
An Emerging Strategy for Growth

George W. Buckley

Chairman, President and Chief Executive Officer

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Forward-Looking Statements

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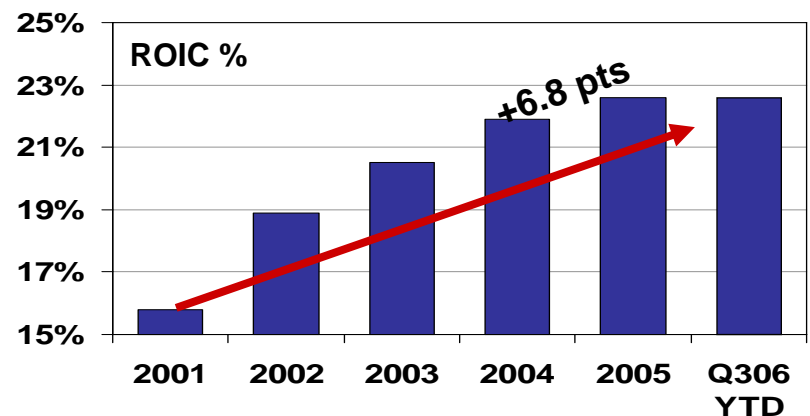
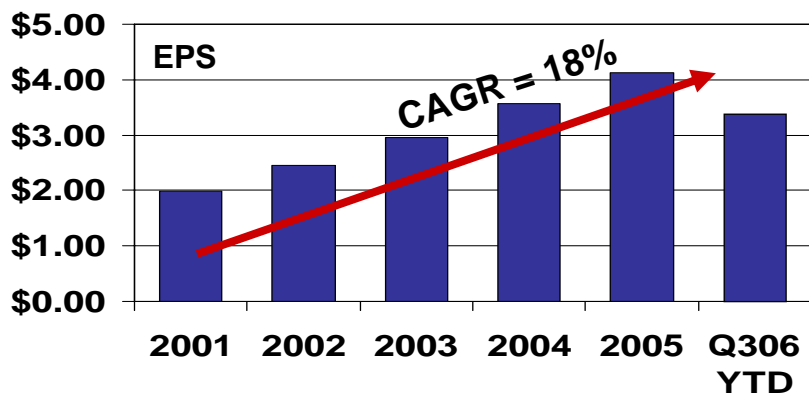
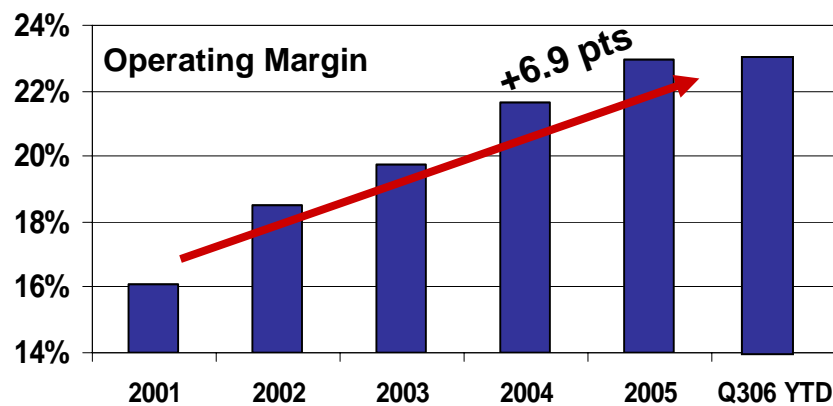
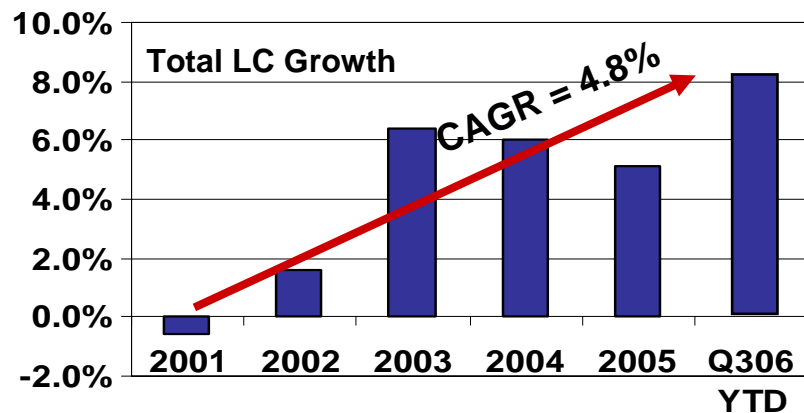
Topics We Will Address Today

- 1 Historical performance
- 2 Continued commitment to operational excellence
- 3 How we will achieve sustainable growth
- 4 Summary – bringing it all together

Plans to Drive Higher Earnings & P/E

Historical Performance

Total LC Growth, Margins, EPS & ROIC

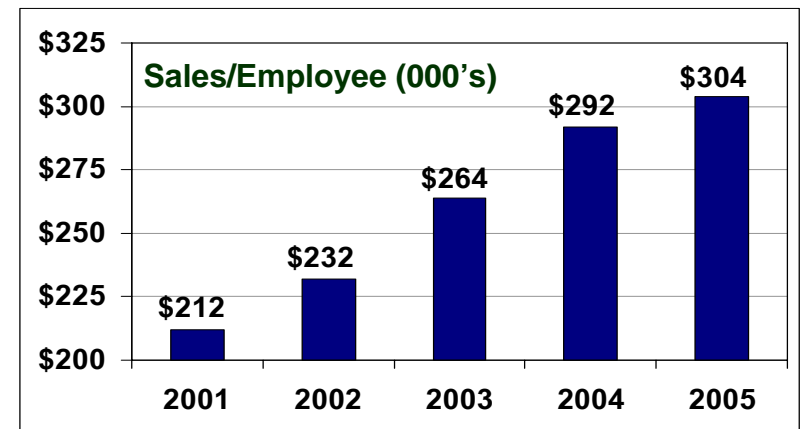
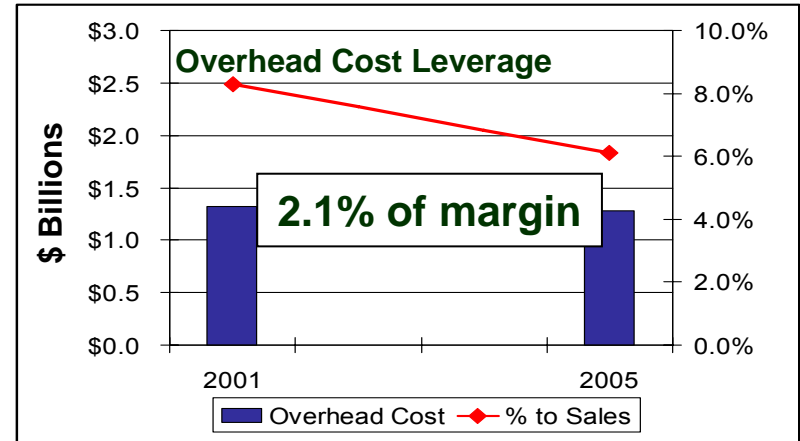


Leveraging Volume, Productivity, Mix and Fixed Costs to Maximize Profitability

Continued Commitment to Operational Excellence

Productivity - Cost Out & Leverage

- ▶ > 55,000 total employees trained in Six Sigma
- ▶ > 20,000 projects closed
- ▶ > 15,000 projects underway globally
- ▶ Lean methods being added to the Six Sigma toolbox
- ▶ Systemic areas of supply chain and working capital our next target area



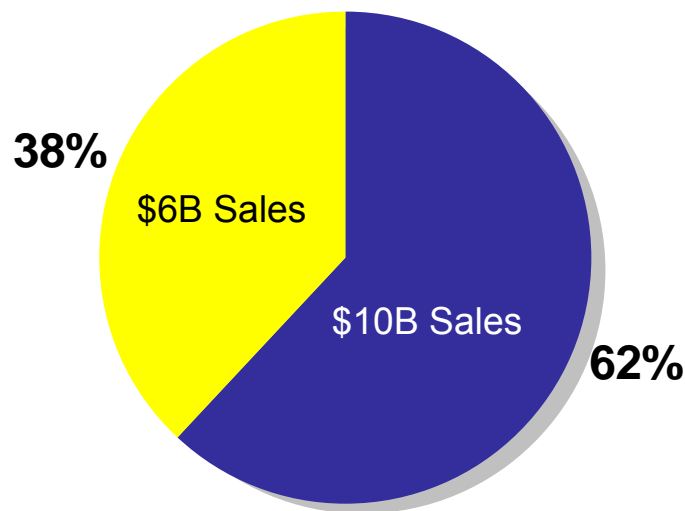
Initiatives Contributed > \$400MM Per Year Improvement

Gradually Improving Our Sales Mix

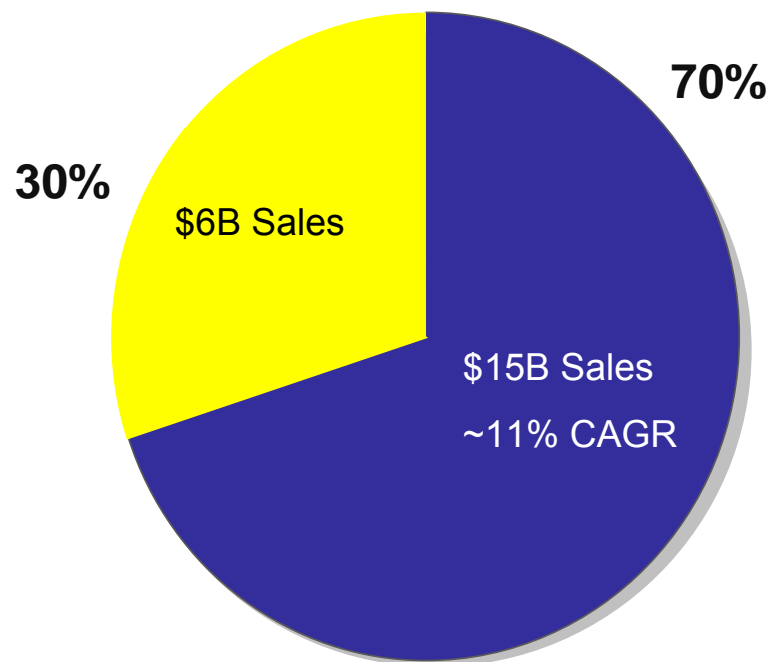
■ Margin > Corp. Avg.

■ Margin < Corp. Avg.

2001



2005

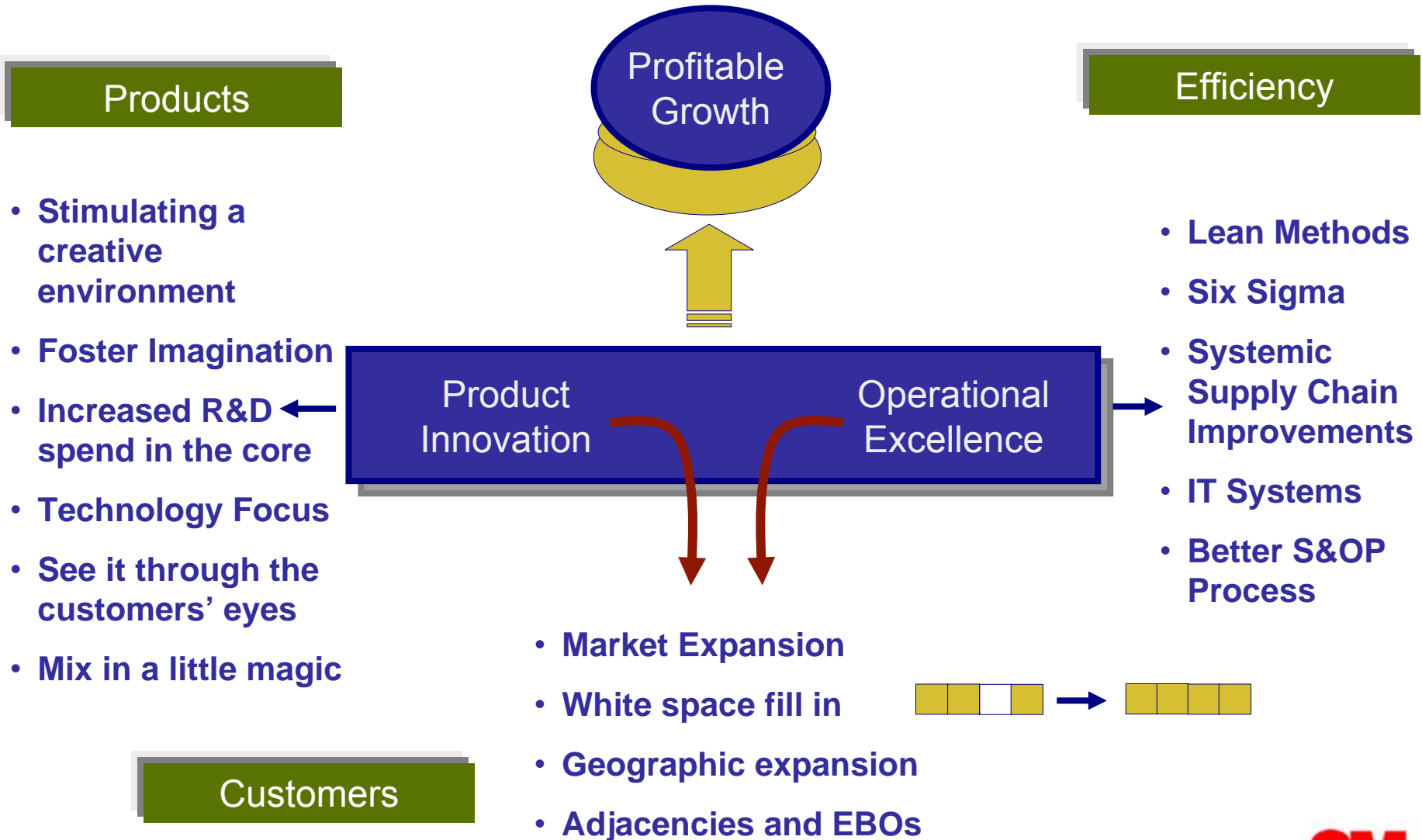


**High Margin Sales Growth + Productivity Gains =
Quality Earnings Growth**

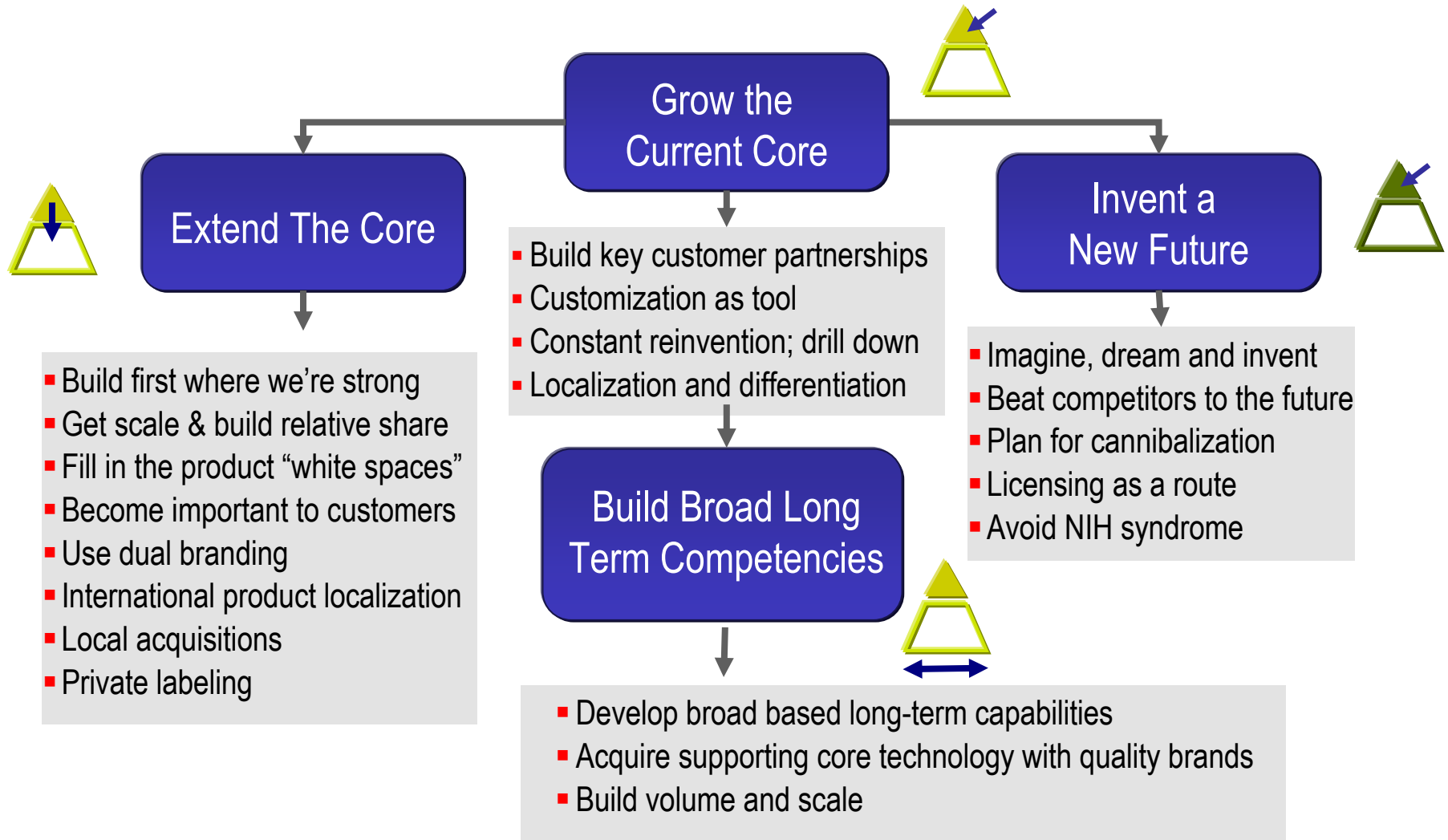
**But Sustainable Growth Is The Biggest
Single Assured Value Creator**

So How Do We Intend To Grow?

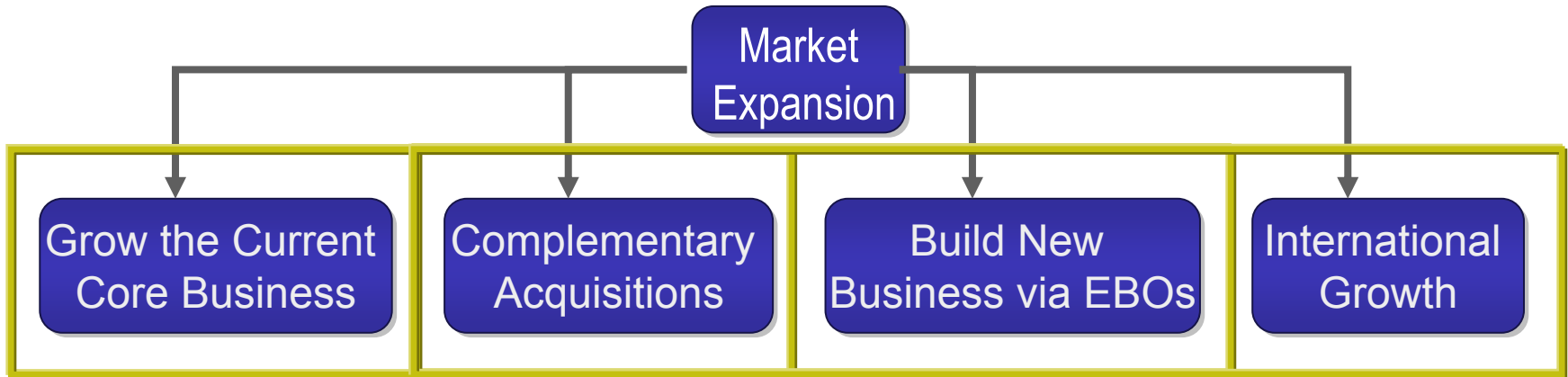
First You Must Create the Environment for Growth



Start By Growing The Current Core



And Then Extend It With Simple Concepts



- Defend and extend the core
- Build scale
- Build relative share
- Emphasize localization
- Disruptive technologies
- Build long term competency

- Follows core strategy
- Supports adjacencies
- Mostly tuck-ins

- Adjacency Mega Trends
- Seeded by small M&A
- Electronics and software
- Targeted areas
 - RFID/Wireless/GPS
 - Minerals extraction
 - Oil & Gas
 - Food safety

- BRICP
- Eastern Europe
- Western Europe
- Japan
- Australasia
- Growth everywhere

Customer Focus Critical on All Four Fronts

Growth Needs To Be Built On A Firm Foundation

How We Compete Six Competitive Platforms

- 1 **Cost** .. The ultimate competitive deadly weapon
- 2 **Technology and innovation** ... Being better than the competition
- 3 **Distribution** ... Securing the best in the world
- 4 **Customer service** ... Built on a foundation of high quality
- 5 **Marketing and brand management** ... just being better
- 6 **People** ... Leading, training and motivating our people better

Using Differentiated Brands & Technology to Grow Our Market

Industrial



Diamond Grade™



3M

Principal brands and differentiated features

Consumer



High Intensity Grade



KOYOTE
LIFE'S TOO SHORT

Use Secondary Brands / Technologies

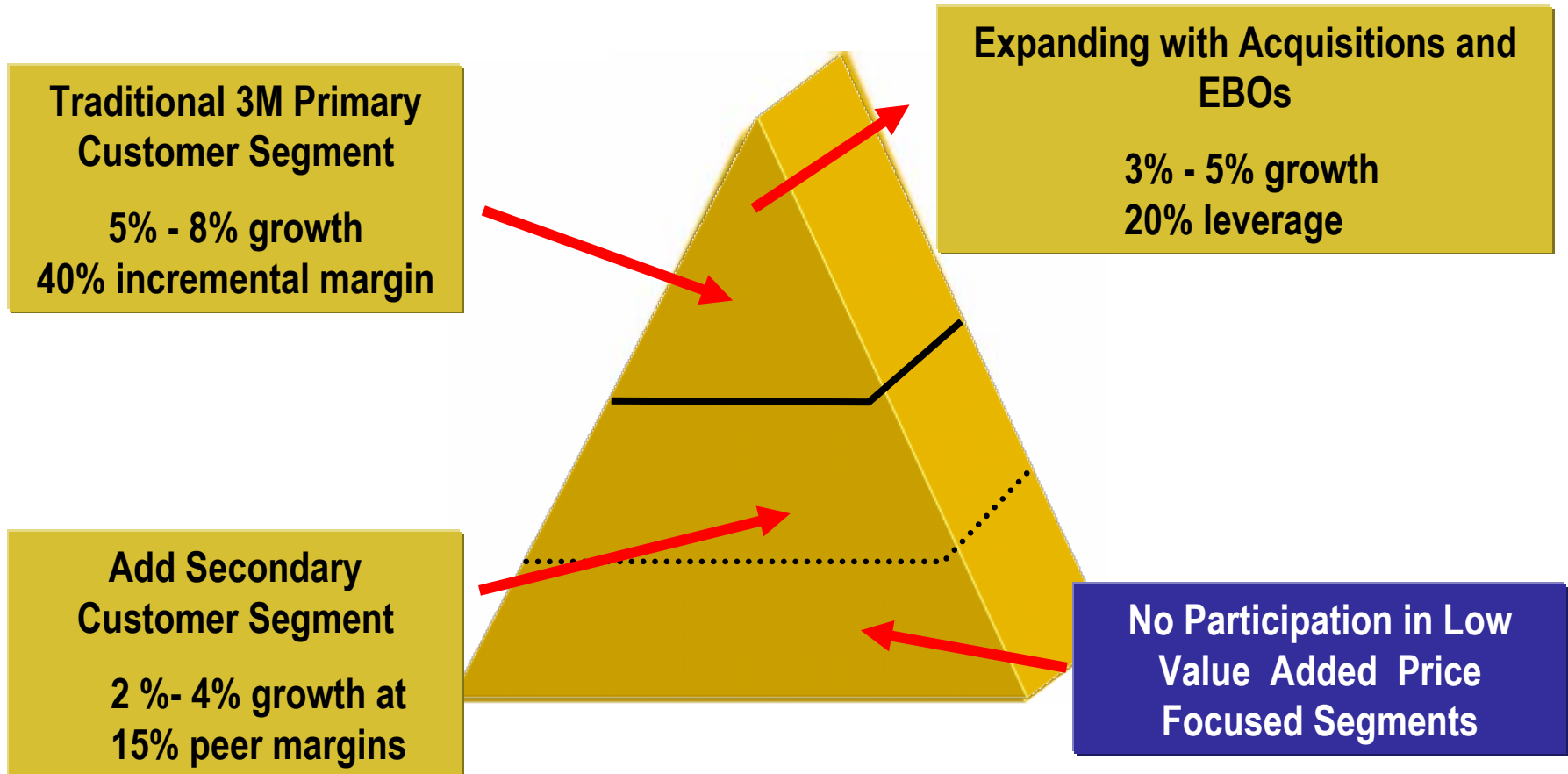


Engineering Grade

Selective private labeling or manufacturing JVs to support partnership customers



Customer Value Enhancement Leveraging Brands and Improving our Presence



International Expansion Occurs in All Three Dimensions

Near-Term Organic Local Currency Growth Targets

	Organic LC* Target	Last 4 Qtr. Avg.
Industrial and Transportation Business	5-8%	4.5%
Health Care Business (ex. Pharma)	6-8%	6.5%
Display and Graphics	8%+	8.7%
Consumer and Office	5-8%	4.7%
Safety, Security and Protection Services	8%+	11.2%
Electro and Communications	5-8%	6.9%
3M	5-8%	5.9%

*Local Currency Sales Growth = Volume + Price

Strong Contributions Across the Portfolio

M&A Strategy

Strategic Intent

- ▶ Fits tightly defined strategic needs in the core or near adjacencies
- ▶ Majority will be bolt-on acquisitions placed in markets we understand
- ▶ Channels of distribution will be familiar
- ▶ The acquisition may bring technology, market access or scale
- ▶ International acquisitions will mostly be aimed at gaining market access
- ▶ While top brands are preferred, some will be appropriately chosen secondary brands

Economic Needs

- ▶ Margin dilutive acquisitions will contribute to positive value creation through higher growth
- ▶ Price will always be a factor
- ▶ Tail liabilities will be scrutinized
- ▶ EPS accretive or neutral end of year 1 exc. purchase accounting
- ▶ Majority of acquisitions will be EP accretive by the end of year 3

Stepped Up M & A Activity in 2006

Display & Graphics



Electro & Communications



BIOTRACE
LITE YEARS AHEAD

Healthcare



Safety, Security, & Protection Svcs



Industrial & Transportation



Acquired Annual Sales of \$350MM- \$400MM
at an Investment of \$500MM-\$600MM

Consumer & Office



EBO Adjacencies

“EBOs” are Emerging Business Opportunities used to drive faster growth

Concept

- ▶ Enhanced focus on emerging business opportunities with high growth
- ▶ Concept used where capability exists with ready adjacencies but no current focus

Initial EBO Candidates

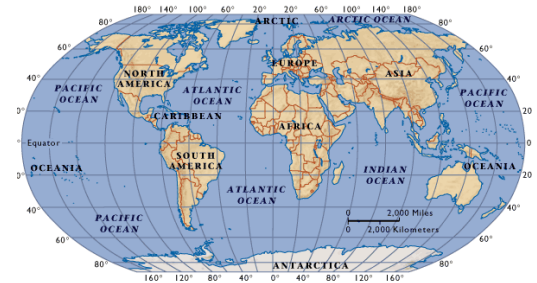
- 1 Filtration
- 2 Track & Trace
- 3 Energy & minerals extraction
- 4 Food Safety

Methodology

- ▶ Collect all related activities into a single entity
- ▶ “Housed” in a Segment
- ▶ Leader reports directly to the EVP
- ▶ Acquisitions and additional resources provide support
- ▶ Growth and speed are the focus

The Opportunity of International Growth

- ▶ International growth rates 2X – 3X US
- ▶ 61% of 3M sales are outside the United States today, \approx 70% in 2011
- ▶ Focus is on BRICP; double investments there
- ▶ China growing \approx 35% CAGR, expecting circa \$1Bn sales in 2006
- ▶ India growing at 40%+ CAGR
- ▶ Double digit growth rates in E. Europe and LA
- ▶ W. Europe grows faster on localization strategies
- ▶ Acquire local brands and manufacturing as well as organic expansion



Summary- Bringing it all Together

Coordinated Value Creation Strategy

Strategy ▶ Focus on mega trends, scale and relative share in core business

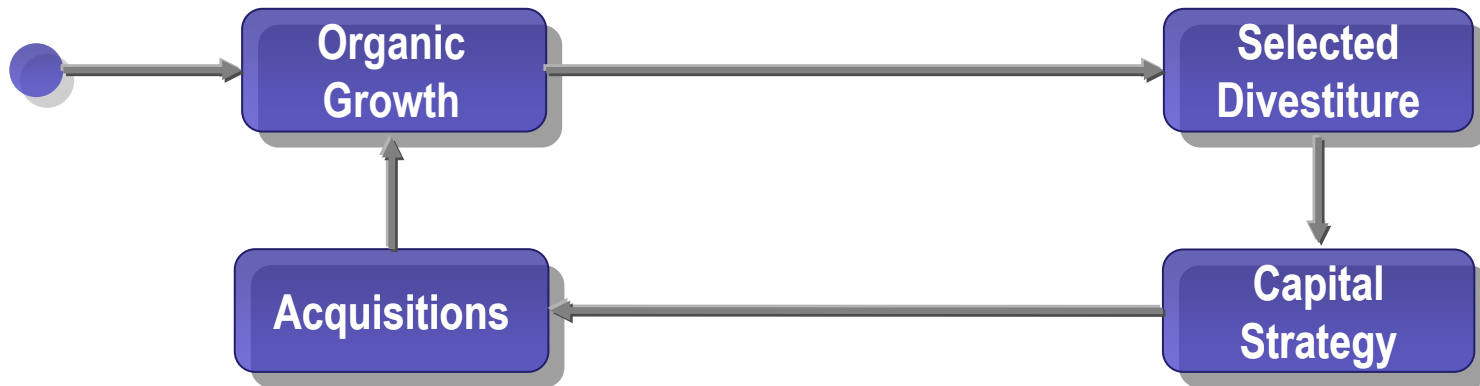
Near Term Tactics

- ▶ Safety & Protection
- ▶ Medical, Dental & Orthodontics
- ▶ Display & Graphics (Optics & Films)
- ▶ Track & Trace (RFID/Wireless/GPS)
- ▶ Wider Offerings; White Space

Strategy ▶ Review business units by key metrics including growth and capital efficiency

Near Term Tactics

- ▶ Put ongoing review metrics in place
- ▶ Divestiture of Pharmaceuticals
- ▶ Examine others for divestiture



Strategy ▶ Work in high growth spaces with reasonable EPS targets. Value creation orientation. Less margin obsessive

Near Term Tactics ▶ Focus on adjacent segments with higher growth, cost and revenue synergies

Strategy ▶ Increase leverage on the balance sheet. Be willing, if necessary, to dip below AA rating to A

Near Term Tactics ▶ Use cash flow for investment, acquisitions and share buybacks

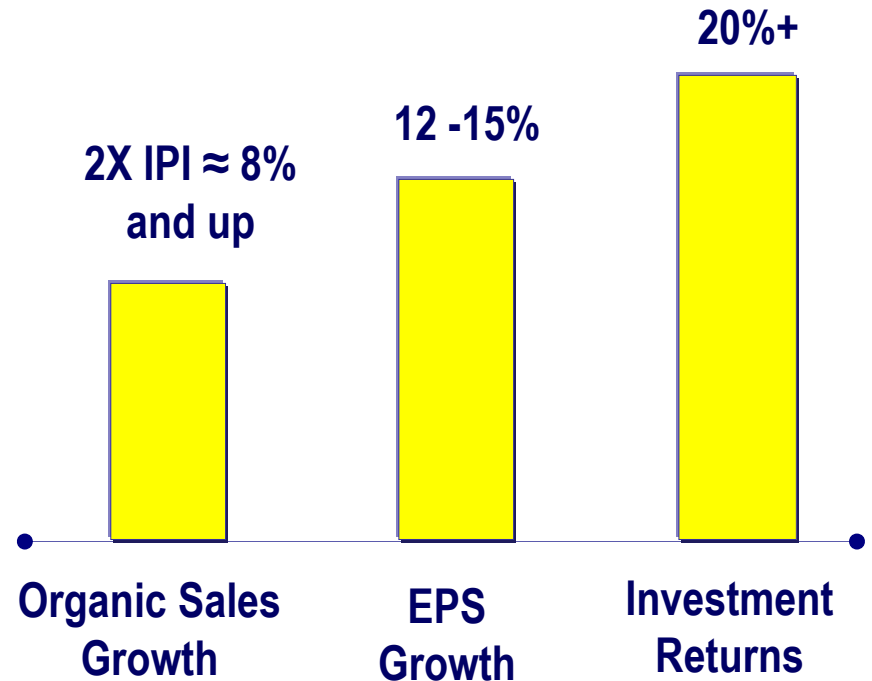
Balanced Model Approach To Increase Shareholder Value

- 1 Investing in traditional core markets
 - Local-currency growth of 5% to 8%
 - Operating income growth 10%+
- 2 Intelligently pursuing additional growth elsewhere in the pyramid
 - Additional local-currency growth of 2% to 4%
 - At peer margins – as a minimum
- 3 M&A strategy to improve core growth and fill gaps
 - Aligned with strategic intent
- 4 Increased share repurchase authorization

Higher Growth - Higher Earnings - Higher P/E

3M's Summary Longer Term Strategy

- ▶ Drill into the core. Move towards scale where markets are large
- ▶ Move towards higher relative share in smaller markets
- ▶ Heavy up on globalization
- ▶ Technology remains part of who we are
- ▶ Careful tradeoffs of share and growth to maintain value creation momentum
- ▶ Building on brands, technology, people, service & distribution



- ▶ Technology lattice protects the downsides and ensures upsides
- ▶ Investment through the economic cycles
- ▶ Driving growth as a way of doing business

3M