

2014 First Quarter Business Review

(unaudited)

April 24, 2014



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) unanticipated problems or delays with the phased implementation of a global enterprise resource planning (ERP) system, or 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, 2013. 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. 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.

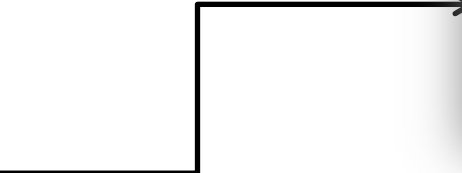
Q1 2014 Highlights

- GAAP EPS of \$1.79, up 11.2% YOY
- Sales of \$7.8 billion, up 2.6% in dollar terms
 - Organic local currency +4.6%
 - Health Care +6%, Industrial +5%, Safety & Graphics +5%, Electronics & Energy +4%, Consumer +3%
 - APAC +7%, Latin America/Canada +7%, EMEA (Europe/Middle East/Africa) +4%, U.S. +3%
 - FX reduced sales by -2.0%
- Operating margins of 21.9%, up 0.3 percentage points YOY
 - 4 of 5 business groups > 21%
- Returned \$2.3 billion of cash to shareholders via dividends and share repurchases
- Increased Q1 2014 per-share dividend by 35%, 3M's 56th consecutive annual increase

2014 Planning Estimates

	Q4 2013 Earnings Call 1/30/14	Today 4/24/14	
GAAP EPS	\$7.30 to \$7.55	\$7.30 to \$7.55	▪ Maintaining outlook
Sales growth: Organic local currency FX	+3% to +6% Neutral to -1%	+3% to +6% Approx. -1%	▪ Maintaining outlook ▪ Weakness in select market currencies
Tax rate	28% to 29%	28% to 29%	▪ Maintaining outlook
Free cash flow conversion	90% to 100%	90% to 100%	▪ Maintaining outlook

Q1 2014 Sales Growth Recap

	Percent Growth	
Organic volume	+3.4%	 ▪ APAC +6.9% ▪ Latin America/Canada +6.8% ▪ EMEA +3.7% ▪ U.S. +2.6%
Selling price	<u>+1.2</u>	
Organic local currency	+4.6%	
Acquisitions	-----	
FX	<u>-2.0</u>	 ▪ Latin America/Canada -11.5% ▪ APAC -3.6% ▪ EMEA +1.8%
Total growth	+2.6%	

Q1 2014 P&L Highlights

(\$M)	Q1 2013	Q1 2014	Change
Sales	\$7,634	\$7,831	+2.6%
Gross profit	\$3,665	\$3,800	+3.7%
% to sales	48.0%	48.5%	+0.5 pts
SG&A	\$1,589	\$1,632	+2.7%
% sales	20.8%	20.8%	-----
R&D & related	\$430	\$452	+5.1%
% to sales	5.6%	5.8%	+0.2 pt
Operating income	\$1,646	\$1,716	+4.2%
% to sales	21.6%	21.9%	+0.3 pts
Net income	\$1,129	\$1,207	+7.0%
Earnings per share	\$1.61	\$1.79	+11.2%

Operating margin of 21.9%, up 0.3 percentage points:

Growth related:

Organic volume +0.3 pts

Price/RMs +1.1

Strategic investments/actions (0.9)

Pension +0.5

FX (0.5)

Other (0.2)

Net change +0.3 pts

- FX impacts cost (\$0.04)/share
- Lower tax rate added \$0.04/share
- Lower share count added \$0.07/share

Refer to 3M's April 24, 2014 press release for full details

Q1 2014 Cash Flow

(\$M)	Q1 2013	Q1 2014	Change	
Operating cash flow	\$994	\$1,092	\$98	
Capital expenditures	<u>(\$324)</u>	<u>(\$293)</u>	<u>\$31</u>	▪ Estimating FY 2014 of \$1.7B to \$1.8B
Free cash flow	\$670	\$799	\$129	
Free cash flow conversion	59%	66%		▪ Estimating FY 2014 conversion of 90% to 100%
Dividends	\$440	\$566	\$126	▪ 56 th consecutive annual increase
Gross share repurchase	<u>\$805</u>	<u>\$1,708</u>	<u>\$903</u>	▪ Weighted ave. shares outstanding declined by 4% YOY ▪ Estimating FY 2014 of \$4B to \$5B
Cash to shareholders	\$1,245	\$2,274	\$1,029	

Capital Structure/Allocation Philosophy

- Managing toward enhanced capital structure strategy, financed with additional low-cost debt
- Leveraging strong balance sheet to grow the business
 - Organic growth remains paramount – continuing strong investments in cap-ex and R&D over the 2013-17 planning period
 - Planning to invest \$5-10B+ on acquisitions over 2013-17; multi-billion dollar deals possible
- Increasing cash returns to shareholders
 - Increased 2014e per-share dividend by 35%
 - Planning share repurchases of \$17-22B over 2013-17

Refer to 3M's April 24, 2014 press release section entitled "Supplemental Cash Flow and Other Supplemental Financial Information"

Industrial

(\$M)	Q1 2013	Q1 2014	Total % Growth
Sales	\$2,693	\$2,776	+3.1%
Organic local currency			+4.9%
Acquisition/divestiture			-----
FX			-1.8%
Operating income	\$579	\$618	+6.7%
Operating margin	21.5%	22.3%	+0.8 pts

- Organic local-currency growth:
 - By business: strongest growth in 3M Purification, automotive OEM, advanced materials, abrasives systems, and aerospace and commercial transportation; personal care declined YOY
 - By area: positive growth across all areas led by EMEA, Latin America/Canada and Asia Pacific
- Began commercial shipments of 3M™ Ceradyne Enhanced Combat Helmet; product was named one of the 100 Best Innovations by Popular Science magazine in December of 2013



Safety & Graphics

(\$M)	Q1 2013	Q1 2014	Total % Growth
Sales	\$1,399	\$1,423	+1.7%
Organic growth			+4.6%
Acquisition/divestiture			-----
FX			-2.9%
Operating income	\$332	\$318	-4.2%
Operating margin	23.7%	22.3%	-1.4 pts

- Organic local-currency growth:
 - By business: positive growth in personal safety, roofing granules and commercial solutions; traffic safety and security declined YOY
 - By area: positive growth across all areas led by Asia Pacific, EMEA and Latin America/Canada
- Consolidated commercial graphics, building and commercial services and architectural markets into newly formed commercial solutions division; combined business will drive increased customer relevance and operating efficiencies



3M

Health Care

(\$M)	Q1 2013	Q1 2014	Total % Growth
Sales	\$1,311	\$1,374	+4.8%
Organic growth			+6.2%
Acquisition/divestiture			-----
FX			-1.4%
Operating income	\$404	\$427	+5.6%
Operating margin	30.8%	31.1%	+0.3 pts

- Organic local-currency growth:
 - By business: positive growth across the entire portfolio, with the strongest growth in drug delivery, health information systems, food safety, critical and chronic care, and infection prevention
 - By area: sales rose in all areas led by Latin America/Canada, Asia Pacific and the U.S.
- Organic local-currency growth of 10% in developing markets
- Announced acquisition of Treo Solutions, a leading provider of data analytics and business intelligence to healthcare payers and providers



Electronics & Energy

(\$M)	Q1 2013	Q1 2014	Total % Growth
Sales	\$1,277	\$1,311	+2.7%
Organic growth			+4.1%
Acquisition/divestiture			-----
FX			-1.4%
Operating income	\$196	\$227	+16.1%
Operating margin	15.3%	17.3%	+2.0 pts

- Organic local-currency growth:
 - By business: electronics-related sales increased 5 percent, with strong growth in optical systems partially offset by declines in the electronic markets materials and the electronic solutions businesses; energy-related sales grew 2 percent year-on-year, led by renewable energy and telecom
 - By area: sales rose in Latin America/Canada and APAC, while the U.S. and EMEA declined YOY
- In April, realigned electronics-related businesses to drive improved customer relevance and build scale; new business are:
 - Display materials and systems division – consolidates all of 3M's capabilities in the area of electronic displays
 - Electronics materials solutions division – aligns our offerings in semiconductor, electronic materials and components



Consumer

(\$M)	Q1 2013	Q1 2014	Total % Growth
Sales	\$1,081	\$1,079	-0.2%
Organic growth			+2.6%
Acquisition/divestiture			-0.3%
FX			-2.5%
Operating income	\$237	\$228	-3.5%
Operating margin	21.9%	21.2%	-0.7 pts

- Organic local-currency growth:
 - By business: growth led by DIY, consumer health care and home care businesses; stationery and office supplies declined YOY
 - By area: sales increased across all areas led by Asia Pacific and Latin America/Canada
- Organic local-currency growth was 7% in developing markets
- Increased penetration in DIY with strong growth in Filtrete™ home furnace filters and in Command™ hooks for organizing and decorating





Q & A

Appendix

Business Segment Information

(\$M)	Net Sales		Operating Income	
Business Segment Information	Q1 2013	Q1 2014	Q1 2013	Q1 2014
Industrial	\$2,693	\$2,776	\$579	\$618
Safety & Graphics	\$1,399	\$1,423	\$332	\$318
Health Care	\$1,311	\$1,374	\$404	\$427
Electronics & Energy	\$1,277	\$1,311	\$196	\$227
Consumer	\$1,081	\$1,079	\$237	\$228
Corporate and Unallocated	\$2	\$3	(\$74)	(\$72)
Elimination of Dual Credit	<u>(\$129)</u>	<u>(\$135)</u>	<u>(\$28)</u>	<u>(\$30)</u>
Total	\$7,634	\$7,831	\$1,646	\$1,716

