



# 2006 Second Quarter Results

## (Unaudited)

### **Forward-Looking Statements**

This presentation contains forward-looking information (within the meaning of the Private Securities Litigation Reform Act of 1995) about the company's financial results and estimates, business prospects, and products under development 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," and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. Among the factors that could cause actual results to differ materially are the following: (1) worldwide economic conditions; (2) competitive conditions and customer preferences; (3) foreign currency exchange rates and fluctuations in those rates; (4) the timing and acceptance of new product offerings; (5) 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); (6) 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; (7) generating less productivity improvements than estimated; and (8) legal proceedings, including the outcome of pending Congressional action concerning asbestos-related litigation and other 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 Dec. 31, 2005 (the "Report"). Changes in such assumptions or factors could produce significantly different results. A further description of these factors is located in the Report under Part I, Item 1A, "Risk Factors." 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.

# Q2 2006 Highlights

- Sales of \$5.7 billion, up 7.5%
  - Organic local-currency growth of 4.6%; additional 2.6% from acquisitions primarily CUNO
- Reported operating income of \$1.2 billion, down 5.5%
  - Operating income up 2.7% adjusting for year-on-year change in stock options expense and excluding special items\*
  - Operating income margin of 21.5%\* including 1.6% margin impact from expensing of stock options
- Reported EPS of \$1.15, up 19.8%
  - Includes \$0.10 net benefit Q2 2006 vs. \$0.10 charge in Q2 2005\*\*
  - Includes Q2 2006 options expense of \$0.07 vs. \$0.04 in Q2 2005
- Pharmaceutical process update

\* Q2 2006 excludes net \$74 million gain due to the combination of positive benefits from income tax adjustments partially offset by settlement costs of a previously disclosed antitrust class action and costs related to efforts to seek strategic alternatives for the branded pharmaceuticals business.

\*\* Q2 2005 includes \$75 million tax impact from the reinvestment of \$1.7 billion of foreign earnings in the United States pursuant to the provisions of the American Jobs Creation Act of 2004.

Refer to 3M's earnings press release for a complete reconciliation to reported earnings.

# Sales Recap

## Q2 2006 vs. Q2 2005

	<b>WW</b>	<b>U.S.</b>	<b>Int'l</b>
Local Currency*	7.2%	8.4%	6.3%
Volume - organic	4.8%	3.1%	6.0%
Volume - acquired	2.6%	3.5%	1.9%
Price	(0.2%)	1.8%	(1.6%)
Translation	0.3%	--	0.6%
<b>Total</b>	<b>7.5%</b>	<b>8.4%</b>	<b>6.9%</b>

\* Local Currency = Volume + Price

# EPS Reconciliation

## Q2 2006 vs. Q2 2005

	<b>Q2 2006</b>	<b>Q2 2005</b>
Reported EPS*	\$1.15	\$0.96
Anti trust settlement cost	\$0.03	---
Pharma costs	\$0.01	---
One-time tax benefits	(\$0.14)	---
American Jobs Creation Act	---	\$0.10
EPS excluding special items	\$1.05	\$1.06

*Memo: Stock Options Expense, Included in Above Reported EPS	\$0.07	\$0.04
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# P&L Highlights

## Comparison vs. Last Year

(\$ in Millions) Except per share amounts	Q2 2006*	Q2 2005**	Change	Stock Option Impact
Net Sales	\$5,688	\$5,294	7.5%	---
Gross Margin	50.1%	50.8%	-0.7 pts	-0.3 pts
SG&A	22.4%	21.3%	+1.1 pts	+0.4 pts
Op. Income	\$1,224	\$1,244	(1.6%)	(4.3%)
Op. Income %	21.5%	23.5%	-2.0 pts	-0.9 pts
Tax Rate	32.5%	32.2%	+0.3 pts	---
Net Income	\$808	\$829	(2.6%)	(4.1%)
EPS	\$1.05	\$1.06	(0.9%)	(2.7%)

\* Excludes net \$74 million gain due to the combination of positive benefits from income tax adjustments partially offset by settlement costs of a previously disclosed antitrust class action and costs related to efforts to seek strategic alternatives for the branded pharmaceuticals business.

\*\* Excludes \$75 million tax impact from the reinvestment of \$1.7 billion of foreign earnings in the United States pursuant to the provisions of the American Jobs Creation Act of 2004.

Refer to 3M's earnings press release for a complete reconciliation to reported earnings.

# P&L Highlights

## Comparison vs. Last Quarter

(\$ in Millions) Except per share amounts	<b>Q2 2006*</b>	<b>Q1 2006</b>	<b>Change</b>	<b>Stock Option Impact</b>
Net Sales	\$5,688	\$5,595	1.7%	---
Gross Margin	50.1%	51.4%	-1.3 pts	-0.4 pts
SG&A	22.4%	21.1%	+1.3 pts	+0.6 pts
Op. Income	\$1,224	\$1,369	(10.5%)	(5.0%)
Op. Income %	21.5%	24.5%	-3.0 pts	-1.2 pts
Tax Rate	32.5%	32.7%	-0.2 pts	---
Net Income	\$808	\$899	(10.1%)	(4.4%)
EPS	\$1.05	\$1.17	(10.3%)	(4.4%)

\* Excludes net \$74 million gain due to the combination of positive benefits from income tax adjustments partially offset by settlement costs of a previously disclosed antitrust class action and costs related to efforts to seek strategic alternatives for the branded pharmaceuticals business. Refer to 3M's earnings press release for a complete reconciliation to reported earnings.

# P&L Highlights

## YTD 2006 vs. YTD 2005

(\$ in Millions) Except per share amounts	YTD 2006*	YTD 2005**	Change
Net Sales	\$11,283	\$10,460	7.9%
Gross Margin	50.7%	50.7%	---
SG&A	21.7%	21.7%	---
Op. Income	\$2,593	\$2,397	8.2%
Op. Income %	23.0%	22.9%	+0.1 pts
Tax Rate	32.6%	31.9%	+0.7 pts
Net Income	\$1,707	\$1,600	6.6%
EPS	\$2.22	\$2.03	9.4%

\* Excludes net \$74 million gain due to the combination of positive benefits from income tax adjustments partially offset by settlement costs of a previously disclosed antitrust class action and costs related to efforts to seek strategic alternatives for the branded pharmaceuticals business.

\*\* Excludes \$75 million tax impact from the reinvestment of \$1.7 billion of foreign earnings in the United States pursuant to the provisions of the American Jobs Creation Act of 2004.

Refer to 3M's earnings press release for a complete reconciliation to reported earnings.

# Q2 2006 Segment Results

(\$ in Millions)	Sales	Local Currency % Change vs. Q2 2005	Operating Income	Op. Inc. % Change vs. Q2 2005	Stock Option Impact on Op. Inc. % Change
Industrial & Transportation	\$1,690	11.0%	\$321	2.8%	(3.2%)
Health Care	\$1,000	4.1%	\$270*	(5.0%)*	(3.9%)
Display & Graphics	\$912	6.5%	\$241	(13.0%)	(3.3%)
Consumer & Office	\$786	4.6%	\$121	(11.1%)	(4.2%)
Safety, Security & Protection Services	\$653	8.3%	\$145	(1.6%)	(3.7%)
Electro & Communications	\$632	6.1%	\$123	7.0%	(4.3%)

\* Excludes \$9 million of costs related to efforts to seek strategic alternatives for the branded pharmaceuticals business.

Note: Refer to 3M's earnings press release for a complete reconciliation of total sales growth between local currency and translation.

## Balance Sheet & Cash Flow

(\$ in Millions)	<b>Q2 2006</b>	<b>Q2 2005</b>	<b>Q1 2006</b>
Net W/C Turns	5.2	5.6	5.4
Inventories	\$2,557(a)	\$2,020	\$2,379(a)
Receivables-Net	\$3,171(a)	\$2,951	\$3,105(a)
Cap-ex	\$261	\$217	\$190
Free Cash Flow	\$539	\$937	\$428
Dividends Paid	\$348	\$323	\$347
Share Repurchases	\$527	\$514	\$251

(a) Includes acquired inventories of \$67 million, receivables-net of \$105 million as of June 30, 2006 and inventories of \$63 million, receivables-net \$102 million as of March 31, 2006.

Note: Refer to 3M's earnings press release for discussion concerning net working capital turns and free cash flow (non-GAAP measures).

# EPS Guidance

## Q3 2006

- Local-currency up 4% to 8%
- \$1.10 to \$1.15 per share
- Includes \$0.04 option expense vs. \$0.02 in Q3 2005

## 2006 Full Year\*

- Local-currency up 5.5% to 8.0%
- \$4.55 to \$4.65 per share
- Includes \$0.17 options expense vs. \$0.14 in 2005

\*Includes net \$74 million gain due to the combination of positive benefits from income tax adjustments partially offset by settlement costs of a previously disclosed antitrust class action and costs related to efforts to seek strategic alternatives for the branded pharmaceuticals business.