

# 2013 Outlook Meeting

December 12, 2012



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# Forward-Looking Statements

This presentation contains forward-looking information about 3M's financial results and estimates and business prospects that involve substantial risks and uncertainties. You can identify these statements by the use of words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," "target," "forecast" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance or business plans or prospects. Among the factors that could cause actual results to differ materially are the following: (1) worldwide economic and capital markets conditions and other factors beyond the Company's control, including natural and other disasters affecting the operations of the Company or its customers and suppliers; (2) the Company's credit ratings and its cost of capital; (3) competitive conditions and customer preferences; (4) foreign currency exchange rates and fluctuations in those rates; (5) the timing and market acceptance of new product offerings; (6) the availability and cost of purchased components, compounds, raw materials and energy (including oil and natural gas and their derivatives) due to shortages, increased demand or supply interruptions (including those caused by natural and other disasters and other events); (7) the impact of acquisitions, strategic alliances, divestitures, and other unusual events resulting from portfolio management actions and other evolving business strategies, and possible organizational restructuring; (8) generating fewer productivity improvements than estimated; (9) security breaches and other disruptions to the Company's information technology infrastructure; and (10) legal proceedings, including significant developments that could occur in the legal and regulatory proceedings described in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and its subsequent quarterly reports on Form 10-Q (the "Reports"). Changes in such assumptions or factors could produce significantly different results. A further description of these factors is located in the Reports under "Cautionary Note Concerning Factors That May Affect Future Results" and "Risk Factors" in Part I, Items 1 and 1A (Annual Report) and in Part I, Item 2 and Part II, Item 1A (Quarterly Report). The information contained in this presentation is as of the date indicated. The Company assumes no obligation to update any forward-looking statements contained in this presentation as a result of new information or future events or developments.



# 2013 Planning Estimates

- GAAP EPS
  - \$6.70 to \$6.95, +6% to 10% above the midpoint of our 2012 estimate
- Sales growth
  - Organic local-currency growth of +2% to +5%
  - Foreign currency translation expected to be neutral
  - Acquisitions announced to date will add +1.5%
- Tax rate of 29.5% to 30.0%
- Free cash flow conversion of 90% to 100%

# Capital Allocation Model – 2013

Cash Flow from Ops  
~\$6.4 to \$6.8B

Est. Cash & Mkt Sec. at YE 2012  
~\$5.4 to \$5.6B

Total Cash & Mkt Sec. Available ~\$11.8 to \$12.4B

## Growth

Cap Ex  
~\$1.6B to \$1.8B  
Aligned to strategic  
growth priorities

M&A  
~\$1B to \$2B  
Supplement  
organic growth

## Shareholders

Dividends  
~\$1.65 to \$1.75B  
50+ consecutive  
years of increases

Share  
Repurchases  
\$2B to \$3B gross,  
\$1B to \$1.5B net

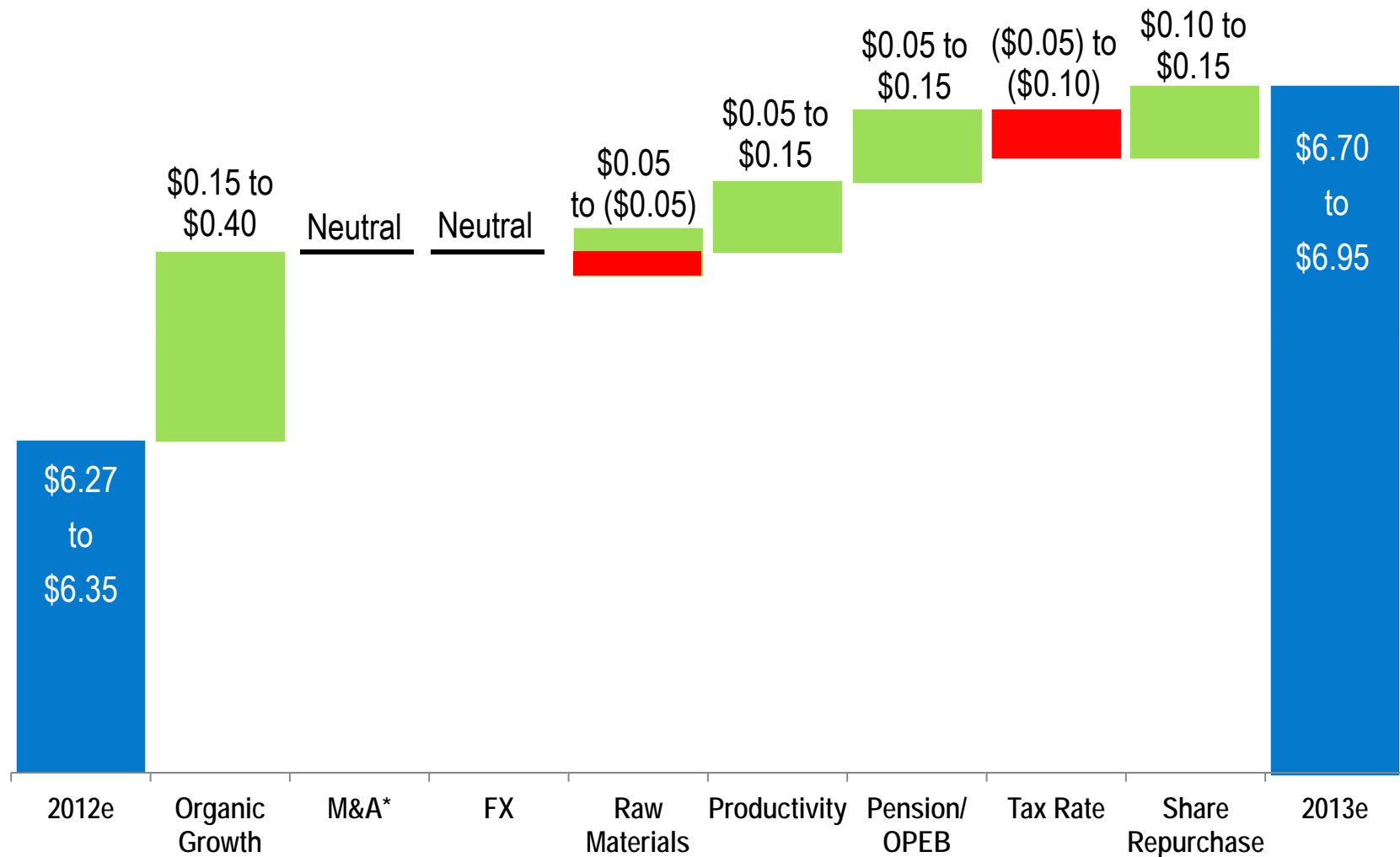
## Employees/Retirees

Pension/OPEB  
~\$0.4B to \$0.6B  
Progressing  
towards fully  
funded status

## Bondholders

Debt Maturities  
\$1B  
Refinance with  
new debt

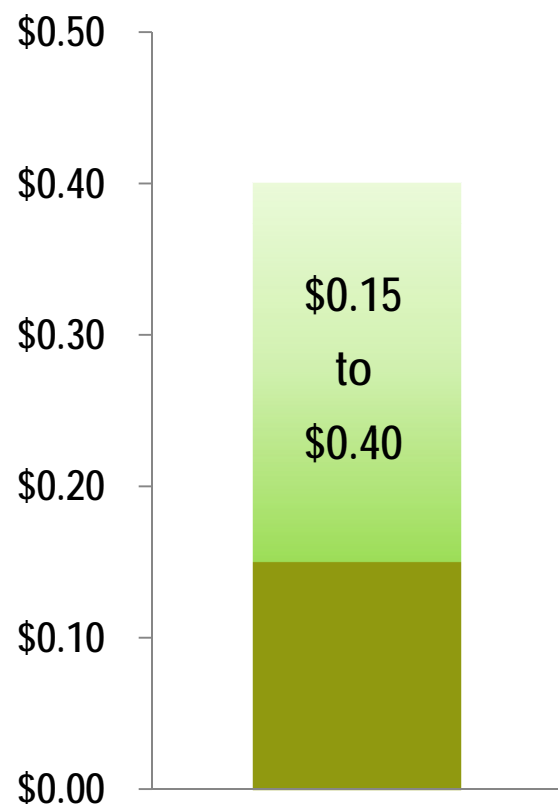
# 2013 EPS Roadmap



\* Includes CodeRyte, FSTech and Ceradyne acquisitions closed in 2012

# Organic Local-Currency Growth

2013 EPS Impact



- Forecasting organic local-currency growth of +2% to +5%
- Expecting developing markets to grow +5% to +10%, developed markets +1% to +3%
- Growth driven largely by organic volumes; selling prices up slightly

# 2013 Organic Local-Currency Growth Projections

By Business	Range
Industrial	+2% to +5%
Health Care	+4% to +7%
Consumer	+2% to +5%
Safety & Graphics	+1% to +5%
Electronics & Energy	+1% to +6%
Total Company	+2% to +5%

By Geographic Region	Range
Asia Pacific	+2% to +7%
West Europe	-3% to +1%
Central East Europe	+2% to +6%
Middle East, Africa	+9% to +12%
Latin America	+8% to +11%
Canada	+2% to +5%
United States	+2% to +5%
Total Company	+2% to +5%

Organic local-currency = organic volume + price



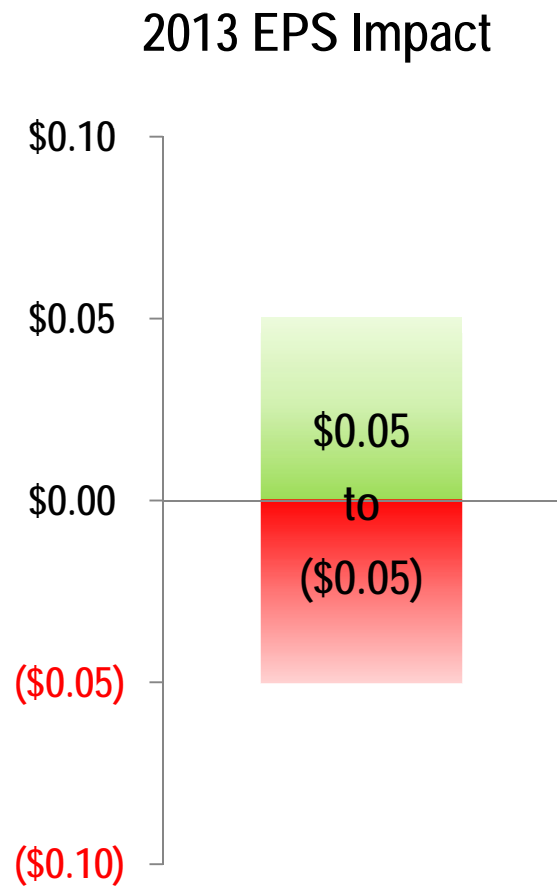
# Acquisitions

- Represents impact from deals closed in 2012
  - CodeRyte, FSTech and Ceradyne
- Total purchase price of \$0.9 billion, net of acquired cash/ marketable securities/debt
- 2013 financial impact:
  - Expected to add 1.5% to sales growth
  - EPS neutral year-on-year
  - EBITDA of ~\$90 million, excluding one-time acquisition-related costs

# Foreign Currency

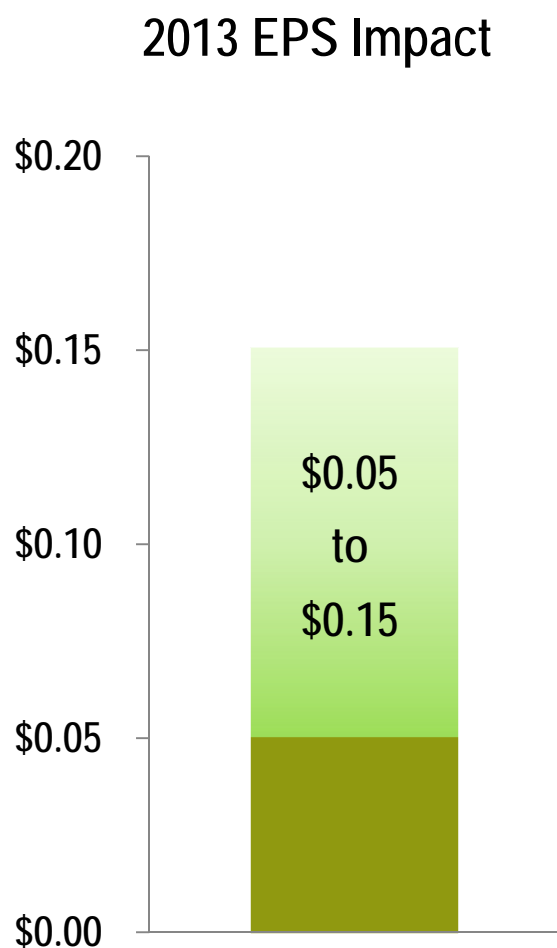
- Neutral impact on 2013 sales and EPS
- Assumed rates:
  - Euro 1.30
  - RMB 6.2
  - JPY 82
- EPS impact is net of hedging impacts
- Hedge approximately 50% of estimated exposures on a rolling 12-month basis

# Raw Materials



- Expecting neutral raw material cost impact
  - Cost trends dependent upon strength of global economy
  - Major feed stocks include propylene, ethylene, wood pulp, fluorspar, butadiene and linerboard
- Leveraging global sourcing programs to drive efficient and effective raw material procurement
- RMs represent ½ of COGS or ~25% to sales

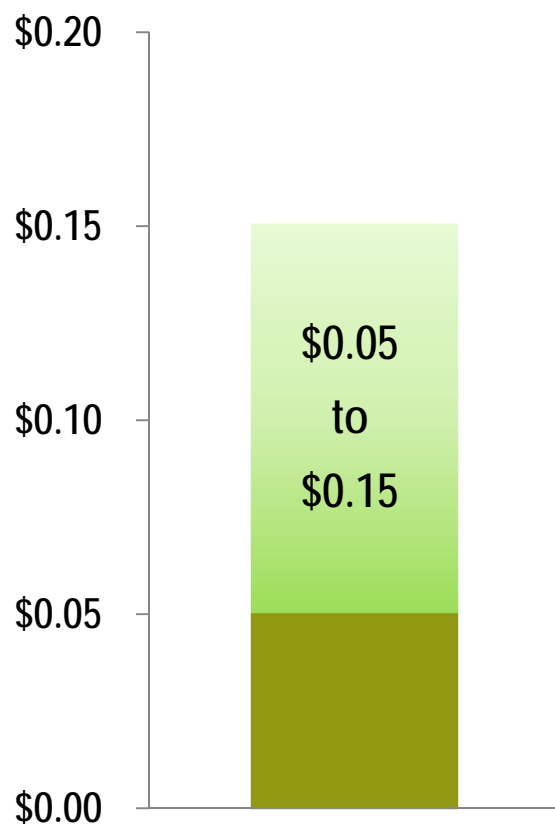
# Net Productivity



- Leveraging Lean Six Sigma (LSS) across the enterprise...part of 3M's core DNA
- More than 2,500 black belts deployed worldwide
- Expanding LSS capability in two key areas:
  - Manufacturing in developing markets
  - Acquisition integration
- Estimated benefit is net of other factors, such as additional R&D, new product launches, ERP deployment, factory startups, wage inflation

# Pension/OPEB Expense

## 2013 EPS Impact



- 2012:
  - WW funded status of 87% (US qualified plan 95%, international plans 85%, OPEB 60%)
  - Estimated asset returns of 13% for U.S. qualified plan
- 2013:
  - EPS tailwind driven primarily by lower amortization of prior-period losses
  - Estimated worldwide cash funding of \$0.4B to \$0.6B

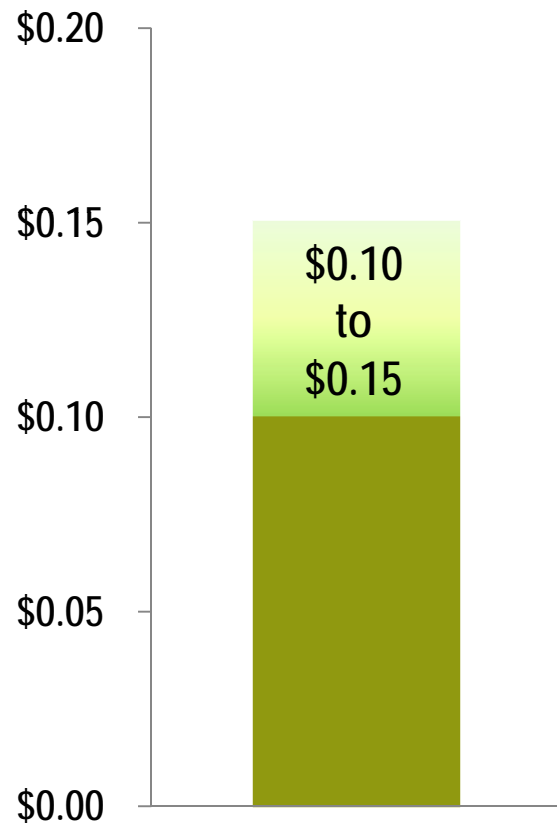
# Effective Tax Rate



- Forecasting 2013 tax rate of 29.5% to 30%
- Structural rate expected to decline over time
  - Driven by supply chain centers of excellence, localization of manufacturing
  - Targeting ~27% by 2017
- Annual tax rate can differ from structural rate in any given period
  - Timing and outcome of tax audits
  - Tax planning

# Share Repurchase

2013 EPS Impact



- Forecasting \$2B to \$3B of gross share repurchases in 2013 (\$1B to \$1.5B, net of reissuance)
- Disciplined approach: maintain minimum repurchase threshold; adjust up or down depending on market attractiveness
- 2013 average diluted shares outstanding expected to decline by 1.5% to 2%

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