

# 2013 Third Quarter Business Review

(unaudited)

October 24, 2013



## 2014 Outlook Meeting Preview

- When: December 17<sup>th</sup>  
1 p.m. to 5 p.m. ET
- Where: Grand Hyatt Hotel  
New York, NY
- Agenda:
  - CEO keynote
  - Business strategic reviews
  - International overview
  - 5-year plan update, capital allocation and 2014 earnings outlook

## 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, 2012 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.

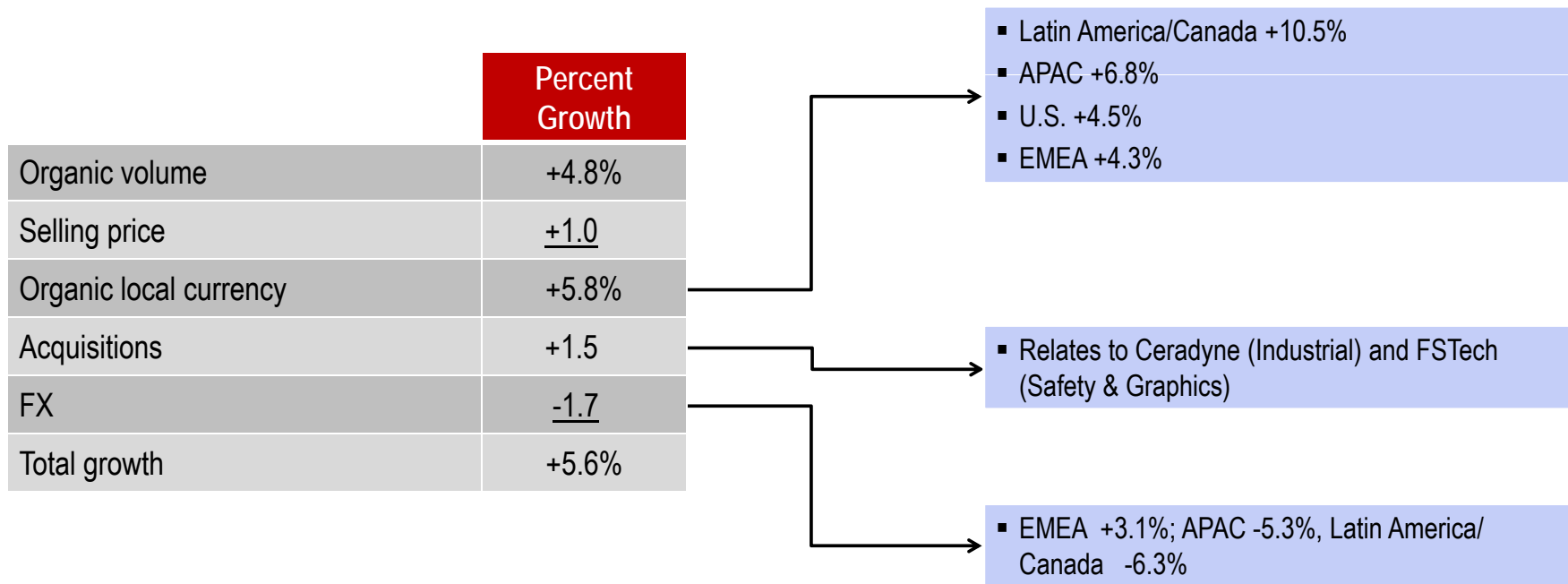
## Q3 2013 Highlights

- Sales of \$7.9 billion, up 5.6% in dollar terms
  - Organic local currency +5.8%
    - Safety & Graphics +8%, Health Care +7%, Industrial +6%, Consumer +4%, Electronics & Energy +4%
    - Latin America/Canada +11%, APAC +7%, U.S. +5%, EMEA (Europe/Middle East/Africa) +4%
    - Developing markets +10% led by double-digit growth in Safety & Graphics, Health Care and Consumer
  - FX reduced sales by -1.7%
  - Acquisitions added +1.5% to sales growth (Ceradyne and FSTech)
- Operating margins of 22.0%, down 0.4 percentage points YOY
  - Operating margins of 22.4% excluding acquisitions
  - All business groups posted operating margins > 20%
- GAAP EPS of \$1.78, up 7.9% YOY
- Returned \$2.0 billion of cash to shareholders via dividends and share repurchases

## Updating Full-Year 2013 Planning Estimates

	Q2 Earnings Call 7/25/13	Today 10/24/13
GAAP EPS	\$6.60 to \$6.85	\$6.65 to \$6.75
Sales growth:		
Organic local currency	+2% to +5%	+3% to +4%
FX	-2.0%	-2.0%
Acquisitions	+1.5%	+1.5%
Tax rate	29% to 29.5%	28% to 28.5%
Free cash flow conversion	90% to 100%	~90%

# Q3 2013 Sales Growth Recap



## Q3 2013 P&L Highlights

(\$M)	Q3 2012	Q3 2013	Change
Sales	\$7,497	\$7,916	+5.6%
Gross profit	\$3,562	\$3,768	+5.8%
% to sales	47.5%	47.6%	+0.1 pts
SG&A	\$1,487	\$1,609	+8.2%
% sales	19.8%	20.3%	+0.5 pt
R&D & related	\$397	\$420	+5.8%
% to sales	5.3%	5.3%	-----
Operating income	\$1,678	\$1,739	+3.6%
% to sales	22.4%	22.0%	-0.4 pts
Net income	\$1,161	\$1,230	+6.0%
Earnings per share	\$1.65	\$1.78	+7.9%

Operating margin of 22.0%, down 0.4 percentage points:

*Growth related:*

*Organic volume* +0.4 pts  
*Price/RMs* +1.2

*Investments:*

*M&A (first twelve months)* (0.4)  
*Strategic investments\*/actions* (0.8)

*Other:*

*FX* (0.3)  
*Med device tax/other* (0.5)

*Net change* (0.4) pts

- FX impacts cost (\$0.04)/share
- Lower tax rate added \$0.02/share
- Lower share count added \$0.03/share

\*Includes global ERP investments which negatively impact all business group's annual operating margins by ~ 30 bps  
 Refer to 3M's October 24, 2013 press release for full details

## Q3 2013 Cash Flow

(\$M)	Q3 2012	Q3 2013	Change	Sept YTD 2012	Sept YTD 2013	Change	
Operating cash flow	\$1,345	\$1,151	(\$194)	\$3,562	\$3,824	+\$262	
Capital expenditures	<u>(\$358)</u>	<u>(\$404)</u>	<u>(\$46)</u>	<u>(\$977)</u>	<u>(\$1,122)</u>	<u>(\$145)</u>	▪ Expecting FY 2013 of \$1.6B to \$1.7B
Free cash flow	\$987	\$747	(\$240)	\$2,585	\$2,702	+\$117	
Free cash flow conversion	85%	61%		75%	76%		• Expecting FY 2013 conversion of ~90%
Dividends	(\$408)	(\$431)	(\$23)	(\$1,228)	(\$1,307)	(\$79)	
Gross share repurchase	<u>(\$327)</u>	<u>(\$1,543)</u>	<u>(\$1,216)</u>	<u>(\$1,490)</u>	<u>(\$3,538)</u>	<u>(\$2,048)</u>	▪ Expecting FY 2013 range of \$4.5B to \$5.0B vs. \$3.5B to \$4.5B prior
Total cash to shareholders	(\$735)	(\$1,974)	(\$1,239)	(\$2,718)	(\$4,845)	(\$2,127)	

Refer to 3M's October 24, 2013 press release section entitled "Supplemental Cash Flow and Other Supplemental Financial Information"



## Industrial

(\$M)	Q3 2012	Q3 2013	Total % Growth
Sales	\$2,462	\$2,674	+8.6%
Organic local currency			+6.2%
Acquisition/divestiture			+4.1%
FX			-1.7%
Operating income	\$568	\$568	+0.1%
Operating margin	23.1%	21.3%	-1.8 pts

- Organic local-currency growth:
  - By business: strongest growth in aerospace, automotive, advanced materials, liquid filtration, automotive aftermarket and industrial adhesives and tapes
  - By area: sales rose in all major geographies, with double-digit growth in Latin America/Canada
- Ceradyne secured an \$80 million order to supply Enhanced Combat Helmets to the U.S. Marine Corps
- Operating margins were 22.2% ex-acquisitions



## Electronics & Energy

(\$M)	Q3 2012	Q3 2013	Total % Growth
Sales	\$1,414	\$1,449	+2.5%
Organic growth			+3.8%
Acquisition/divestiture			-----
FX			-1.3%
Operating income	\$291	\$300	+3.2%
Operating margin	20.6%	20.7%	+0.1 pts

- Organic local-currency growth:
  - By business: sales increased 3% in energy-related businesses led by electrical markets; electronics increased 4% driven by touch systems, optical systems and electronic solutions
  - By area: sales grew in Asia Pacific, Latin America/ Canada and EMEA, and declined in the U.S.
- Awarded U.S. Department of Energy grant for development of battery materials for electric vehicles
- All-time record quarterly sales of ACCR overhead power conductor



## Safety & Graphics

(\$M)	Q3 2012	Q3 2013	Total % Growth
Sales	\$1,357	\$1,448	+6.7%
Organic growth			+8.1%
Acquisition/divestiture			+0.9%
FX			-2.3%
Operating income	\$295	\$315	+7.3%
Operating margin	21.7%	21.8%	+0.1 pts

- Organic local-currency growth:
  - By business: double-digit growth in roofing granules and personal safety followed by strong single-digit growth in commercial graphics and building and commercial services; sales declined in architectural markets
  - By area: sales rose in all major geographies, with double-digit growth in Asia Pacific and Latin America/Canada
- FSTech meeting sales and EBITDA plan YTD; integration completed
- Operating margins were 22.1% excluding acquisitions



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# Health Care

(\$M)	Q3 2012	Q3 2013	Total % Growth
Sales	\$1,259	\$1,328	+5.5%
Organic growth			+6.8%
Acquisition/divestiture			-----
FX			-1.3%
Operating income	\$399	\$426	+6.7%
Operating margin	31.7%	32.1%	+0.4 pts

- Organic local-currency growth:
  - By business: broad-based growth across portfolio led by food safety, health information systems, drug delivery, critical and chronic care and oral care
  - By area: sales rose in all major geographies, with double-digit growth in Latin America/Canada
- Organic local-currency sales increased 14% in developing economies
- Operating income margin net benefit of 100 bps due to gain on sale of a non-strategic asset, partially offset by U.S. medical device tax



# Consumer

(\$M)	Q3 2012	Q3 2013	Total % Growth
Sales	\$1,129	\$1,153	+2.1%
Organic growth			+4.2%
Acquisition/divestiture			-0.2%
FX			-1.9%
Operating income	\$246	\$247	+0.6%
Operating margin	21.8%	21.5%	-0.3 pts

- Organic local-currency growth:
  - By business: sales growth led by consumer health care, home care, stationery & office supplies and DIY
  - By area: sales growth led by Latin America/Canada, Asia Pacific and the U.S. while remaining flat in EMEA
- Good back-to-school and early holiday season sales
- Organic local-currency growth was 10% in developing economies
- Launched several new ScotchBlue™ painter's tapes and Command™ products for use in outdoor applications





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# Q & A

# Appendix



## Business Segment Information

(\$M)	Net Sales		Operating Income		Net Sales		Operating Income	
	Q3 2012	Q3 2013	Q3 2012	Q3 2013	YTD 2012	YTD 2013	YTD 2012	YTD 2013
Industrial	\$2,462	\$2,674	\$568	\$568	\$7,519	\$8,012	\$1,751	\$1,743
Safety & Graphics	\$1,357	\$1,448	\$295	\$315	\$4,165	\$4,318	\$997	\$983
Electronics & Energy	\$1,414	\$1,449	\$291	\$300	\$4,118	\$4,066	\$807	\$733
Health Care	\$1,259	\$1,328	\$399	\$426	\$3,811	\$3,975	\$1,212	\$1,247
Consumer	\$1,129	\$1,153	\$246	\$247	\$3,272	\$3,332	\$710	\$719
Corporate and Unallocated	\$1	\$2	(\$93)	(\$87)	\$4	\$6	(\$355)	(\$249)
Elimination of Dual Credit	<u>(\$125)</u>	<u>(\$138)</u>	<u>(\$28)</u>	<u>(\$30)</u>	<u>(\$372)</u>	<u>(\$407)</u>	<u>(\$82)</u>	<u>(\$89)</u>
Total	\$7,497	\$7,916	\$1,678	\$1,739	\$22,517	\$23,302	\$5,040	\$5,087

