

# 2011 First Quarter Business Review (unaudited)



Driven to Innovate

April 26, 2011

# Forward Looking Statement

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; (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 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; and (9) 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, 2010. Changes in such assumptions or factors could produce significantly different results. A further description of these factors is located in the Annual Report under "Cautionary Note Concerning Factors That May Affect Future Results" and "Risk Factors" in Part I, Items 1 and 1A, respectively. 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.



# Strong Sales Momentum Drives Great 2011 Start

- Q1 2011 sales up 15.2% to \$7.3 billion; all-time quarterly record
  - Organic volumes rose 8.9% (10.4% adjusting for Japan earthquake and H1N1 comps)
  - Double-digit sales growth in 5 of 6 businesses led by Electro & Communications and Industrial & Transportation segments
  - All major geographies delivered double-digit sales growth
  - Sales in emerging markets increased 24%, led by developing Asia
  - Selling prices turned positive in Q1
  - Acquisitions added 3.2% to sales growth; closed Winterthur and Alpha Beta in Q1
- Q1 2011 operating income of \$1.6 billion, up 9.2% YOY
  - Operating margins of 21.6%, with all businesses > 21%
- GAAP EPS of \$1.49, up 16% YOY; all-time Q1 record, excluding gain on pharma sale in Q1 2007
- Announced 53<sup>rd</sup> consecutive annual dividend increase and \$7 billion share repurchase program in February; Q1 gross share repurchases of \$680 million

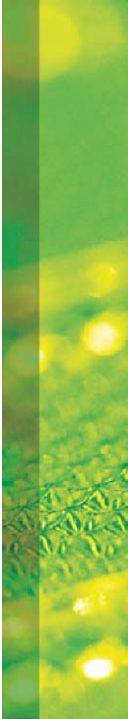


# Strong Growth Across Portfolio

	Sales			Operating Income		
(\$M)	Q1 2010	Q1 2011	% Chg	Q1 2010	Q1 2011	% Chg
Industrial & Transportation	\$2,036	\$2,450	+20%	\$443	\$516	+17%
Health Care	\$1,114	\$1,255	+13%	\$346	\$369	+7%
Display & Graphics	\$869	\$943	+9%	\$212	\$230	+9%
Consumer & Office	\$912	\$1,000	+10%	\$219	\$215	-2%
Safety, Security & Protection Svcs	\$813	\$929	+14%	\$182	\$199	+9%
Electro & Communications	\$694	\$836	+21%	\$147	\$178	+21%
Total Company	\$6,348	\$7,311	+15%	\$1,445	\$1,578	+9%



# Earnings Per Share



	Q1 2010	Q1 2011	% change
GAAP EPS	\$1.29	\$1.49	16%
Special items included in above:			
Tax expense due to Medicare Part D	\$0.11	-----	
Non-GAAP EPS	\$1.40	\$1.49	6%

# Year-on-Year P&L Highlights

(\$M)	Q1 10	Q1 11	Change	
Sales	\$6,348	\$7,311	+15%	<ul style="list-style-type: none"> <li>Broad-based growth across the company</li> <li>Double-digit sales growth across all major geographies; emerging market growth of 24%, led by developing Asia</li> </ul>
Gross profit	\$3,110	\$3,509	+13%	<ul style="list-style-type: none"> <li>Difference due to higher raw materials; expecting neutral net price/RM inflation in 2011</li> </ul>
% to sales	49.0%	48.0%	-1.0 pts	
SG&A	\$1,323	\$1,533	+16%	<ul style="list-style-type: none"> <li>Spending increased in-line with sales growth; continuing to invest to drive growth momentum</li> <li>New product vitality index (NPVI) up year-on-year</li> <li>Operating income up 17%, adjusting for Japan earthquake, H1N1 comps and increased pension/OPEB expense</li> </ul>
% sales	20.8%	21.0%	+0.2 pts	
R&D & related	\$342	\$398	+17%	
% to sales	5.4%	5.4%	----	
Operating inc. (GAAP)	\$1,445	\$1,578	+9%	
% to sales	22.8%	21.6%	-1.2 pts	
Net income (GAAP)	\$930	\$1,081	+16%	<ul style="list-style-type: none"> <li>GAAP includes \$84M tax charge in Q1 10 due to Medicare Part D</li> <li>Tax rate was 28.6% vs. 26.0% in Q1 10, excluding Medicare Part D</li> </ul>
Net income (excl. special items)	\$1,014	\$1,081	+7%	



# Operating Margin YOY Change

	Percent	
Q1 2010	22.8%	
+ Organic volume leverage	+0.8%	▪ 8.9% organic volume growth
- Price/raw material, net	(0.9%)	▪ Higher raw material inflation; expecting neutral net price/RM impact in 2011
- Japan earthquake impact	(0.4%)	▪ Primarily impacted auto OEM and electronics businesses; near-term challenge, longer-term opportunity
- Increased pension/OPEB expense	(0.7%)	▪ Becomes a tailwind in 2012 at current interest rates/asset returns
Q1 2011	21.6%	



# Cash Flow

(\$M)	Q1 2010	Q1 2011	Change	
Operating cash flow	\$1,082	\$733	(\$349)	<ul style="list-style-type: none"> <li>Working capital up \$168M YOY due to strong Q1 2011 sales volume</li> <li>Cash taxes up \$200M YOY</li> </ul>
Capital expenditures	<u>(\$157)</u>	<u>(\$231)</u>	<u>(\$74)</u>	<ul style="list-style-type: none"> <li>Supporting International growth</li> </ul>
Free cash flow	\$925	\$502	(\$423)	
Free cash flow conversion	99%	46%		
Share repurchase	(\$20)	(\$680)	(\$660)	<ul style="list-style-type: none"> <li>Announced \$7B authorization in February</li> </ul>
M&A, net of cash acquired	(\$17)	(\$471)	(\$454)	<ul style="list-style-type: none"> <li>Closed Winterthur and Alpha Beta acquisitions in Q1</li> </ul>

*Expecting ~100% Conversion for FY2011*



## Japan Update

- All facilities fully operational; installing backup power for contingency purposes
- Distribution returning to normal
- Leveraging alternative 3M supply chains to meet demand
- Auto makers and electronic manufacturers most impacted

Estimated Financial Impact	WW Sales	EPS*
Q1	-\$50M	-\$0.03
Q2	-\$140M to -\$170M	-\$0.07 to -\$0.08
Q3/Q4	-\$20M to -\$40M	-\$0.01 to -\$0.02
FY 2011	-\$210M to -\$260	-\$0.10 to -\$0.13

\* EPS impact excludes potential insurance recovery; currently assessing financial impact of claims

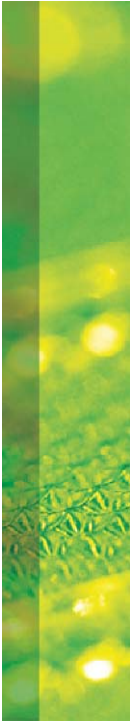
*A Challenge Near-Term; An Opportunity Long-Term*



# 2011 Planning Estimates

	Prior 1/25/11	Current 4/26/11	
Organic volume growth	5.5 - 7.5%	6 - 7.5%	<ul style="list-style-type: none"> <li>▪ Q1 exceeded expectations</li> <li>▪ ~1% FY drag from Japan</li> </ul>
FX	1 - 2%	2 - 3%	<ul style="list-style-type: none"> <li>▪ Broad-based dollar weakness</li> </ul>
Acquisition impact:			
- Announced to date	3 - 4%	3 - 4%	<ul style="list-style-type: none"> <li>▪ No change</li> </ul>
- Planned but not announced	1 - 2%	1 - 2%	
Operating income margin	21.5 - 23%	21.5 - 23%	<ul style="list-style-type: none"> <li>▪ Low end assumes additional acquisitions</li> </ul>
Tax rate	~29.5%	~29.5%	<ul style="list-style-type: none"> <li>▪ No change</li> </ul>
EPS - GAAP	\$5.95 - \$6.20	\$6.05 - \$6.25	<ul style="list-style-type: none"> <li>▪ Includes \$0.22 pension/OPEB headwind; EPS up 11 - 15% excluding this headwind</li> </ul>

# Q & A





# Appendix

# Industrial and Transportation

(\$M)	Q1 2010	Q1 2011	Total % Growth	LC % Growth
Sales	\$2,036	\$2,450	+20%	+17%
GAAP Operating Income	\$443	\$516	+17%	
GAAP Operating Margin	21.7%	21.1%	-0.6 pts	



## Quarter Highlights

- Sales in local currency up 16.9% including 3.6% from acquisitions; currency translation increased sales by 3.4%
- Double-digit local-currency sales growth across most businesses, led by renewable energy up 62%, aerospace and aircraft maintenance up 37%, abrasives up 28% and industrial adhesives and tapes up 20%
- All geographies delivered double-digit sales growth led by Asia Pacific and Latin America/Canada
- Strong revenue growth and operational excellence drove record quarterly operating income of \$516M with operating margins of 21.1%

## Business Wins

- Completed acquisition of Alpha Beta, a Taiwanese manufacturer of general purpose masking and box sealing tape, and Winterthur Technologies AG, a leading global supplier of precision grinding technologies for broad industrial applications
- Automotive aftermarket business was named 2010 Vendor of the Year by Sherwin Williams
- Announced new manufacturing site for photovoltaic solar materials in Hefei High-tech Park for China solar market
- U.S. Department of Energy awarded 3M \$4.4M as part of DOE's SunShot Initiative aimed at reducing cost of photovoltaic energy systems



# Health Care

(\$M)	Q1 2010	Q1 2011	Total % Growth	LC % Growth
Sales	\$1,114	\$1,255	+13%	+10%
GAAP Operating Income	\$346	\$369	+7%	
GAAP Operating Margin	31.1%	29.4%	-1.7 pts	



## Quarter Highlights

- Sales in local currency up 9.7% including 5.1% from acquisitions; currency translation increased sales by 3.0%
- Arizant acquisition outperforming sales and profit expectations; integration tracking ahead of plan
- Broad-based local-currency sales growth led by infection prevention and food safety businesses
- Sales increased by double-digits in every geographic region with Asia Pacific up 21% and Latin America/Canada up 19%
- Operating income increased 7% to \$369M with operating margins of 29.4%

## Business Wins

- 3M named 'Industry Champion' in Medical Other Precision Equipment category by Fortune
- Expanded Littmann Scope-to-Scope product line with acquisition of Zargis Medical's diagnostic software
- Infection prevention business received the Bronze Edison award in the Science & Medical – Diagnostics Aids category
- Launched 3M™ Petrifilm™ Aqua Plates into the global water- and beverage-processing industries
- Extended our Cavilon™ skin care line with introduction of new antifungal cream

# Consumer and Office

(\$M)	Q1 2010	Q1 2011	Total % Growth	LC % Growth
Sales	\$912	\$1,000	+10%	+7%
GAAP Operating Income	\$219	\$215	-2%	
GAAP Operating Margin	24.0%	21.5%	-2.5 pts	



## Quarter Highlights

- Sales in local currency up 7.0% including 2.2% from acquisitions; currency translation increased sales by 2.6%
- Organic growth and A-One acquisition drove double-digit local-currency sales growth in office supplies business
- All other businesses posted positive YOY local-currency sales growth
- Double-digit sales growth in Asia Pacific (+31%) and Latin America/Canada (+15%) regions
- Operating income of \$215M with solid operating margins of 21.5%

## Business Wins

- New Filtrete™ Water Station received the Silver Edison award for innovation in the Consumer Packaged Goods – Household category
- Acquired Hybrivet Systems Inc., a leading provider of consumer-based instant-read products to detect lead and other contaminants
- Increased strategic selling and advertising and merchandising investments in Asia Pacific and Latin America to drive long-term success



# Display and Graphics

(\$M)	Q1 2010	Q1 2011	Total % Growth	LC % Growth
Sales	\$869	\$943	+9%	+6%
GAAP Operating Income	\$212	\$230	+9%	
GAAP Operating Margin	24.3%	24.4%	+0.1 pts	



## Quarter Highlights

- Sales in local currency up 6.4%; currency translation increased sales by 2.1%
- Double-digit local-currency sales growth in commercial graphics and architectural markets; single-digit growth in traffic safety systems
- Optical systems delivered single-digit sales growth as consumer TV demand was soft; smart phones and tablet PC's remained robust
- Sales increased in all geographic regions led by the U.S. up 18% and Latin America/Canada up 15%
- Operating income of \$230M, up 9%; operating margins remained strong at 24.4%

## Business Wins

- New Architectural business driving strong growth of new solutions and technologies for surface and glass finishes and lighting in the architectural and design market
- Announced the acquisition of Original Wraps Inc., a Golden, Colo-based company specializing in the design of personalized graphic platforms for vehicles and vehicle accessories

# Safety, Security and Protection Services

(\$M)	Q1 2010	Q1 2011	Total % Growth	LC % Growth
Sales	\$813	\$929	+14%	+11%
GAAP Operating Income	\$182	\$199	+9%	
GAAP Operating Margin	22.4%	21.4%	-1.0 pts	



## Quarter Highlights

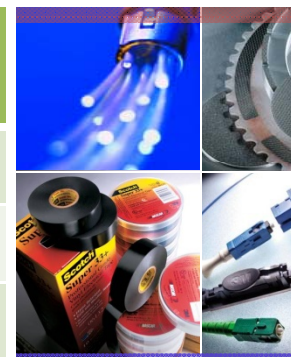
- Sales in local currency up 11.3% including 6.3% from acquisitions; currency translation increased sales by 3.1%; H1N1-related comps reduced sales growth by 6.5% YOY
- Double-digit local-currency sales growth in security systems, track and trace and corrosion protection
- Personal protection business also drove double-digit local-currency sales growth, excluding H1N1 impact
- Positive sales growth in all geographic regions with Asia Pacific up 24% and Latin America/Canada up 20%
- Operating income increased 9% to \$199M with operating margins of 21.4%

## Business Wins

- Demand for respiratory protection products increasing due to Japan earthquake
- Significant border management wins in UK and France in security systems
- Multiple new contracts in track and trace for detecting water infrastructure leaks across several U.S. cities
- Cogent driving share gains with biometric AFIS wins in the U.S. and Vietnam
- Attenti awarded new offender monitoring and tracking contract with Marion County, Indiana

# Electro and Communications

(\$M)	Q1 2010	Q1 2011	Total % Growth	LC % Growth
Sales	\$694	\$836	+21%	+17%
GAAP Operating Income	\$147	\$178	+21%	
GAAP Operating Margin	21.1%	21.3%	+0.2 pts	



## Quarter Highlights

- Sales in local currency up 17.1%; currency translation increased sales by 3.4%
- Sixth consecutive quarter of double-digit local-currency sales growth in electronics-related businesses; electrical products business also up double-digits
- All other businesses delivered local-currency growth YOY
- Double-digit sales growth in all geographic regions led by Asia Pacific up 25% and Latin America/ Canada up 23%
- Record Q1 operating income of \$178M with operating margins of 21.3%

## Business Wins

- Announced expansion of global capacity for optically clear adhesives to support the rapid growth of consumer electronics devices
- 3M and Quanta announced formation of a new company to manufacture and commercialize projected capacitive touch solutions for the personal computing market
- Strong demand in developing markets for electrical power transmission and OEM/energy and central office and premise for the high-speed communication
- 3M ACCR high-voltage overhead conductor marked its 1,000<sup>th</sup> mile of production and commercial sale

# Business Segment Information

(\$M)	Net Sales		Operating Income	
Business Segment Information	Q1 2010	Q1 2011	Q1 2010	Q1 2011
Industrial and Transportation	\$2,036	\$2,450	\$443	\$516
Health Care	\$1,114	\$1,255	\$346	\$369
Consumer and Office	\$912	\$1,000	\$219	\$215
Display and Graphics	\$869	\$943	\$212	\$230
Safety, Security & Protection Services	\$813	\$929	\$182	\$199
Electro and Communications	\$694	\$836	\$147	\$178
Corporate and Unallocated	\$4	\$5	(\$83)	(\$105)
Elimination of Dual Credit	<u>(\$94)</u>	<u>(\$107)</u>	<u>(\$21)</u>	<u>(\$24)</u>
Total	\$6,348	\$7,311	\$1,445	\$1,578

NOTE: Effective in the first quarter of 2011, 3M made certain product moves between its business segments. Refer to 3M's April 26, 2011 press release section entitled "Business Segments" for further detail.

