

2012 Third Quarter Business Review

(unaudited)



Advancing

Enhancing

Improving

October 23, 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 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.

Strong Operational Focus Drives Q3 2012 Results

- GAAP EPS of \$1.65, up 8.6% YOY
- Operating income of \$1.7 billion, up 6.1% YOY
- Operating margins of 22.4%, up 1.4 percentage points YOY
 - All 6 business segments > 21%
- Sales of \$7.5 billion, down 0.4% in dollar terms
 - FX -3.1%, acquisitions +0.5%
 - Organic local currency +2.2%
 - Latin America/Canada +11%, U.S. +2%, EMEA (Europe/Middle East/Africa) +1%, APAC flat
- Returned \$735 million of cash to shareholders via dividends and share repurchases
- Announced the acquisition of Ceradyne, Inc., a global leader in advanced ceramic technologies, for an estimated \$670 million net; tender offer now underway

Q3 2012 P&L Highlights

(\$M)	Q3 11	Q3 12	Change
Sales	\$7,531	\$7,497	-0.4%
Gross profit	\$3,504	\$3,562	+1.7%
% to sales	46.6%	47.5%	+0.9 pts
SG&A	\$1,534	\$1,487	-3.0%
% sales	20.4%	19.8%	-0.6 pts
R&D & related	\$389	\$397	+1.9%
% to sales	5.2%	5.3%	+0.1%
Operating income	\$1,581	\$1,678	+6.1%
% to sales	21.0%	22.4%	+1.4 pts
Net income	\$1,088	\$1,161	+6.7%
Earnings per share	\$1.52	\$1.65	+8.6%

Operating margin of 22.4%, up 1.4 percentage points:

<i>Price/RMs</i>	+1.6 pts
<i>Pension/OPEB</i>	(0.3)
<i>FX</i>	(0.1)
<i>Other</i>	<u>+0.2</u>
<i>Net change</i>	+1.4 pts

- Lower share count added \$0.03/share
- Lower tax rate added \$0.01/share
- Restructuring actions cost \$0.01/share
- Net insurance gains added \$0.02/share

Q3 2012 Sales Growth Recap

	Percent Growth
Organic local currency	2.2%
Acquisitions	+0.5
FX	<u>-3.1</u>
Total growth	-0.4%

- Volumes +1.1%; selling prices +1.1%
- Latin America/Canada +10.5%, U.S. +2.3%
- EMEA +0.8% – economy in West Europe remains weak, Middle East/Africa up double digits
- APAC -0.1% – Health Care and Consumer & Office continue to lead

- Relates to GPI (Consumer & Office), CodeRyte (Health Care) and FSTech (Display & Graphics)

- EMEA -8.4%, Latin America/Canada -7.4%, APAC -1.3%

Q3 2012 Segment Performance

Sales Change Components									
(\$M)	Sales Q3 2012	YOY Chg	* Organic Local Currency	Acq/ Div	FX	Operating Income Q3 2012	YOY Chg	Operating Margin Q3 2012	YOY Chg
Industrial & Transportation	\$2,566	-0.5%	+3.3%	----	-3.8%	\$575	+9.4%	22.4%	+2.0 pts
Health Care	\$1,263	+1.4%	+4.3%	+0.4%	-3.3%	\$400	+9.0%	31.7%	+2.2 pts
Consumer & Office	\$1,114	+1.6%	+1.4%	+2.5%	-2.3%	\$244	-0.2%	21.9%	-0.4 pts
Display & Graphics	\$936	----	+1.3%	+0.8%	-2.1%	\$199	+11.2%	21.2%	+2.1 pts
Safety, Security & Protection	\$926	-2.9%	+0.7%	-0.1%	-3.5%	\$196	-2.8%	21.1%	----
Electro & Communications	\$820	-2.1%	+0.1%	----	-2.2%	\$186	+2.5%	22.7%	+1.1 pts
Total Company	\$7,497	-0.4%	+2.2%	+0.5%	-3.1%	\$1,678	+6.1%	22.4%	+1.4 pts

* Organic local currency = organic volume growth + selling price change

Q3 2012 Cash Flow

(\$M)	Q3 2011	Q3 2012	Change	
Operating cash flow	\$1,362	\$1,345	(\$17)	
Capital expenditures	<u>(\$336)</u>	<u>(\$358)</u>	<u>(\$22)</u>	▪ Targeting ~\$1.5B for FY 2012
Free cash flow	\$1,026	\$987	(\$39)	
Free cash flow conversion	94%	85%		▪ Excluding pension/OPEB contributions: Q3 2012 = 106%, Q3 2011 = 117%
Dividends	(\$388)	(\$408)	(\$20)	▪ Raised the per-share dividend for 54 consecutive years ▪ Paid continuously for > 95 years
Share repurchase	(\$849)	(\$327)	\$522	▪ Targeting up to \$2.5B for FY 2012

Realigning Our Businesses

FROM



Industrial &
Transportation



Health Care



Consumer &
Office



Safety, Security,
& Protection



Display &
Graphics



Electro &
Communications

TO



Industrial



Health Care



Consumer



Safety & Graphics



Electronics &
Energy





3M

Full-Year 2012 Outlook

	Q2 Earnings Call 7/26/12	Today 10/23/12	
GAAP EPS	\$6.35 to \$6.50	\$6.27 to \$6.35	<i>Includes (\$0.03) of anticipated acquisition-related costs</i>
<i>Organic local-currency sales growth</i>	+2% to +5%	+2% to +2.5%	<i>Global economy remains soft</i>
<i>FX impact on sales</i>	-3%	<i>Approx . -2.5%</i>	<i>Assumes Euro 1.29</i>
<i>Operating margin</i>	21.5% to 22.5%	21.5% to 22.0%	<i>Driving productivity, carefully managing discretionary costs</i>
<i>Tax rate</i>	<i>Approx. 29.5%</i>	<i>29% to 29.5%</i>	<i>YTD = 29%</i>

Q & A



Appendix

Industrial and Transportation

(\$M)	Q3 2011	Q3 2012	Total % Growth	YTD 2011	YTD 2012	% Chg
Sales	\$2,580	\$2,566	-0.5%	\$7,671	\$7,853	+2.4%
Operating Income	\$525	\$575	+9.4%	\$1,585	\$1,789	+12.8%
Operating Margin	20.4%	22.4%	+2.0 pts	20.7%	22.8%	+2.1 pts

Financial Highlights

- Sales of \$2.6 billion, down 0.5%; organic local-currency sales increased 3.3% and foreign currency translation reduced sales by 3.8%
- On an organic local-currency basis:
 - Sales growth was strongest in automotive OEM, aerospace and automotive aftermarket; renewable energy declined year-on-year
 - Sales increased in all geographies led by the U.S. and Latin America/Canada
- Operating income rose 9.4% to \$575 million; operating income margin of 22.4%

Business Wins

- Announced the acquisition of Ceradyne, a global leader in advanced ceramic technologies, serving large and important markets such as transportation, oil and gas and general industrial; tender offer now underway
- Introduced a new Uniform Lighting Lens technology to the automotive industry; first application will be the unique LED taillight design for the 2013 Buick Enclave
- 3M Purification, Inc. earned preferred supplier status for filtration equipment from two prominent U.S. fast food restaurant chains



Health Care

(\$M)	Q3 2011	Q3 2012	Total % Growth	YTD 2011	YTD 2012	% Chg
Sales	\$1,246	\$1,263	+1.4%	\$3,770	\$3,826	+1.5%
Operating Income	\$367	\$400	+9.0%	\$1,100	\$1,216	+10.5%
Operating Margin	29.5%	31.7%	+2.2 pts	29.2%	31.8%	+2.6 pts

Financial Highlights

- Sales of \$1.3 billion, up 1.4%; organic local-currency sales increased 4.3%, acquisitions added 0.4% and foreign currency translation reduced sales by 3.3%
- On an organic local-currency basis:
 - Sales growth was led by food safety, health information systems and skin/wound care
 - Positive sales growth in all major geographies led by Latin America/Canada and Asia Pacific
- Operating income increased 9.0% to \$400 million; operating income margin of 31.7%

Business Wins

- Gaining share in Health Information Systems with the 3M 360 Encompass™ system for hospital reimbursement and treatment coding; also introduced physician education software for new ICD-10 treatment codes
- Food Safety won approval for Listeria and E. coli pathogen testing applications; also introduced software enhancements to 3M™ Clean-Trace™ Hygiene Monitoring System, a family of products that help food and beverage processors track and monitor cleaning and sanitation within their manufacturing environments



Consumer and Office

(\$M)	Q3 2011	Q3 2012	Total % Growth	YTD 2011	YTD 2012	% Chg
Sales	\$1,096	\$1,114	+1.6%	\$3,134	\$3,219	+2.7%
Operating Income	\$244	\$244	-0.2%	\$661	\$700	+5.9%
Operating Margin	22.3%	21.9%	-0.4 pts	21.1%	21.7%	+0.6 pts

Financial Highlights

- Sales of \$1.1 billion, up 1.6%; organic local-currency sales increased 1.4%, acquisitions added 2.5% and foreign currency translation reduced sales by 2.3%
- On an organic local-currency basis:
 - Sales growth led by DIY and consumer health care; sales declined in stationery and office supplies
 - Sales expanded in Latin America/Canada and Asia Pacific, were flat in the U.S. and declined in EMEA
- Operating income of \$244 million, flat versus the prior year; operating income margin of 21.9%

Business Wins

- Launched Scotch-Brite™ Printed Lint Rollers, offering differentiation to the category
- Strong sales of new Command™ Clear products for the back-to-school season; product offers an innovative new clear strip technology
- Launched new 3M™ Patch Plus Primer portfolio into the DIY market
- Post-It® awarded "Brand of the Year" by British Office Supplies & Services (BOSS) Federation



Display and Graphics

(\$M)	Q3 2011	Q3 2012	Total % Growth	YTD 2011	YTD 2012	% Chg
Sales	\$935	\$936	----	\$2,851	\$2,650	-7.1%
Operating Income	\$179	\$199	+11.2%	\$631	\$541	-14.2%
Operating Margin	19.1%	21.2%	+2.1 pts	22.1%	20.4%	-1.7 pts

Financial Highlights

- Sales of \$936 million, flat versus the prior year; organic local-currency sales increased 1.3%, acquisitions added 0.8% and foreign currency translation reduced sales by 2.1%
- On an organic local-currency basis:
 - Double-digit sales increases in architectural; sales also increased in commercial graphics and traffic safety systems
 - Optical up strong double-digits sequentially, but declined slightly YOY
 - Geographic growth led by Latin America/Canada and the U.S.; declined slightly in EMEA and Asia Pacific
- Operating income increased 11.2% to \$199 million; operating margin of 21.2%

Business Wins

- Closed the acquisition of FSTech; integration is proceeding as planned
- Commercial Graphics launched new 3M Envision™ vehicle wrap and illuminated sign materials
- Architectural Markets received Innovative Lighting Category awards for new 3M Flex and 3M Air Design lighting fixtures at recent IIDEX industry event



Safety, Security and Protection Services

(\$M)	Q3 2011	Q3 2012	Total % Growth	YTD 2011	YTD 2012	% Chg
Sales	\$954	\$926	-2.9%	\$2,894	\$2,898	+0.1%
Operating Income	\$202	\$196	-2.8%	\$643	\$685	+6.5%
Operating Margin	21.1%	21.1%	----	22.2%	23.6%	+1.4 pts

Financial Highlights

- Sales of \$926 million, down 2.9%; organic local-currency sales increased 0.7%, divestitures reduced sales by 0.1% and foreign currency translation reduced sales by 3.5%
- On an organic local-currency basis:
 - Sales growth was strongest in infrastructure protection and personal safety; sales declined YOY in roofing granules and security systems
 - Sales increased in Latin America/Canada and EMEA and declined in the U.S. and Asia Pacific
- Operating income declined 2.8% to \$196 million; operating margin of 21.1%

Business Wins

- Launched Scotchgard™ Stone Floor Protector in Korea
- Awarded expansion of offender electronic monitoring system in Turkey
- Launched bluetooth-enabled Peltor™ Alert Workstyle Earmuffs in EMEA
- Roofing granules business named Supplier of the Year by Owens Corning



Electro and Communications

(\$M)	Q3 2011	Q3 2012	Total % Growth	YTD 2011	YTD 2012	% Chg
Sales	\$838	\$820	-2.1%	\$2,538	\$2,452	-3.4%
Operating Income	\$181	\$186	+2.5%	\$559	\$549	-1.8%
Operating Margin	21.6%	22.7%	+1.1 pts	22.0%	22.4%	+0.4 pts

Financial Highlights

- Sales of \$820 million, down 2.1%; organic local-currency sales increased 0.1% and foreign currency translation reduced sales by 2.2%
- On an organic local-currency basis:
 - Sales increased in electrical markets and declined year on year in both the telecom and consumer electronics-related businesses
 - Sales rose in Latin America/Canada, the U.S. and EMEA, and were down year-on-year in Asia Pacific
- Operating income of \$186 million, up 2.5%; operating margin of 22.7%

Business Wins

- Communication Markets business won a supply contract with CANTV in Venezuela
- Continued to increase sales content per device in smart phones and tablets
- Expanded penetration of Novec™ sustainable chemicals platform into new fire protection, data center cooling, display coating and semiconductor applications



Business Segment Information

(\$M)	Net Sales		Operating Income	
Business Segment Information	Q3 2011	Q3 2012	Q3 2011	Q3 2012
Industrial and Transportation	\$2,580	\$2,566	\$525	\$575
Health Care	\$1,246	\$1,263	\$367	\$400
Consumer and Office	\$1,096	\$1,114	\$244	\$244
Display and Graphics	\$935	\$936	\$179	\$199
Safety, Security & Protection Services	\$954	\$926	\$202	\$196
Electro and Communications	\$838	\$820	\$181	\$186
Corporate and Unallocated	\$1	\$1	(\$91)	(\$93)
Elimination of Dual Credit	<u>(\$119)</u>	<u>(\$129)</u>	<u>(\$26)</u>	<u>(\$29)</u>
Total	\$7,531	\$7,497	\$1,581	\$1,678

Business Segment Information

(\$M)	Net Sales		Operating Income	
Business Segment Information	YTD 2011	YTD 2012	YTD 2011	YTD 2012
Industrial and Transportation	\$7,671	\$7,853	\$1,585	\$1,789
Health Care	\$3,770	\$3,826	\$1,100	\$1,216
Consumer and Office	\$3,134	\$3,219	\$661	\$700
Display and Graphics	\$2,851	\$2,650	\$631	\$541
Safety, Security & Protection Services	\$2,894	\$2,898	\$643	\$685
Electro and Communications	\$2,538	\$2,452	\$559	\$549
Corporate and Unallocated	\$9	\$4	(\$289)	(\$355)
Elimination of Dual Credit	<u>(\$345)</u>	<u>(\$385)</u>	<u>(\$76)</u>	<u>(\$85)</u>
Total	\$22,522	\$22,517	\$4,814	\$5,040



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