Matt Ginter – Introduction and Safe Harbor

Good morning, this is Matt Ginter, head of investor relations for 3M, and I would like to welcome to all investors and analysts to our first quarter 2008 business review.

You will find this morning's presentation on our investor relations website at 3M.com. These slides will remain on the site, along with an audio replay of today's call, for an extended period of time.

Please take a moment to read the forward looking statements on slide 2. During today's conference call, we will make certain predictive statements that reflect our current views and estimates about our future performance and financial results.

These statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties.

Item 1A of our most recent form 10K lists some of the most important risk factors that could cause actual results to differ from our predictions.

I also wanted to mention that our annual investor day meeting, which will be here in St. Paul, will take place on September 9th. More details will follow.

George Buckley, our CEO, and Pat Campbell, our CFO, will both make some formal comments today, and then we will get to your questions.

Today is a busy day as many companies are reporting earnings, so we will do our best to keep the call to about one hour. You can help us during the Q&A by limiting yourself to one question and one follow-up, so that all questions can be fully addressed.

So now please go to slide number three, and I'd like to turn the program over to George.

George W. Buckley – Q1 Overview

Thanks, Matt.

Today I'll give you my views on the quarter, along with some comments on the rest of the year.

In an uncertain economic environment like we are experiencing today, we are particularly blessed by the global presence and strong, diverse portfolio that 3M has developed over the years. The investment we have been making in new products, acquisitions and particularly in strengthening the core is paying off handsomely and it is these factors which have allowed us to do so well, even as we deal with the weak US economy and face the challenges of our LCD based optical films business.

So first, and right up front, I should like to reaffirm our 2008 goal of EPS growth of 10 percent or more.

The quarter was a tale of four principal factors:

> Excellent performance in four of our six reporting segments…
>
> Slowing US growth, as evidenced by slower performance in our Consumer and Office business…

Superb international performance… and

Continued slowing of, and margin compression in, the optical films business

Overall we had good results, with sales up 9%, bolstered somewhat by FX, and EPS up 8%. And we maintained margins at about 20% or better in all of our businesses – even as we continue to invest in R&D, additional sales presence, a more efficient supply chain and in acquisitions.

It will surprise nobody that we saw our Consumer and Office segment slow in Q1 as it finally mirrored the experiences seen by US retailers and other suppliers into that market. But we have clearly been taking market share in many important product categories.

As companies in the US cut back, in banking, in airlines, in brokerages.... and with the contraction in residential construction, people are naturally buying less of these types of products. The US economy, as we see it from our Consumer and Office perspective, continues to be slow in the end markets.

Net sales in the Consumer and Office Business were up 2.6%, while local currency sales were down 2.5%. Margins held in at ~ 20%, but we must expect that the consumer and office market will continue to be weak in the second quarter and likely it will persist throughout the balance of 2008. Performance was helped by continuing improvements internationally. I think that, given the tough US market challenges, this was still great performance by the C&O team. We may see some improvement as the current inventory corrections finish, but we don't expect this to be transformational.

Our Industrial and Transportation business saw nothing less than stellar performance. Sales were up 17% and profits were up ~ 15%, with margins coming in at 22.6%. This great performance went right across the entire Industrial and Transportation sector. Like many other parts of our business, it has underscored the wisdom of our "invest in... and extend the core" strategy. Along with international growth through our localization initiatives there, this focus on the core has been the primary reason we have been able to do so well in these tough market conditions. Pat will give you more details in a few minutes.

Health Care performance was also strong. Sales were up 12%, operating income was up nearly 20%, and margins approached 30%. New products continue to reinvigorate the product portfolio of health care. For example, we plan to release our digital dentistry system in higher volumes as the year progresses. Health care will continue to be one of the segments receiving targeted investments.

In Safety, Security and Protection Services, the focus on the core businesses is also paying off there. For the quarter, we saw broad-based growth in respiratory products, window films, corrosion protection and track-and-trace solutions. Sales were up >13% in Q1 and profits were up 12%.

We have been building this business steadily over the past two to three years. Even with contraction in the Industrial Minerals business and no X factors to drive sales, we've done well. The future looks very bright in this business and the acquisition of Aearo, which will significantly expand our occupational health and personal safety lines, received final European regulatory clearance and closed on April 1st. Our support of security agencies around the world also gathers strength.

Our Electro and Communications business continues to do well also. Sales were up more than 9% and profits were up over 13%. Overall, E&C showed great growth all around the world. New products, both those developed in house, and acquisitions, are driving that growth. We are seeing increasingly strong demand now for our ceramic core reinforced high voltage overhead wire product and it is swinging to profit now, albeit small for now. We achieved this performance despite significant end of life contraction in flex circuits for ink jet printers.

Display and Graphics was clearly our biggest challenge in the first quarter. Sales fell by 6% and earnings by 37%, largely because of significantly weaker dollar volume in the optical films business, which overshadowed solid performances by Commercial Graphics and Traffic Safety.

As we outlined for you in December, our mission in optical is very straightforward.

- First, we are establishing stronger working relationships with our customers – much as we did when we first built this business over a decade ago. By reconnecting with them, we will more clearly understand their needs as we provide them the solutions they need in a fast-changing, technology driven marketplace.
- Second, we are vigorously driving out costs and introducing new, cost-competitive films to deliver better value to our customers.
- Third, we continue to strive toward a profitable and sustainable business in a market with explosive growth potential.

To drive this mission, we have installed new leadership in the Optical Systems Division. The division is now managed by Jim Bauman, who formerly led the improved performance in our Automotive OEM business. In addition, we have in place new technical and manufacturing leadership. Importantly, we have moved the division headquarters to Asia to be closer to our customers and close to the rapid innovation and change that is taking place in the set and panel manufacturers in this incredibly fast moving industry.

Over the last year or two we have talked a great deal about the rapid rate of change in this market. The first quarter was no exception – if anything, it was surprising how quickly the market moved towards commoditization in the quarter. These challenges will likely extend throughout 2008 as the flat panel TV market continues to transition to commodity products. We enjoyed the growth in this business, and now we are managing it as a transition to a business much more like the rest of 3M.

But please keep in mind that this is still an enormous market with enormous potential for those who can get the cost and product structure right – as we are doing. We are in the field sampling many new lower-cost products that should win new converts. So despite being in transition, optical films remain a very good business for 3M – a business with both good growth potential and operating margins comparable to those of the rest of the company.

A piece of good news in this general optical area is the strong interest we are getting for our new mini projector with applications in many new areas. Because of the rapid movement in these markets, in a break from tradition, it is our intention to license this technology openly, widely and quickly. It's in its very early days for this product, and we are hoping that it will very quickly become a fine contributor to 3M's overall portfolio.

So, to keep things in proper perspective, we have very positive performance across our portfolio. Four of our six businesses are achieving double-digit profit growth, and one is a little softer, as expected – a true testament to the power of 3M's diversity and its recent investments. As I mentioned earlier, we are especially grateful for the 3M business model in times like these.

Like all manufacturers, we are combating significant upward pressure on commodity prices, transportation charges and energy costs. This has put pressure on gross margins which we are fighting hard to resist. However, as you will see from Pat's charts later, the reduction in gross margin is all attributable to Optical. However, as you can imagine, we are designing products that substitute lower cost alternatives …. which takes time to do ….and we are taking price increases wherever we can. Continued operational excellence is vital in these environments and our focus on lean manufacturing, faster web speeds, better sourcing and yield improvements are the keys to success.

Our balance sheet remains very strong and we have just posted our 50th consecutive annual dividend increase and our pension plans remain well funded at around 100%. This gives us enormous flexibility on where to deploy resources. The supply chain initiative continues at a steady pace, with no hiccups in the transition.

Just as our diverse portfolio contributed to our success in the quarter, so, too, did our international strength. In the first quarter, two-thirds of our sales were from international and grew by 13%. China, Russia, India, the Middle East and Eastern Europe are all growing between 15 and 30% annually, and we are very encouraged by the acceleration of growth in Latin America over the past year.

We see this Latin American region as a major opportunity for growth. It's politically and economically stable, friendly to the US and right in our figurative back yard. In 2007, sales were $1.7 billion which is larger than China for now … and growing in the teens of percent with margins well over 20%.

Absent the impact of declines in optical, the base business in all International markets remains surprisingly strong across the world. We have an unequaled global team and presence and they are hitting on all cylinders.

In summary, challenges in optical systems and in the U.S. will be offset by other areas which are performing even better than expected.

We are staying on the course of growth, prudently investing in our core and near adjacencies, and in acquisitions. International will continue to be a positive factor overall for us. And as always, should the need arise, we will cut our cloth according to the size required.

So now, I'll end where I began: our geographic and market diversity enable us to reaffirm the 2008 EPS target of 10 percent or more, despite the challenges we face.

So now I'll hand the call over to Pat for Q1 detail

<u>Patrick D. Campbell – Sales and EPS</u>

Thanks George and good morning everyone. Please turn to slide number 5.

All information in today's presentation excludes special items. Recall last year's first quarter earnings-per-share of $1.85 included net gains of $422 million, or $0.57 per share, from the sale of the company's branded pharmaceuticals business in Europe, net of other various special items. Excluding special items in Q1 2007 earnings-per-share was $1.28. There were no special items in the first quarter of 2008.

As George pointed out, we continued our trend of quarterly records for sales, operating income and earnings-per-share in the first quarter. Sales were up 8.9 percent to $6.5 billion dollars led by Industrial and Transportation, Safety, Security and Protection Services, Health Care and Electro and Communications businesses. Local currency sales were up 3 percent in the quarter.

Looking at the company geographically, internationally, we drove broad-based growth overseas, with double-digit sales growth in Europe, Latin America, Canada and Asia Pacific excluding optical.

Operating income was $1.5 billion, an increase of 3.6 percent over the same quarter last year, with four of the six business segments achieving double-digit operating income increases.

Operating income margin was 23.2 percent as all six businesses delivered 20 percent or so plus margins in the quarter.

First quarter earnings were $1.38 per share for an increase of 8 percent.

Currency has gone in our favor for some time, and the first quarter was no exception. We benefit, perhaps more than your typical multinational, because of our significant international footprint. 2/3 of our first quarter sales occurred outside the US, with an even larger percentage of profits.

Currency added about 6 points to sales growth in the quarter, and an estimated 7 cents to earnings per share. The earnings impact is indeed an estimate as it picks up the positive elements of a weak dollar, it does not pick up the higher commodity prices we are feeling related to dollar-denominated commodities. So the true net earnings impact would be muted somewhat. In addition, as we have previously explained, we proactively manage currency gains to the extent we can. We have committed to deliver 10%-plus EPS growth in good times and bad, and when currency is a tailwind, we work to invest the excess to ensure a predictable stream of future earnings and thus improving long-term shareholder value.

Overall, I am pleased that we were able to deliver these results despite a very difficult U.S. market place, the softening optical business and record level commodity prices. As we pointed out to you previously, we expected Q1 to be our toughest comparison of the year due to our almost perfect performance in last year's first quarter.

<u>Patrick D. Campbell – P&L Comparison Vs. Last Year</u>

Please turn to slide 6 for an in-depth review of the first quarter performance versus the same quarter last year. All information on this slide excludes special items.

The story around the P&L this quarter needs to be separated into two pieces, optical and the rest of the company. As you can see at the far right of the chart, excluding the impact of optical, gross margins and operating income margins would have been better than last year so our broad based portfolio continues to perform as anticipated. Sales would have been up 11 percent and operating income would have been up 12.2 percent.

Optical on the other hand saw their operating income halved from last year, with a sales reduction of 16 percent, which results in the decline of margins, but still well within out guided margin range for the year.

As I previously mentioned, we delivered all-time record quarterly sales, operating income and earnings in the first quarter. Now including optical, first quarter sales increased 9 percent boosted by currency translation effects with operating income up 3.6 percent and earnings-per-share increasing nearly 8 percent.

Net interest expense was $25 million, up $15 million year-on-year, primarily due to higher debt balances.

And finally, the first-quarter tax rate was 31.8 percent, a decline of 1.4 percentage points versus the same quarter late year. This decline in the tax rate is consistent with our stretch goal of reducing our tax rate by 1 percent per year.

<u>Patrick D. Campbell – P&L Comparison Vs. Last Quarter</u>

The P&L on a sequential basis is found on slide number 7 and reflects solid performance in several categories.

Sales were up 4.1% versus the fourth quarter of last year. We kept SG&A relatively flat versus last quarter and SG&A spending declined 1.7%. With four of our six businesses delivering positive sequential growth, we leveraged this increase to a 16.3% operating income improvement.

Operating margins improved by 240 basis points sequentially, driven by a combination of strong sales in our emerging and developed international markets and outstanding operational discipline.

On a sequential basis, net income and earnings-per-share increased 14.5% and 16.0%, respectively.

Patrick D. Campbell – Sales Recap

Now let's break down the components of sales growth for the quarter. Please turn to slide number 8.
On a worldwide sales basis, we grew 8.9 percent in U.S. dollar terms, with international up 13 percent and the U.S. up 1.6 percent. First quarter organic volumes were up 1.6 percent while selling prices declined by 30 basis points and acquisitions added 1.7 percent of growth. Selling prices were negatively impacted by 1.1 percent due to price reductions in our optical film business in the quarter. Globally, we are aggressively pursuing price increases where we can to help offset record level commodity price inflation. Global revenue growth was boosted by foreign currency to the tune of 6 percent in the quarter.

Internationally local-currency sales were up 3.4 percent versus same quarter last year. Organic volumes increased 3.9 percent as 5 of 6 business segments posted positive local currency growth. Selling prices declined 1.4% driven by a 13 percent decline in optical. Excluding the impact of optical, international selling prices increased 30 basis points. Acquisitions added an additional 90 basis points of growth in the quarter. Regionally local currency growth was led by Latin America at 15 percent followed by Canada at 7 percent and Europe at 3 percent. The Asia Pacific region delivered 0.8 percent local currency growth in the first quarter, which was negatively impacted by an 18 percent decline in the optical film business. Excluding optical, local currency growth in Asia Pacific was 8.0 percent versus last year.

As many others have already reported, growth in the United States was more difficult due to the slow economic conditions with total local currency growth of 2.0 percent. Organic volumes declined 2.8 percent while selling prices and acquisitions added 1.7 percent and 3.1 percent respectively. First quarter business segment performance was a tale of two stories. On the positive side, we saw strong growth of 13 percent in our Industrial and Transportation business, 7 percent in Electro and Communications and 3 percent in Health Care. This growth was offset by sales declines of 9 percent in Consumer and Office, 5 percent in Display and Graphics and 4 percent in Safety, Security and Protection Services.

Patrick D. Campbell – Business Results

Please turn to slide 9 for a review of our Industrial and Transportation business. This is our largest segment, representing about 1/3 of 3M sales, and in the first quarter its revenues grew faster than any other business. It was truly a remarkable quarter for this team.

First-quarter sales in this segment grew 17.1 percent to $2.1 billion. In local-currency terms, sales increased 9.6 percent including a 4 point boost from acquisitions. Our efforts to reinvigorate 3M's core is paying off in spades here, in fact all of our largest core industrial businesses – including abrasives, industrial adhesives and tapes, automotive aftermarket and automotive OEM – each drove double-digit sales growth in the quarter, along with personal care products, aerospace and our oil and gas market initiative.

Throughout 2007, we stepped up our investment in this business to strengthen our already-unrivaled portfolio of core technologies. Through increased R&D and a number of bolt-on and complimentary acquisitions, we have begun to transform our tapes, abrasives and adhesives businesses into a legitimate growth engine for the company. And we are extending the core by expanding into fast-growing adjacencies such as professional abrasive power tools and solar energy solutions.

In our market-leading Automotive Aftermarket division, which supplies technology-based solutions to autobody repair shops around the world, growth was driven largely by abrasives, masking and refinishing products. We have also effectively reinvented our abrasives division in the past year, driven by special application products for dozens of industries including marine, aerospace, wood and metalworking and automotive OEM.

Geographically, we saw outstanding double-digit growth in every region worldwide, including the United States, with growth led by Europe. We are driving added market penetration in emerging economies as our industrial business continues to make significant investments in China, India, Poland and Brazil.

First-quarter operating income in Industrial and Transportation was $472 million, up 15.2 percent, with operating margins of 22.6 percent.

Please turn to slide 10 where you will find the first quarter highlights for our Health Care business which is a leading provider of medical, dental and orthodontic products along with drug delivery and health information systems.

Health Care extended its stellar 2007 performance into the first quarter of 2008. Local currency growth including acquisitions was 5.9 percent in the quarter, virtually all organic. Three of our Health Care divisions drove double-digit sales growth – namely medical, dental and orthodontics - with medical leading the way. International sales growth was outstanding in Q1 as we drove double-digit sales growth in all regions outside the US.

Our dental business was recently recognized as the “Most Innovative Company” in the worldwide dental industry for the third consecutive year by the independent publication 2007 Dental Industry Review. The award commended 3M's track record of innovation and is based on achievement in three categories: the number of new product clearances for the US market; the number of approved US Patents; and the number of European and World International Patents.

We also drove strong double-digit sales and profit growth for the quarter in our medical division, another of 3M’s critical core businesses. Recently, we extended our core offering in this business by introducing a transparent antimicrobial dressing to cover and protect patient catheter sites. And of course, we are leveraging the 3M Tegaderm™ brand to in order to highlight its value in the eyes of health care practitioners around the world. We continue to invest in our core Health Care businesses, while pursuing strategic, synergistic acquisitions. In fact, we have added more than 10 acquisitions in the past two years. The team is working hard to bring new products and solutions that will enhance the patient experience and drive productivity for the health care professional.

First quarter operating income in Health Care increased 19.6 percent to $321 million with margins of 29.8 percent.

Please turn to slide 11 for a recap of first quarter performance for the Display and Graphics business. Since George covered Optical Systems in a fair amount of detail, I will try to be brief.

Sales for Display and Graphics were down 5.9 percent in the first quarter of 2008 and operating profits were down 37 percent. Operating margins came in at 21.5 percent.

Positive sales growth in Traffic and Safety Systems and Commercial Graphics was more than offset by our lower-than-expected results for Optical Systems. Display and Graphics faced a traditional seasonal slowdown in our Traffic

Safety Systems business, as the highway construction season obviously slows during first quarter during colder climates. We also experienced some softness in the re-branding aspects of the Commercial Graphics business, which is not unusual to see when the economy slows.

We continue to see strong demand for our on-premise graphics, services, and fleet graphics in Commercial Graphics. In projection systems, we have introduced some unique super-close projection products and are scaling up production of 3M's Mobile Projection Technology, an ultra-compact, LED illuminated projection engine designed for personal electronic devices. George mentioned this briefly in his comments.

Traffic Safety and Commercial Graphics are highly stable, long-term winning businesses for 3M, so although growth slowed a little in first quarter, these will rebound. And we have some exciting new technologies in micro projection as well. We obviously have challenges in Optical in 2008, but rest assured we are addressing them aggressively and feel good about the overall Display and Graphics business longer-term.

Safety, Security & Protection Services also had an outstanding quarter as shown on slide 12.

Sales rose 13.4 percent to $859 million. Local currency sales growth was 6.4 percent, with 1.9 percent from acquisitions. We posted strong growth in three of our businesses – respiratory protection, protective window films and cleaning solutions for commercial buildings, and corrosion protection.

As a leading manufacturer of occupational safety products, asset tracking solutions, security systems and building safety solutions, we continue to see exceptional growth in both developed and emerging economies outside the US. International sales expanded at a double-digit clip in the quarter, with equally strong contributions from Europe, Asia Pacific and Latin America.

On April 1st, as George mentioned, we completed the acquisition of Aearo Technologies, a global leader in the personal protection industry. Through significant acquisitions such as this, we have expanded our safety portfolio to offer customers a more complete personal protection solution, and we continue to see strong demand in this area. We have also seen continued growth in our corrosion protection and security businesses, which were both supplemented with strategic acquisitions, namely E. Wood and Security Printing Systems Ltd.

Based on our advanced heat-blocking technology, five 3M window films were selected to be part of an initiative to lower energy costs across the world.

The roofing granules business posted sequential improvement versus the fourth quarter; however, the business was still down slightly year-on-year. Being that sales in this business are predominantly U.S.-based, we continue to expect that sales will remain soft throughout the year due to the weak U.S. housing market.

Operating income was $204 million, up 12.4 percent versus last year's comparable quarter, and margins were a solid 23.7 percent.

Please turn to slide number 13 for a recap of our Consumer and Office business.

Year-on-year growth in this business was 2.6 percent, with sales in local currencies down 2.5 percent for the quarter. Consumer and Office feels the pain of a US economic slowdown more quickly and directly than other 3M businesses – recall we began feeling it in the second quarter of last year – and first quarter 2008 business conditions were even more challenging, driven by slower US same-store sales and further inventory drawdowns from our large US retail customers.

One bright spot in consumer and office was our home care products division – home to leading brands such as Scotchbrite™ sponges and scrubbers – where sales increased over 10 percent in the quarter, due in equal parts to volume and currency.

In geographic terms, international sales were up almost 20 percent following our focused investment strategy to grow this business. We saw strong double-digit growth in Asia Pacific, Europe and Latin America, while in the US – where we derive over 50 percent of Consumer and Office revenues – sales declined year-on-year by 9 percent.

Going forward, we expect growth in the Consumer and Office business to continue to be led by our international operations as U.S. growth will remain uncertain over the near term due to challenging economic conditions.

Showing the strength of our relationships with key customers we did earn some accolades from a couple of our largest customers. Target recently awarded us with the Partner of the Year and Staples recognized our Post-it® team as the Best Category Manager for the US, Canada and Europe - the first time that a supplier has won the award in all three regions at the same time. Internationally our team in Brazil won the Vendor of the Year award from Sam's Club and 3M Mexico won Vendor of the Year from Wal-Mart.

Operating income was $166 million, down 7 percent year-on-year, but profit margins remained at near-20% levels.

Please turn to slide 14 for an overview of first quarter performance in Electro and Communications. Our solutions in this business connect the world's power grid, enable global telecommunications and help to connect scores of high-tech electronic devices.

Electro and Communications marked another solid performance with first quarter sales of $725 million, up 9.2 percent, and profits of $146 million, up 13.6 percent. Sales growth was led by our electrical markets division, another critical core 3M platform that serves the electrical utility, construction and maintenance and OEM markets, along with our electronics markets materials business, where we provide adhesives, fluorochemicals and abrasives to a number of industries, most notably semiconductor and electronic assembly.

Electro and Communications in total delivered a respectable 3.3 percent local currency growth in the quarter, despite another tough sales quarter in our flexible connectors business where a number of product solutions are going end-of-life.

In geographic terms we saw solid double-digit growth in Asia Pacific and Latin America and single-digit growth in the US and Europe.

We have invested in a number of customer technology centers and manufacturing facilities in key regions around the world to serve our customers in this business. It is this kind of bench-to-bench intimacy that enables 3M to outgrow our competitors and to become true partners with our customers.

Patrick D. Campbell – Balance Sheet and Cash Flow

The first quarter balance sheet and cash flow metrics are found on slide number 15. Please go to the next chart.

Free cash for flow for the first quarter was $699 million versus $670 million in last year's first quarter. Income tax timing differences negatively impacted free cash flow in the first quarter to the tune of about $200 million. Traditionally our free cash flow conversion in the first quarter is the lowest of each year due to historically strong sales in March and softer sales in December which negatively impacts our working capital.
Working capital turns were in-line with same quarter last year and down 0.4 turns sequentially.

Foreign currency translation increased accounts receivable year-on-year by $289 million and sequentially by $150 million and inventories by $200 million versus last year and $82 million sequentially.

Capital expenditures were similar to last year's first quarter at $298 million and down $93 million sequentially. Looking ahead for the entire year we now are expecting capital expenditures to be in the range of $1.3 billion to $1.4 billion from our previous range of $1.4 billion to $1.5 billion. This decrease is somewhat expected as we are adjusting to the slow U.S. economy.

Dividend payments for the quarter were $353 million and share repurchases were $510 million, both consistent with recent quarters. Weighted average shares outstanding were 717.2 million, down 3 percent year on year and 1 percent sequentially.

Our debt-to-capital ratio was 33 percent at the end of the quarter. Due to the closing of the Aearo acquisition on April 1, we did carry excess cash on our balance sheet at quarter end.

Patrick D. Campbell – Guidance

Next, let me cover our full year guidance, so please turn to chart 16.

As George mentioned, we continue to expect 10 percent-plus growth in earnings per share for 2008. While some elements of our portfolio have gotten more challenging since our last earnings call - namely US retail, housing and automotive along with Optical – others are performing as good or even better than expected. And of course the dollar has remained weak which is helping our results as well.

As previously expected, operating margins for the year should be between 22.5 and 23.5 percent and our tax rate is expected to be in the range of 31.5 and 32.5 percent.

We expect capital expenditures for the year to be between $1.3 and $1.4 billion, down just slightly from our previous estimate.

Let me take a quick moment to remind you of a couple of items that will impact per share earnings in the second quarter. As in past years, we will have higher sequential stock options expense in Q2 than we did in Q1 as we grant our options in the second quarter of each year and must recognize the expense on date of grant related to those employees that are retirement eligible. Second quarter options expense will be 3 to 4 cents higher than in Q1. Second, with the closing of Aearo on April 1st, we estimate we will have 2 cents of acquisition related costs in the second quarter.

That concludes our formal comments. Now we would be happy to take your questions.