt.

Maturities of long-term debt for the next five years are: 2001, \$646 million; 2002, \$33 million; 2003, \$261 million; 2004, \$36 million; and 2005, \$38 million.

The company estimates that the fair value of short-term debt approximates the carrying amount of this debt. The fair value of long-term debt, based on third-party quotes, is estimated at \$950 million. Debt covenants do not restrict the payment of dividends. At year-end 2000, the company had available short-term lines of credit totaling about \$694 million.

NOTE 10 Other Financial Instruments

INTEREST RATE AND CURRENCY SWAPS: The company uses interest rate and currency swaps to manage interest rate risk related to borrowings. The notional amounts shown in the table on the following page serve solely as a basis for the calculation of payment streams to be exchanged. These notional amounts are not a measure of the company's exposure through its use of derivatives. These instruments generally mature in relationship to their underlying debt and have maturities extending to 2001. Unrealized gains and losses and exposure to changes in market conditions were not material at December 31, 2000 and 1999, for interest rate swaps. Currency swaps at December 31, 2000, had unrealized gains of

CERAMIC "CLEAR" BRACES

3M™ Unitek™ Clarity™ Aesthetic Braces are metal-reinforced ceramic brackets with an attractive, translucent and smooth appearance. This alternative to traditional metal braces is ideal for adults and teens who want to avoid the "tin grin."



\$29 million and unrealized losses of \$47 million. Currency swaps at December 31, 1999, had unrealized gains of \$13 million and unrealized losses of \$61 million. In both years, unrealized gains and losses relating to underlying debt instruments largely offset these unrealized amounts.

NOTIONAL AMOUNTS

(Millions)	2000	1999
Interest rate swaps	\$ 615	\$ 550
Currency swaps	365	465

FOREIGN EXCHANGE FORWARD AND OPTION CONTRACTS: The company has entered into foreign exchange forward and option contracts, the majority of which have maturities of less than one year. The face amounts represent contracted U.S. dollar equivalents of forward and option contracts denominated in foreign currencies. The amounts at risk are not material because the company has the ability to generate offsetting foreign currency cash flows. Unrealized gains and losses at December 31, 2000 and 1999, were not material. In 2000, realized gains totaled \$132 million and realized losses totaled \$45 million, with most of this net impact offset by underlying hedged items.

FACE AMOUNTS

(Millions)	2000	1999
Forward contracts	\$ 442	\$ 997
Options purchased	113	140

The company engages in hedging activities to reduce exchange rate risks arising from cross-border cash flows denominated in foreign currencies. The company operates on a global basis, generating more than half its revenues internationally and engaging in substantial product and financial transfers among geographic areas. Major forward contracts at December 31, 2000, were denominated in European euros and Japanese yen.

CREDIT RISK: The company is exposed to credit loss in the event of nonperformance by counterparties in interest rate swaps, currency swaps, and option and foreign exchange contracts. However, the company's risk is limited to the fair value of the instruments. The company actively monitors its exposure to credit risk through the use of credit approvals and credit limits, and by selecting major international banks and financial institutions as counterparties. The company does not anticipate nonperformance by any of these counterparties.

NOTE 11 Income Taxes

At December 31, 2000, about \$2.6 billion of retained earnings attributable to international companies were considered to be indefinitely invested. No provision has been made for taxes that might be payable if these earnings were remitted to the United States. It is not practical to determine the amount of incremental taxes that might arise were these earnings to be remitted.

INCOME BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE

(Millions)	2000	1999	1998
United States	\$ 1,580	\$ 2,020	\$ 1,326
International	1,394	860	626
Total	\$ 2,974	\$ 2,880	\$ 1,952

PROVISION FOR INCOME TAXES

(Millions)	2000	1999	1998
Currently payable			
Federal	\$ 385	\$ 494	\$ 186
State	64	72	52
International	487	371	308
Deferred			
Federal	92	100	149
State	7	9	13
International	(10)	(14)	(23)
Total	\$ 1,025	\$ 1,032	\$ 685

In 2000, the company recorded a cumulative effect of accounting change, reducing earnings by \$75 million net of tax. The provision for income taxes excludes a \$42 million tax benefit related to this cumulative effect.

In 1998, the company refinanced debt related to its Employee Stock Ownership Plan. The provision for income taxes excludes a \$21 million tax benefit (classified as part of the extraordinary loss) related to this refinancing.

COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES

(Millions)	2000	1999
Accruals currently not deductible		
Employee benefit costs	\$ 278	\$ 288
Product and other claims	170	205
Product and other insurance receivables	(308)	(353)
Accelerated depreciation	(436)	(423)
Other	221	206
Net deferred tax asset (liability)	\$ (75)	\$ (77)

RECONCILIATION OF EFFECTIVE INCOME TAX RATE

	2000	1999	1998
Statutory U.S. tax rate	35.0%	35.0%	35.0%
State income taxes – net	1.6	1.8	2.4
International income taxes – net	(.8)	.2	.8
All other – net	(1.3)	(1.2)	(3.1)
Effective worldwide tax rate	34.5%	35.8%	35.1%

NOTE 12 Business Segments

Net sales in prior periods have been reclassified to conform with the current-year presentation. In the first quarter of 2000, business segment operating income for 1999 was restated for minor amounts to be consistent with year 2000 management reporting practices. Certain costs previously included in Corporate and Unallocated were allocated to the individual business segments. 3M's businesses are organized, managed and internally reported as six operating segments based on differences in products, technologies and services. These segments are Industrial; Transportation, Graphics and Safety; Health Care; Consumer and Office; Electro and Communications; and Specialty Material. These segments have worldwide responsibility for virtually all of the company's product lines. 3M is not dependent on any single product or market.

Transactions among reportable segments are recorded at cost. 3M is an integrated enterprise characterized by substantial intersegment cooperation, cost allocations and inventory transfers. Therefore, management does not represent that these segments, if operated independently, would report the operating income and other financial information shown. The allocations resulting from the shared utilization of assets are not necessarily indicative of the underlying activity for segment assets, depreciation and amortization, and capital expenditures.

Operating income in 2000 includes a non-recurring net loss of \$23 million. Non-recurring costs include \$168 million in the Specialty Material segment related to the company's phaseout of perfluorooctanyl-based chemistry products. This \$168 million includes \$56 million of accelerated depreciation (included in the Specialty Material segment depreciation and amortization), \$48 million of impairment losses, and severance and other costs. Other non-recurring costs include a \$20 million write-down of corporate and unallocated assets, and \$20 million of other non-recurring expenses (\$13 million related to acquisitions in the Electro and Communications segment). Non-recurring operating income gains in 2000 of \$135 million were largely related to corporate and unallocated asset dispositions, principally the sale of available-for-sale equity securities. Operating income in 2000 also included a \$50 million gain from the termination of a product distribution agreement in the Health Care segment.

Operating income in 1999 includes a non-recurring net gain of \$100 million. This relates to divestitures of certain health care businesses and Eastern Heights Bank, litigation expense, an investment valuation adjustment, and a change in estimate that reduced the 1998 restructuring charge. Of this \$100 million gain, \$62 million was recorded in Health Care and \$38 million in Corporate and Unallocated. Operating income in 1998 includes a restructuring charge of \$493 million in Corporate and Unallocated.

BUSINESS SEGMENTS	MAJOR PRODUCTS
Industrial	Tapes, coated and nonwoven abrasives, and specialty adhesives
Transportation, Graphics and Safety	Reflective sheeting, commercial graphics systems, respirators, automotive components, safety and security products, and optical films
Health Care	Medical and surgical supplies, skin health products, infection prevention, pharmaceuticals, drug delivery systems, dental and orthodontic products, health information systems, microbiology products, and closures for disposable diapers
Consumer and Office	Sponges, scour pads, high-performance cloths, consumer and office tapes, repositionable notes, carpet and fabric protectors, energy control products, home improvement products, floor matting, commercial cleaning products, and visual systems
Electro and Communications	Packaging and interconnection devices, insulating and splicing solutions for the electronics, telecommunications and electrical industries
Specialty Material	Specialty materials for automotive, electronics, telecommunications, textile and other industries, and roofing granules

MEMBRANE SWITCH

3M™ Membrane Switch Spacers feature strong adhesives that provide tight seals for bonding and separating circuits in the construction of membrane switches. These spacers resist moisture, temperature extremes and solvents.



BUSINESS SEGMENT INFORMATION

(Millions)		Net Sales	Operating Income	Assets**	Depreciation and Amortization	Capital Expenditures
Industrial	2000	\$ 3,525	\$ 641	\$ 2,392	\$ 213	\$ 214
	1999	3,409	612	2,357	220	202
	1998	3,372	561	2,394	199	281
Transportation, Graphics and Safety	2000	3,518	783	2,741	186	239
	1999	3,234	675	2,673	140	199
	1998	3,025	532	2,652	170	336
Health Care	2000	3,135	675	2,025	188	189
	1999	3,138	680	2,076	203	189
	1998	3,102	571	2,168	161	225
Consumer and Office	2000	2,848	434	1,711	101	134
	1999	2,705	401	1,589	118	123
	1998	2,624	398	1,614	136	182
Electro and Communications	2000	2,467	404	1,961	158	208
	1999	2,017	402	1,359	130	194
	1998	1,743	263	1,177	111	225
Specialty Material	2000	1,197	57	1,230	144	131
	1999	1,194	185	1,323	79	143
	1998	1,133	194	1,112	66	188
Corporate and Unallocated*	2000	34	64	2,462	35	—
	1999	51	1	2,519	10	—
	1998	95	(480)	3,036	23	16
Total Company	2000	\$ 16,724	\$ 3,058	\$ 14,522	\$ 1,025	\$ 1,115
	1999	15,748	2,956	13,896	900	1,050
	1998	15,094	2,039	14,153	866	1,453

* Corporate and Unallocated operating income principally includes corporate investment gains and losses, certain derivative gains and losses, insurance-related gains and losses, banking operating results (divested June 30, 1999), certain litigation expenses, restructuring charges and other miscellaneous items. Because this category includes a variety of miscellaneous items, it is subject to fluctuation on a quarterly and annual basis.

** Segment assets primarily include accounts receivable; inventory; property, plant and equipment – net; and other miscellaneous assets. Assets included in Corporate and Unallocated principally are cash and cash equivalents; insurance receivables; deferred income taxes; certain investments and other assets; and certain unallocated property, plant and equipment.

NOTE 13 Geographic Areas

Information in the table below is presented on the basis the company uses to manage its businesses. Export sales and certain income and expense items are reported within the geographic area where the final sales to customers are made. Prior-year amounts have been retroactively restated to conform to the current-year presentation.

In 1999, operating income for eliminations and other includes a \$100 million non-recurring net benefit related to gains on divestitures, litigation expense, an investment valuation adjustment, and a change in estimate that reduced the 1998 restructuring charge. In 1998, operating income for eliminations and other includes a \$493 million restructuring charge.

GEOGRAPHIC AREA INFORMATION

(Millions)		United States	Europe and Middle East	Asia Pacific	Latin America, Africa and Canada	Eliminations and Other	Total Company
Net sales to customers	2000	\$ 7,858	\$ 3,946	\$ 3,329	\$ 1,564	\$ 27	\$ 16,724
	1999	7,559	3,808	2,887	1,467	27	15,748
	1998	7,297	3,863	2,375	1,539	20	15,094
Operating income	2000	\$ 1,160	\$ 589	\$ 961	\$ 376	\$ (28)	\$ 3,058
	1999	1,198	574	768	348	68	2,956
	1998	1,185	515	512	339	(512)	2,039
Property, plant and equipment – net	2000	\$ 3,699	\$ 1,046	\$ 711	\$ 367	\$ —	\$ 5,823
	1999	3,647	1,017	757	355	—	5,776
	1998	3,504	1,116	718	376	—	5,714

NOTE 14 Retirement and Postretirement Benefit Plans

3M has various company-sponsored retirement plans covering substantially all U.S. employees and many employees outside the United States. Pension benefits are based principally on an employee's years of service and compensation near retirement. In addition to providing pension benefits, the company provides certain postretirement health care and life insurance benefits for substantially all of its U.S. employees who reach retirement age while employed by the company. Most international employees and retirees are covered by government health care programs. The cost of company-provided health care plans for these international employees is not material.

The company's pension funding policy is to deposit with independent trustees amounts at least equal to accrued liabilities, to the extent allowed by law. Trust funds and deposits with insurance com-

panies are maintained to provide pension benefits to plan participants and their beneficiaries. In addition, the company has set aside funds for its U.S. postretirement plan with an independent trustee and makes periodic contributions to the plan.

The company's U.S. non-qualified pension plan had an unfunded accumulated benefit obligation of \$187 million at December 31, 2000, and \$171 million at December 31, 1999. There are no plan assets in the non-qualified plan due to its nature.

Certain international pension plans were underfunded as of year-end 2000 and 1999. The accumulated benefit obligations of these plans were \$499 million in 2000 and \$467 million in 1999. The assets of these plans were \$300 million in 2000 and \$353 million in 1999. The net underfunded amounts are included in current and other liabilities on the Consolidated Balance Sheet.

BENEFIT PLAN INFORMATION	Qualified and Non-qualified Pension Benefits				Postretirement Benefits	
	United States		International		2000	1999
	2000	1999	2000	1999		
(Millions)						
Reconciliation of benefit obligation						
Beginning balance	\$ 5,597	\$ 6,201	\$ 2,234	\$ 2,153	\$ 1,016	\$ 1,030
Service cost	125	150	83	88	39	42
Interest cost	416	387	98	98	82	69
Participant contributions	—	—	6	7	11	9
Foreign exchange rate changes	—	—	(199)	(34)	—	1
Plan amendments	1	8	—	3	—	—
Actuarial (gain) loss	117	(823)	199	(21)	109	(56)
Benefit payments	(351)	(326)	(53)	(60)	(91)	(79)
Ending balance	\$ 5,905	\$ 5,597	\$ 2,368	\$ 2,234	\$ 1,166	\$ 1,016
Reconciliation of plan assets at fair value						
Beginning balance	\$ 6,813	\$ 6,233	\$ 2,155	\$ 2,028	\$ 537	\$ 523
Actual return on plan assets	384	807	5	173	4	19
Company contributions	90	86	60	51	139	64
Participant contributions	—	—	6	7	11	9
Foreign exchange rate changes	—	—	(157)	(45)	—	—
Benefit payments	(333)	(313)	(58)	(59)	(90)	(78)
Ending balance	\$ 6,954	\$ 6,813	\$ 2,011	\$ 2,155	\$ 601	\$ 537
Funded status of plans						
Plan assets at fair value less benefit obligation	\$ 1,049	\$ 1,216	\$ (357)	\$ (79)	\$ (565)	\$ (480)
Unrecognized transition (asset) obligation	—	—	16	21	—	—
Unrecognized prior service cost	129	142	25	36	(26)	12
Unrecognized (gain) loss	(1,012)	(1,325)	311	13	160	(37)
Net amount recognized	\$ 166	\$ 33	\$ (5)	\$ (9)	\$ (431)	\$ (505)
Amounts recognized in the Consolidated Balance Sheet consist of:						
Prepaid assets	\$ 319	\$ 184	\$ 80	\$ 74	\$ —	\$ —
Accrued liabilities	(187)	(171)	(229)	(157)	(431)	(505)
Intangible assets	5	6	8	1	—	—
Accumulated other comprehensive income – pre-tax	29	14	136	73	—	—
Net amount recognized	\$ 166	\$ 33	\$ (5)	\$ (9)	\$ (431)	\$ (505)

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BENEFIT PLAN INFORMATION		Qualified and Non-qualified Pension Benefits						Postretirement Benefits		
		United States			International			2000	1999	1998
(Millions)	2000	1999	1998	2000	1999	1998	2000			
Components of net periodic benefit cost										
Service cost	\$ 125	\$ 150	\$ 130	\$ 83	\$ 88	\$ 80	\$ 39	\$ 42	\$ 36	
Interest cost	416	387	377	98	98	95	82	69	62	
Expected return on assets	(565)	(501)	(440)	(117)	(108)	(103)	(47)	(34)	(32)	
Amortization of transition (asset) obligation	—	(37)	(37)	2	2	(1)	—	—	—	
Amortization of prior service cost or benefit	13	45	38	8	8	8	(11)	(11)	(11)	
Recognized net actuarial (gain) loss	(14)	14	—	7	2	3	3	—	—	
Net periodic benefit cost	\$ (25)	\$ 58	\$ 68	\$ 81	\$ 90	\$ 82	\$ 66	\$ 66	\$ 55	
Weighted average assumptions										
Discount rate	7.50%	7.50%	6.50%	5.40%	5.67%	5.58%	7.50%	7.50%	6.50%	
Expected return on assets	9.00%	9.00%	9.00%	7.14%	6.69%	6.72%	8.19%	8.19%	6.25%	
Compensation rate increase	4.65%	4.65%	4.65%	4.28%	4.12%	4.02%	4.65%	4.65%	4.65%	

The company expects its health care cost trend rate for postretirement benefits to slow from 5.8 percent in 2001 to 5.0 percent in 2004, after which the rate is expected to stabilize. A one percentage point change in the assumed health care cost trend rates would have the effects shown in the following table:

HEALTH CARE COST	One Percentage Point	
	Increase	Decrease
(Millions)		
Effect on current year's benefit expense	\$ 16	\$ (13)
Effect on benefit obligation	119	(103)

NOTE 15 Leases

Rental expense under operating leases was \$119 million in 2000, \$113 million in 1999 and \$125 million in 1998. The table below shows minimum payments under operating leases with non-cancelable terms in excess of one year, as of December 31, 2000.

(Millions)	2001	2002	2003	2004	2005	After 2005	Total
Minimum lease payments	\$ 83	\$ 67	\$ 50	\$ 29	\$ 20	\$ 83	\$ 332

NOTE 16 Employee Savings and Stock Ownership Plans

The company sponsors employee savings plans under Section 401(k) of the Internal Revenue Code. These plans are offered to substantially all regular U.S. employees. Employee contributions of up to

6 percent of compensation are matched at rates ranging from 20 to 35 percent, with additional company contributions depending upon company performance.

The company maintains an Employee Stock Ownership Plan (ESOP). This plan was established in 1989 as a cost-effective way of funding the majority of the company's contributions under 401(k) employee savings plans. Total ESOP shares are considered to be shares outstanding for earnings per share calculations.

In 1998, the ESOP refinanced its existing debt by issuing new debt of \$385 million at an interest rate of 5.62 percent. This refinancing extended the life of the original ESOP from 2004 to 2009. The company incurred a one-time charge of \$59 million (\$38 million net of tax), or 9 cents per diluted share, which is reported as an extraordinary loss from early extinguishment of debt.

Dividends on shares held by the ESOP are paid to the ESOP trust and, together with company contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Over the life of the notes, shares are released for allocation to participants based on the ratio of the current year's debt service to the remaining debt service prior to the current payment.

The ESOP has been the primary funding source for the company's employee savings plans. Expenses related to the ESOP include total debt service on the notes, less dividends. The company contributes treasury shares, accounted for at fair value, to employee savings plans to cover obligations not funded by the ESOP. These amounts are reported as an employee benefit expense. Unearned compensation, shown as a reduction of stockholders' equity, is reduced symmetrically as the ESOP makes principal payments on the debt.

EMPLOYEE SAVINGS AND STOCK OWNERSHIP PLANS

(Millions)	2000	1999	1998
Dividends on shares held by the ESOP	\$ 31	\$ 31	\$ 31
Company contributions to the ESOP	15	7	44
Interest incurred on ESOP notes	19	21	29
Expenses related to ESOP debt service	12	14	37
Expenses related to treasury shares	35	50	2

ESOP DEBT SHARES

	2000	1999	1998
Allocated	6,898,666	6,596,898	6,586,192
Committed to be released	194,187	280,615	85,153
Unreleased	6,116,961	6,709,549	7,457,885
Total ESOP debt shares	13,209,814	13,587,062	14,129,230

NOTE 17 General Employees' Stock Purchase Plan

In May 1997, shareholders approved 15 million shares for issuance under the company's General Employees' Stock Purchase Plan (GESPP). Substantially all employees are eligible to participate in the plan. Participants are granted options at 85 percent of market

value at the date of grant. There are no GESPP shares under option at the beginning or end of each year because options are granted on the first business day and exercised on the last business day of the same month.

GENERAL EMPLOYEES' STOCK PURCHASE PLAN

	2000		1999		1998	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Options granted	1,206,262	\$ 77.40	1,210,189	\$ 72.25	1,271,120	\$ 69.91
Options exercised	(1,206,262)	77.40	(1,210,189)	72.25	(1,271,120)	69.91
Shares available for grant – December 31	10,563,726		11,769,988		12,980,177	

* Weighted average

NOTE 18 Management Stock Ownership Program

In May 1997, shareholders approved 35 million shares for issuance under the Management Stock Ownership Program (MSOP). Management stock options are granted at market value at the date of

grant. These options generally are exercisable one year after the date of grant and expire 10 years from the date of grant. In May 2000, at the time of the grant, there were 11,073 participants in the plan.

MANAGEMENT STOCK OWNERSHIP PROGRAM

	2000		1999		1998	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Under option – January 1	30,702,415	\$ 74.67	29,330,549	\$ 67.72	26,831,852	\$ 59.75
Granted	6,612,707	89.20	5,697,333	94.32	5,872,537	92.78
Exercised	(4,684,779)	62.19	(4,201,886)	52.50	(3,300,215)	47.76
Canceled	(283,087)	86.77	(123,581)	93.35	(73,625)	93.35
December 31	32,347,256	\$ 79.34	30,702,415	\$ 74.67	29,330,549	\$ 67.72
Options exercisable – December 31	26,159,345	\$ 77.02	25,213,683	\$ 70.27	24,031,395	\$ 62.09
Shares available for grant – December 31	11,738,624		18,088,285		23,780,604	

* Weighted average

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OPTIONS OUTSTANDING AND EXERCISABLE AT DECEMBER 31, 2000

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Remaining Contractual Life (months)*	Exercise Price*	Shares	Exercise Price*
\$ 42.50-54.52	4,542,274	34	\$ 47.96	4,542,274	\$ 47.96
54.57-82.91	6,855,135	60	62.02	6,855,135	62.02
86.70-119.60	20,949,847	101	91.86	14,761,936	93.01

* Weighted average

NOTE 19 Stock-Based Compensation

No compensation cost has been recognized for the General Employees' Stock Purchase Plan (GESPP) or the Management Stock Ownership Program (MSOP). Pro forma amounts based on the options' estimated fair value, net of tax, at the grant dates for awards under the GESPP and MSOP are presented below.

PRO FORMA NET INCOME AND EARNINGS PER SHARE

(Millions)	2000	1999	1998
Net income			
As reported	\$ 1,782	\$ 1,763	\$ 1,175
Pro forma	1,668	1,652	1,072
Earnings per share – basic			
As reported	\$ 4.50	\$ 4.39	\$ 2.91
Pro forma	4.22	4.11	2.66
Earnings per share – diluted			
As reported	\$ 4.45	\$ 4.34	\$ 2.88
Pro forma	4.17	4.06	2.63

The weighted average fair value per option granted during 2000, 1999 and 1998 was \$13.65, \$12.75 and \$12.34, respectively, for the GESPP, and \$22.45, \$22.86 and \$20.41, respectively, for the incentive MSOP grants. The weighted average fair value was calculated by using the fair value of each option on the date of grant. The fair value of GESPP options was based on the 15 percent purchase discount. For MSOP options, the fair value was calculated utilizing the Black-Scholes option-pricing model and the weighted average assumptions that follow.

MSOP ASSUMPTIONS

	2000	1999	1998
Risk-free interest rate	6.7%	5.4%	5.7%
Dividend growth rate	4.3%	5.0%	5.8%
Volatility	22.3%	22.3%	17.6%
Expected life (months)	68	66	69

The MSOP options, if exercised, would have the following dilutive effect on shares outstanding for 2000, 1999 and 1998, respectively: 4.2 million, 4.5 million and 4.7 million shares. Certain MSOP options outstanding for years 2000, 1999 and 1998 (11.5, 8.7 and 10.8 million shares, respectively) were not included in the computation of diluted earnings per share because they would not have a dilutive effect.

NOTE 20 Quarterly Data (Unaudited)

(Millions, except per-share amounts)	First	Second	Third	Fourth	Year
Net sales*					
2000	\$ 4,075	\$ 4,243	\$ 4,270	\$ 4,136	\$ 16,724
1999	3,795	3,885	4,021	4,047	15,748
Cost of sales*					
2000	\$ 2,091	\$ 2,181	\$ 2,295	\$ 2,220	\$ 8,787
1999	1,991	2,010	2,072	2,053	8,126
Income before cumulative effect of accounting change*					
2000	\$ 487	\$ 470	\$ 499	\$ 401	\$ 1,857
1999	384	476	459	444	1,763
Net income*					
2000	\$ 487	\$ 470	\$ 499	\$ 326	\$ 1,782
1999	384	476	459	444	1,763
Basic earnings per share – income before cumulative effect*					
2000	\$ 1.22	\$ 1.19	\$ 1.26	\$ 1.02	\$ 4.69
1999	.95	1.18	1.14	1.11	4.39
Basic earnings per share – net income*					
2000	\$ 1.22	\$ 1.19	\$ 1.26	\$.83	\$ 4.50
1999	.95	1.18	1.14	1.11	4.39
Diluted earnings per share – income before cumulative effect*					
2000	\$ 1.21	\$ 1.18	\$ 1.25	\$ 1.00	\$ 4.64
1999	.95	1.17	1.13	1.10	4.34
Diluted earnings per share – net income*					
2000	\$ 1.21	\$ 1.18	\$ 1.25	\$.82	\$ 4.45
1999	.95	1.17	1.13	1.10	4.34
Stock price comparisons (NYSE composite transactions)					
2000 High	\$ 103.81	\$ 98.31	\$ 97.44	\$ 122.94	\$ 122.94
2000 Low	78.19	80.44	80.50	83.94	78.19
1999 High	81.38	96.38	100.00	103.38	103.38
1999 Low	69.31	70.06	85.00	87.44	69.31

* Net sales in prior periods have been reclassified to conform to the current-period presentation. Fourth-quarter and third-quarter 2000 operating income include non-recurring costs of \$90 million and \$118 million, respectively, included in cost of sales, and non-recurring gains of \$16 million and \$119 million, respectively, primarily relating to the sale of equity securities. Non-recurring costs in both quarters primarily relate to the company's phaseout of perfluorooctanyl-based chemistry products. Fourth-quarter 2000 non-recurring items include an operating loss of \$74 million (\$46 million after tax) and a cumulative effect of accounting change that reduced earnings by \$75 million net of tax, or a total of 30 cents per diluted share on a combined basis. First quarter 2000 includes a gain from termination of a product distribution agreement of \$50 million (\$31 million after tax), or 8 cents per diluted share. Third quarter 1999 includes gains on divestitures of \$43 million, litigation expense of \$73 million and a change in estimate that reduced the 1998 restructuring charge by \$26 million. These items resulted in a net loss of \$4 million (\$3 million after tax), or 1 cent per diluted share. Second quarter 1999 includes gains on divestitures, net of an investment valuation adjustment, of \$104 million (\$55 million after tax), or 14 cents per diluted share.

NOTE 21 Legal Proceedings

GENERAL: The company and certain of its subsidiaries are named as defendants in a number of actions, governmental proceedings and claims, including environmental proceedings and products liability claims involving products now or formerly manufactured and sold by the company. In some actions, the claimants seek damages as well as other relief, which, if granted, would require substantial expenditures. The company has recorded certain liabilities, which represent reasonable estimates of its probable liabilities for these matters. The company also has recorded receivables for the probable amount of insurance recoverable with respect to these matters.

Some of these matters raise difficult and complex factual and legal issues, and are subject to many uncertainties, including, but not limited to, the facts and circumstances of each particular action, the jurisdiction and forum in which each action is proceeding and differences in applicable law. Accordingly, the company is not always able to estimate the amount of its possible future liabilities with respect to such matters.

While the company currently believes that the ultimate outcome of these proceedings and claims, individually and in the aggregate, will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the company, there can be no absolute certainty that the company may not ultimately incur charges, whether for governmental proceedings and claims, products liability claims, or other actions, in excess of presently recorded liabilities.

While the company currently believes that a material adverse impact on its consolidated financial position, results of operations, or cash flows from any such future charges is remote, due to the inherent uncertainty of litigation, there exists the remote possibility that a future adverse ruling could result in future charges that could have a material adverse impact on the company. The current estimate of the potential impact on the company's financial position for the above legal proceedings could change in the future.

BREAST IMPLANT LITIGATION: The company and certain other companies have been named as defendants in a number of claims and lawsuits alleging damages for personal injuries of various types resulting from breast implants formerly manufactured by the company or a related company. The company entered the business of manufacturing breast implants in 1977 by purchasing McGhan Medical Corporation. In 1984, the company sold the business to a corporation that also was named McGhan Medical Corporation.

As of December 31, 2000, the company is currently named as a defendant, often with multiple co-defendants, in 1,223 lawsuits and 29 claims in various courts, all seeking damages for personal injuries from allegedly defective breast implants. These lawsuits and claims purport to represent 3,715 individual claimants.

3M has confirmed that 70 of the 3,715 claimants have opted out of the Revised Settlement Program (discussed below) and have 3M implants. Approximately 93 percent of the claimants in these confirmed cases have alleged an unspecified amount of damages above the jurisdictional limit of the courts in which the cases were filed. The company has one claimant who filed a lawsuit in New York state court alleging damages of \$20 million.

The company believes that most of the remaining 3,645 claimants will be dismissed either because the claimants did not have 3M implants or the claimants accepted benefits under the Revised Settlement Program. Approximately 88 percent of these claimants have filed lawsuits that either do not allege a specific amount of damages or allege an unspecified amount of damages above the jurisdictional limit of the court. The rest of these claimants allege damages aggregating approximately \$300 million in their lawsuits. Approximately 412 claimants have filed lawsuits in New York state courts alleging damages in excess of \$20 million each. 3M expects that virtually all of these New York cases will be dismissed without payment for the reasons stated above. The company continues to work to clarify the status of these lawsuits and claims.

Based on 3M's experience in resolving thousands of these lawsuits, 3M believes that the amount of damages alleged in complaints is not a reliable or meaningful measure of the potential liability that 3M may incur in the breast implant litigation. Investors should place no reliance on the amount of damages alleged in breast implant lawsuits against 3M.

On December 22, 1995, the United States District Court for the Northern District of Alabama approved a revised class action settlement program for resolution of claims seeking damages for personal injuries from allegedly defective breast implants (the "Revised Settlement Program"). The Court ordered that, beginning after November 30, 1995, members of the plaintiff class may choose to participate in the Revised Settlement Program or opt out, which would then allow them to proceed with separate products liability actions.

The company believes that approximately 90 percent of the registrants, including those claimants who filed current claims, have elected to participate in the Revised Settlement Program. It is still

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unknown as to what disease criteria all claimants have satisfied, and what options they have chosen. As a result, the total amount and timing of the company's prospective payments under the Revised Settlement Program cannot be determined with precision at this time. As of December 31, 2000, the company had paid \$296 million into the court-administered fund as a reserve against costs of claims payable by the company under the Revised Settlement Program (including a \$5 million administrative assessment). Additional payments will be made as necessary. Payments to date have been consistent with the company's estimates of the total liability for claims under the Revised Settlement Program.

Under the Revised Settlement Program, additional opt outs are expected to be minimal since the opt-out deadline has passed for virtually all U.S. class members. The company's remaining obligations under the Revised Settlement Program are limited since (i) most payments to current claimants have already been made, (ii) no additional current claims may be filed without court approval, and (iii) late registrants are limited by the terms of the Revised Settlement Program.

The company's current best estimate of the amount to cover the cost and expense of the Revised Settlement Program and the cost and expense of resolving opt-out claims and recovering insurance proceeds (from inception of the litigation through December 31, 2000) is \$1.2 billion. After subtracting cumulative payments of \$1.168 billion as of December 31, 2000, for defense and other costs and settlements with litigants and claimants, the company had remaining liabilities for the breast implant litigation of \$32 million.

The company's insurers initiated a declaratory judgment action in Ramsey County Minnesota against the company seeking adjudication of certain coverage and allocation issues. The jury trial phase of this action finished on February 24, 2000. The jury returned a verdict favorable to the company by rejecting all of the insurers' remaining defenses to coverage for breast implant liabilities and costs. The court has considered additional remedies requested by the company and the insurers including eliminating, limiting or extending allocation among the insurers providing occurrence-based coverage (before 1986), pre- and post-judgment interest, attorneys' fees and further equitable relief.

The court's rulings in post-verdict motions are considered to be generally favorable to the company. The court awarded the company

pre-judgment interest on amounts owing by insurers including reasonable attorney fees. However, the court has yet to determine the amount of attorneys' fees recoverable by the company. The court has indicated a formula to be used for this calculation that would result in the company being reimbursed for less than all of its fees. Exact amounts cannot yet be determined. The company expects entry of judgment to occur during the first half of 2001.

As of December 31, 2000, the company had receivables for insurance recoveries of \$519 million, representing settled but yet to be received amounts as well as amounts contested by the insurance carriers. During 2000, the company received payments from its occurrence carriers. Various factors could affect the timing and amount of proceeds to be received under the company's various insurance policies, including (i) the timing of payments made in settlement of claims; (ii) the outcome of occurrence insurance litigation in the courts of Minnesota (as discussed above) and Texas; (iii) potential arbitration with claims-made insurers; (iv) delays in payment by insurers; and (v) the extent to which insurers may become insolvent in the future. There can be no absolute assurance that the company will collect all amounts recorded as being probable of recovery from its insurers.

While the company currently believes that the ultimate outcome of these proceedings and claims, individually and in the aggregate, will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the company, there can be no absolute certainty that the company may not ultimately incur charges for breast implant claims in excess of presently recorded liabilities.

While the company currently believes that a material adverse impact on its consolidated financial position, results of operations, or cash flows from any such future charges is remote, due to the inherent uncertainty of litigation, there exists the remote possibility that a future adverse ruling could result in future charges that could have a material adverse impact on the company. The current estimate of the potential impact on the company's financial position for breast implant litigation could change in the future.

Financial Summary

(Dollars in millions, except per-share amounts)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Operating Results										
Net sales	\$16,724	\$15,748	\$15,094	\$15,133	\$14,295	\$13,516	\$12,199	\$11,099	\$10,862	\$10,324
Operating income	3,058	2,956	2,039	2,675	2,491	2,221	2,095	1,796	1,811	1,683
Income from continuing operations	1,857	1,763	1,213	2,121	1,516	1,306	1,207	1,133	1,116	984
Per share – basic	4.69	4.39	3.01	5.14	3.63	3.11	2.85	2.61	2.55	2.24
Per share – diluted	4.64	4.34	2.97	5.06	3.59	3.09	2.84	2.59	2.54	2.23
Net income	1,782	1,763	1,175	2,121	1,526	976	1,322	1,263	1,233	1,154
Per share – basic	4.50	4.39	2.91	5.14	3.65	2.32	3.13	2.91	2.81	2.63
Per share – diluted	4.45	4.34	2.88	5.06	3.62	2.31	3.11	2.89	2.80	2.62
Economic profit	959	907	307	720	629	502	530	429	404	270
Financial Ratios										
Percent of sales										
Cost of sales	52.5%	51.6%	53.2%	52.0%	52.0%	52.6%	51.2%	51.9%	51.5%	52.1%
Selling, general and administrative expenses	23.7	23.6	23.5	23.7	24.0	23.9	24.8	24.7	25.2	24.7
Research, development and related expenses	6.6	6.7	6.8	6.6	6.6	6.5	6.8	7.2	7.4	6.9
Operating income	18.3	18.8	13.5	17.7	17.4	16.4	17.2	16.2	16.7	16.3
Income from continuing operations	11.1	11.2	8.0	14.0	10.6	9.7	9.9	10.2	10.3	9.5
Return on invested capital	19.2	19.1	13.0	18.0	17.3	16.3	17.4	16.0	16.8	16.1
Total debt to total capital	30	29	34	30	24	23	22	19	18	19
Current ratio	1.3	1.6	1.5	1.5	1.8	1.8	1.8	1.8	1.8	1.7
Additional Information										
Cash dividends paid	\$ 918	\$ 901	\$ 887	\$ 876	\$ 803	\$ 790	\$ 744	\$ 721	\$ 701	\$ 685
Per share	2.32	2.24	2.20	2.12	1.92	1.88	1.76	1.66	1.60	1.56
Stock price at year-end	120.50	97.88	71.13	82.06	83.00	66.38	53.38	54.38	50.31	47.63
Book value per share	16.49	15.77	14.77	14.64	15.08	16.44	16.04	15.16	15.06	14.36
Working capital	1,625	2,247	1,997	2,185	2,880	2,847	2,516	2,348	2,246	1,899
Capital expenditures	1,115	1,050	1,453	1,406	1,109	1,088	972	898	968	1,065
Depreciation	915	822	798	800	825	795	793	768	754	710
Research, development and related expenses	1,101	1,056	1,028	1,002	947	883	828	794	800	713
Number of employees at year-end*	75,026	70,549	73,564	75,639	74,289	85,313	85,296	85,940	86,793	88,370
Average shares outstanding – basic (in millions)	395.7	402.0	403.3	412.7	418.2	419.8	423.0	434.3	438.2	439.1
Average shares outstanding – diluted (in millions)	399.9	406.5	408.0	418.7	422.1	422.5	425.3	436.8	440.2	441.0

2000 results include a non-recurring net loss of \$23 million (\$15 million after tax), or 4 cents per diluted share, and a cumulative effect of accounting change related to revenue recognition that reduced earnings by \$75 million net of tax, or 19 cents per diluted share.

1999 results include non-recurring items of \$100 million (\$52 million after tax), or 13 cents per diluted share. Non-recurring items consist of a \$73 million charge related to litigation; gains on divestitures of \$147 million (net of an investment valuation adjustment); and a \$26 million gain related to a change in estimate of the restructuring liability.

1998 results include a restructuring charge of \$493 million (\$313 million after tax), or 77 cents per diluted share, and an extraordinary loss on early extinguishment of debt of \$38 million (net of tax), or 9 cents per diluted share.

1997 results include a gain of \$803 million (\$495 million after tax), or \$1.18 per diluted share, on the sale of National Advertising Company.

* Includes both continuing and discontinued operations; decrease in 1996 primarily reflects Imation Corp. spin-off.

HIGH PERFORMANCE CLEANING CLOTH

The Scotch-Brite® High Performance Cleaning Cloth is a water- and oil-absorbing material made of knitted interwoven microfibers that lift and trap grease, dust and dirt. This versatile cloth does not scratch or leave streaks on surfaces.



Directors

W. JAMES McNERNEY, JR. (2001)
Chairman of the Board and Chief Executive Officer

LINDA G. ALVARADO (2000)
President and Chief Executive Officer,
Alvarado Construction, Inc.,
commercial general contracting firm^{1,4}

RONALD O. BAUKOL (1996)
Executive Vice President,
International Operations⁴

EDWARD A. BRENNAN (1986)
Retired Chairman of the Board,
President and Chief Executive Officer,
Sears, Roebuck and Co.,
diversified company engaged in merchandising^{2,3}

L. D. DeSIMONE (1986)
Former Chairman of the Board
and Chief Executive Officer²

EDWARD M. LIDDY (2000)
Chairman, President and Chief Executive Officer,
The Allstate Corporation,
personal lines insurance company^{1,2}

AULANA L. PETERS (1990)
Retired Partner, Gibson, Dunn & Crutcher LLP,
law firm^{1,2}

ROZANNE L. RIDGWAY (1989)
Former Assistant Secretary of State
for Europe and Canada^{2,3}

FRANK SHRONTZ (1992)
Chairman Emeritus,
The Boeing Company,
manufacturer and seller of aircraft
and related products^{3,4}

F. ALAN SMITH (1986)
Chairman, Advanced Accessory Systems, Inc.,
supplier of automotive accessories^{1,4}

LOUIS W. SULLIVAN (1993)
President, Morehouse School of Medicine^{3,4}

- 1 Audit Committee
- 2 Board Organization Committee
- 3 Compensation Committee
- 4 Public Issues Committee

Numbers next to names indicate year first elected to the Board

Corporate Officers

W. JAMES McNERNEY, JR. (2001)
Chairman of the Board and Chief Executive Officer

HARRY C. ANDREWS (1979)
Executive Vice President,
Electro and Communications Markets

RONALD O. BAUKOL (1966)
Executive Vice President,
International Operations

RONALD R. BELSCHNER (1964)
Vice President,
Engineering, Manufacturing and Logistics

JOHN W. BENSON (1968)
Executive Vice President,
Health Care Markets

ROBERT J. BURGSTALLER (1968)
Vice President,
Finance and Administrative Services

M. KAY GRENZ (1969)
Vice President,
Human Resources

PAUL F. GUEHLER (1965)
Vice President,
Research and Development

MOE S. NOZARI (1971)
Executive Vice President,
Consumer and Office Markets

DAVID W. POWELL (1970)
Vice President,
Marketing

CHARLES REICH (1968)
Executive Vice President,
Specialty Material Markets
and Corporate Services

JOHN J. URSU (1972)
Senior Vice President,
Legal Affairs and General Counsel

RONALD A. WEBER (1964)
Executive Vice President,
Transportation, Graphics and Safety Markets

HAROLD J. WIENS (1968)
Executive Vice President,
Industrial Markets

VICE PRESIDENTS

WILLIAM G. ALLEN (1972)
Asia Pacific

HARRY W. BORRELLI (1970)
Latin America and Africa

DAVID P. DREW (1962)
Information Technology

JOSEPH A. GIORDANO (1978)
Europe and Middle East

RONALD G. NELSON (1971)
Controller

EDOARDO I. PIERUZZI* (1963)
Europe and Middle East

JANET L. YEOMANS (1983)
Treasurer

* Retires mid-year 2001

ADDITIONAL OFFICERS

CAROLYN A. BATES (1968)
Assistant Secretary

THOMAS A. BOARDMAN (1973)
Assistant Secretary

GREGG M. LARSON (1979)
Assistant Secretary

STEPHEN J. ROWLEY (1968)
Assistant Secretary

ROGER P. SMITH (1969)
Secretary

Numbers next to names
indicate year joined 3M

Business Unit Executives

CONSUMER AND OFFICE MARKETS

JOHN R. BARATTO
Research and Development,
Corporate Technology

D. DREW DAVIS
Business Development and
Market Services

JOANN FERNANDEZ
Office Supplies

KIRK C. GRAVES
Construction and
Home Improvement Markets

LYNNE E. LOONEY
Advertising, Public Relations and
Design Services

JAMES J. MASKAS
Commercial Care

CHARLES R. McCREADY
Stationery Products

C. AGNEW MEEK
Visual Systems

L. EDWARD SHIVITZ
Home Care

JOHN R. VOORHEES
Consumer Key Accounts

ELECTRO AND COMMUNICATIONS MARKETS

MARK K. FUHRER
Telecom Access Products

RICHARD P. IVERSON
Electronic Products

CAROL R. JENSEN
Research and Development,
Corporate Technology

HENRY W. MENZIES
Electrical Products

JOHN K. WOODWORTH
Interconnect Solutions

VICTOR YONES
Electronic Handling and Protection

HEALTH CARE MARKETS

JAMES F. BURGESS
Health Information Systems

FRED HARRIS, JR.
Personal Care and Related Products

THOMAS B. HARRISON
Pharmaceuticals

FREDERICK J. PALENSKY
3M ESPE

PAUL D. ROSSO
Medical-Surgical

JOHN R. SAMPSON
Drug Delivery Systems

INGE G. THULIN
Skin Health

GREGG A. VANDESTEEG
Research and Development,
Corporate Technology

INDUSTRIAL MARKETS

MICHAEL L. DENOMA
Coated Abrasives

THOMAS R. ENGELS
Surface Conditioning

PAUL C. HUSBY
Converter Specialties

MANLEY R. JOHNSTON
Research and Development,
Corporate Technology

STEVEN J. LANDWEHR
Automotive Aftermarket

JAMES T. MAHAN
Bonding Systems

ROSA M. MILLER
Adhesives

JOHN F. POHL
Packaging Systems

KEVIN S. RIES
Industrial Markets

H. C. SHIN
Superabrasives and
Microfinishing Systems

JAMES B. STAKE
Industrial Tape and Specialties

BRUCE A. THALACKER
Tape Manufacturing

SPECIALTY MATERIAL MARKETS

JAMES E. GREGORY
Dyneon

MICHAEL C. HARNETTY
Protective Materials

GREGORY D. LINNEROOTH
Industrial Mineral Products

JERRY L. WALKER
Specialty Materials Manufacturing

LARRY A. WENDLING
Performance Materials

TRANSPORTATION, GRAPHICS AND SAFETY MARKETS

WAYNE W. BROWN
Automotive

TOM L. CHAFFIN
Traffic Control Materials

ALEXANDER C. CIRILLO, JR.
Commercial Graphics

ROBERT L. HARMS
Occupational Health and
Environmental Safety

KEVIN K. KUCK
Specialty Film and Media Products

PETER J. SWAIN
Safety and Security Systems

STEVEN C. WEBSTER
Research and Development,
Corporate Technology

ANDREW H. WONG
Optical Systems

International Executives

J. MARK BORSETH
3M Canada Company

ROBERT A. BRULLO
United Kingdom and Ireland

ROBERT T. DOUGHTY
Australia and New Zealand

FRANK W. ELLIS
Health Care Markets,
Europe and Middle East

STIG G. ERIKSSON
France

OTTO GRUEBEL
Telecom Markets,
Europe and Middle East

PAUL R. HANSEN
Consumer and Office Markets,
Europe and Middle East

PETER HICKMAN
Western Europe
Marketing Subsidiaries

REINHOLD HIERSEMANN
Germany

JAY V. IHLENFELD
Sumitomo 3M Limited

JEAN LOBEY
Central European Marketing
Subsidiaries

RAYMOND A. LONGBOTTOM
Transportation, Graphics and
Safety Markets,
Europe and Middle East

ROBERT D. MACDONALD
Italy

WILLIAM G. MATTHEWS
Industrial Markets,
Europe and Middle East

HERMAN E. NAUWELAERTS
Specialty Material Markets and
Electro and Electronic Markets,
Europe and Middle East

PAUL D. STEECE
Mexico

ANTONIUS J. THEUNISSEN
Brazil

KENNETH YU
China Region

Shareholder Information

Staff and Shared Services Executives

MARGARET E. ALLDREDGE
Selection and Learning

DANIEL D. ARNDT
Corporate Auditing

THOMAS F. BEDDOW
Public Affairs and Government Markets

THOMAS A. BOARDMAN
Office of General Counsel

LEO R. DUNN
Corporate Services, Austin, Texas

GERALD A. ERICKSEN
Information Technology Applications

DAN E. GAHLON
Public Relations and Corporate Communications

GARY L. GRISWOLD
Office of Intellectual Property Counsel

CHARLES E. HARSTAD
Corporate Marketing

TIM R. HOFFMANN
Administrative Services

ERNEST J. KING
Supply Chain Services and Operations

ROGER H. D. LACEY
eBusiness and Corporate Planning and Strategy

RALPH E. LARSON
Engineering

HAROLD B. LASKIN
Sourcing Operations

JOHN A. MUILENBURG
Human Resources Operations

KATHERINE E. REED
Environmental Technology and Safety Services

BRADLEY T. SAUER
Six Sigma

WILLIAM J. SCHMOLL
Taxes

L. JOSEPH THOMPSON
Total Compensation Resource Center

LARRY R. ZOBEL
Medical

INVESTOR INQUIRIES

Securities analysts, portfolio managers and representatives of financial institutions should contact:

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Manager, Investor Relations
mjginter@mmm.com
651-733-8206
Fax: 651-736-2133
3M Center 225-1S-15
St. Paul, MN 55144-1000

EARNINGS AND CORPORATE NEWS

Corporate news releases, including earnings and other financial information, are available at:

<http://investor.3M.com>

by fax, 1-800-758-5804, ext. 000400, or by phone, 1-866-3M-STOCK (1-866-367-8625).

3M's Annual Report is available at:

<http://investor.3M.com>

Requests for hard copies can be made via e-mail by contacting innovation@mmm.com, or by calling 651-737-4262.

10-Ks and other SEC filings are available at:

<http://investor.3M.com>

PRODUCT INFORMATION

Information about 3M products and services is available at:

<http://www.3M.com>

by e-mail at innovation@mmm.com, by calling 651-737-6501 or 1-800-3M HELPS, via fax, 651-737-7117 or 1-800-713-6329, or by writing to 3M Product Information Center, 3M Center 515-3N-06, St. Paul, MN 55144-1000.

DIVIDENDS

Quarterly dividends on 3M common stock are typically paid on or about the 12th of March, June, September and December. 3M has paid dividends since 1916.

DIVIDEND REINVESTMENT

Through the Automatic Dividend Reinvestment Plan, 3M shareholders may have quarterly cash dividends automatically reinvested to purchase shares of 3M stock. Participants also may purchase additional shares through voluntary cash contributions or through automatic transfers from checking or savings accounts. 3M pays all service charges and commissions on stock bought through this plan, which is administered by Wells Fargo Bank Minnesota, N.A.

Complete information is available at:

<http://investor.3M.com>

An enrollment form can be accessed at:

<http://www.3M.com/profile/drp/sharemail.html>

SHAREOWNER SERVICES

- Address changes (seasonal and permanent)
- Direct deposit of dividends
- Dividend payments
- Dividend reinvestment
- Duplicate mailings
- Electronic receipt of Proxy Statement and Annual Report
- Lost dividend checks
- Lost stock certificates
- Name changes
- Shareholder records
- Stock transfers

Please contact:

stocktransfer@wellsfargo.com
651-450-4064 or 1-800-401-1952
Wells Fargo Bank Minnesota, N.A.
Shareowner Services
161 North Concord Exchange
P.O. Box 65854
St. Paul, MN 55154-0854

WHAT IS 3M'S TICKER SYMBOL AND WHERE DOES IT TRADE?

3M's ticker symbol is MMM. The stock trades on the New York, Chicago, Pacific and Swiss stock exchanges and is one of 30 companies in the Dow Jones Industrial Average.

ANNUAL SHAREHOLDERS' MEETING

3M's 2001 Annual Meeting of Shareholders will be held on Tuesday, May 8, at 10 a.m. at RiverCentre, 175 West Kellogg Boulevard, St. Paul, Minnesota.

We invite shareholders to attend the meeting, and we urge shareholders to exercise their right to vote. In addition to voting by mail, shareholders of record may vote their proxies on the Internet at www.eproxy.com/mmm or by calling 1-800-240-6326. If a broker holds your shares, please consult your broker to determine if you are eligible to vote on the Internet or by telephone.

COMMUNITY AND ENVIRONMENTAL REPORTS

For information on 3M's community programs, access: www.3M.com/profile/community

For information on 3M's environmental programs, access: www.3M.com/profile/envt

Call 1-800-3M HELPS to receive a Contributions Report or an Environmental Progress Report.

VISIT US ON THE WEB

www.3M.com



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