

the
elements
of
innovation



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02 the elements of innovation

A look at some innovative ways 3M technologies become distinctive products that make life easier, healthier, safer and more productive for people around the world

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on the cover: 3M helps make life safer with 3M™ Scotchlite™ Diamond Grade™ Reflective Sheeting, based on microreplication technology. You can't miss our new fluorescent yellow-green color, as simulated on the cover, which is quickly gaining popularity for road signs that mark pedestrian crosswalks—where driver awareness is essential.

These 34 technology platforms are the core elements of 3M innovation.

1 Ad Adhesives					
3 Nm Nonwoven Materials	4 Fi Films				
8 Lm Light Management	9 Mr Microreplication				
13 Pm Polymer Melt Processing	14 Ik Inks & Pigments	15 Im Imaging	16 Rp Radiation Processing	17 Ep Electronic Packaging	
23 Dd Drug Delivery	24 Wo Wound Management	25 Do Dental & Orthodontic Materials	26 Md Medical Data Management	27 Rf Reclosable Fasteners	
31 Sp Separation & Purification	32 Mi Microbial Detection & Control	33 Ac Acoustics	34 Me Metal Matrix Composites		

3M technologies positively impact people's lives at home, in hospitals, on the road and in business. As this annual report shows, 3M's technology platforms range from our earliest innovations, like adhesives and abrasives, to more recent breakthroughs in microreplication and light management. Combining these building blocks in innumerable ways, we create distinctive products that make life easier, healthier, safer

and more productive. Whether it's microreplication technology that makes 3M reflective materials brighter for increased road safety or pharmaceutical breakthroughs related to a new family of compounds that boost the body's immune system, we are focused on – and committed to – discovering innovative new ways to make life better worldwide.

				Pc 2 Precision Coating
	Su 5 Surface Modification	Ce 6 Ceramics	Fl 7 Fluoromaterials	
	Ca 10 Coated Abrasives	Pd 11 Particle & Dispersion Processing	Sm 12 Specialty Materials	
Fo 18 Fiber Optics	Mo 19 Molding	Is 20 Integrated Systems Design	Po 21 Porous Materials & Membranes	Ir 22 Immune Response Modifiers
Dm 28 Display Materials	Cp 29 Chemical Power Sources	As 30 Application Software		

safer living

A safer world – that’s what 3M technology is all about. Every day, our technologies help protect, warn and guide with products ranging from respirators that protect against certain airborne contaminants to devices that allow emergency vehicles to obtain priority access at intersections. Our 3M™ Scotchlite™ Diamond Grade™ Reflective Sheeting – now available in a new fluorescent yellow-green color – combines light management, microreplication and durable pigment technologies to make road signs far brighter and easier to see. Demand for eye-catching fluorescent yellow-green sheeting is growing rapidly for pedestrian crosswalk signs near schools, busy intersections and other locations where driver awareness is critical.



8
Lm
Light Management

9
Mr
Microreplication

3
Nm
Nonwoven Materials

4
Fi
Films

14
Ik
Inks & Pigments

11
Pd
Particle & Dispersion Processing

15
Im
Imaging

Markings that increase visibility of large vehicles and rail cars...reflective materials for road signs, clothing and footwear...alert tape for package security...protective films for important documents...and intelligent transportation systems for emergency vehicles all employ 3M technologies that help make our world safer.

In hospitals, homes, clinics and dental offices worldwide, doctors and patients trust and rely on 3M innovation. We make a difference in people's lives with health care products that help prevent infections, protect skin, dispense medications and brighten smiles. And our breakthrough discoveries help improve medical care: Aldara™ (imiquimod) 5% Cream, for example, is a topical immune response modifier pharmaceutical that boosts the body's immune system to combat certain diseases. It gives doctors a powerful new way to treat genital warts – one of the world's most prevalent sexually transmitted diseases. Every day, 3M innovation uncovers opportunities to help people lead healthier lives.

healthier people

				1
				Ad
				Adhesives
3	4	6	21	
Nm	Fi	Ce	Po	
Nonwoven Materials	Films	Ceramics	Porous Materials & Membranes	
23	26	27	32	
Dd	Md	Rf	Mi	
Drug Delivery	Medical Data Management	Reclosable Fasteners	Microbial Detection & Control	
				22
				Ir
				Immune Response Modifiers

We've integrated 3M technologies into the world's health care market – with porous and nonwoven materials in casts and splints...ceramics in fracture-resistant dental restoratives...and medical data management technologies in patient record software systems.

happier homes

By inventing products that meet the demands of daily life, 3M makes it easier to go about the business of living. Innovations such as 3M mounting products with 3M™ Command™ Adhesive enable you to hang pictures, decorations and other objects without using permanent mechanisms like nails, which damage surfaces. These innovative new hooks and clips are ideal for countless uses around the house, and you can remove them simply, cleanly and quickly: By stretching the pull tab, the mount comes off without leaving even a trace of adhesive. By bringing 3M technology to homes worldwide, we're helping to make life cleaner, more organized and more efficient.

	2 Pc Precision Coating	3 Nm Nonwoven Materials	7 Fl Fluoromaterials
1 Ad Adhesives	10 Ca Coated Abrasives	24 Wo Wound Management	27 Rf Reclosable Fasteners

3M technology is all around the home in products like roofing shingles, energy-saving materials and Scotchgard™ Protectors for carpet and fabric. You'll also find 3M technology in disposable diapers that use our fastening systems; 3M™ Nexcare™ First Aid Tapes and Adhesive Bandages; and Scotch-Brite™ Scour Pads, Sponges and High Performance Cloths.

Until Post-it® Flags arrived at the office, mountains of paperwork all looked the same. Now, with the help of 3M precision coating, adhesive and film technologies – and some innovative thinking – vital information is flagged to stand out and get noticed. Post-it® Flags grab attention fast and help keep workloads organized so important documents don't get lost in the shuffle. We're also helping people worldwide hold their hectic schedules together with other simple-to-use 3M office solutions – ranging from Post-it® Notes products that help communicate ideas quickly to Scotch® Pop-up Tape that's dispensed fast with one hand. At 3M, our world is about finding new ways to bring organization, efficiency and ease to your world at work.

faster workplaces



We've brought 3M technologies to the office with Post-it® and Scotch® Products; multimedia projectors and meeting management supplies; office ergonomic products; and films that make it easier to read computer screens, palm-size electronic organizers and cell phone displays.

smarter businesses

A host of 3M innovations are making electronic devices faster and more efficient to help businesses work smarter. Our multilayer optical films brighten and sharpen images on electronic displays. 3M adhesive films help conduct electricity in electronic devices, while our fiber optic solutions increase local area network speed. 3M™ Microflex Circuits, utilizing our electronic packaging technology, provide more electronic connections in less space. Used in inkjet printer cartridges as the link to the printer and in hard disk drives to connect the recording head, this 3M innovation also fulfills the challenge of making cell phones and other electronic devices smaller, more reliable and more powerful.

1
Ad
Adhesives

2
Pc
Precision Coating

8
Lm
Light Management

10
Ca
Coated Abrasives

17
Ep
Electronic Packaging

12
Sm
Specialty Materials

15
Im
Imaging

18
Fo
Fiber Optics

As the high-tech market forges ahead, 3M technology is at the forefront. Our innovations include abrasives that smooth semiconductor wafers...products that control static electricity and shield electronic devices from electromagnetic interference...telecommunications products for copper, cable and fiber optic systems...and engineered fluids that clean printed circuit boards during manufacturing.

Hostile conditions lie under any vehicle's hood, but 3M's Dyneon™ Fluoropolymers withstand the heat. Found in seals, gaskets, O-rings and hoses in automotive and airplane engines, our fluoropolymers outperform the competition when high temperatures and chemicals cross paths. And 3M technology isn't just under the hood. We also make products for the vehicle's body and cabin that identify, insulate, protect and bond – such as dimensional graphics, Thinsulate™ Acoustic Insulation, cabin air filters, and super-strong adhesives and tapes that replace screws and rivets. We're also developing window films that help keep the cabin cool by absorbing ultraviolet light and reflecting infrared light. At 3M, we help make getting from here to there a smoother, safer ride.

smoother travel

1 Ad Adhesives	2 Pc Precision Coating	4 Fi Films
6 Ce Ceramics	10 Ca Coated Abrasives	33 Ac Acoustics
		7 FI Fluoromaterials

Our automotive and aerospace products employ abrasives, ceramics, acoustics, films and many other 3M technologies that help improve vehicle performance inside and out.

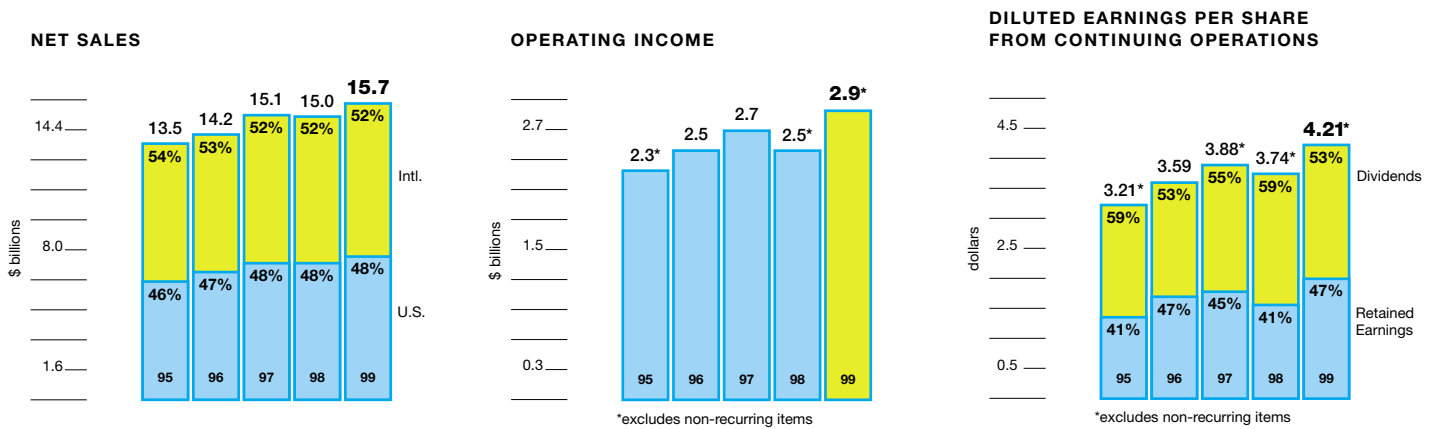
better world

3M helps improve life for people in every region of the world. In China, our electrical and telecommunications products connect a growing communications network; our reflective materials increase safety; and our tapes, adhesives and microstructured abrasives improve the quality and competitiveness of products manufactured there. 3M skin health, pharmaceutical and dental products help improve health throughout China, and our consumer innovations make life easier. Our technologies also are at work in nearly 200 other countries – emerging to developed. By connecting people, improving health care and increasing safety, we're helping to build sound infrastructures and to raise living standards worldwide.

1 Ad Adhesives			
3 Nm Nonwoven Materials	4 Fi Films	6 Ce Ceramics	17 Ep Electronic Packaging
9 Mr Microreplication	18 Fo Fiber Optics	23 Dd Drug Delivery	28 Dm Display Materials

We've built major 3M technologies – such as adhesives, microreplication and nonwoven materials – into infrastructures worldwide. Our technologies and products serve industrial, electrical, transportation safety, telecommunications, electronics, consumer, office and health care markets.

What in all
this innovation
can we take to
the bank?



dear shareholders:

For nearly 100 years, 3M has grown by pioneering innovative technologies and products. We have created new markets and transformed existing ones, enriching lives in every corner of the world. 3M products help make life easier, safer, healthier and more productive for people in nearly 200 countries. I'm especially excited about how 3M technologies and products are providing solutions in the most dynamic segments of the global economy.

1999 a record year In 1999, we achieved record sales, net income and earnings per share, with high returns on investment. Excluding non-recurring items, net income totaled \$1.71 billion, or \$4.21 per share, up more than 12 percent from 1998. Sales, at \$15.7 billion, increased 4.3 percent. Sales rose about 6.5 percent excluding acquisitions, divestitures and currency effects.

Operating income was 18.2 percent of sales, up from 16.9 percent of sales in 1998. Return on invested capital was 18.6 percent, up from 15.9 percent the previous year and about 8.5 percentage points above our cost of capital. All six of our business segments posted good profitability.

We posted our strongest sales and profit growth in the Asia Pacific area. Our people did an expert job of navigating through difficult challenges in Asia in 1998, and we emerged with even stronger customer relationships and competitive positions. Our Asia Pacific volume in 1999 rose 13 percent and our profit margins returned to traditional levels.

Across the globe, new products were a primary driver of 3M growth. We generated 34 percent of our sales – \$5.3 billion – from products new to the market within the past four years. Strong customer relationships and solid productivity gains also drove our record results. Overall, we're pleased with our 1999 results, and we enter the new millennium with good momentum.

building on our strengths 3M is a unique and dynamic company – one that continually reinvents itself. Our businesses share leading-edge technology platforms, world-class manufacturing operations, extensive marketing channels and powerful brands. Our businesses hold leading market positions and span the globe. We operate companies in 63 countries and generate more than half our sales outside the United States. Our people are dedicated, experienced and entrepreneurial, and I'm confident in our ability to grow consistently in a world where the pace of change increases day by day.

Innovation remains the driving force of 3M culture and growth. We support innovation with substantial expenditures related to research and development – more than \$1 billion in each of the past three years. We continue to advance our market positions by drawing on nearly three dozen technology platforms to meet customer needs – articulated and unarticulated – at all levels of opportunity.

We're pursuing opportunities for growth in all of our businesses, and we're particularly optimistic about our prospects in the markets discussed on pages 4 to 10 of this year's report. Increasingly, our innovations serve large and fast-growing markets. In electronics, our microflex circuits are used in many of the world's inkjet printer cartridges and recently entered two other

In 1999, 3M achieved record sales, net income and earnings per share, driven by new products, participation in fast-growing markets, strong customer relationships and productivity gains.

financial highlights years ended december 31 (dollars in millions, except per-share amounts)	19 ⁹⁹	1998	% change in U.S. dollars	% change in local currencies
Net sales	\$ 15,659	\$ 15,021	4.3%	5.8%
Operating income	2,856	2,532	12.9%	13.6%
% to sales	18.2%	16.9%		
Net income	\$ 1,711	\$ 1,526	12.2%	13.7%
% to sales	10.9%	10.2%		
Per share – diluted	\$ 4.21	\$ 3.74	12.6%	14.2%
Economic profit	855	604	41.6%	
Return on invested capital	18.6%	15.9%		
Cash dividends per share	\$ 2.24	\$ 2.20	1.8%	

1999 results exclude 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 exclude 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.

large and growing market segments – hard disk drives and integrated circuit packaging. Sales of our brightness enhancement films are growing rapidly due to burgeoning demand for flat panel displays for computers, palm-size electronic organizers and other devices that require electronic displays. In telecommunications, 3M products address the convergence of voice, data and video communications networks. And in health care, our new family of immune response modifier pharmaceuticals shows tremendous promise in treating several diseases.

In each of our businesses, we earn customer loyalty by continually improving the performance and value of our products, as well as the quality of our service. We help customers increase sales, profits and cash flow, and we again received recognition as a preferred supplier in 1999.

E-business is a powerful force, and we're active on both the business-to-business and business-to-consumer fronts. We're already using the Internet to provide detailed information about 3M products, strengthen and expand relationships with customers, streamline our business processes and reduce costs. E-business is an integral part of the business strategy in each of our business units, and I am confident we have the product differentiation, brand strengths, market positions, infrastructure and innovative thinking to make the most of this opportunity.

Looking ahead, we expect record sales and profits again in 2000, driven by new products, strong customer relationships, continued global economic growth and productivity gains.

I want to recognize 3M employees for a terrific job generating double-digit earnings growth in 1999 and for positioning us for continued solid growth this year and in the future. I also would like to thank Allen E. Murray, who is retiring from the Board after 15 years of dedicated, outstanding service.



L. D. DeSimone
Chairman of the Board and Chief Executive Officer
February 14, 2000



3M is a global leader in tapes and coated and nonwoven abrasives for applications ranging from automotive to electronics.

industrial markets (dollars in millions)	1999	% change		
		1998	in U.S. dollars	in local currencies
Net sales	\$3,394	\$3,360	1%	3.5%
% of total 3M sales	22%	22%		
Operating income	\$ 613	\$ 561	9%	
% to sales	18.1%	16.7%		



1999 accomplishments

- Achieved 9 percent earnings growth and more than a one percentage point increase in profit margins, driven by improved manufacturing efficiency and other cost improvements.
- Accelerated the number of new products launched, with sales of first-year new products significantly higher than the level of 1998.
- Continued to broaden market horizons with the introduction of advanced adhesives, tapes and abrasives for electronics, transportation and other industries.
- Expanded sales coverage both in the United States and internationally, including China and Eastern Europe.
- Extended e-business capabilities with new Internet sites for professional woodworkers and small customers of our abrasive finishing systems. Both sites offer product information, helpful hints and an online store.
- Refocused our organization to more effectively enhance and grow relationships with both users and distributors of our products.
- Formed joint ventures to further expand our line of packaging systems while also enhancing our competitiveness.

- Established new business organizations to maximize opportunities for superabrasive and microfinishing products, and for 3M products serving the aerospace/aircraft maintenance and appliance markets.

outlook/strategies

Industrial Markets expects solid profit growth again in 2000, driven by new products, key-account efforts, entry into fast-growing markets and continued operational efficiencies. Among important new products are Scotch® Automotive Refinish Masking Tape 233+ and 3M™ Perfect-It™ III Paint Finishing System, which are bolstering our position in the automotive aftermarket. Our 3M™ Trizact™ Abrasives, which set new standards in fine finishing of metals, are entering high-tech markets for semiconductor wafer planarization and glass polishing. New films and adhesives improve the performance and reliability of electronic products. In the transportation and construction industries, proprietary 3M adhesives and tapes simplify the assembly of plastics and metals by eliminating the need for rivets, screws and bolts. Throughout our businesses, we continue to help customers improve quality and reduce costs.

We hold solid positions in important markets such as transportation and personal safety, respiratory protection, optical display materials and commercial graphics.

transportation, graphics and safety markets (dollars in millions)	1999	1998	% change in U.S. dollars	% change in local currencies
Net sales	\$3,228	\$3,021	7%	7.5%
% of total 3M sales	21%	20%		
Operating income	\$ 679	\$ 532	28%	
% to sales	21.0%	17.6%		



1999 accomplishments

- Achieved 28 percent earnings growth and increased profit margins by more than three percentage points, driven by solid international sales growth, important new products and aggressive cost control initiatives.
- Experienced sharp increases in demand for optical films that make displays brighter for computers, electronic organizers, cell phones and other electronic devices that require displays.
- Achieved significant growth in products that serve the digital printing industry. The 3M™ Scotchprint™ Printer 2000 sets the standard in creating high-quality, full-color, large-format graphics.
- Experienced strong demand for 3M™ Scotchlite™ Diamond Grade™ Fluorescent Sheeting, which makes traffic signs more visible, particularly at dawn or dusk and in inclement weather.
- Achieved strong growth in automotive products due to record vehicle production and higher 3M sales penetration per vehicle. Car and truck producers worldwide rely on 3M solutions more heavily each year.
- Forged an e-business initiative with VerticalNet, Inc., a premier electronic publisher and creator of market-specific Web communities, to provide industrial health and safety customers an online marketplace for 3M products and information.

- Launched radio frequency identification system that helps libraries manage collections. Experienced strong demand for 3M™ Scotchlite™ Reflective Material used on apparel and shoes.

outlook/strategies

We are a leader in reflective materials for traffic safety, premium graphics for fleet and on-premise advertising, respirators for worker safety, products for the automotive market and optical films for electronic displays. We expect to sustain solid growth through innovative new products, improving international economies and continued operational efficiencies. In the United States, sales of our reflective sheeting should continue to accelerate due to a new line of fluorescent materials and increased government expenditures to repair and upgrade America's roadways. Internationally, where we derive 60 percent of our sales, improving economic conditions should aid our growth, particularly in safety and graphics. We also look for another strong year in brightness enhancement films, which we supply to customers in Japan, Korea and Taiwan. Worldwide, we remain on the leading edge of technology with advances ranging from a new microreplicated adhesive that makes large-format graphics installation faster and easier to optical films made of hundreds of ultrathin layers, which could revolutionize high potential segments such as projection systems and electronic displays.

transportation, graphics and safety

Our medical, pharmaceutical, dental, personal care and health information systems products help improve people's lives worldwide.

health care markets (dollars in millions)	1999	% change		
		1998	in U.S. dollars	in local currencies
Net sales	\$3,118	\$3,086	1%	3%
% of total 3M sales	20%	21%		
Operating income	\$ 623	\$ 571	9%	
% to sales	20.0%	18.5%		

1999 results exclude gains on divestitures.



1999 accomplishments

- Increased operating income 9 percent excluding gains on divestitures. Grew Pacing Plus sales by more than 40 percent.
- Launched Pacing Plus program for Aldara™ (imiquimod) 5% Cream – the first in a new family of 3M immune response modifier compounds – in 25 countries outside the United States, with results that exceeded expectations.
- Introduced new products on a global basis, strengthening our position in – and providing entry into new segments of – skin health, infection prevention, health information systems, dental and pharmaceutical markets.
- Strengthened Health Information Systems' position in fast-growing information technology market through new products and customers, international growth and new consulting services. This business also achieved division status.
- Created Drug Delivery Systems Division to advance our position in the delivery of medications that are inhaled or absorbed through the skin.
- Completed portfolio adjustments in medical businesses to concentrate on core businesses and growth opportunities. Divestitures reduced 1999 sales by more than 3 percent.

outlook/strategies

We're focused on growing our core businesses of skin health, infection prevention, pharmaceuticals, drug delivery, dental, personal care and health information systems, while maintaining close attention to costs. New products will remain an important source of growth, particularly Aldara cream; 3M™ Nexcare™ First Aid Tapes and Adhesive Bandages for the consumer market; and oil-absorbing microporous cosmetic sheets for face oil removal. Our dental businesses will continue to deliver solid growth through new products and entry into new segments, as well as through a strengthened e-commerce focus. We anticipate excellent gains in health information systems as we build our product and service offerings in the information technology market. To remain on the leading edge of health care technology, we're significantly accelerating investments to move new indications for our immune response modifier compounds through clinical studies, as well as to step up research efforts in bioanalytics.

We market many of the world's best-known brands for the home and office, including Post-it®, Scotch®, 3M™, Scotch-Brite™, Scotchgard™ and O-Cel-O™.

consumer and office markets (dollars in millions)	1999	% change		
		1998	in U.S. dollars	in local currencies
Net sales	\$2,688	\$2,613	3%	4.5%
% of total 3M sales	17%	17%		
Operating income	\$ 408	\$ 398	3%	
% to sales	15.2%	15.2%		



1999 accomplishments

- Strengthened our market positions across most businesses, led by home care, do-it-yourself and office products.
- Continued to bring new-to-the-world products into the marketplace. For example, the new Scotch-Brite™ High Performance Cloth uses unique microfibers to wipe up dust, oils and water all at the same time. It's the most effective reusable cleaning cloth available.
- Extended well-known brands with products like new Post-it® Pop-up Notes and dispensers, translucent Post-it® Note organizers, Scotch® Pop-up Magic™ Tape for the office market, and O-Cel-O™ Sponges in fun designs and vibrant colors.
- Post-it® Notes named one of the 20th century's best products by *FORTUNE* magazine, and Scotch® Tape listed among the century's 100 best innovations by *Business Week* magazine. Also, 3M ranked as the world's most respected consumer goods company and 15th overall in a survey published by the *Financial Times* of London.
- Achieved Vendor of the Year status from four leaders in the office supply industry, further strengthening relationships with customers.

outlook/strategies

Consumer and Office Markets anticipates solid growth in 2000, led by innovative new products and strong alliances with customers. The Scotch-Brite™ High Performance Cloth is expected to produce strong sales gains in Europe and the United States, with rollouts planned in Asia and Latin America. New varieties of Post-it® Flags and Scotch® Pop-up Tape also are expected to drive global growth. To more broadly communicate the superiority of 3M consumer and office products and to help drive sales, we're increasing advertising and merchandising efforts. We also will continue to build on strong relationships with customers. With state-of-the-art, co-managed inventory and electronic commerce capabilities, we continue to help customers drive their earnings and cash flow by optimizing stock levels and increasing product turns. Internationally, our new manufacturing facility in Shanghai, China, will supply Scotch-Brite™ Sponges and Scouring Products and 3M™ Nomad™ Floor Matting to customers throughout Asia.

3M is a leading supplier of connecting, splicing, insulating and protective products for electronics, telecommunications, electrical and other markets.

electro and communications markets (dollars in millions)	1999	% change		
		1998	in U.S. dollars	in local currencies
Net sales	\$2,014	\$1,741	16%	17%
% of total 3M sales	13%	12%		
Operating income	\$ 406	\$ 263	54%	
% to sales	20.1%	15.1%		



1999 accomplishments

- Increased sales 16 percent and profits 54 percent. Achieved solid sales and earnings increases both in the United States and internationally. Operating income was 20.1 percent of sales, up from 15.1 percent in 1998.
- Experienced robust demand for 3M™ Microflex Circuits in inkjet printer cartridges. Launched new applications in hard disk drive heads and integrated circuit packaging. These circuits allow for more connections in a smaller amount of space.
- In telecommunications, strengthened position in the outside-plant segment through successful integration of PSI Telecom acquisition. Continued to penetrate the on-premise market segment of data communications with the 3M™ Volition™ Fiber Optic Cabling System.
- Introduced innovative new products, including high-performance sockets and test contactors, which improve electronic device manufacturing efficiency.
- Maintained strong presence in construction and maintenance industries with products such as Scotch® Super 33+ Tape, electrical wire connectors and corrosion protection materials that reinforce concrete.

- Enhanced customer relationships through successful key-account programs, as well as through continued active management of rapidly changing relationships in distribution channels.

outlook/strategies

We remain confident in our ability to grow by serving several of the world's largest and fastest-growing markets. In electronics, we expect sales to ramp up quickly for our new microflex circuit applications in hard disk drive assemblies and integrated circuit packaging. We're also introducing advanced materials that shield electronic devices from electromagnetic interference. In the rapidly growing telecommunications market, we're capitalizing on increased demand for our established products as telephone service providers refurbish their copper-based systems to improve performance. We're also increasing our presence in the long-distance market with a number of new fiber optic products. And we're adding valuable service capabilities and forming strategic alliances with global leaders. Other innovations include composites now under development that hold promise in increasing electrical power line capacity, and a leading-edge additive material that improves concrete performance on roads, bridges and other structures.

Our fluorothermoplastics, fluorothermoelastomers and fluorothermopolymers provide innovative solutions in textile, packaging, automotive, electronics and other industries worldwide.

specialty material markets (dollars in millions)	1999	% change		
		1998	in U.S. dollars	in local currencies
Net sales	\$1,166	\$1,105	5%	6%
% of total 3M sales	7%	7%		
Operating income	\$ 188	\$ 194	(3)%	
% to sales	16.1%	17.6%		



1999 accomplishments

- Strengthened business portfolio by expanding our technology and geographic base through the acquisition of Celanese's minority interest in our Dyneon joint venture. Dyneon is a global leader in the manufacture and marketing of fluoropolymers for transportation, electronics and other high-growth industries. Costs associated with this acquisition negatively impacted 1999 profits.
- Achieved excellent sales growth in products for the food packaging industry, driven by new applications for oil and grease barriers in convenience food packaging, as well as by increased sales in pet food packaging.
- Experienced solid growth in roofing granules, due to expansion of our customer base and strong re-roofing and new construction markets.
- Capitalized on economic recovery in Asia, particularly in electronics and semiconductor manufacturing markets.
- Enhanced key customer relationships by anticipating and meeting growing demand for materials that deliver improved performance along with better safety and environmental characteristics.

outlook/strategies

We anticipate solid growth in 2000, driven by new products, expanded applications for existing products and strong alliances with customers. Among important new innovations are high-purity Dyneon™ Fluoropolymers for wire and cable, aerospace and semiconductor processing applications, and 3M™ Specialty Gases, which help semiconductor manufacturers reduce costs, increase efficiency and lower emissions. In Japan and other Asian markets, 3M™ Novec™ Engineered Fluids should produce strong sales gains as they continue to replace ozone-depleting chlorofluorocarbons and expand into new applications for electronics manufacturing. In Europe and Latin America, we're entering the oil exploration and mining markets with specialty additives that help make oil extraction easier and more efficient. To further strengthen our global position in protective materials, we've developed strategic brand alliances for Scotchgard™ Protectors with well-known apparel manufacturers. We're also introducing new and improved Scotchgard protectors for carpet, laminate flooring and other markets.

With a solid network of international companies and highly diverse product offerings, we match products to customer needs in all types of economies – emerging to developed.

international operations (dollars in millions)	1999	1998	% change in U.S. dollars	% change in local currencies
Net sales	\$8,181	\$7,790	5%	8%
% of total 3M sales	52%	52%		
Operating income	\$1,658	\$1,347	23%	
% to sales	20.3%	17.3%		

*Operating income excludes non-recurring items.
International results are not additive to the results of the
company's six market organizations.*



1999 accomplishments

- Grew unit sales nearly 7 percent, about three times the growth rate of international economies. Asia Pacific volume rose 13 percent. Across the globe, new products drove sales gains.
- Increased earnings 23 percent and profit margins by three percentage points, despite negative currency effects. Achieved margin improvement in all major geographic areas, led by volume growth and productivity gains.
- In China, expanded production of reflective materials, scouring products and floor matting, and in Singapore, our major new manufacturing plant for microflex circuits became fully operational. About two-thirds of 3M products sold internationally are locally produced, enabling us to provide strong customer service and minimizing the effects of changes in currency exchange rates.
- Placed first among non-Japanese companies for having “superb technical strategy” and for skillfully turning technology into successful products, in a survey by Japan’s leading business newspaper.

outlook/strategies

We expect to significantly outpace growth of the markets we serve and achieve solid profit growth again in 2000. New products, a sharp focus on key accounts, expansion of manufacturing and marketing resources, and continued operational efficiencies will drive growth. We expect continued solid volume gains in the Asia Pacific area and a pickup in unit sales in both Europe and Latin America. In Germany, we’re constructing a center to expand research and development efforts and to increase awareness of 3M’s extensive technology and product capabilities among European customers. This facility will house 400 scientists from 14 countries and is scheduled to be fully operational in 2001. We also expect to benefit from continued expansion of our geographic reach. We now operate companies in 62 countries outside the United States. In addition, we have branch offices in eight countries and representation offices in 14 countries.

Every day, 3M demonstrates its long-standing commitment of investing to build stronger communities around the world. We support innovative educational and community programs that enhance life, and we're contributing to a cleaner, safer environment today and in the future.

stronger communities

Donated nearly \$30 million in cash and products to innovative educational opportunities, youth and family programs, community activities and the arts. 1999 marked the 46th consecutive year that the 3M Foundation and Corporate Contributions Program have used their resources to support charitable and educational institutions.

Awarded several million dollars in higher education grants for capital programs, scholarships and other support for students working toward careers in science, engineering and business.

Through 3M's NetDay to NextDay project, donated 3M™ Volition™ Fiber Optic Cabling Systems to provide Internet access to more than 85 U.S. schools located in Federal Empowerment Zones.

Volunteered thousands of hours on community projects ranging from 3M Romania's sponsorship of a local school to our global Visiting Wizards program in which 3M employees share scientific knowledge with elementary school students. In Venezuela, volunteers applied 3M technologies to teach students ways to preserve and care for their schools. In the Philippines, 3M employees built homes for needy families as part of Habitat for Humanity. And in Singapore, the PBS science education program "Newton's Apple" arrived at schools with the help of 3M.

Supported the United Way with donations totaling more than \$5 million, and contributed over \$1 million in 3M products to nonprofit relief organizations that provide humanitarian assistance globally.

cleaner operations

Increased emphasis on managing the impact of products and processes throughout their life cycle. For example, 3M's fast-setting, water-based spray adhesives used in transportation and industrial applications provide the same performance as solvent-based products, but reduce environmental health and safety issues. In addition, new 3M identification labels for electronic device casings provide a recycling-compatible solution for electronics manufacturers.

Ranked second in eco-performance among the world's 50 largest chemical-using companies by Hamburger Umwelt Institute of Germany.

Reduced volatile organic air emissions 85 percent, releases to water 80 percent and solid waste 25 percent since 1990.

At 22 3M manufacturing facilities that make products sold internationally, achieved International Standards Organization (ISO) 14001 certification in 1999 for environmental issues management. A total of 37 3M facilities are currently certified and another 35 sites should achieve the standards by the end of 2000.

In worker health and safety, focused on reducing worldwide reportable injury and illness through increased emphasis on hazard and risk identification programs, as well as safety training in manufacturing facilities worldwide.

Helped establish the Massachusetts Institute of Technology Professorship in Environmental Economics to enhance research in natural resource economics and sustainable development, and to contribute to better environmental management by companies throughout the world.

Operating Results

Sales: Sales in 1999 totaled \$15.659 billion, compared with \$15.021 billion in 1998 and \$15.070 billion in 1997. In 1999, volume grew 5 percent, with the stronger U.S. dollar reducing sales by about 1 percent. In 1998, local currency growth was offset by the stronger U.S. dollar.

In the United States, sales in 1999 totaled \$7.478 billion, up 3 percent (up about 4 percent adjusted for acquisitions and divestitures). In 1998, sales rose about 2 percent adjusted for the 1997 sale of the outdoor advertising business.

Internationally, sales totaled \$8.181 billion, up 5 percent from 1998. International volume increased 7 percent and selling prices were up 1 percent. The stronger U.S. dollar reduced international sales by 3 percent. In 1998, flat sales reflected negative currency effects and a difficult economic backdrop in Japan and many developing countries.

components of sales change	19 ⁹⁹			1998		
	U.S.	Intl.	W.W.	U.S.	Intl.	W.W.
Volume	4%	7%	5%	0%	4%	2%
Price	(1)	1	0	0	2	1
Translation	-	(3)	(1)	-	(6)	(3)
Total	3%	5%	4%	0%	0%	0%

Non-recurring items: Non-recurring items in 1999 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. 3M believes the jury's decision ultimately will be overturned, but that it is prudent to recognize a liability at this time. This combined pre-tax gain of \$74 million is recorded as a reduction of selling, general and administrative expenses. 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).

In 1998, 3M recorded a \$493 million (\$313 million after tax) restructuring charge. The inventory portion of the restructuring charge was recorded in cost of goods sold. 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 after-tax charge, or 9 cents per diluted share. This is reported as an extraordinary loss from early extinguishment of debt.

In 1997, the company realized a gain of \$803 million (\$495 million after tax) on the sale of National Advertising Company. This is discussed in the Notes to Consolidated Financial Statements.

The following table shows amounts for non-recurring items in 1999, 1998 and 1997, and totals excluding these items.

supplemental consolidated statement of income information years ended december 31	Non-recurring Items			Total (Excluding Non-recurring Items)		
	19 ⁹⁹	1998	1997	19 ⁹⁹	1998	1997
(millions, except per-share amounts)						
Operating income (loss)	\$ 100	\$ (493)	\$ -	\$ 2,856	\$ 2,532	\$ 2,675
Other (income) expense	-	-	(803)	76	87	38
Income (loss) before income taxes, minority interest and extraordinary loss	100	(493)	803	2,780	2,445	2,637
Provision (benefit) for income taxes	48	(180)	308	984	865	933
Effective tax rate	47.8%	36.5%	38.4%	35.4%	35.4%	35.4%
Minority interest	-	-	-	85	54	78
Extraordinary loss - net of tax	-	(38)	-	-	-	-
Net income (loss)	\$ 52	\$ (351)	\$ 495	\$ 1,711	\$ 1,526	\$ 1,626

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

Costs: Cost of goods sold was 56.6 percent of sales, down 1.3 percentage points from 1998. In 1999, gross margins benefited from solid volume gains and the company's restructuring actions. In both 1999 and 1998, gross margins benefited from slightly lower raw material costs, but were negatively affected by the stronger U.S. dollar. Cost of goods sold includes manufacturing; research, development and related expenses; and engineering expenses.

Selling, general and administrative expenses were 25.2 percent of sales in both 1999 and 1998, and 25.3 percent in 1997. In 1999, this spending benefited from accelerated sales growth and productivity gains related to restructuring actions, offset by increased investments in advertising and other areas. In 1998, tight expense controls had a positive effect on SG&A spending.

Operating income: Operating income totaled \$2.856 billion, up 12.9 percent from 1998. Operating income was 18.2 percent of sales, up from 16.9 percent in 1998 and 17.7 percent in 1997. In 1999, good volume growth and solid 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 slightly in 1999 and by about \$235 million in 1998.

In the United States, operating income increased 1 percent and profit margins were down four-tenths of a percentage point. In 1998, operating income decreased 8 percent and profit margins were down 1.4 percentage points.

Internationally, operating income increased 23 percent and profit margins increased by three percentage points. In 1998, operating income decreased about 3 percent and profit margins declined by four-tenths of a percentage point. Currency effects in 1998 reduced international profits by 17 percent and profit margins by 1.8 percentage points.

Other income and expense: Interest expense was \$109 million, compared with \$139 million in 1998 and \$94 million in 1997. The 1999 decrease reflected lower debt balances due to increased operating cash flow and reduced capital expenditures. The 1998 increase reflected the company's strategy to lower its cost of capital by moderately increasing financial leverage.

Investment and other income was \$33 million, compared with \$42 million in 1998 and \$56 million in 1997, with the decline due to lower interest income.

Provision for income taxes: The worldwide effective income tax rate was 35.4 percent in 1999, 1998 and 1997. Including non-recurring items, 3M's effective tax rate was 35.8 percent in 1999, compared with 35.1 percent in 1998 and 36.1 percent in 1997.

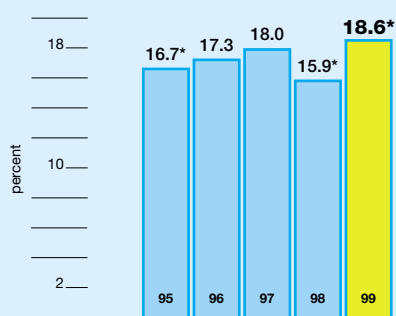
Minority interest: Minority interest was \$85 million, compared with \$54 million in 1998 and \$78 million in 1997. Minority interest represents the elimination of the non-3M ownership interests, primarily in Sumitomo 3M Limited and Dyneon LLC. These companies' results are fully consolidated in 3M's financial statements, and then partially eliminated on the minority interest line to reflect 3M's net position. The 1999 increase in minority interest was driven by higher profits in these companies, while the 1998 decrease was driven by lower profits. In December 1999, 3M finalized the acquisition of the outstanding minority interest in Dyneon LLC. This acquisition is discussed in the Notes to Consolidated Financial Statements.

Net income: Net income totaled \$1.711 billion, or \$4.21 per diluted share, compared with \$1.526 billion, or \$3.74 per diluted share, in 1998, and \$1.626 billion, or \$3.88 per diluted share, in 1997. Per-share income was up 12.6 percent in 1999 after decreasing 3.6 percent in 1998.

In 1999, 1998 and 1997, changes in the value of the U.S. dollar reduced net income by an estimated \$23 million, \$141 million and \$112 million, respectively. On a per-share basis, currency effects reduced net income by 6 cents per share, 35 cents per share and 27 cents per share for 1999, 1998 and 1997, 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 transaction gains and losses in countries not considered to be highly inflationary.

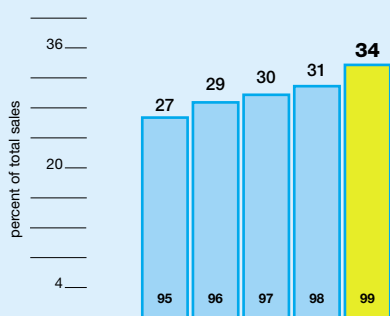
Other indices: Economic profit totaled \$855 million, up from \$604 million in 1998 and \$720 million in 1997. Return on invested capital was 18.6 percent in 1999, 15.9 percent in 1998 and 18.0 percent in 1997. Both economic profit and return on invested capital exclude the impact of non-recurring items. Economic profit equals after-tax operating income less a charge for operating capital employed

RETURN ON INVESTED CAPITAL

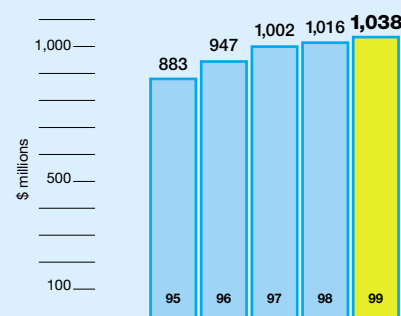


*excludes non-recurring items

NEW PRODUCT SALES



R&D SPENDING*



*includes related expenses

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

At December 31, 1999, employment totaled 70,549 people, a decrease of about 3,000 from year-end 1998, and down more than 5,000 from mid-1998. The decline was due both to the company's restructuring actions and attrition. Sales per employee in local currencies increased about 10 percent in 1999, following a 3 percent increase in 1998. From 1994 through 1997, 3M's productivity increased an average of about 9 percent a year.

Financial Condition and Liquidity

3M's financial condition remained strong in 1999, and working capital remained well-controlled. The company's key inventory index was 3.1 months, down about 9 percent from year-end 1998. The accounts receivable index was 61 days, the same as at year-end 1998. The current ratio was 1.6, up from 1.5 at the end of 1998.

Total debt was \$2.610 billion, down from \$3.106 billion at year-end 1998, helped by increased operating cash flow and reduced capital expenditures. Total debt was 29 percent of total capital, compared with 34 percent in 1998. Of debt outstanding at the end of 1999, \$359 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 \$136 million since year-end 1998, driven by investment decreases of about \$350 million related to divestitures, partially offset by increases in the value of marketable equity securities classified as available-for-sale. Divestitures also contributed to the decline in other current liabilities and other liabilities shown on the Consolidated Balance Sheet.

During 1999, cash flows provided by operating activities totaled \$3.038 billion, up from \$2.374 billion in 1998. The increase in net income, along with good working capital management, drove the improvement. Inventories declined about \$190 million, or 9 percent, compared with year-end 1998. Working capital and other changes in 1999 include a \$205 million use of cash for the impact of employee termination benefits paid in connection with restructuring activities.

Operating cash flows in 1999 included net inflows of \$93 million related to breast implant litigation, compared with net outflows of \$255 million in 1998. A decrease in the noncurrent portion of breast implant receivables contributed to the decline in other assets in 1999. Asset impairment charges of \$182 million in 1998 represent the write-down of certain assets to net realizable value. In both 1999 and 1998, cash flows benefited from effective asset management.

Purchases of property, plant and equipment totaled \$1.039 billion, a decrease of about 27 percent from 1998. This followed increases of 2 percent in 1998 and 27 percent in 1997. These investments are helping to meet global demand for new products and increase manufacturing efficiency.

Cash used for acquisitions of businesses totaled \$374 million, \$200 million and \$8 million in 1999, 1998 and 1997, respectively. 1999 includes 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 \$249 million, \$57 million and \$1.030 billion in 1999, 1998 and 1997, respectively. The company received cash proceeds in 1999 related to divestitures of Eastern Heights Bank, cardiovascular systems and other health care businesses. In 1997, cash proceeds from the sale of National Advertising Company totaled \$1.0 billion, with net after-tax cash proceeds of nearly \$700 million. Related to this, 1997 operating cash flows were negatively impacted by \$308 million of income taxes paid related to the gain on the sale of National Advertising Company.

Purchases of investments totaled \$67 million, \$65 million and \$32 million in 1999, 1998 and 1997, respectively. These purchases primarily include patents, and equity and cost method investments.

Cash dividends paid to stockholders totaled \$901 million, or \$2.24 per share. 3M has paid dividends since 1916. In February 2000, the Board of Directors increased the quarterly dividend on 3M common stock to 58 cents per share, equivalent to an annual dividend of \$2.32 per share. This marks the 42nd consecutive year of dividend increases.

Repurchases of 3M common stock totaled \$825 million in 1999, compared with \$618 million in 1998 and \$1.693 billion in 1997. Repurchases were made to support employee stock purchase plans and for other corporate purposes. In 1999, a reduction in shares outstanding resulted in a benefit to earnings of 2 cents per diluted share. In 1998, the combination of a reduction in average shares outstanding and higher interest expense resulted in a net benefit to earnings of 3 cents per diluted share. In 1997, net proceeds from the National Advertising Company divestiture were used primarily to repurchase shares.

In November 1999, the Board of Directors authorized the repurchase of up to 12 million of the company's shares. This share repurchase authorization extends through December 31, 2000. Under a preceding authorization, the company purchased about 9 million shares.

The company's strong credit rating provides ready and ample access to funds in global capital markets. At year-end 1999, the company had available short-term lines of credit totaling about \$661 million.

Timing differences between payment of implant liabilities and receipt of related insurance recoveries could affect future cash flows. Legal proceedings are discussed in the Notes to Consolidated Financial Statements.

Future Outlook

3M expects to achieve solid sales and profits in 2000. 3M's focus on growth, productivity and competitiveness will drive results. The company is not able to project what the consequences will be from the

dynamic economies around the world. The company is monitoring business conditions closely and is prepared to make adjustments in costs, pricing and investments as appropriate.

3M expects worldwide sales growth in 2000 of 6 to 7 percent in local currencies, excluding potential acquisitions, with volume being the main growth driver. Sales are expected to grow close to 6 percent in the United States. Internationally, the company expects to increase sales in local currencies 7 to 8 percent.

The company expects that selling prices overall will have minimal impact in 2000. Pricing varies by market segment. In the Electro and Communications Markets segment, price decreases are expected to limit operating income growth.

The Telecom Systems Division announced on February 1, 2000, its intention to purchase Quante AG, a manufacturer of telecommunications products and systems. The purchase method of accounting will be used. Sales in 1999 were more than \$350 million. The transaction is dependent on approval from the European Commission. 3M also is considering other acquisitions in markets such as health care and light management.

The company expects capital spending to total \$1.0 billion to \$1.1 billion in 2000. The company does not expect a significant change in its tax rate in 2000.

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. As discussed in the restructuring charge section in the Notes to Consolidated Financial Statements, these product lines, discontinued primarily in 1998, had combined annual sales of less than \$100 million. In 1999, as part of its restructuring plan, the company also divested Eastern Heights Bank, 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 is expected to provide annual pre-tax savings of about \$250 million upon completion of the plan. The incremental benefit in the year 2000 versus 1999 is expected to be about \$60 million, primarily in the first half. If the company does not generate adequate sales growth, normal increases in payroll and other costs will

create offsets to the annual savings. 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 Instruments

The company enters into contractual arrangements (derivatives) 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.

Based on a value-at-risk analysis of the company's foreign exchange, interest rate and commodity derivative instruments outstanding at December 31, 1999, 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. In 1998, currency effects reduced net income by an estimated \$141 million, or 35 cents per diluted share.

Year 2000 Update

In November 1996, the company created a corporate Year 2000 project team representing all company business and staff units. The team's objective was to ensure an uninterrupted transition to the year 2000 by assessing, testing and modifying information technology (IT) and non-IT systems (defined below) and date-sensitive company products so that (a) they will perform as intended, regardless of the date (before, during and after December 31, 1999), and (b) dates (before, during and after December 31, 1999, and including February 29, 2000) can be processed with expected results (Year 2000 Compliant). The scope of the Year 2000 compliance effort included (i) IT, such as software and hardware; (ii) non-IT systems or embedded technology, such as micro-controllers contained in various manufacturing and laboratory equipment; environmental and safety systems, facilities and utilities;

(iii) date-sensitive company products; and (iv) the readiness of key third parties, including suppliers and customers, with whom the company has material business relationships.

The company also prepared contingency plans specifying what the company would do if failures occurred in IT and non-IT systems, or if important third parties were not Year 2000 Compliant. The process included identifying and prioritizing risks, assessing the business impact of those risks, creating notification procedures, and preparing written contingency plans for those failures with the greatest risk to the company.

From inception of the company's efforts on the Year 2000 issue through December 31, 1999, the company spent \$66.5 million related to the Year 2000 readiness issue. These costs included external consultants, professional advisors, and software and hardware. The company's process for tracking internal costs did not capture all of the costs incurred for each of the teams working on the Year 2000 project. Such internal costs were principally the related payroll costs for its information systems group and other employees working on the Year 2000 project. The company expensed as incurred all costs related to the assessment and remediation of the Year 2000 issue. These costs were funded through operating cash flows.

From December 31, 1999, to January 14, 2000, the company operated global information centers to monitor the company's facilities and operations. No material problems were reported in any of the company's facilities or operations during this period. As of the date of this printing, the company had not experienced any material Year 2000 problems with its IT or non-IT systems or products, nor had the company experienced 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 noncash transactions.

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 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 a European Monetary Union (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 conversion of all relevant local currency data to the euro by December 31, 2001, in the participating countries.

The European market contributed 24 percent of consolidated sales and 20 percent of consolidated operating income, excluding non-recurring items, in 1999. The participating countries accounted for 61 percent of the company's sales in the European market in 1999. 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 \$50 million to complete the conversion of all of its IT systems in Europe to the euro by December 31, 2001. The company is developing appropriate contingency plans so the euro adoption does not jeopardize the company's operations.

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, 1999, 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.

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 generally accepted accounting principles. 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 independent auditors for appointment to the Board, subject to shareholder ratification. The independent auditors and the internal 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

*To the Stockholders and Board of Directors
of Minnesota Mining and Manufacturing Company:*

In our opinion, the 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, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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, 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 the opinion expressed above.



PricewaterhouseCoopers LLP
St. Paul, Minnesota
February 14, 2000

forward-looking statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This annual report contains forward-looking statements, which reflect the company's current views with respect to future events and financial performance.

These forward-looking statements are subject to certain risks and uncertainties, including several identified here that could cause actual results to differ materially from historical results or those anticipated. The words "aim," "believe," "expect," "anticipate," "intend," "estimate," "will," "should," "could" and other expressions that indicate future events and trends identify forward-looking statements.

Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of, and changes in, worldwide economic conditions; foreign exchange rates and fluctuations in those rates; the timing and market acceptance of new product offerings; costs of raw materials, including shortages of key raw materials; and legal proceedings.

consolidated statement of income

Minnesota Mining and Manufacturing Company and Subsidiaries

years ended december 31 (amounts in millions, except per-share amounts)

	1999	1998	1997
Net sales	\$ 15,659	\$ 15,021	\$ 15,070
Operating expenses			
Cost of goods sold	8,852	8,705	8,580
Restructuring charge – inventory	–	39	–
Total cost of goods sold	8,852	8,744	8,580
Selling, general and administrative expenses	3,879	3,784	3,815
Restructuring charge (credit) – other	(28)	454	–
Total	12,703	12,982	12,395
Operating income	2,956	2,039	2,675
Other income and expense			
Interest expense	109	139	94
Investment and other income – net	(33)	(42)	(56)
Gain on National Advertising Company divestiture – net	–	(10)	(803)
Total	76	87	(765)
Income before income taxes, minority interest and extraordinary loss	2,880	1,952	3,440
Provision for income taxes	1,032	685	1,241
Minority interest	85	54	78
Income before extraordinary loss	1,763	1,213	2,121
Extraordinary loss from early extinguishment of debt – net of income taxes	–	(38)	–
Net income	\$ 1,763	\$ 1,175	\$ 2,121
Weighted average common shares outstanding – basic	402.0	403.3	412.7
Earnings per share – basic			
Income before extraordinary loss	\$ 4.39	\$ 3.01	\$ 5.14
Extraordinary loss	–	(.10)	–
Net income	\$ 4.39	\$ 2.91	\$ 5.14
Weighted average common shares outstanding – diluted	406.5	408.0	418.7
Earnings per share – diluted			
Income before extraordinary loss	\$ 4.34	\$ 2.97	\$ 5.06
Extraordinary loss	–	(.09)	–
Net income	\$ 4.34	\$ 2.88	\$ 5.06

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

consolidated balance sheet

Minnesota Mining and Manufacturing Company and Subsidiaries

at december 31 (dollars in millions)

1999

1998

Assets

Current assets

Cash and cash equivalents	\$ 387	\$ 211
Other securities	54	237
Accounts receivable – net	2,778	2,666
Inventories	2,030	2,219
Other current assets	817	886

Total current assets	6,066	6,219
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Investments

Investments	487	623
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Property, plant and equipment – net	5,656	5,566
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Other assets	1,687	1,745
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Total	\$ 13,896	\$ 14,153
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Liabilities and Stockholders' Equity

Current liabilities

Short-term debt	\$ 1,130	\$ 1,492
Accounts payable	1,008	868
Payroll	361	487
Income taxes	464	261
Other current liabilities	856	1,114

Total current liabilities	3,819	4,222
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Long-term debt

Long-term debt	1,480	1,614
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Other liabilities	2,308	2,381
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Stockholders' equity – net

Shares outstanding – 1999: 398,710,817 1998: 401,924,248	6,289	5,936
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Total	\$ 13,896	\$ 14,153
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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 Compen- sation ESOP	Accumulated Other Compre- hensive Income
Balance at December 31, 1996	\$ 6,284	\$ 296	\$ 8,756	\$ (2,193)	\$ (412)	\$ (163)
Net income	2,121		2,121			
Cumulative translation adjustment – net	(369)					(369)
Debt and equity securities, unrealized gain – net	(7)					(7)
Total comprehensive income	1,745					
Dividends paid (\$2.12 per share)	(876)		(876)			
Amortization of unearned compensation	33				33	
Reacquired stock (18.7 million shares)	(1,693)			(1,693)		
Issuances pursuant to stock option and benefit plans (6.6 million shares)	433		(153)	586		
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	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	(30)					(30)
Debt and equity securities, unrealized gain – net	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)

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

consolidated statement of cash flows

Minnesota Mining and Manufacturing Company and Subsidiaries

years ended december 31 (dollars in millions)

19⁹⁹

1998

1997

Cash Flows from Operating Activities

Net income	\$ 1,763	\$ 1,175	\$ 2,121
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	822	798	800
Amortization	78	68	70
Asset impairment charges (credits) – restructuring	(31)	182	–
Implant litigation – net	93	(255)	35
Gain on National Advertising Company divestiture – net	–	(6)	(495)
Income tax paid relating to divestiture	–	(4)	(308)
Discontinued operations	–	–	(112)
Accounts receivable	(186)	(160)	(149)
Inventories	96	195	(295)
Other – net	403	381	39
Net cash provided by operating activities	3,038	2,374	1,706

Cash Flows from Investing Activities

Purchases of property, plant and equipment	(1,039)	(1,430)	(1,406)
Proceeds from sale of property, plant and equipment	108	25	38
Acquisitions of businesses	(374)	(200)	(8)
Proceeds from sale of businesses	249	57	1,030
Purchases of investments	(67)	(65)	(32)
Proceeds from sale of investments	9	41	21
Net cash used in investing activities	(1,114)	(1,572)	(357)

Cash Flows from Financing Activities

Change in short-term debt – net	(164)	55	705
Repayment of long-term debt	(179)	(129)	(565)
Proceeds from long-term debt	2	645	337
Purchases of treasury stock	(825)	(618)	(1,693)
Reissuances of treasury stock	390	292	355
Dividends paid to stockholders	(901)	(887)	(876)
Distributions to minority interests	(51)	(96)	(22)
Net cash used in financing activities	(1,728)	(738)	(1,759)

Effect of exchange rate changes on cash	(20)	(83)	57
Net increase (decrease) in cash and cash equivalents	176	(19)	(353)
Cash and cash equivalents at beginning of year	211	230	583
Cash and cash equivalents at end of year	\$ 387	\$ 211	\$ 230

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

01
note significant accounting policies

Consolidation: All significant subsidiaries are consolidated. All inter-company 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 reclassifications have been made to December 31, 1998, Consolidated Balance Sheet amounts to conform to the current-year presentation.

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.

Other securities and investments: Other securities consist of marketable securities and interest-bearing bank deposits with varied maturity dates. These securities are employed in the company’s banking, captive insurance and cash management operations. Investments primarily include debt securities held by captive insurance and banking operations; the cash surrender value of life insurance policies; and real estate and venture capital investments. Unrealized gains and losses relating to other securities and investments classified as available-for-sale are recorded as a component of accumulated other comprehensive income in stockholders’ equity. The company’s banking operations were divested on June 30, 1999.

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

Other assets: Other assets include product and other insurance receivables, goodwill, patents, other intangibles, 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 items are amortized on a straight-line basis over their estimated economic lives.

Revenue recognition: Revenue is recognized upon shipment of goods to customers and 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.

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 building 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.

Advertising and merchandising: These costs are charged to operations in the year incurred.

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 and commodity market volatility. All hedging instruments are designated and effective as hedges, in accordance with 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 goods sold 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 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 (GESPP) 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, and also includes the effect of the assumed exercise of GESPP options for periods through June 30, 1997. Beginning July 1, 1997, GESPP options had no dilutive effect.

New accounting pronouncements: In 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133." The company must adopt Statement No. 133 no later than January 1, 2001. The company is reviewing the requirements of this standard. Although the company expects that this standard will not materially affect its financial position or results of operations, it has not yet finalized its determination of the impact of this standard on its consolidated financial statements.

Effective January 1, 1999, the company adopted Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and SOP 98-5, "Reporting on the Costs of Start-Up Activities," both issued by the American Institute of Certified Public Accountants. These statements did not have a material effect on the consolidated financial statements because the company's existing accounting policies were generally in compliance.

02
note **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 goods sold. 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 relates 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 \$244 million made through December 31, 1999, the company had a remaining liability of \$31 million related to employee termination benefits at year-end, most of which relates to employees already terminated. 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.

The restructuring charge includes \$112 million, net of salvage value, for the write-down of assets included in property, plant and equipment. These assets primarily include 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 includes \$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 goods sold, for certain product lines that were discontinued primarily in 1998. Other exit costs include \$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 \$31 million in payments made through December 31, 1999, the company had a remaining balance of \$8 million in other current liabilities for these exit costs at December 31, 1999.

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	

03
note **acquisitions and divestitures**

Acquisition of Dyneon minority interest: 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. Based on a preliminary allocation, the purchase price exceeds the recorded basis of the minority interest net assets by approximately \$265 million, of which approximately \$180 million represents goodwill and other intangible assets that will be amortized over 15 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.

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 Markets segment, in the third quarter of 1999. These pre-tax gains are recorded as a reduction of selling, general and administrative expenses in the Consolidated Statement of Income.

Gain on National Advertising Company divestiture: Effective August 15, 1997, the company sold National Advertising Company, an outdoor and mall advertising subsidiary, for cash proceeds of \$1.0 billion. After adjusting for the net cost of the assets sold and for the expenses associated with the divestiture, the company realized a gain of \$803 million (\$495 million after tax), or \$1.18 per diluted share, in 1997. National Advertising Company had annual sales of about \$200 million and operating income of about \$35 million. In 1998, a \$10 million gain was recorded to finalize the accounting for this sale.

04
note **supplemental statement of income information**

(millions)	19 ⁹⁹	1998	1997
Research, development and related expenses	\$ 1,038	\$ 1,016	\$ 1,002
Advertising and merchandising costs	484	448	471

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 \$688 million, \$648 million and \$634 million in 1999, 1998 and 1997, respectively. Related expenses primarily include technical support provided by the laboratories for existing products.

05
note **supplemental balance sheet information**

(millions)	19 ⁹⁹	1998
accounts receivable		
Accounts receivable	\$ 2,860	\$ 2,751
Less allowances	82	85
Accounts receivable – net	\$ 2,778	\$ 2,666
inventories		
Finished goods	\$ 1,103	\$ 1,161
Work in process	544	613
Raw materials	383	445
Total inventories	\$ 2,030	\$ 2,219
other current assets		
Product and other insurance receivables	\$ 291	\$ 291
Deferred income taxes	172	175
Other	354	420
Total other current assets	\$ 817	\$ 886
other securities and investments		
Held-to-maturity (amortized cost)	\$ 50	\$ 164
Available-for-sale (fair value)	254	214
Other (cost, which approximates fair value)	237	482
Total other securities and investments	\$ 541	\$ 860
property, plant and equipment – at cost		
Land	\$ 265	\$ 283
Buildings and leasehold improvements	3,429	3,328
Machinery and equipment	9,083	9,102
Construction in progress	602	684
	13,379	13,397
Less accumulated depreciation	7,723	7,831
Property, plant and equipment – net	\$ 5,656	\$ 5,566
other assets		
Intangible assets and software – net	\$ 657	\$ 523
Product and other insurance receivables	634	862
Prepaid pension benefits	265	243
Deferred income taxes	88	88
Other	43	29
Total other assets	\$ 1,687	\$ 1,745
other current liabilities		
Product and other claims	\$ 141	\$ 221
Nonfunded pension and postretirement benefits	72	57
Restructuring	8	32
Deposits – banking operations*	–	149
Deferred income taxes	5	6
Other	630	649
Total other current liabilities	\$ 856	\$ 1,114
other liabilities		
Nonfunded pension and postretirement benefits	\$ 761	\$ 695
Product and other claims	397	447
Minority interest in subsidiaries	371	390
Deposits – banking operations*	–	260
Deferred income taxes	332	193
Other	447	396
Total other liabilities	\$ 2,308	\$ 2,381

*Primarily demand deposits and, as such, the carrying amount approximates fair value. The company's banking operations were divested on June 30, 1999.

06 supplemental stockholders' equity and comprehensive income information
note

Common stock (\$.50 par value per share; without par value at December 31, 1996) of 1 billion shares is authorized, with 472,016,528 shares issued in 1999, 1998 and 1997. Common stock and capital in excess of par includes \$60 million transferred from common stock to capital in excess of par value during 1997. Preferred stock, without par value, of 10 million shares is authorized but unissued.

In 1999, deferred income taxes for the unrealized gain on debt and equity securities totaled \$77 million, and for minimum pension liability adjustments totaled \$36 million. Reclassification adjustments in 1999 for realized gains included in net income totaled \$41 million (\$25 million after tax). These gains related to appreciated equity securities donated to the 3M Foundation in December 1999. In 1999, 1998 and 1997, other deferred income tax effects and other reclassification adjustments were not material. The following table shows ending balances of the components of accumulated other comprehensive income.

accumulated other comprehensive income			
(millions)	19 ⁹⁹	1998	1997
Cumulative translation – net	\$ (694)	\$ (518)	\$ (547)
Minimum pension liability adjustments – net	(30)	–	–
Debt and equity securities, unrealized gain – net	136	10	8
Total accumulated other comprehensive income	\$ (588)	\$ (508)	\$ (539)

07 supplemental cash flow information
note

(millions)	19 ⁹⁹	1998	1997
Income tax payments	\$ 653	\$ 467	\$ 1,123
Interest payments	114	130	91

Income tax payments in 1997 include \$308 million related to the gain on the sale of National Advertising Company.

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 property 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.

In 1997, cash outflows from discontinued operations related to the costs associated with the final disposition of the company's audio and video businesses pursuant to the plan approved in November 1995.

08 debt
note

short-term debt			
(millions)	Effective Interest Rate*	19 ⁹⁹	1998
Commercial paper	5.95%	\$ 786	\$ 978
Long-term debt – current portion	6.52%	36	131
Other borrowings	7.82%	308	383
Total short-term debt		\$ 1,130	\$ 1,492

long-term debt				
(millions)	Effective Interest Rate*	Maturity Date	19 ⁹⁹	1998
ESOP debt guarantee	5.62%	2001-2009	\$ 333	\$ 359
U.S. dollar 6.375% note	6.38%	2028	330	330
U.S. dollar 6.625%				
Eurobond	5.84%	2001	250	250
3M Deutschland GmbH				
5.75% Eurobond	2.95%	2001	187	216
German mark 5%				
Euronote	5.83%	2001	165	165
Sumitomo 3M Limited				
0.795% note	0.80%	2003	98	88
Other borrowings	5.60%	2001-2037	117	206
Total long-term debt			\$ 1,480	\$ 1,614

* Reflects the effects of interest rate and currency swaps at December 31, 1999.

Debt with fixed interest rates includes the ESOP, U.S. dollar 6.375 percent note, Sumitomo 3M Limited note and a portion of other borrowings. 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. Debt not denominated in U.S. dollars includes the 5.75 percent 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.

Maturities of long-term debt for the next five years are: 2000, \$36 million; 2001, \$652 million; 2002, \$38 million; 2003, \$131 million; and 2004, \$35 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 \$1.376 billion. Debt covenants do not restrict the payment of dividends. At year-end 1999, the company had available short-term lines of credit totaling about \$661 million.

09
note **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 below 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, 1999, for interest rate swaps, and at December 31, 1998, for interest rate and currency swaps. Currency swaps at December 31, 1999, had an unrealized gain of \$13 million and unrealized losses of \$61 million, largely offset by an unrealized gain of \$39 million relating to an underlying debt instrument.

notional amounts (millions)	19 ⁹⁹	1998
Interest rate swaps	\$ 550	\$ 350
Currency swaps	465	265

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, 1999 and 1998, were not material.

face amounts (millions)	19 ⁹⁹	1998
Forward contracts	\$ 997	\$ 1,050
Options purchased	140	590
Options sold	-	88

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, 1999, were denominated in European euros, Japanese yen, Singapore dollars and British pounds.

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, but does not anticipate nonperformance by any of these counterparties. 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.

10
note **income taxes**

At December 31, 1999, about \$2.550 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.

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.

income before income taxes, minority interest and extraordinary loss (millions)	19 ⁹⁹	1998	1997
United States	\$ 2,020	\$ 1,326	\$ 2,607
International	860	626	833
Total	\$ 2,880	\$ 1,952	\$ 3,440

provision for income taxes (millions)	19 ⁹⁹	1998	1997
Currently payable			
Federal	\$ 423	\$ 186	\$ 823
State	66	52	127
International	402	308	370
Deferred			
Federal	171	149	(57)
State	15	13	(5)
International	(45)	(23)	(17)
Total	\$ 1,032	\$ 685	\$ 1,241

components of deferred tax assets and liabilities (millions)	19 ⁹⁹	1998
Accruals currently not deductible		
Employee benefit costs	\$ 288	\$ 288
Severance and other restructuring costs	10	93
Product and other claims	205	254
Product and other insurance receivables	(353)	(439)
Accelerated depreciation	(423)	(333)
Other	196	201
Net deferred tax asset (liability)	\$ (77)	\$ 64

reconciliation of effective income tax rate	19 ⁹⁹	1998	1997
Statutory U.S. tax rate	35.0%	35.0%	35.0%
State income taxes - net	1.8	2.4	2.3
International income taxes - net	.2	.8	.2
All other - net	(1.2)	(3.1)	(1.4)
Effective worldwide tax rate	35.8%	35.1%	36.1%

11
note **business segments**

In the third quarter of 1999, the company reorganized its management reporting structure into six business segments. Prior year amounts have been retroactively restated to reflect this change in business segment reporting. 3M's businesses are organized, managed and internally reported as six 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 coop-

eration, 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.

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 and coated abrasives
Transportation, Graphics and Safety	Reflective sheeting, commercial graphics systems, films, inks and substrates, respirators, automotive products and optical films
Health Care	Medical/surgical supplies, skin health products, pharmaceuticals, dental 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, floor matting, commercial cleaning products and do-it-yourself products
Electro and Communications	Connecting, insulating and splicing solutions for the electrical, electronics and telecommunications industries
Specialty Material	Fluorochemicals for automotive, electronics, textile, paper and other industries

business segment information						
(millions)		Net Sales	Operating Income	Assets**	Depreciation and Amortization	Capital Expenditures
Industrial	1999	\$ 3,394	\$ 613	\$ 2,357	\$ 220	\$ 200
	1998	3,360	561	2,394	199	276
	1997	3,419	544	2,366	186	283
Transportation, Graphics and Safety	1999	3,228	679	2,673	140	197
	1998	3,021	532	2,652	170	331
	1997	3,112	585	2,368	191	363
Health Care	1999	3,118	686	2,076	203	187
	1998	3,086	571	2,168	161	221
	1997	3,004	521	2,042	183	217
Consumer and Office	1999	2,688	408	1,589	118	121
	1998	2,613	398	1,614	136	178
	1997	2,616	438	1,561	105	131
Electro and Communications	1999	2,014	406	1,359	130	192
	1998	1,741	263	1,177	111	222
	1997	1,739	327	1,103	114	167
Specialty Material	1999	1,166	188	1,323	79	142
	1998	1,105	194	1,112	66	186
	1997	1,090	192	928	70	200
Corporate and Unallocated*	1999	51	(24)	2,519	10	-
	1998	95	(480)	3,036	23	16
	1997	90	68	2,870	21	45
Total Company	1999	\$ 15,659	\$ 2,956	\$ 13,896	\$ 900	\$ 1,039
	1998	15,021	2,039	14,153	866	1,430
	1997	15,070	2,675	13,238	870	1,406

*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; other securities; insurance receivables; deferred income taxes; certain investments and other assets; and certain unallocated property, plant and equipment.

12
note **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 non-recurring net gain of \$100 million 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	1999	\$ 7,478	\$ 3,800	\$ 2,887	\$ 1,467	\$ 27	\$ 15,659
	1998	7,231	3,856	2,375	1,539	20	15,021
	1997	7,242	3,640	2,632	1,530	26	15,070
Operating income	1999	\$ 1,198	\$ 574	\$ 768	\$ 348	\$ 68	\$ 2,956
	1998	1,185	515	512	339	(512)	2,039
	1997	1,290	431	611	360	(17)	2,675
Property, plant and equipment – net	1999	\$ 3,551	\$ 1,007	\$ 746	\$ 352	\$ –	\$ 5,656
	1998	3,376	1,107	709	374	–	5,566
	1997	3,133	1,013	532	356	–	5,034

13
note **leases**

Rental expense under operating leases was \$113 million in 1999, and \$125 million in both 1998 and 1997. The table at the right shows minimum payments under operating leases with noncancelable terms in excess of one year, as of December 31, 1999.

(millions)	2000	2001	2002	2003	2004	After 2004	Total
Minimum lease payments	\$ 61	\$ 48	\$ 33	\$ 20	\$ 13	\$ 82	\$ 257

14
note **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 those required by law. Trust funds and deposits with insurance companies 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. nonqualified pension plan had an unfunded accumulated benefit obligation of \$171 million at December 31, 1999,

and \$175 million at December 31, 1998. There are no plan assets in the nonqualified plan due to its nature.

Certain international pension plans were underfunded as of year-end 1999 and 1998. The accumulated benefit obligations of these plans were \$467 million in 1999 and \$418 million in 1998. The assets of these plans were \$353 million in 1999 and \$384 million in 1998. The net underfunded amounts are included in current and other liabilities on the Consolidated Balance Sheet.

The company expects its health care cost trend rate for postretirement benefits to slow from 6.1 percent in 2000 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 following effects.

(millions)	One Percentage Point Increase	One Percentage Point Decrease
Effect on current year's benefit expense	\$ 15	\$ (13)
Effect on benefit obligation	102	(87)

benefit plan information	Qualified and Nonqualified Pension Benefits				Postretirement Benefits	
	United States		International			
	1999	1998	1999	1998	1999	1998
(millions)						
Reconciliation of benefit obligation						
Beginning balance	\$ 6,201	\$ 5,392	\$ 2,153	\$ 1,773	\$ 1,030	\$ 995
Service cost	150	130	88	80	42	36
Interest cost	387	377	98	95	69	62
Participant contributions	-	-	7	6	9	6
Foreign exchange rate changes	-	-	(34)	60	1	-
Plan amendments	8	100	3	-	-	-
Actuarial (gain) loss	(823)	492	(21)	183	(56)	(2)
Benefit payments	(326)	(290)	(60)	(44)	(79)	(67)
Ending balance	\$ 5,597	\$ 6,201	\$ 2,234	\$ 2,153	\$ 1,016	\$ 1,030
Reconciliation of plan assets at fair value						
Beginning balance	\$ 6,233	\$ 5,411	\$ 2,028	\$ 1,796	\$ 523	\$ 482
Actual return on plan assets	807	1,018	173	164	19	52
Company contributions	86	83	51	58	64	50
Participant contributions	-	-	7	6	9	6
Foreign exchange rate changes	-	-	(45)	45	-	-
Benefit payments	(313)	(279)	(59)	(41)	(78)	(67)
Ending balance	\$ 6,813	\$ 6,233	\$ 2,155	\$ 2,028	\$ 537	\$ 523
Funded status of plans						
Plan assets at fair value less benefit obligation	\$ 1,216	\$ 32	\$ (79)	\$ (125)	\$ (480)	\$ (507)
Unrecognized transition (asset) obligation	-	(37)	21	24	-	-
Unrecognized prior service cost	142	179	36	49	12	(48)
Unrecognized (gain) loss	(1,325)	(181)	13	47	(37)	58
Net amount recognized	\$ 33	\$ (7)	\$ (9)	\$ (5)	\$ (505)	\$ (497)
Amounts recognized in the Consolidated Balance Sheet consist of:						
Prepaid assets	\$ 184	\$ 99	\$ 74	\$ 74	-	-
Accrued liabilities	(171)	(175)	(157)	(80)	\$ (505)	\$ (497)
Intangible assets	6	69	1	1	-	-
Accumulated other comprehensive income – pre-tax	14	-	73	-	-	-
Net amount recognized	\$ 33	\$ (7)	\$ (9)	\$ (5)	\$ (505)	\$ (497)

benefit plan information	Qualified and Nonqualified Pension Benefits						Postretirement Benefits		
	United States			International					
	1999	1998	1997	1999	1998	1997	1999	1998	1997
(millions)									
Components of net periodic benefit cost									
Service cost	\$ 150	\$ 130	\$ 115	\$ 88	\$ 80	\$ 67	\$ 42	\$ 36	\$
Interest cost	387	377	354	98	95	96	69	62	65
Expected return on assets	(501)	(440)	(381)	(108)	(103)	(106)	(34)	(32)	(28)
Amortization of transition (asset) obligation	(37)	(37)	(37)	2	(1)	(1)	-	-	-
Amortization of prior service cost or benefit	45	38	36	8	8	9	(11)	(11)	(11)
Recognized net actuarial (gain) loss	14	-	-	2	3	(1)	-	-	1
Net periodic benefit cost	\$ 58	\$ 68	\$ 87	\$ 90	\$ 82	\$ 64	\$ 66	\$ 55	\$
Weighted average assumptions									
Discount rate	7.50%	6.50%	7.00%	5.67%	5.58%	6.47%	7.50%	6.50%	7.00%

15
note **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 10 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)	19 ⁹⁹	1998	1997
Dividends on shares held by the ESOP	\$ 31	\$ 31	\$ 30
Company contributions to the ESOP	7	44	37
Interest incurred on ESOP notes	21	29	32
Expenses related to ESOP debt service	14	37	36
Expenses related to treasury shares	50	2	2

esop debt shares			
	19 ⁹⁹	1998	1997
Allocated	6,596,898	6,586,192	6,006,099
Committed to be released	280,615	85,153	184,181
Unreleased	6,709,549	7,457,885	8,286,949
Total ESOP debt shares	13,587,062	14,129,230	14,477,229

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note **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 GESPP. Participants are granted options at 85 percent of market value

at the date of grant. Effective July 1, 1997, options are granted on the first business day and exercised on the last business day of the same month. Previously, GESPP options were exercised within 27 months from the date of grant.

	19 ⁹⁹		1998		1997	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Under option –						
January 1	-	\$ -	-	\$ -	292,495	\$ 62.35
Granted	1,210,189	72.25	1,271,120	69.91	1,123,358	77.50
Exercised	(1,210,189)	72.25	(1,271,120)	69.91	(1,293,282)	74.67
Canceled	-	-	-	-	(122,571)	71.21
December 31	-	-	-	-	-	-
Shares available for grant – December 31	11,769,988		12,980,177		14,251,297	

*Weighted average

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note

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. At year-end 1999, there were 10,580 participants in the plan.

	19 ⁹⁹		1998		1997	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Under option –						
January 1	29,330,549	\$ 67.72	26,831,852	\$ 59.75	26,487,335	\$ 52.61
Granted	5,697,333	94.32	5,872,537	92.78	5,598,761	91.25
Exercised	(4,201,886)	52.50	(3,300,215)	47.76	(5,241,804)	46.99
Canceled	(123,581)	93.35	(73,625)	93.35	(12,440)	91.70
December 31	30,702,415	\$ 74.67	29,330,549	\$ 67.72	26,831,852	\$ 59.75
Options exercisable – December 31	25,213,683	\$ 70.27	24,031,395	\$ 62.09	21,673,983	\$ 52.12
Shares available for grant – December 31	18,088,285		23,780,604		29,640,776	

*Weighted average

options outstanding and exercisable at december 31, 1999	Options Outstanding			Options Exercisable	
	Range of Exercise Prices	Shares	Remaining Contractual Life (months)*	Exercise Price*	Shares
\$38.62–60.00	10,129,887	46	\$ 50.00	10,129,887	\$ 50.00
63.00–92.00	10,296,264	83	79.46	10,296,264	79.46
93.00–99.20	10,276,264	114	94.18	4,787,532	93.37

*Weighted average

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note

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.

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 assumptions that follow.

pro forma net income and earnings per share	19 ⁹⁹			1998	1997
(millions)					
Net income					
As reported	\$ 1,763	\$ 1,175	\$ 2,121		
Pro forma	1,652	1,072	2,032		
Earnings per share – basic					
As reported	\$ 4.39	\$ 2.91	\$ 5.14		
Pro forma	4.11	2.66	4.92		
Earnings per share – diluted					
As reported	\$ 4.34	\$ 2.88	\$ 5.06		
Pro forma	4.06	2.63	4.85		

msop assumptions	19 ⁹⁹			1998	1997
Risk-free interest rate	5.4%	5.7%	6.6%		
Dividend growth rate	5.0%	5.8%	5.8%		
Volatility	22.3%	17.6%	15.0%		
Expected life (months)	66	69	67		

The weighted average fair value per option granted during 1999, 1998 and 1997 was \$12.75, \$12.34 and \$13.67, respectively, for the GESPP, and \$22.86, \$20.41 and \$21.81, respectively, for the incentive

The GESPP and MSOP options, if exercised, would have the following dilutive effect on shares outstanding for 1999, 1998 and 1997, respectively: 4.5 million, 4.7 million and 6.0 million shares. Beginning July 1, 1997, GESPP options had no dilutive effect. Certain MSOP options outstanding for years 1999 and 1998 (8.7 million shares 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.

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note quarterly data (unaudited)

(millions, except per-share amounts)	First	Second	Third	Fourth	Year
net sales					
1999	\$ 3,776	\$ 3,863	\$ 3,997	\$ 4,023	\$15,659
1998	3,700	3,770	3,766	3,785	15,021
cost of goods sold*					
1999	2,162	2,188	2,253	2,249	8,852
1998	2,096	2,162	2,219	2,267	8,744
income before extraordinary loss*					
1999	384	476	459	444	1,763
1998	400	386	178	249	1,213
net income*					
1999	384	476	459	444	1,763
1998	400	386	178	211	1,175
basic earnings per share – income before extraordinary loss*					
1999	.95	1.18	1.14	1.11	4.39
1998	.99	.95	.44	.62	3.01
basic earnings per share – net income*					
1999	.95	1.18	1.14	1.11	4.39
1998	.99	.95	.44	.52	2.91
diluted earnings per share – income before extraordinary loss*					
1999	.95	1.17	1.13	1.10	4.34
1998	.98	.94	.44	.61	2.97
diluted earnings per share – net income*					
1999	.95	1.17	1.13	1.10	4.34
1998	.98	.94	.44	.52	2.88
stock price comparisons (nyse composite transactions)					
1999 high	81.38	96.38	100.00	103.38	103.38
1999 low	69.31	70.06	85.00	87.44	69.31
1998 high	96.13	97.88	84.44	87.50	97.88
1998 low	80.06	80.38	65.63	69.38	65.63

*Third-quarter 1999 includes gains on divestitures, litigation expense and a change in estimate that reduced the 1998 restructuring charge. 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. Fourth-quarter 1998 includes a restructuring charge of \$161 million (\$99 million after tax), or 25 cents per diluted share, and an extraordinary loss from early extinguishment of debt of \$38 million (net of tax), or 9 cents per diluted share. Third-quarter 1998 includes a restructuring charge of \$332 million (\$214 million after tax), or 53 cents per diluted share. The inventory portion of the restructuring charge, included in cost of goods sold, totaled \$29 million in third-quarter 1998 and \$10 million in fourth-quarter 1998.

tion 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.

In one such matter, LePage's Incorporated filed a lawsuit against the company in June 1997 in the United States District Court for the Eastern District of Pennsylvania alleging that certain marketing practices of the company violated the antitrust laws. On October 8, 1999, the jury awarded LePage's damages of \$22.8 million, which will be automatically trebled under the law. The company recorded a pre-tax charge of \$73 million in the third quarter of 1999 related to the adverse jury verdict and attorneys' fees and costs. However, the fact that the company recognized the liability does not change the company's belief that the jury verdict will be ultimately overturned.

There can be no certainty that the company may not ultimately incur charges, whether for governmental proceedings and claims, products liability claims, environmental proceedings or other actions, in excess of presently established accruals. While such future charges could have a material adverse impact on the company's net income in the quarterly period in which they are recorded, the company believes that such additional charges, if any, would not have a material adverse effect on the consolidated financial position, annual results of operations, or cash flows of the company. (NOTE: The preceding sentence applies to all legal proceedings involving the company except the breast implant litigation, which is discussed separately in the next section.)

Breast implant litigation: As of December 31, 1999, the company had been named as a defendant, often with multiple co-defendants, in 3,671 lawsuits and 56 claims in various courts, all seeking damages for personal injuries from allegedly defective breast implants. These claims and lawsuits purport to represent 12,210 individual claimants. It is not yet certain how many of these lawsuits and claims involve products manufactured and sold by the company, as opposed to other manufacturers, or how many of these lawsuits and claims involve individuals who accepted benefits under the Revised Settlement Program (as defined later). The company has confirmed that approximately 540 of the above individual claimants have opted out of the class action and have 3M implants. 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.

The typical claim or lawsuit alleges that the individual's breast implants caused one or more of a wide variety of ailments. Plaintiffs in these cases typically seek monetary damages, often in unspecified amounts, and also may seek certain types of equitable relief, including requiring the company to fund the costs associated with removal of the breast implants.

A number of breast implant claims and lawsuits seek to impose liability on the company under various theories for personal injuries allegedly caused by breast implants manufactured and sold by manufacturers other than the company. These manufacturers include, but are not limited to, McGhan Medical Corporation and manufacturers that are no longer in business or that are insolvent, whose breast implants may or may not have been used in conjunction with implants manu-

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note legal proceedings

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 accrued 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 jurisdic-

factured and sold by the company. These claims raise many difficult and complex factual and legal issues that are subject to many uncertainties, including the facts and circumstances of each particular claim, the jurisdiction in which each suit is brought, and differences in applicable law and insurance coverage.

In addition to individual suits against the company, a class action on behalf of all women with breast implants filed against all manufacturers of such implants has been conditionally certified and is pending in the United States District Court for the Northern District of Alabama (the "Court"). Class actions, some of which have been certified, are pending in various state courts, including, among others, Louisiana, Florida and Illinois, and in the British Columbia courts in Canada.

On December 22, 1995, the Court 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 Revised Settlement Program is a revision of a previous settlement pursuant to a Breast Implant Litigation Settlement Agreement (the "Settlement Agreement"). 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 Revised Settlement Program includes domestic class members with implants manufactured by certain manufacturer defendants, including Baxter International, Bristol-Myers Squibb Company, the company and McGhan Medical Corporation. The company's obligations under the Revised Settlement Program are limited to eligible claimants with implants manufactured by the company or its predecessors ("3M implants") or manufactured only by McGhan Medical Corporation after its divestiture from the company on August 3, 1984 ("Post 8/84 McGhan implants"). With respect to claimants with only Post 8/84 McGhan implants (or only Post 8/84 McGhan implants plus certain other manufacturers' implants), the benefits are more limited than for claimants with 3M implants. Post 8/84 McGhan implant benefits are payable in fixed shares by the company, Union Carbide Corporation and McGhan Medical Corporation. McGhan Medical Corporation has defaulted on its fixed share obligation (which does not affect 3M's obligation to pay its share) and mandatory class action status has been granted.

In general, the amounts payable to individual current claimants (as defined in the Court's order) under the Revised Settlement Program, and the company's obligations to make those payments, are not affected by the number of class members who have elected to opt out of the Revised Settlement Program or the number of class members making claims under the Revised Settlement Program. In addition to certain miscellaneous benefits, the Revised Settlement Program provides for two compensation options for current claimants with 3M implants.

Under the first option, denominated as Fixed Amount Benefits, current claimants with 3M implants who satisfy disease criteria established in the prior Settlement Agreement will receive amounts ranging from \$5,000 to \$100,000, depending on disease severity or disability level; whether the claimant can establish that her implants have ruptured; and

whether the claimant also has had implants manufactured by Dow Corning. Under the second option, denominated as Long-Term Benefits, current claimants with 3M implants who satisfy more restrictive disease and severity criteria specified under the Revised Settlement Program can receive benefits ranging from \$37,500 to \$250,000.

Eligible participants with 3M implants who did not file current claims but are able to satisfy the more restrictive disease and severity criteria during an ongoing period of 15 years will be eligible for the Long-Term Benefits, subject to certain funding limitations. Certain one-time payments and advance payments are also available to certain claimants if specified conditions are met.

On June 10, 1998, the Court approved the terms of a settlement program offered by Baxter International, Bristol-Myers Squibb Company and the company to eligible foreign implant recipients (the "Foreign Settlement Program"). Notices and claim forms were mailed on June 15, 1998. Benefits to eligible foreign claimants range from \$3,500 to \$50,000.

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 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, 1999, the company has paid \$289 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 these claims.

In the first quarter of 1994, the company took a pre-tax charge of \$35 million (\$22 million after tax) in recognition of its then best estimate of its probable liabilities and associated expenses, net of the probable amount of insurance recoverable from its carriers. In the third quarter of 1999, the company increased its estimate of the probable liabilities and associated expenses to approximately \$1.2 billion, with an offsetting increase in the probable amount of insurance recoveries. This amount represents 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. After subtracting payments of \$1.114 billion as of December 31, 1999, for defense and other costs and settlements with litigants and claimants, the company had accrued liabilities of \$86 million.

The company has substantial primary and excess products liability occurrence insurance coverage and claims-made products liability insurance coverage, which it believes provide coverage for substantially all of its current exposure for breast implant claims and defense costs. Most insurers have alleged reservations of rights to deny all or part of the coverage for differing reasons, including each insurer's obligations in relation to the other insurers (i.e., allocation) and which claims trigger both the various occurrence and claims-made insurance policies. Some insurers have resolved and paid, or committed to, their policy

obligations. The company believes the failure of many insurers to voluntarily perform as promised subjects them to the company's claims for excess liability and damages for breach of the insurers' obligation of good faith.

On September 22, 1994, three excess coverage occurrence insurers initiated in the courts of the State of Minnesota a declaratory judgment action against the company and numerous insurance carriers seeking adjudication of certain coverage issues and allocation among insurers. On December 9, 1994, the company initiated an action against its occurrence insurers in the Texas State Court in and for Harrison County, seeking a determination of responsibility among the company's various occurrence insurers having applicable coverages. This action has been stayed pending resolution of the litigation in the Minnesota courts.

The insurers that are parties to these actions generally acknowledge that they issued products liability insurance to the company and that breast implant claims are products liability claims. The insurers, however, have attempted to shift all or a portion of the responsibility for those claims the company believes fall within the period of occurrence-based coverage (before 1986) into the period of claims-made coverage (from and after January 1, 1986). The trial in Minnesota to resolve the company's insurance coverage and the financial responsibility of occurrence insurers for breast implant claims and defense costs began on June 4, 1996, and is continuing in phases. On February 24, 2000, the jury returned a verdict confirming the company's insurance coverage for breast implant liabilities and expenses. The judge denied the company's claim for damages beyond policy limits. The judge will make further rulings before entering final judgment.

In the trial's first phase in 1996, the court granted 3M partial declaratory judgment on the question of when insurance coverage is "triggered." The court also granted the insurers' motion for partial declaratory judgment on the question of the allocation method to be applied in the case. In July 1997, the trial court ruled further on the trigger issue and on the general allocation method. That ruling was consistent with and further supported the company's opinion as stated in the following paragraph. In November 1997, upon reconsideration, the court reversed a portion of its July ruling and reinstated a portion of its previous ruling. The company believed that conflicting rulings existed that needed to be clarified by the court and reconciled with applicable law. Motions to clarify the allocation methodology of triggered policies under these rulings were filed and have been ruled upon by the Court. While the Court clarified certain aspects of these rulings, it also ruled that there would be no allocation from and after January 1, 1986. This ruling is consistent with the company's position on the allocation issue.

The company believes it ultimately will prevail in this insurance litigation. The company's belief is based on an analysis of its insurance policies; court decisions on these and similar issues; reimbursement by insurers for these types of claims; and consultation with outside counsel who are experts in insurance coverage matters. If, however, the occurrence insurers ultimately prevail in this insurance litigation, the company could be effectively deprived of significant and potentially material insurance coverage for breast implant claims. (See discussion of the accrued receivables for insurance recoveries that follows.)

As of December 31, 1999, the company had accrued receivables for insurance recoveries of \$622 million, substantially all of which is contested by the insurance carriers. During the first quarter of 1999, the company executed a settlement agreement with its lead occurrence underwriter. Payments of settlement dollars of this and other agreements were received in 1999. 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 earlier) 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 accrued as being probable of recovery from its insurers.

The company's current estimate of the probable liabilities, associated expenses and probable insurance recoveries related to the breast implant claims is based on the facts and circumstances existing at this time. New developments may occur that could affect the company's estimates of probable liabilities (including associated expenses) and the probable amount of insurance recoveries. These developments include, but are not limited to, (i) the ultimate Fixed Amount Benefit distribution to claimants in the Revised Settlement Program; (ii) the success of and costs to the company in defending opt-out claims, including claims involving breast implants not manufactured or sold by the company; (iii) the outcome of the occurrence insurance litigation in the courts of Minnesota and Texas; and (iv) the outcome of potential arbitration with claims-made insurers.

The company cannot determine the impact of these potential developments on the current estimate of probable liabilities (including associated expenses) and the probable amount of insurance recoveries. Accordingly, the company is not able to estimate its possible future liabilities and recoveries beyond the current estimates of probable amounts. As new developments occur, these estimates may be revised, or additional charges may be necessary to reflect the impact of these developments on the costs to the company of resolving breast implant litigation, claims and insurance recoveries. Such revisions or additional future charges could have a material adverse impact on the company's net income in the quarterly period in which they are recorded. Although the company considers it unlikely, such revisions or additional future charges could also have a material adverse effect on the consolidated financial position, annual results of operations, or cash flows of the company.

The company conducts ongoing reviews, assisted by outside counsel, to determine the adequacy and extent of insurance coverage provided by its occurrence and claims-made insurers. The company believes, based on these ongoing reviews and the bases described in the fourth preceding paragraph, it is probable that the collectible coverage provided by its applicable insurance policies is sufficient to cover substantially all of its current exposure for breast implant claims and defense costs. Based on the availability of this insurance coverage, the company believes that its uninsured financial exposure has not materially changed since the first quarter of 1994. Therefore, no recognition of additional charges has been made.

financial summary

(dollars in millions, except per-share amounts)	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
<i>Operating Results</i>										
Net sales 9,931	\$ 15,659	\$ 15,021	\$ 15,070	\$ 14,236	\$ 13,460	\$ 12,148	\$ 11,053	\$ 10,817	\$ 10,281	\$
Operating income	2,956	2,039	2,675	2,491	2,221	2,095	1,796	1,811	1,683	1,804
Income from continuing operations	1,763	1,213	2,121	1,516	1,306	1,207	1,133	1,116	984	1,070
Per share – basic	4.39	3.01	5.14	3.63	3.11	2.85	2.61	2.55	2.24	2.42
Per share – diluted	4.34	2.97	5.06	3.59	3.09	2.84	2.59	2.54	2.23	2.41
Net income	1,763	1,175	2,121	1,526	976	1,322	1,263	1,233	1,154	1,308
Per share – basic	4.39	2.91	5.14	3.65	2.32	3.13	2.91	2.81	2.63	2.95
Per share – diluted	4.34	2.88	5.06	3.62	2.31	3.11	2.89	2.80	2.62	2.94
Economic profit	907	307	720	629	502	530	429	404	270	N.A.
<i>Financial Ratios</i>										
Percent of sales										
Cost of goods sold	56.6%	58.2%	57.0%	56.9%	57.3%	56.3%	57.4%	57.3%	57.3%	55.9%
Selling, general and administrative expenses	24.8	25.2	25.3	25.6	25.6	26.5	26.4	26.8	26.3	25.9
Operating income	18.9	13.6	17.7	17.5	16.5	17.2	16.2	16.7	16.4	18.2
Income from continuing operations	11.3	8.1	14.1	10.7	9.7	9.9	10.3	10.3	9.6	10.8
Return on invested capital	19.1	13.0	18.0	17.3	16.3	17.4	16.0	16.8	16.1	N.A.
Total debt to total capital	29	34	30	24	23	22	19	18	19	20
Current ratio	1.6	1.5	1.5	1.8	1.8	1.8	1.8	1.8	1.7	1.6
<i>Additional Information</i>										
Cash dividends paid 647	\$ 901	\$ 887	\$ 876	\$ 803	\$ 790	\$ 744	\$ 721	\$ 701	\$ 685	\$
Per share	2.24	2.20	2.12	1.92	1.88	1.76	1.66	1.60	1.56	1.46
Stock price at year-end	97.88	71.13	82.06	83.00	66.38	53.38	54.38	50.31	47.63	42.88
Book value per share	15.77	14.77	14.64	15.08	16.44	16.04	15.16	15.06	14.36	13.90
Working capital	2,247	1,997	2,185	2,880	2,847	2,516	2,348	2,246	1,899	1,701
Capital expenditures	1,039	1,430	1,406	1,109	1,088	972	898	968	1,065	1,040
Depreciation	822	798	800	825	795	793	768	754	710	628
Research, development and related expenses	1,038	1,016	1,002	947	883	828	794	800	713	675
Number of employees at year-end*	70,549	73,564	75,639	74,289	85,313	85,296	85,940	86,793	88,370	89,474
Average shares outstanding – basic (in millions)	402.0	403.3	412.7	418.2	419.8	423.0	434.3	438.2	439.1	442.8
Average shares outstanding – diluted (in millions)	406.5	408.0	418.7	422.1	422.5	425.3	436.8	440.2	441.0	444.6

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.

directors and officers

directors

L. D. DeSIMONE (1986)

*Chairman of the Board and
Chief Executive Officer*²

RONALD O. BAUKOL (1996)

*Executive Vice President,
International Operations*⁴

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}

EDWARD R. McCRACKEN (1997)

*Chairman of the Board,
The PRASAD Project,
charitable foundation*^{1,2}

ALLEN E. MURRAY (1985)

*Retired Chairman of the Board
and Chief Executive Officer,
Mobil Corporation, petroleum
exploration, manufacturing and
marketing of petroleum and
petroleum-based products*^{3,4}

AULANA L. PETERS (1990)

*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*^{1,4}

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

L. D. DeSIMONE (1957)

*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*

JOHN W. BENSON (1968)

*Executive Vice President,
Health Care Markets*

ROBERT J. BURGSTAHLER (1968)

*Vice President, Finance and
Administrative Services*

WILLIAM E. COYNE (1968)

*Senior Vice President,
Research and Development*

M. KAY GRENZ (1969)

Vice President, Human Resources

CHARLES E. KIESTER (1962)

*Senior Vice President,
Engineering, Manufacturing
and Logistics*

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*

RAYMOND C. RICHELSEN (1963)

*Executive Vice President,
Transportation, Graphics and
Safety Markets*

JOHN J. URSU (1972)

*Senior Vice President, Legal
Affairs and General Counsel*

HAROLD J. WIENS (1968)

*Executive Vice President,
Industrial Markets*

vice presidents

HARRY W. BORRELLI (1970)

Latin America and Africa

DAVID P. DREW (1962)

Information Technology

JOSEPH A. GIORDANO (1978)

Asia Pacific

PAUL F. GUEHLER (1965)

*Corporate Enterprise Development
and Optical Technologies*

RONALD G. NELSON (1971)

Controller

EDOARDO I. PIERUZZI (1963)

Europe and Middle East

JANET L. YEOMANS (1983)

Treasurer

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

executives

business unit executives

consumer and office markets

JOHN R. BARATTO
*Research and Development,
Corporate Technology*

D. DREW DAVIS
Commercial Care

ROBERT T. DOUGHTY
Home Care

JoANN FERNANDEZ
Office Supplies

KIRK C. GRAVES
*Construction and Home
Improvement Markets*

CHARLES R. McCREADY
Stationery Products

C. AGNEW MEEK
Visual Systems

JOHN R. VOORHEES
*Key Accounts
and Markets Services*

electro and communications markets

RICHARD P. IVERSON
Electronic Products

CAROL R. JENSEN
*Research and Development,
Corporate Technology*

ROGER H. D. LACEY
Telecom Systems

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

EDWARD H. ERICKSON
Drug Delivery Systems

FRED HARRIS JR.
*Personal Care and
Related Products*

THOMAS B. HARRISON
Pharmaceuticals

FREDERICK J. PALENSKY
Dental Products

PAUL D. ROSSO
Medical-Surgical

INGE G. THULIN
Skin Health

GREGG A. VANDESTEEG
*Research and Development,
Corporate Technology*

industrial markets

RONALD R. BELSCHNER
Industrial Tape and Specialties

MICHAEL L. DENOMA
Abrasive Systems

MANLEY R. JOHNSTON
*Research and Development,
Corporate Technology*

STEVEN J. LANDWEHR
Automotive Aftermarket

JAMES T. MAHAN
Bonding Systems

JOHN F. POHL
Industrial Markets

H. C. SHIN
*Superabrasives and
Microfinishing Systems*

JAMES B. STAKE
Packaging Systems

BRUCE A. THALACKER
Tape Manufacturing

ANTONIUS J. THEUNISSEN
Adhesives

specialty material markets

ROBERT A. BRULLO
Dyneon LLC

JAMES E. GREGORY
Specialty Materials Manufacturing

MICHAEL C. HARNETTY
Protective Materials

JAY V. IHLENFELD
Performance Materials

THOMAS E. NICCUM
Industrial Mineral Products

LARRY A. WENDLING
*Research and Development,
Corporate Technology*

transportation, graphics and safety markets

TOM L. CHAFFIN
Traffic Control Materials

PAUL F. GUEHLER
*Research and Development,
Corporate Technology*

ROBERT L. HARMS
*Occupational Health and
Environmental Safety*

RICHARD G. MORRIS
Commercial Graphics

PETER J. SWAIN
Safety and Security Systems

RONALD A. WEBER
Automotive

ANDREW H. WONG
Optical Systems

international executives

WILLIAM G. ALLEN
Sumitomo 3M Limited

WAYNE W. BROWN
United Kingdom and Ireland

ALEXANDER C. CIRILLO JR.
Canada

FRANK W. ELLIS
Health Care Markets, Europe

THOMAS R. ENGELS
Mexico

STIG G. ERIKSSON
France

PETER HICKMAN
*Western Europe
Marketing Subsidiaries*

REINHOLD HIERSEMANN
Germany

PAUL C. HUSBY
Brazil

ALAN C. KILBERG
Electro-Telecom Markets, Europe

JEAN LOBEY
*Consumer and Office Markets,
Europe*

RAYMOND A. LONGBOTTOM
*Traffic and Personal Safety Markets,
Europe*

ROBERT D. MacDONALD
Italy

WILLIAM G. MATTHEWS
Industrial Markets, Europe

staff and shared services executives

MARGARET E. ALLDREDGE
*Selection, Assessment and
Leadership Development*

DANIEL D. ARNDT
Corporate Auditing

JOSEPH T. BAILEY
Research and Development

THOMAS F. BEDDOW
*Corporate Planning and
Strategy Services*

THOMAS A. BOARDMAN
Office of General Counsel

LEO R. DUNN
Corporate Services, Austin, Texas

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
*Manufacturing and Logistics
Operational Services*

RALPH E. LARSON
Engineering

HAROLD B. LASKIN
*Manufacturing and Supply Chain
Strategic Services*

JOHN A. MUILENBURG
Human Resources Operations

GEOFFREY C. NICHOLSON
*Corporate Technical Planning and
International Technical Operations*

JOHN R. OAKLAND
Procurement Operations

KATHERINE E. REED
*Environmental Technology and
Safety Services*

WILLIAM J. SCHMOLL
Taxes

L. JOSEPH THOMPSON
Total Compensation Resource Center

LARRY R. ZOBEL
Medical

shareholder information

shareholder services

Please contact Norwest Bank Shareowner Services for inquiries about:

- 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

Norwest Bank Minnesota, N.A.
Shareowner Services
161 North Concord Exchange
P.O. Box 64854
St. Paul, MN 55164-0854
Phone: (651) 450-4064 or
1-800-401-1952
E-mail: stocktransfer@norwest.com

dividends

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

3M shareholders may have dividends automatically deposited into checking or savings accounts through the Electronic Dividend Deposit Service.

Through the Automatic Dividend Reinvestment Plan, shareholders may have quarterly cash dividends 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.

stock listings

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

annual shareholders' meeting

3M's 2000 Annual Meeting of Shareholders will be held on Tuesday, May 9, 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.

investor inquiries

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

Jon Greer
Director, Investor Relations
3M Center 225-1S-15
St. Paul, MN 55144-1000
Phone: (651) 736-1915
Fax: (651) 736-2133

earnings and corporate news

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

- Website: www.3M.com/profile/pressbox
- Fax: 1-800-758-5804, ext. 000400
- Telephone: 1-800-3M-494-3M (1-800-364-9436)

Copies of 3M's Annual Report, as well as Forms 10-K and 10-Q, are available online or by contacting:

3M Investor Relations
3M Center 225-1S-15
St. Paul, MN 55144-1000
Phone: (651) 737-4262
Fax: (651) 736-2133
E-mail: innovation@mmm.com

product information

Information about 3M products and services is available online at www.3M.com/product or by contacting:

3M Product Information Center
3M Center 515-3N-06
St. Paul, MN 55144-1000
Phone: (651) 737-6501 or
1-800-3M HELPS
Fax: (651) 737-7117 or
1-800-713-6329
E-mail: innovation@mmm.com

community and environmental reports

For information on 3M's community programs, access:

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For information on 3M's environmental programs, access:

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