

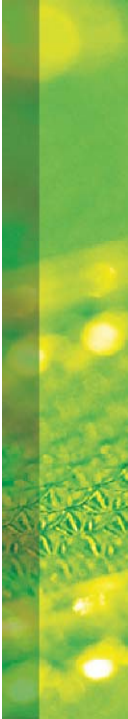
# 2011 Fourth Quarter Business Review

(unaudited)



January 26, 2012

# Forward Looking Statements

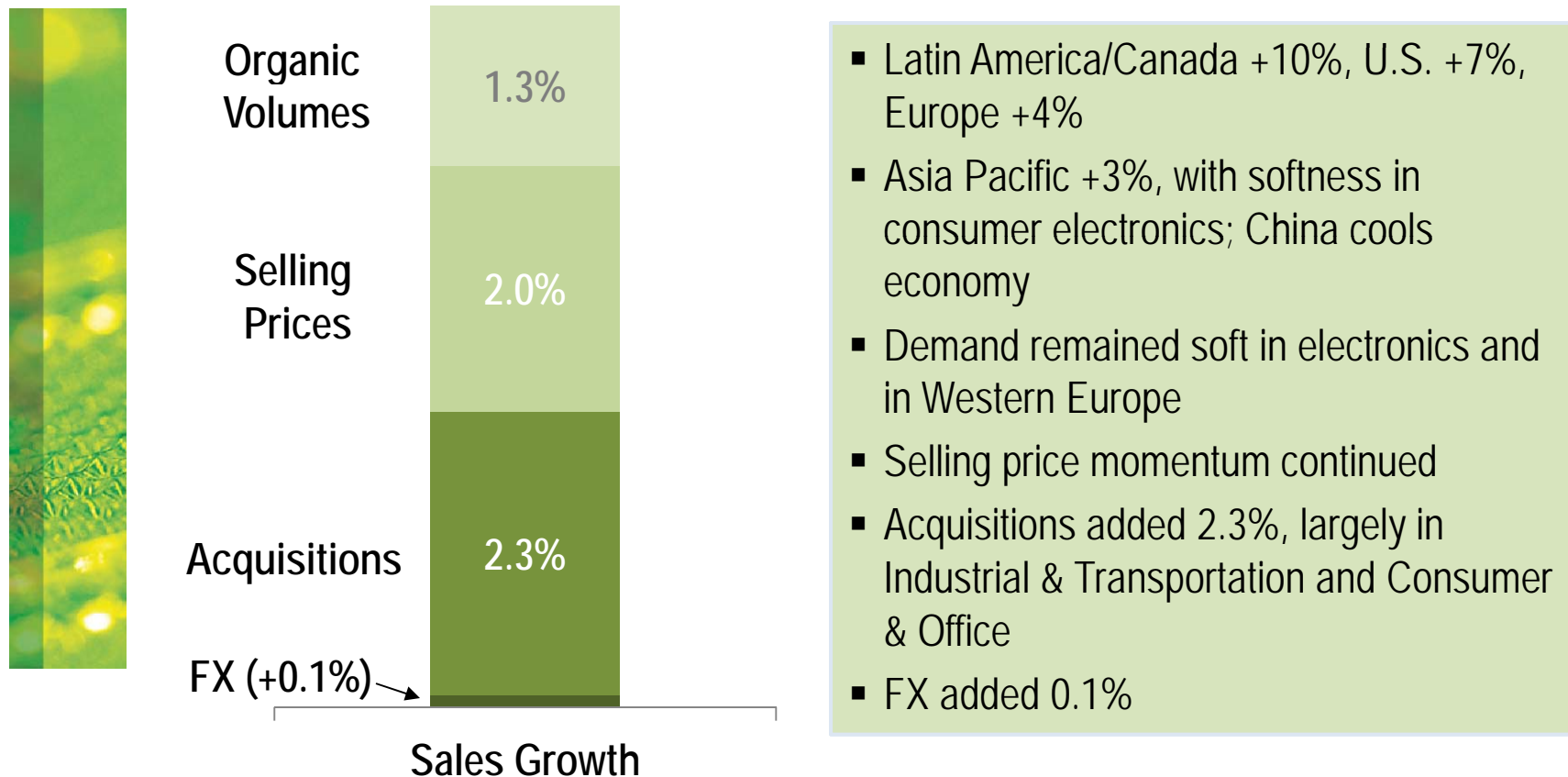


This presentation contains forward-looking information about 3M's financial results and estimates and business prospects that involve substantial risks and uncertainties. You can identify these statements by the use of words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "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; (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 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.

## Fourth Quarter Was a Good Finish to the Year

- Sales up 6 percent to \$7.1B; greatest strength in Industrial & Transportation and Safety, Security & Protection Services
- Continued sluggishness in consumer electronics impacted sales in Display & Graphics and Electro & Communications
- Sales up strong in Latin America/Canada and the United States
- APAC sales up YOY but slower sequentially due to electronics and Thailand flooding
- Sales in Europe rose, with strength in developing countries more than offsetting continued weakness in Western Europe
- Operating income up 5 percent YOY; operating margins of 19.2 percent
- Free cash flow of \$1.2B, with conversion of 128%
- Announced acquisition of Avery Dennison's office and consumer products business for \$550M; anticipated close in H2 2012

## Q4 2011 Sales Rose 5.7 Percent to \$7.1 Billion



# Q4 2011 P&L Highlights

(\$M)	Q4 '10	Q4 '11	Change
Sales	\$6,709	\$7,089	+5.7%
Gross profit	\$3,134	\$3,265	+4.2%
% to sales	46.7%	46.0%	-0.7 pts
SG&A	\$1,445	\$1,522	+5.4%
% sales	21.5%	21.5%	---
R&D & related	\$388	\$379	-2.4%
% to sales	5.8%	5.3%	-0.5 pts
Operating income	\$1,301	\$1,364	+4.9%
% to sales	19.4%	19.2%	-0.2 pts
Net income	\$928	\$954	+2.7%
Earnings per share	\$1.28	\$1.35	+5.5%

- Operating margin of 19.2%, down 0.2 percentage points:

<i>Volume</i>	<i>+0.2 pts</i>
<i>Price/RMs</i>	<i>+0.8</i>
<i>Productivity</i>	<i>+0.3</i>
<i>Pension/OPEB</i>	<i>(1.0)</i>
<i>FX</i>	<i><u>(0.5)</u></i>
<i>Net change</i>	<i>(0.2) pts</i>

- Significant R&D project investments in Q410

- Higher tax rate reduced EPS by (\$0.03)
- Lower share count added \$0.04 to EPS

# Cash Flow Continues to be Strong

(\$M)	Q4 '10	Q4 '11	Change	
Operating cash flow	\$1,631	\$1,738	\$107	▪ Higher net income, lower YOY working capital
Capital expenditures	<u>(\$526)</u>	<u>(\$517)</u>	<u>\$9</u>	▪ Aimed at higher-growth countries
Free cash flow	\$1,105	\$1,221	\$116	
Free cash flow conversion	119%	128%		
Dividends paid	(\$376)	(\$384)	(\$8)	▪ \$1.6 billion for the full year
Share repurchases	(\$439)	(\$494)	(\$55)	▪ \$2.7 billion for the full year

*Expecting 90% conversion for 2012, including pension/OPEB contributions of \$0.8-\$1B (front-end loaded – estimating \$300M contribution in each of Q1 and Q2)*



# Q4 2011 Segment Performance

	Sales			Operating Income			
(\$M)	Q410	Q411	% Change	Q410	Q411	% Change	Q411 Margin
Industrial & Transportation	\$2,101	\$2,402	+14.3%	\$414	\$472	+14.0%	19.6%
Health Care	\$1,197	\$1,261	+5.4%	\$347	\$389	+12.0%	30.8%
Safety, Security & Protection Svcs	\$848	\$927	+9.4%	\$165	\$171	+4.0%	18.5%
Display & Graphics	\$903	\$823	-8.8%	\$144	\$157	+9.7%	19.2%
Electro & Communications	\$789	\$768	-2.7%	\$164	\$153	-7.2%	19.8%
Consumer & Office	\$961	\$1,019	+6.1%	\$175	\$179	+2.4%	17.6%
Total Company	\$6,709	\$7,089	+5.7%	\$1,301	\$1,364	+4.9%	19.2%





# Avery's Office & Consumer Products Business is an Attractive Asset for 3M

## Strategic Benefits

- Further expands 3M footprint with well-known brands for the office and education channel (e.g. Avery®, HI-LITER®, Marks-A-Lot®)
- Big opportunity to revitalize the category with 3M innovation
- Customers will benefit via better products, service and value

## Transaction Summary

Purchase price	\$550M, funded with available cash
Multiples	0.7X sales, 5.7X EBITDA (TTM)
Cost synergies (year 3)	~\$70-80M
GAAP EPS impact (first 12 months)	(\$0.06) dilutive
- Excluding impact from one-time acquisition-related charges	\$0.03 accretive



Labels



Binders



Writing Instruments



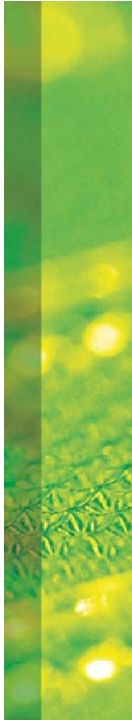
Dividers





# 2011 Was a Good Year Despite a Tougher Economy

- Full-year sales increased 11%; double-digit growth in Industrial & Transportation, Safety, Security & Protection Services and Health Care
- NPVI increased to 32%
- Developing economies' sales up 14%, now represent 34% of the company
- Margins of 20.9 percent, with all businesses > 20 percent
- EPS of \$5.96, up 6 percent
- Free cash flow of \$3.9B with 91% conversion; ROIC remained strong at 20%
- Returned \$4.3B to shareholders via dividends and share repurchases, up 81% year-on-year



# 2012 Planning Estimates

- Affirming our outlook from December 6<sup>th</sup>
  - GAAP EPS \$6.25 to \$6.50
  - Organic volume +2% to +5%
  - Operating income margin 21.0% to 22.5%; tax rate ~29.5%
- H1 will be most challenging
  - Electronics industry still adjusting inventories; toughest optical film comps in Q1
  - Western Europe continues to contract
  - China growth slower in H1, re-accelerates in H2
  - Estimating Q1 early retirement/restructuring costs of (\$0.04) per share; reflected in EPS guidance above
    - Announced a voluntary early retirement incentive plan (\$0.03)
    - Select restructuring in mature countries (\$0.01)

*Well Positioned for a Successful 2012*



# Q & A





# Appendix

# Industrial and Transportation

(\$M)	Q4 2010	Q4 2011	% Chg	FY 2010	FY 2011	% Chg
Sales	\$2,101	\$2,402	+14.3%	\$8,429	\$10,073	+19.5%
GAAP Operating Income	\$414	\$472	+14.0%	\$1,754	\$2,057	+17.3%
GAAP Operating Margin	19.7%	19.6%	-0.1 pts	20.8%	20.4%	-0.4 pts



## Quarter Highlights

- Sales of \$2.4 billion, up 14.3 percent, including 5.9 percent from acquisitions
- Sales rose in all businesses, with double-digit increases in abrasives, aerospace, industrial adhesives and tapes, energy and advanced materials and auto OEM
- Asia Pacific sales up 17%, U.S. up 15%, Europe up 12% and Latin America/Canada up 10%
- Operating income of \$472 million, up 14.0%; operating margin of 19.6%

## Business Wins

- Major wins in automotive for cabin noise reduction solutions and 3M™ Interam™ products for catalytic converters
- Renewable energy partnering with systems integrator to deploy world's largest solar collector in the Mohave desert
- Over 30% growth in tapes and adhesives for new applications in medical device, specialty vehicles and construction markets
- 3M Purification won new contracts to supply state-of-the-art filtration systems for two significant customers in the pharma and bottling industries



# Health Care

(\$M)	Q4 2010	Q4 2011	% Chg
Sales	\$1,197	\$1,261	+5.4%
GAAP Operating Income	\$347	\$389	+12.0%
GAAP Operating Margin	29.0%	30.8%	+1.8 pts

FY 2010	FY 2011	% Chg
\$4,513	\$5,031	+11.5%
\$1,362	\$1,489	+9.3%
30.2%	29.6%	-0.6 pts



## Quarter Highlights

- Sales of \$1.3 billion, up 5.4 percent
- Local-currency sales increased in all businesses, led by infection prevention, skin and wound care, health information systems, food safety and drug delivery systems
- Sales increased in all major geographic regions: Asia Pacific up 11%, Latin America/Canada up 10%, the U.S. up 5% and Europe up 2%
- Operating income of \$389 million, up 12.0 percent; operating margins of 30.8%, up 1.8 points YOY

## Business Wins

- Received the "Best of What's New" award from Popular Science magazine for recently launched gentle-to-skin, repositionable, medical silicone tape
- Introduced 3M™ 360 Encompass™ System, the first software application that connects and automates coding, documentation and performance monitoring
- 3M ESPE won "most innovative company" honors for the seventh consecutive year in Anaheim Group's Dental Industry Review
- Food Safety launched the 3M™ Molecular Detection System designed to detect dangerous pathogens in food

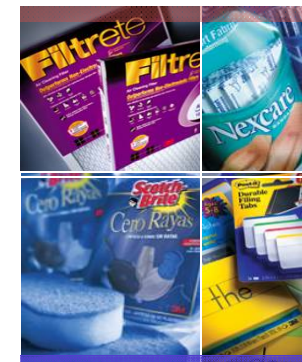




# Consumer and Office

(\$M)	Q4 2010	Q4 2011	% Chg
Sales	\$961	\$1,019	+6.1%
GAAP Operating Income	\$175	\$179	+2.4%
GAAP Operating Margin	18.2%	17.6%	-0.6 pts

FY 2010	FY 2011	% Chg
\$3,853	\$4,153	+7.8%
\$840	\$840	---
21.8%	20.2%	-1.6 pts



## Quarter Highlights

- Sales of \$1.0 billion, up 6.1 percent, including 3.1 percent from acquisitions
- Positive local-currency sales growth in DIY, stationery products, office supplies and home care products
- GPI acquisition integration on track; sales and profits tracking above plan
- Sales grew 15% in Europe, 11% in Asia Pacific, 9% in Latin America/Canada and 1% in the U.S.
- Operating income increased 2.4% to \$179 million, with margins of 17.6%

## Business Wins

- Launched new Filtrete™ carbon-based filter, which beats the competition at reducing odors in buildings and homes
- Earned six 2011 GOOD DESIGN™ Awards spanning the office and household product categories
- Driving strong sales growth of new 3M™ TEKK Protection™ durable safety eyewear
- Introduced new Scotch-Brite™ Disinfecting Wipes, a new no-rinse solution for effective household cleaning

# Safety, Security and Protection Services

(\$M)	Q4 2010	Q4 2011	% Chg	FY 2010	FY 2011	% Chg
Sales	\$848	\$927	+9.4%	\$3,316	\$3,821	+15.2%
GAAP Operating Income	\$165	\$171	+4.0%	\$709	\$814	+14.9%
GAAP Operating Margin	19.5%	18.5%	-1.0 pts	21.4%	21.3%	-0.1 pts



## Quarter Highlights

- Sales of \$927 million, up 9.4 percent
- Strong double-digit local-currency sales growth in security systems and personal safety; sales up single-digits in building & commercial services
- Sales in roofing granules declined due to channel inventory reductions
- Sales rose 18% in the U.S., 17% in Latin America/Canada and 13% in Asia Pacific; Europe declined 4%
- Operating income of \$171 million with operating margin of 18.5%

## Business Wins

- Won contracts with the Swedish military & UK network rail for 3M Peltor™ communication systems
- 3M™ Noise Indicator NI-100 recognized by Popular Science magazine as one of the "100 Best Innovations" of 2011
- Introduced the new Aura™ protective respirator, which offers a step change in comfort and ease of use
- Algeria Ministry of Interior and Local Communities implemented 3M Cogent AFIS for ID cards/passports

# Display and Graphics

(\$M)	Q4 2010	Q4 2011	% Chg
Sales	\$903	\$823	-8.8%
GAAP Operating Income	\$144	\$157	+9.7%
GAAP Operating Margin	15.9%	19.2%	+3.3 pts

FY 2010	FY 2011	% Chg
\$3,884	\$3,674	-5.4%
\$946	\$788	-16.6%
24.4%	21.5%	-2.9 pts



## Quarter Highlights

- Sales of \$823 million, down 8.8 percent
- Local-currency sales declined 17% in optical, impacted by slower consumer electronics market and lower LCD TV attachment rates
- Traffic safety systems' sales declined in local currency; highway construction funding remains soft
- Local-currency sales rose in both architectural markets and commercial graphics
- Strong operational discipline drove operating income increase of 9.7% to \$157 million; operating margin of 19.2%, up 330 bps

## Business Wins

- Architectural business driving innovation in lighting market with new custom formed reflectors for LED lighting applications
- Continued strong growth in optical films for smart phones and tablets
- Launched new Power-Over-Ethernet (POE) film platform with a major PC manufacturer
- Driving new license plate sheeting programs for vehicles in Brazil and motorcycles in Japan
- Expanding across the pyramid in commercial graphics with new films for promotional applications

# Electro and Communications

(\$M)	Q4 2010	Q4 2011	% Chg	FY 2010	FY 2011	% Chg
Sales	\$789	\$768	-2.7%	\$3,043	\$3,306	+8.6%
GAAP Operating Income	\$164	\$153	-7.2%	\$670	\$712	+6.2%
GAAP Operating Margin	20.8%	19.8%	-1.0 pts	22.0%	21.5%	-0.5 pts



## Quarter Highlights

- Sales of \$768 million, down 2.7 percent
- Local-currency sales to consumer electronics down high single digits, impacted by decelerating end-market demand
- Single-digit local-currency sales growth in electrical products; telecom local-currency sales were flat YOY
- Sales rose 6% in Latin America/Canada, 5% in the U.S. and 2% Europe; APAC declined 9%
- Operating income of \$153 million, with operating margin of 19.8%

## Business Wins

- Continuing to increase sales in smart phones and tablet PC via a broad array of 3M solutions
- Doubled quarterly sales of 3M™ Novec™ chemicals for fire suppression and electronics cleaning
- Strong growth of 3M's wafer support system in the large semiconductor market
- All-time record quarterly sales of 3M™ Aluminum Composite Conductor Reinforced™ (ACCR); 2012 project pipeline remains strong

# Business Segment Information – Fourth Quarter

(\$M)	Net Sales		Operating Income	
Business Segment Information	Q4 2010	Q4 2011	Q4 2010	Q4 2011
Industrial and Transportation	\$2,101	\$2,402	\$414	\$472
Health Care	\$1,197	\$1,261	\$347	\$389
Consumer and Office	\$961	\$1,019	\$175	\$179
Safety, Security & Protection Services	\$848	\$927	\$165	\$171
Display and Graphics	\$903	\$823	\$144	\$157
Electro and Communications	\$789	\$768	\$164	\$153
Corporate and Unallocated	(\$2)	\$2	(\$88)	(\$132)
Elimination of Dual Credit	<u>(\$88)</u>	<u>(\$113)</u>	<u>(\$20)</u>	<u>(\$25)</u>
Total	\$6,709	\$7,089	\$1,301	\$1,364

NOTE: Effective in the first quarter of 2011, 3M made certain product moves between its business segments. Refer to 3M's January 26, 2012 press release section entitled "Business Segments" for further detail.

# Business Segment Information – Full Year

(\$M)	Net Sales		Operating Income	
Business Segment Information	2010	2011	2010	2011
Industrial and Transportation	\$8,429	\$10,073	\$1,754	\$2,057
Health Care	\$4,513	\$5,031	\$1,362	\$1,489
Consumer and Office	\$3,853	\$4,153	\$840	\$840
Safety, Security & Protection Services	\$3,316	\$3,821	\$709	\$814
Display and Graphics	\$3,884	\$3,674	\$946	\$788
Electro and Communications	\$3,043	\$3,306	\$670	\$712
Corporate and Unallocated	\$10	\$11	(\$278)	(\$421)
Elimination of Dual Credit	<u>(\$386)</u>	<u>(\$458)</u>	<u>(\$85)</u>	<u>(\$101)</u>
Total	\$26,662	\$29,611	\$5,918	\$6,178

NOTE: Effective in the first quarter of 2011, 3M made certain product moves between its business segments. Refer to 3M's January 26, 2012 press release section entitled "Business Segments" for further detail.



