

Mike Kelly
Executive Vice President
Display & Graphics Business



Innovative Solutions for Light Management and Visual Communications

Display & Graphics Building Blocks

Foundational

- Leading core businesses
- Sound historical financial performance
- Strong customer relationships across markets
- Manufacturing excellence and scale
- Substantial IP

Stabilizers

- Investment in Optical Systems in 2008
- LCD market stabilization
- Continued "cost-out" emphasis

Growth Enablers

- Robust market space with significant growth potential
- Healthy pipeline of new products and technologies across all regions and markets
- Supply chain gravity shifts and R&D globalization

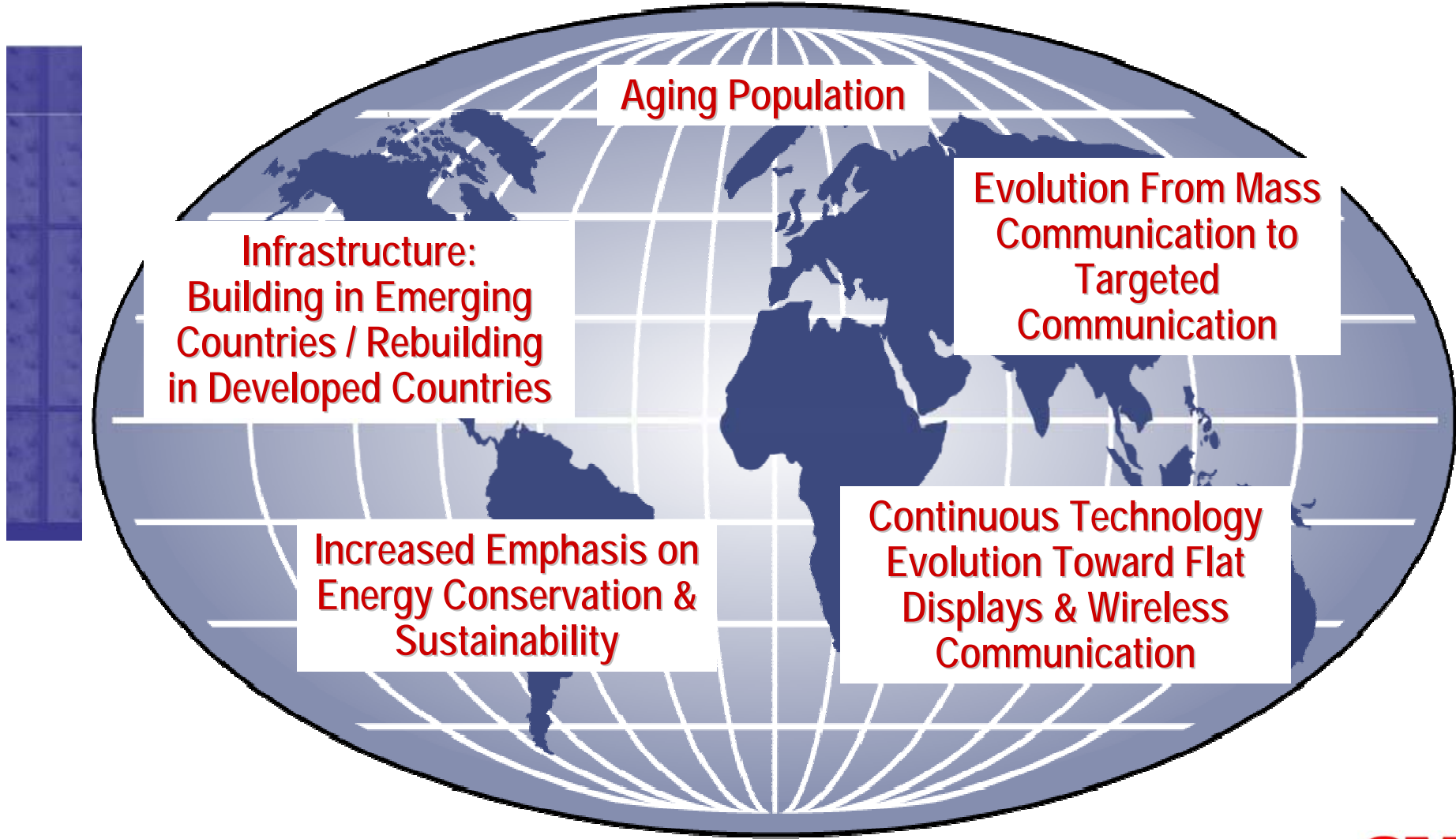
Key Strategies for Display & Graphics

- Accelerate international penetration of Traffic Safety Systems and Commercial Graphics core products
- Expand Traffic Safety Systems and Commercial Graphics service and software segments
- Maximize LCD film profitability and share through targeted film segmentation
- Extend the Optical Systems franchise and horizon through new film development
- Align and leverage projection systems platforms
- Leverage stewardship role of microreplication technology and film manufacturing for 3M

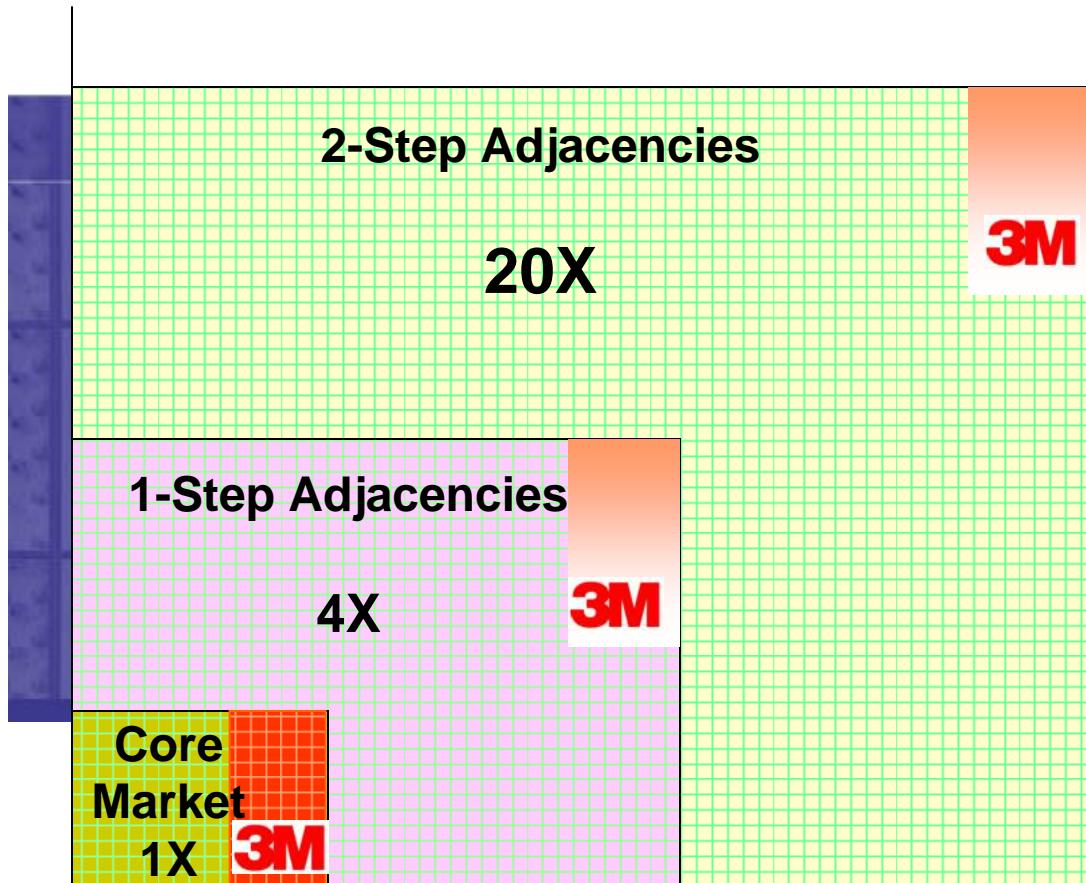
***Our Customers' Preferred Supplier of Innovative Solutions
for Light Management and Visual Communications***



Global Mega Trends Drive Our Display & Graphics Strategies



Moving to an Expanded Opportunity Footprint



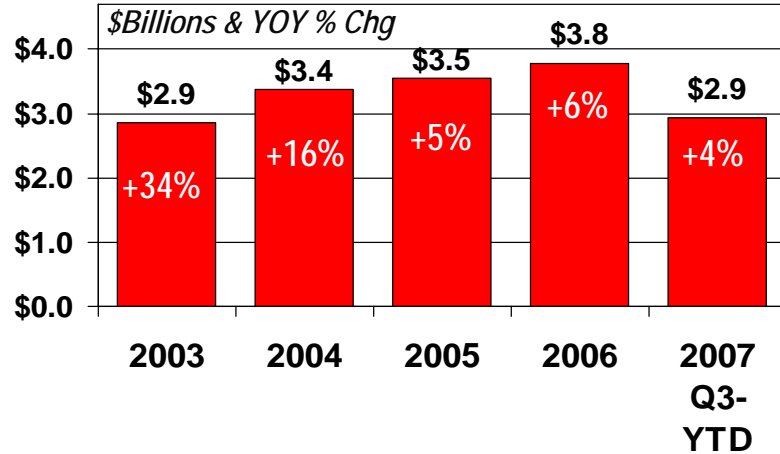
- Expansion into new segments of Light Management and Visual Communication
- New business models
- Organic and inorganic growth strategies
- International penetration
- Organic growth platforms
- Benefit from M&A synergies
- Services expansion
- Building on a solid foundation
- High shares in core spaces
- Strong OI% and ROIC relative to industry

Expanding Our Addressable Product and Service Segments Into Faster Growth Spaces



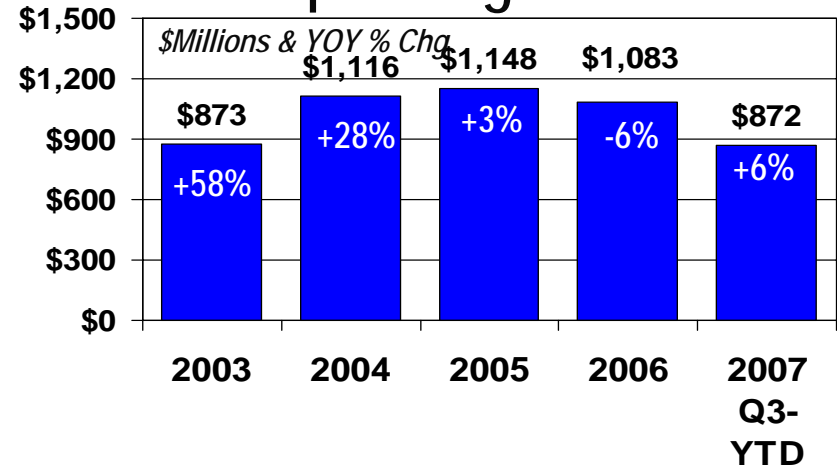
3M Display & Graphics: Key Financial Data

Excludes Special Items & Includes Restatements
Sales



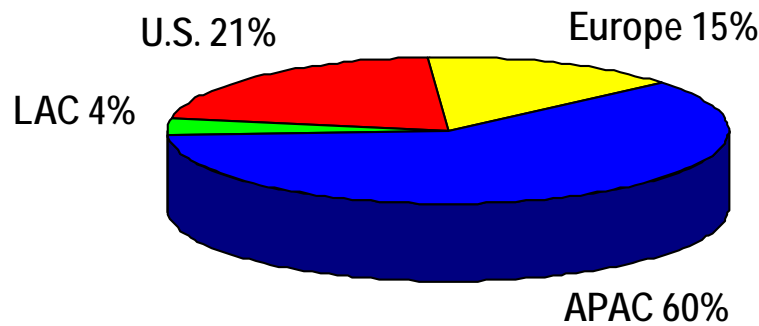
LC Growth	2003	2004	2005	2006	2007 Q3-YTD
	27.8%	11.4%	4.6%	6.0%	2.9%

Operating Income



OI Margin	2003	2004	2005	2006	2007 Q3-YTD
	29.9%	33.0%	32.4%	28.7%	29.7%

2006 Sales By Geographic Area



Commercial Graphics Division



Digital Signage
Emerging Segment



Interior Architectural Films
1 Market Position



Premium Films
#1 Market Position



Program Management Services
Emerging Segment



Promotional Films
#4 Market Position

The Leading Global Provider of Graphic and Image Management Solutions for On-premise and Transportation Graphics



Commercial Graphics Division

- Markets Served
 - *M&A / Re-branding*
 - *Commercial construction*
 - *Transportation*
 - *Advertising*
 - *Recreational vehicles*



- Keys to Growth
 - *Maintain and grow core position in films, inks, warranted graphics*
 - *Increase market focus*
 - *Broaden product portfolio to serve new space*
 - *Next generation films*
 - *Digital signage*
 - *"Image" program management systems and services*



Traffic Safety Systems Division – Reflective materials for ...



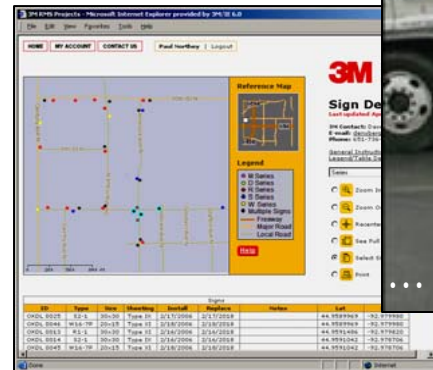
Traffic Safety Systems Division – Systems and Services for ...



... License plates, stickers and production systems



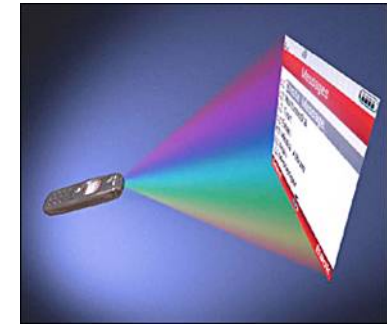
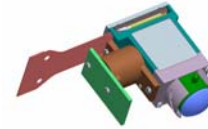
... Motor vehicle management software



... Roadway Maintenance Services

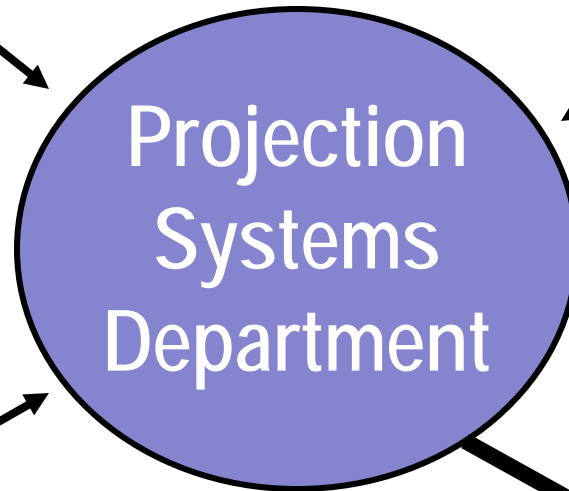


Our Newest Display & Graphics Business...



Precision
Optics

Advanced Optical
Systems



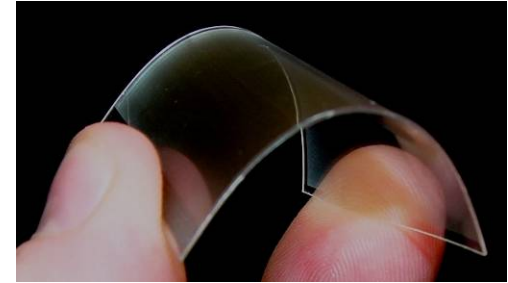
Visual
Systems

- New era projection
 - *Smaller imagers*
 - *Solid-state light sources*
 - *Miniature optics*
- Shared technology, market access and infrastructure



Optical Systems Division

- Leading global supplier of brightness enhancement films that transform the display of information anytime, anywhere
 - *Handheld devices*
 - *Computer Displays*
 - *LCD TV*
 - *Emerging applications – Ultra Mobile PC, Automotive, Digital Signs*



“Enhancing the Way You See the World”

LCD Business Evolution

Past: The Simple Life

- 3M offered innovative, high value products, IP protected
- Industry grew rapidly
- Competition was limited

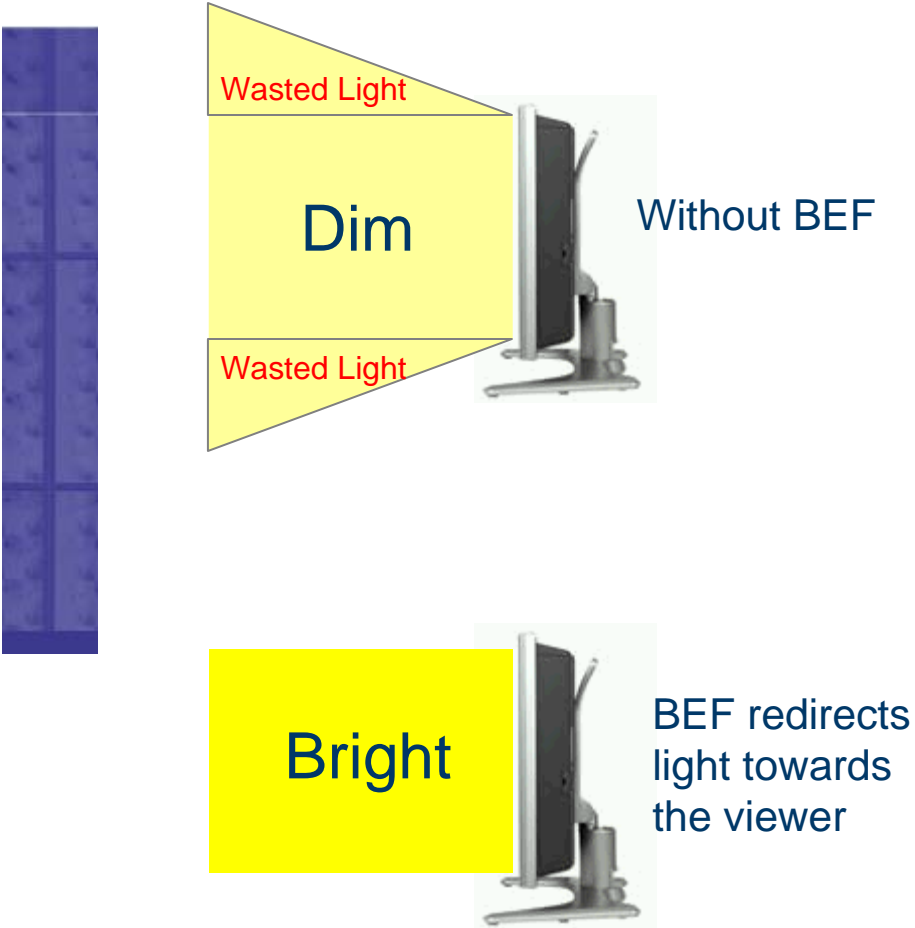
Present: Big Business

- \$60 Billion display industry, partially enabled by 3M
- More LCD applications
- Highly segmented market
- Intense prism film competition

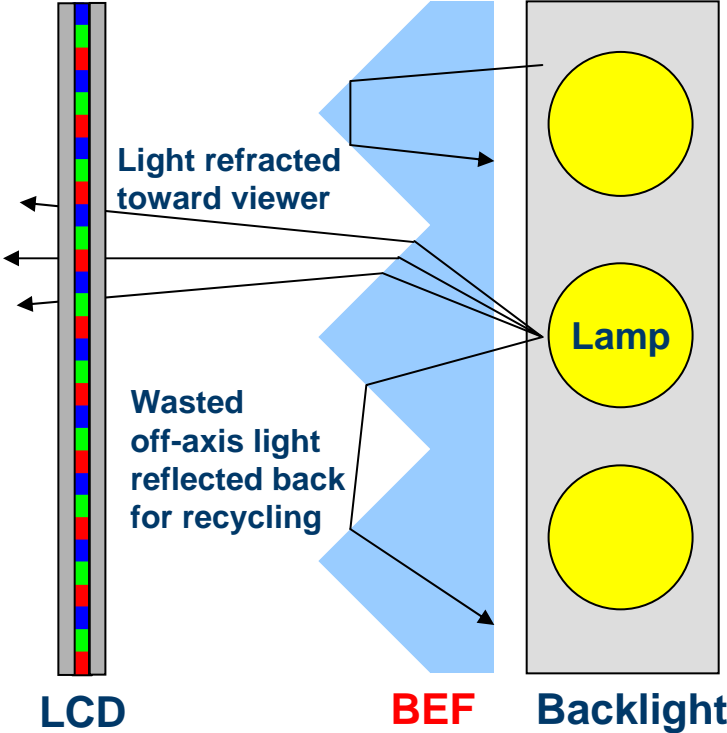
Future: Sustainable OI Growth

- \$100 Billion display industry projected by 2012
- LCD will remain the leading display technology
- 3M has a new product pipeline to meet industry needs
- 3M will bring more LCD contents to more segments
- 3M will continue its cost down strategy

BEF - Brightness Enhancement Film

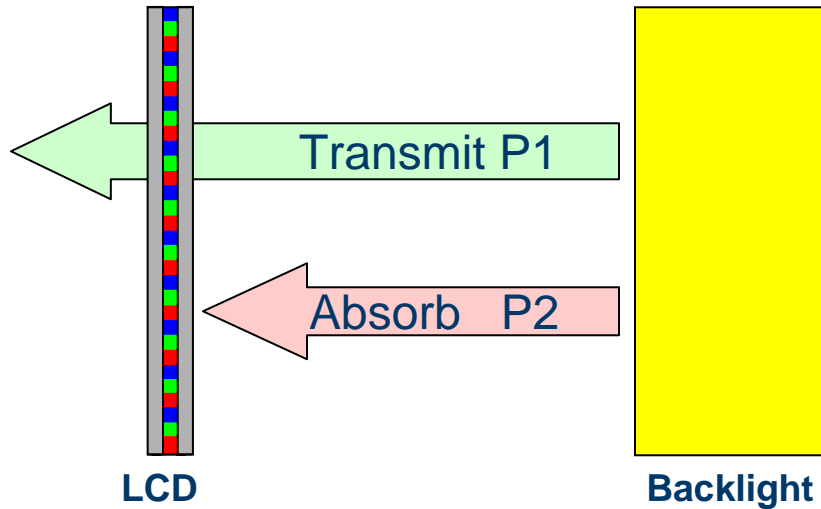


BEF Recycles off axis light

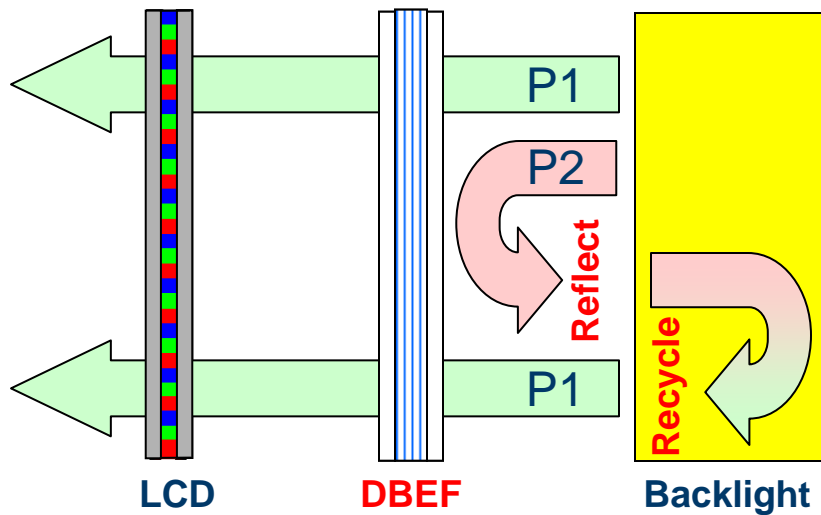


DBEF - Dual Brightness Enhancement Film

Without DBEF, 50% of backlight output is absorbed by the LCD



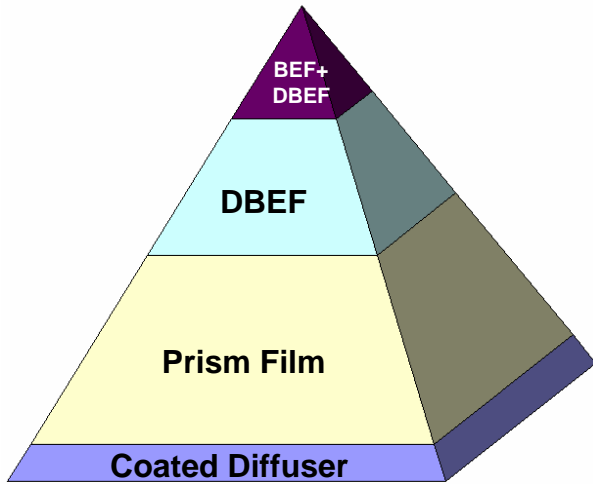
DBEF increases brightness by **Reflecting & Recycling polarized light**



LCD Enhancement Films

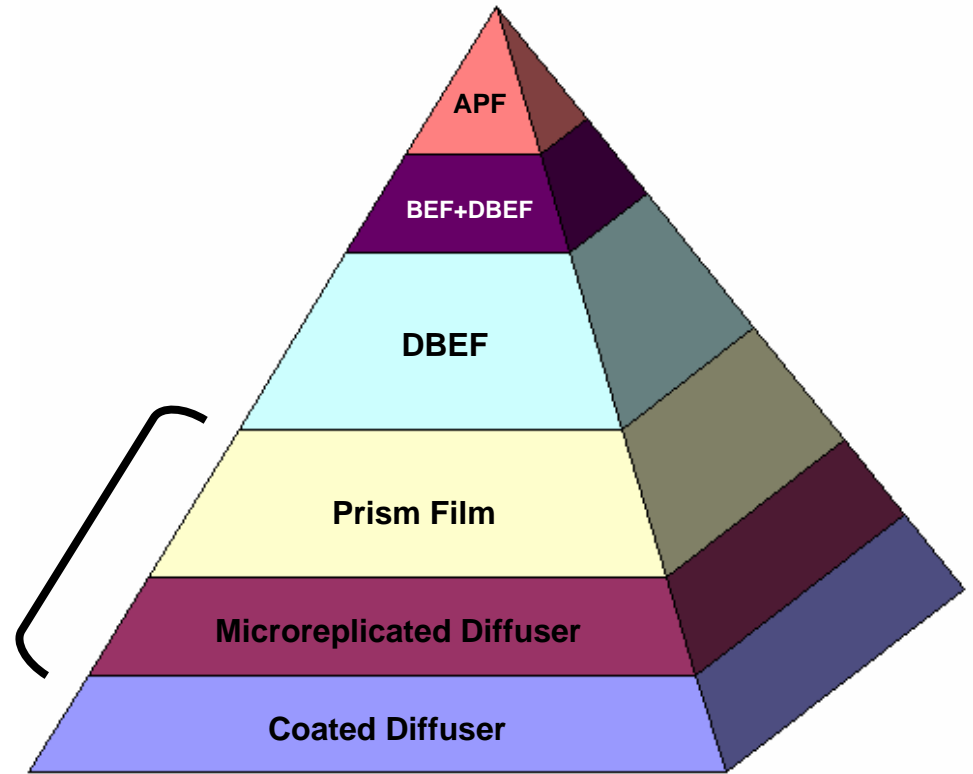
2004

Industry size \$1.6 Billion



2008

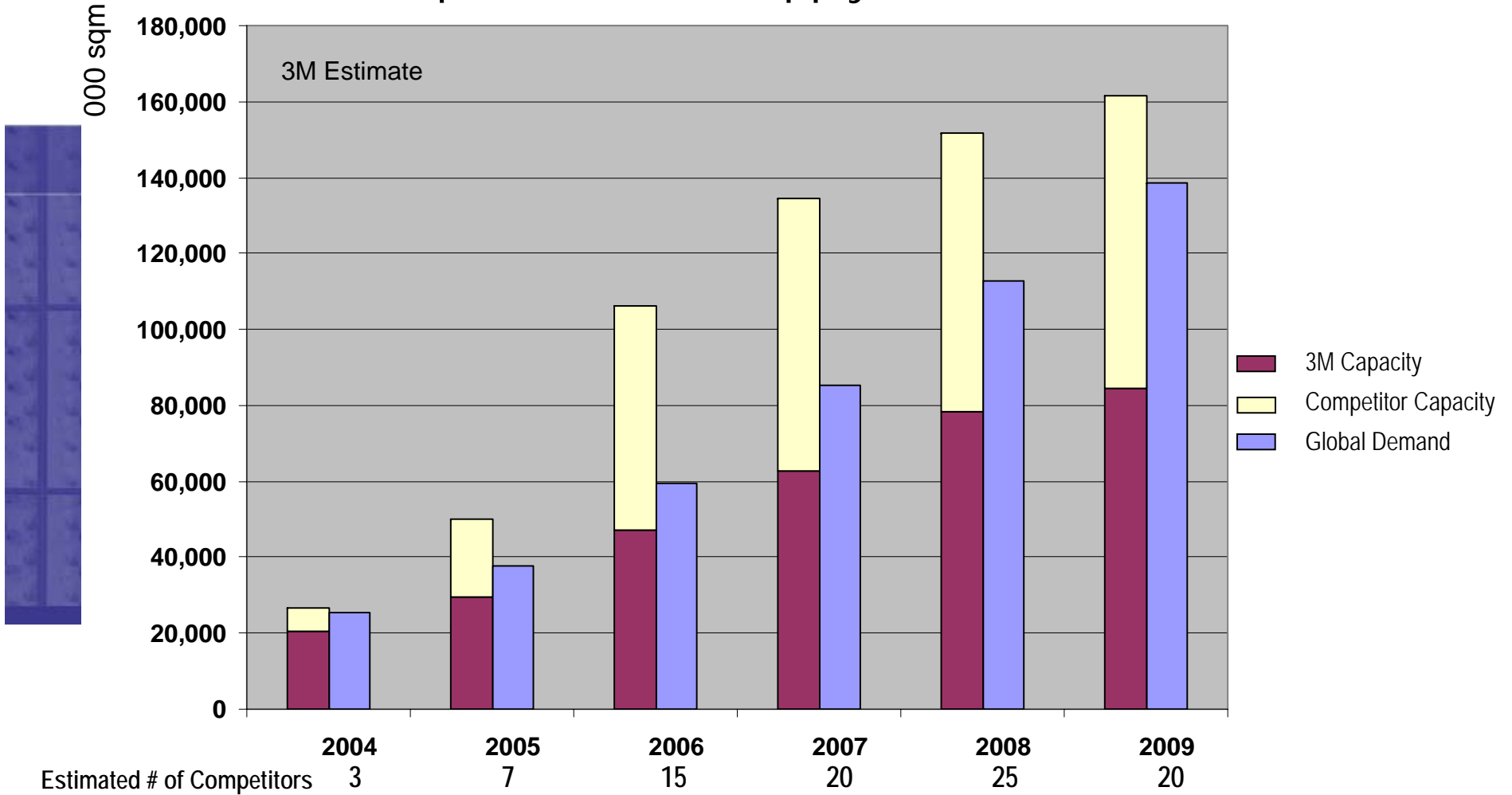
Industry size \$2.9 Billion



*Source: DisplaySearch

Emergence of Value Segments

Global Microreplicated Film Supply / Demand



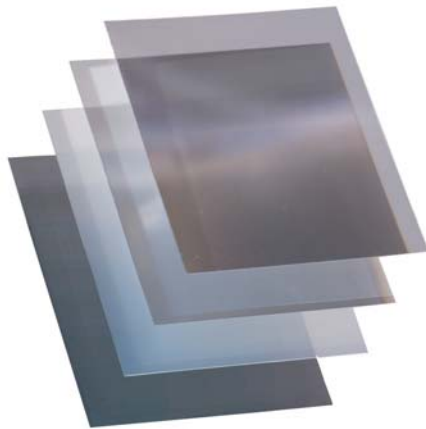
***Excess Microreplicated* Film Supply
Will Likely Drive Consolidation, But Not Yet ...***

* prism films +
microreplicated gain diffusers



2008 New Products Include

- Two new diffuser films for low end displays
- Environmentally-friendly, non-halogenated BEFs
- Ultra thin films for hand-helds, including multi-functional films
- BEF + Diffuser multi-function film
- High Gain BEF
- High performance DBEF for LED systems
- DBEF for Notebooks and Monitors



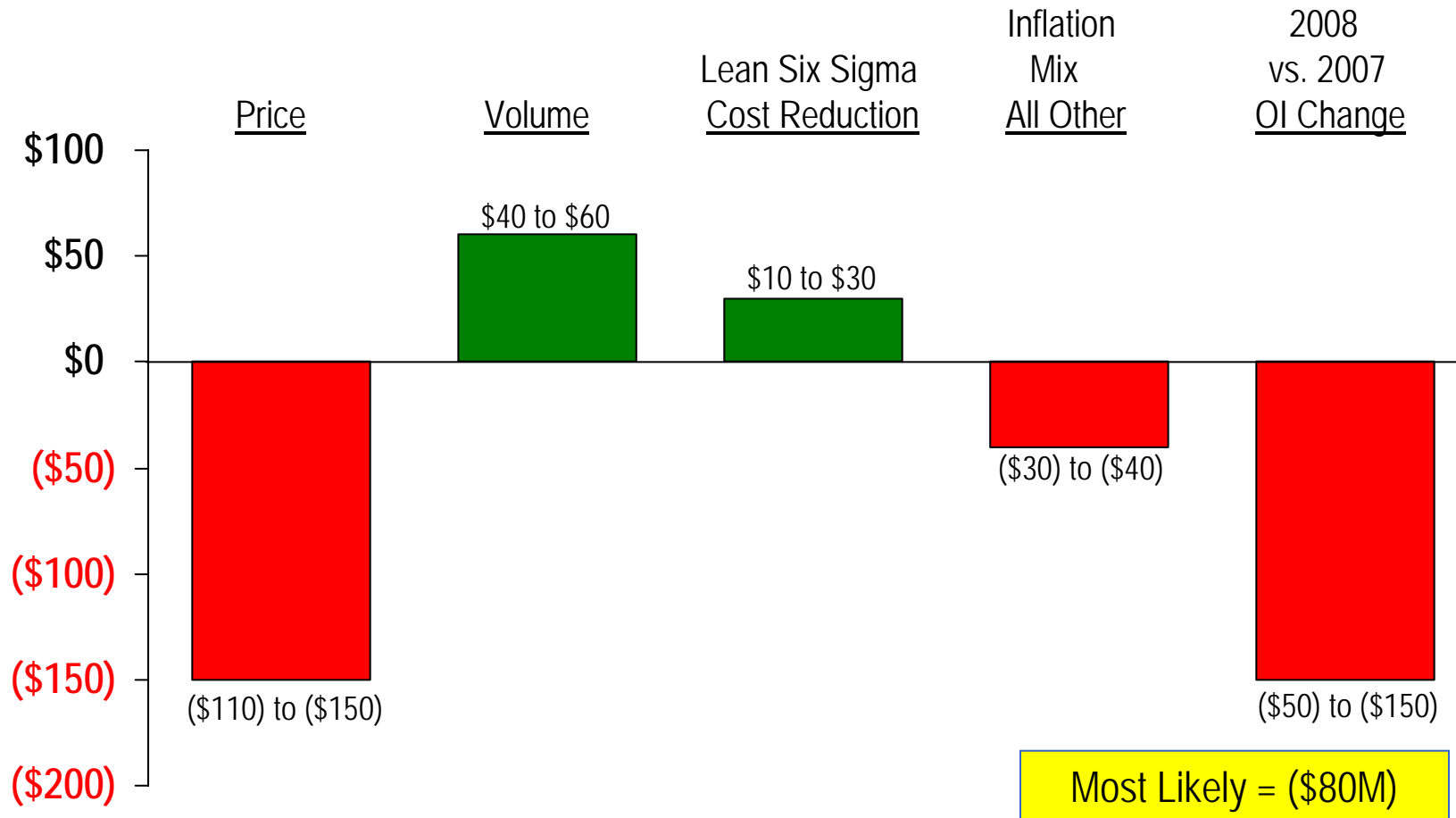
Value Proposition – By Application

	Performance	Energy	Quality	Competition	3M Value	
26%	Handheld	<ul style="list-style-type: none"> • Very high brightness • Narrow view angle • High resolution • Thin 	<ul style="list-style-type: none"> • Films extend battery life 	<ul style="list-style-type: none"> • 3M quality enables new delivery formats 	<ul style="list-style-type: none"> • Lower quality ok for bottom film 	<ul style="list-style-type: none"> • High • 3M DBEF a very important platform
17%	Notebook	<ul style="list-style-type: none"> • High brightness gain • Narrow view angle • Portability • Thin & light 	<ul style="list-style-type: none"> • Films extend battery life 	<ul style="list-style-type: none"> • Low turning film system yields • 3M recognized quality advantage 	<ul style="list-style-type: none"> • Turning film • Growing prism film competition 	<ul style="list-style-type: none"> • Medium
12%	Monitor	<ul style="list-style-type: none"> • High brightness • High contrast 	<ul style="list-style-type: none"> • Importance is starting to grow 	<ul style="list-style-type: none"> • Competitor films good enough 	<ul style="list-style-type: none"> • Severe prism film competition 	<ul style="list-style-type: none"> • Low
45%	LCD TV	<ul style="list-style-type: none"> • Growing segmentation • Wide view angle • Wide color gamut • High contrast 	<ul style="list-style-type: none"> • TV power use is high • DBEF lowers power 30% 	<ul style="list-style-type: none"> • Difficult to yield large pieces 	<ul style="list-style-type: none"> • Severe prism film competition 	<ul style="list-style-type: none"> • High/Medium • 3M DBEF a very important platform

% of Total 3M LCD Sales

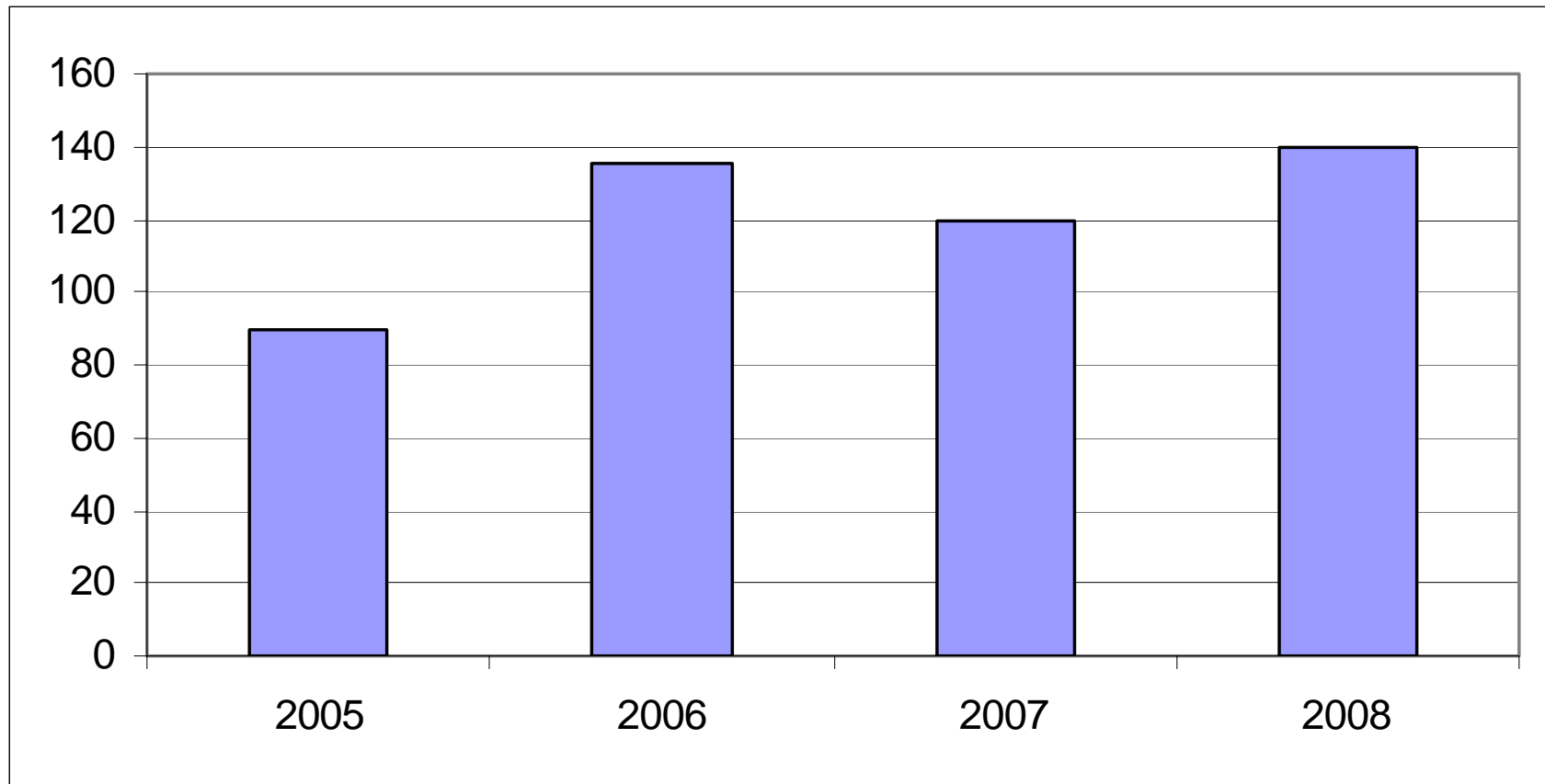
Display & Graphics 2008 Incremental OI Change vs. Historical Average

(\$ in millions)



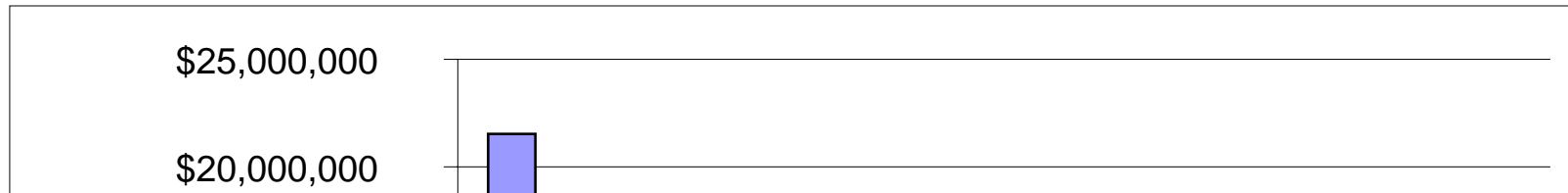
Optical Systems Cost Savings Programs

(\$ Millions)



*Accelerate Lean Six Sigma Savings to
Help Offset 2008 Price Impact*

2008 Optical Systems Top Cost Reduction Projects



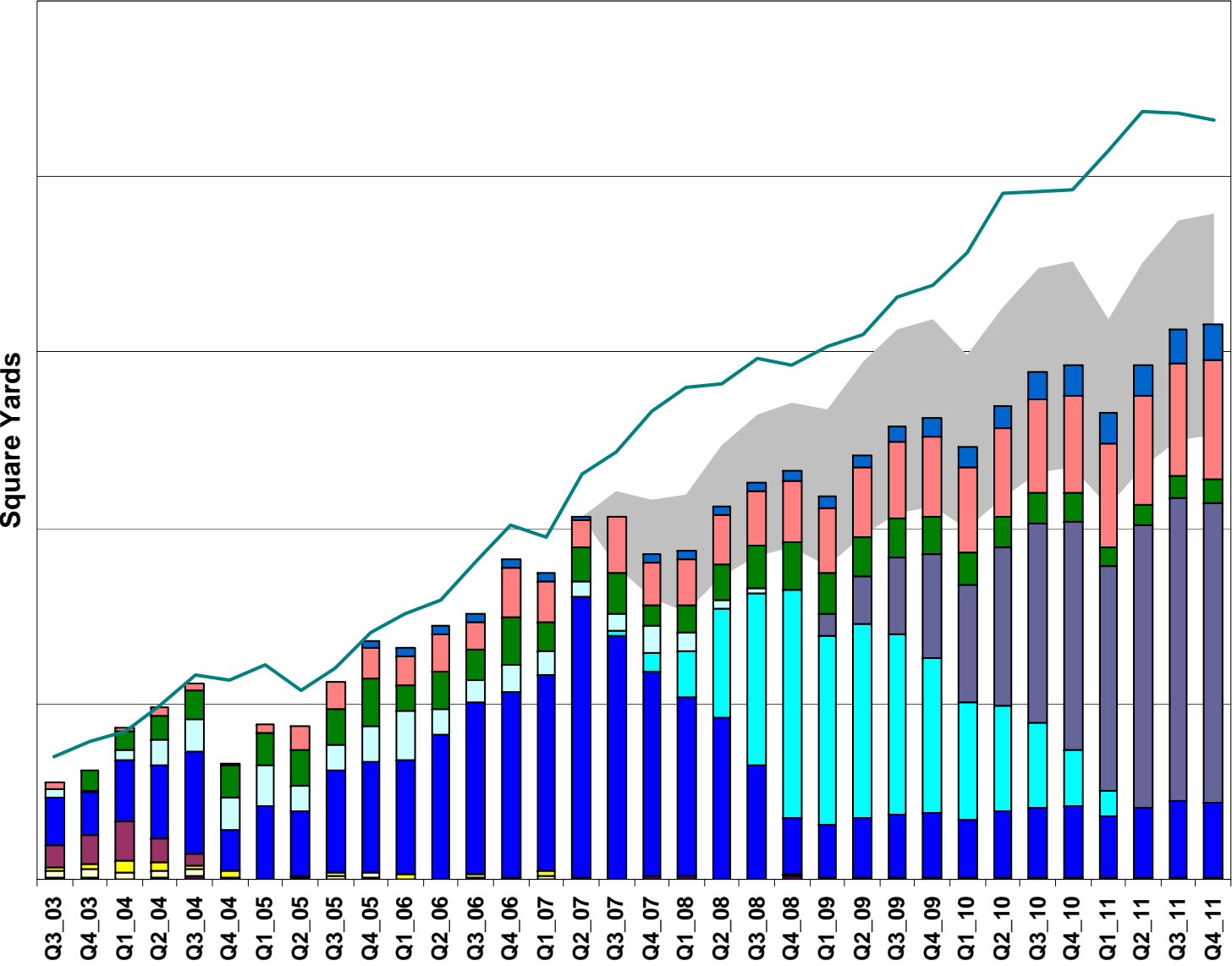
Lean Six Sigma cost reduction projects generate > 10% cost of sales to help offset price down and material & labor inflation

For example:
 \$21.5M Decatur DBEF yield improvement
 \$14.5M Asia source of supply optimization

- Decatur Multilayer Optimization
- Asia SOS Optimization
- BEF Converting RTY
- DBEF Converting RTY
- Product Redesign
- Converting Productivity
- PET Film Optimization
- RM Converting RTY
- Menomonie RTY Improvements
- Lean Process Flow



DBEF Capacity



LCD Industry Outlook

- Near term
 - *Constrained supply*
 - *Accelerating capacity expansion*
 - *Low to moderate panel price down until 2009*
- Digital TV transition
 - *Actual effect still unknown*
 - *TV demand will increase causing LCD mix to shift to TV*
 - *New capacity comes online in 2009 to meet new demand*

Optical Film Industry Outlook

- Near term
 - *Excess supply*
 - *Newcomers try to buy way in with aggressive pricing*
 - *Continued margin pressure*
 - *OEMs indicating need to consolidate prism suppliers in 2008*
- More industry consolidation expected by 2010
- Excess capacity likely at least through 2009

***Innovative, Stable Suppliers Will Weather
the Evolving Market Climate***

Foresight – 3M's point of view on the future

- LCD remains a substantial part of the portfolio
 - *<20% of displays are non-CRT today so still a large opportunity , But...*
 - *New products must reduce total delivered cost of displays!*
 - *New products must be aligned to trends, such as energy consumption*
 - *3M is in the midst of reinventing LCD films*
 - *Meanwhile, must fight for film share in 2008*
- New technologies are emerging and creating opportunity
 - *Solid state lighting*
 - *New emissive displays*
 - *Digital signage and interactive environments*
 - *Optics will become even more ubiquitous*

Thoughtful Diversification Can Drive Faster Growth

2008 Display & Graphics Outlook

- Commercial Graphics and Traffic Safety Systems are expected to deliver another good year of outstanding sales and profit growth
- Investing in Optical Systems franchise
 - Innovation: driving new products, becoming even more important to our customers
 - Competitiveness: relentlessly attacking yield and waste in manufacturing via Lean Six Sigma; resetting prices to fully capture market trends and growth

- Mid-single digit top-line growth
- Likely OI margin of 24.5% to 25.5% for D&G
- \$50-150M reduction in pre-tax income in 08
- Securing 3M leadership position in an important growth market

***We Remain Extremely Bullish on
Display & Graphics Business and Markets***



Thank you