

2020 Third Quarter Business Review

(Unaudited)

October 27, 2020



Events

2020 Earnings Calls

Q4

January 26, 2021

Forward looking statement

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," "aim," "project," "intend," "plan," "believe," "will," "should," "could," "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, political, regulatory, capital markets and other external conditions and other factors beyond the Company's control, including natural and other disasters or climate change affecting the operations of the Company or its customers and suppliers; (2) risks related to public health crises such as the global pandemic associated with the coronavirus (COVID-19); (3) liabilities related to certain fluorochemicals, including lawsuits concerning various PFAS-related products and chemistries, and claims and governmental regulatory proceedings and inquiries related to PFAS in a variety of jurisdictions; (4) 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 Dec. 31, 2019, and any subsequent quarterly reports on Form 10-Q (the "Reports"); (5) competitive conditions and customer preferences; (6) foreign currency exchange rates and fluctuations in those rates; (7) the timing and market acceptance of new product offerings; (8) 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); (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; (10) 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; (11) operational execution, including scenarios where the Company generates fewer productivity improvements than estimated; (12) financial market risks that may affect the Company's funding obligations under defined benefit pension and postretirement plans; and (13) the Company's credit ratings and its cost of capital. 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 Reports), as updated by applicable Current Reports on Form 8-K. 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.

Note on non-GAAP financial measures

This presentation refers to certain non-GAAP financial measures. Refer to 3M's October 27, 2020 press release for descriptions of non-GAAP financial measures such as adjusted free cash flow, adjusted free cash flow conversion, net debt, adjusted EBITDA, and various measures that adjust for the impacts of special items. These non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in that press release.



Today's messages ...

- Continuing our fight against the pandemic from every angle
- Returned to positive organic sales growth with sequential improvement in businesses and across geographies
- Maintaining strong cost discipline and operational execution, while driving robust cash flow and strengthening our capital structure
- Investing in both growth and productivity to emerge even stronger
- While economic uncertainty remains, 3M well positioned to lead in the recovery

Q3 business and geographic performance

Organic sales up +0.9%; adjusted EPS of \$2.43

Business/ area organic sales

- By business: Health Care: +8.1%; Safety & Industrial: +6.9%; Consumer: +5.5%; Transportation & Electronics: -7.1%
- By area: Americas: +3.4%; EMEA: -0.3%; Asia Pacific: -2.6%
- COVID-related respirator sales growth of ~\$235M, or +3 ppts contribution to total company sales growth

End-markets trends

- Broad-based sequential improvements, yet many end-markets continue to face COVID-related headwinds and remain down year-on-year
- Continued strength in personal safety, home improvement, general cleaning, semiconductor, data center, and biopharma filtration
- Year-on-year declines persist in healthcare and oral care elective procedures, auto OEM, general industrial, consumer electronics, hospitality, office supplies, healthcare IT, and traffic safety

Strong execution

- Improving adjusted EBITDA margins: Q3 28.6%, flat year-on-year and up 2.1 ppts sequentially; year-to-date 27.2%, up 0.5 ppts
- Strong adjusted free cash flow: Q3 \$2.2B and year-to-date \$4.6B, up 13% and 19% year-on-year, respectively
- Strengthening capital structure, net debt: Q3 decline of \$1.3B, or 8%, sequentially; year-to-date decline of \$2.8B, or 16%

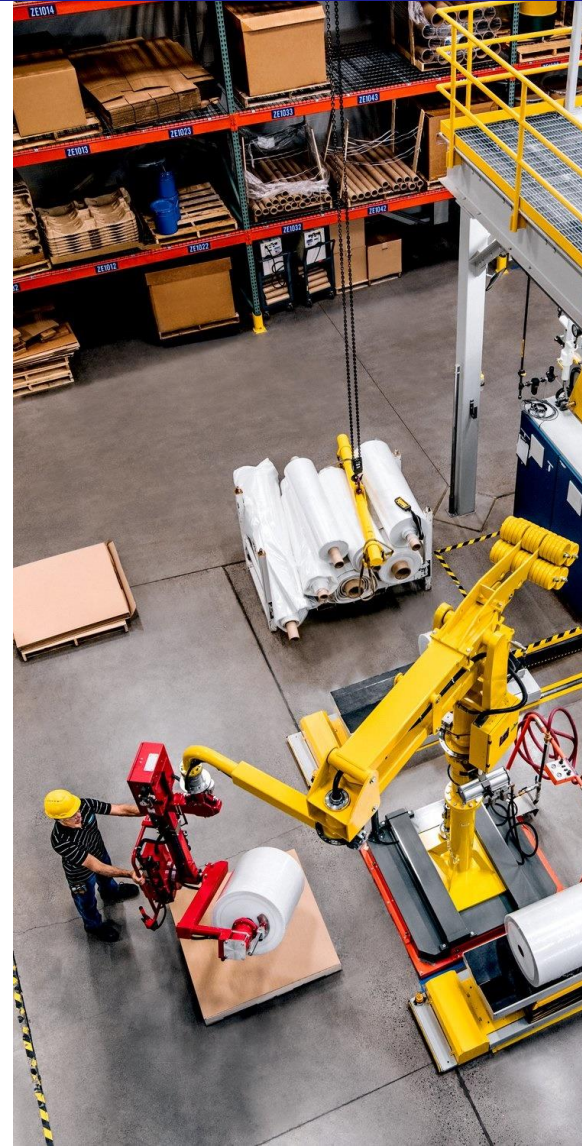


Advancing the 3M model to drive long-term growth and productivity



Capturing new growth opportunities

- Investing in areas with strong demand aligned with global trends and advantaged by our science and innovation
- Digital-first approach creates growth opportunities in technology and consumer
- Increased focus on personal safety, home improvement and cleanliness, auto electrification, and biopharma filtration



Leveraging global operating model

- Optimizing business group-led global operating model, business processes and operating rigor to increase agility
- Accelerating end-to-end digitization to enhance customer engagement and improve operational efficiencies
- Improving customer experience and supply chain management through integrated business planning and customer data insights

Q3 2020 P&L

\$8.4B

+4.5% year-on-year

Net sales

\$1.9B

+0.2% year-on-year

Adjusted operating income

\$1.4B

-6.1% year-on-year

Adjusted net income

Adjusted operating income margin reconciliation:

Q3 2019

23.8%

Organic volume/
productivity
and other

-1.2%

Q3 2019 gain related to sale of certain properties (-0.7%); headwind from COVID-19 impacts, partially offset by continued disciplined cost management and productivity (-0.5%)

Acquisitions/divestitures

-0.2%

Acelity acquisition (-0.5%); divested income/stranded costs (+0.3%)

Price/raw material

+0.8%

Selling prices +0.6%; lower raw material costs

FX

-0.3%

Net of hedge impact

Q3 2020

22.9%

Q3 2020 adjusted EPS

\$2.43

-5.8% year-on-year

**Adjusted earnings
per share**

Adjusted earnings per share reconciliation:

| | | |
|--|---------|---|
| Q3 2019 | \$2.58 | |
| Organic growth/ productivity and other | -\$0.08 | Q3 2019 gain related to sale of certain properties (-\$0.08); organic sales growth, disciplined cost management/productivity offset by COVID-19 impacts |
| Acquisitions/divestitures | +\$0.01 | Acelity acquisition (\$0.02) (including financing costs); divested income/stranded costs (-\$0.01) |
| FX | \$0.00 | Pre-tax earnings impact of -\$8M |
| Tax rate* | -\$0.08 | Adjusted tax rate Q3 2020 21.4% vs. Q3 2019 19.0% |
| Q3 2020 | \$2.43 | |

* The effect of income taxes on items that had specific tax rates are reflected within their respective impacts in the table above.

Q3 2020 cash flow and balance sheet

\$2.2B

Adjusted free cash flow

Adjusted free cash flow of \$2.2B, up 13% year-on-year

- YTD 2020: \$4.6B, up 19% year-on-year

\$4.6B

Cash & Marketable Securities

Adjusted free cash flow conversion of 153%

- YTD 2020: 125%, up 29 ppts vs. last year

\$0.8B

Dividends

Capital expenditures:

- Q3 2020: \$368M, up \$19M year-on-year
- FY 2020: \$1.4B - \$1.5B vs. ~\$1.4B previously

Net debt reduction of \$1.3B:

- Q3 2020: \$15.0B vs. Q2 2020 \$16.3B
- YTD 2020: decline of \$2.8B, or 16% reduction

Cash returned to shareholders

- YTD 2020: \$2.5B in cash dividends paid

See Appendix for additional information

Q3 Business Group performance

| | Sales Organic growth | Segment Operating Margin Change | Commentary |
|---|-------------------------|--|---|
| Safety & Industrial | \$3.0B +6.9% | 27.2% +4.3 pts | <ul style="list-style-type: none"> Organic sales grew in personal safety, roofing granules, and automotive aftermarket; declined in electrical materials, industrial adhesives and tapes, closure and masking systems, and abrasives Segment operating margin improvement driven by sales growth, strong productivity and continued spending discipline |
| Transportation & Electronics | \$2.3B -7.1% | 23.9% -1.5 pts | <ul style="list-style-type: none"> Organic sales grew in electronics; declines in all other businesses Segment operating margins negatively impacted by sales declines which were partially offset by continued spending discipline |
| Health Care | \$2.2B +8.1% | 23.5% -3.2 pts | <ul style="list-style-type: none"> Organic sales grew in medical solutions, separation and purification, and oral care; declined in food safety and health information systems Segment operating margins negatively impacted by Acelity acquisition (-2.2 pts) and other actions which was partially offset by sales growth |
| Consumer | \$1.4B +5.5% | 25.3% +2.0 pts | <ul style="list-style-type: none"> Organic sales grew in home care and home improvement; flat in consumer health care; declined in stationery and office supplies Segment operating margins improvement driven by sales growth, strong productivity and continued spending discipline |

Focused on continued execution and performance

- Economic and end-market uncertainty remains due to COVID-19 pandemic
 - Fourth-quarter GDP and IPI forecasted to decline year-on-year
 - Expect continued strength in personal safety, home improvement, general cleaning, semiconductor, data centers and biopharma filtration end-markets
 - Year-on-year end-market declines expected to persist in healthcare and oral care elective procedures, auto OEM, general industrial, consumer electronics, hospitality, and office supplies
- October revenue: estimated flat to up low-single digits year-on-year (includes anticipated impact of one fewer business day versus last year)
- Q4 2020 comments:
 - Business days: no impact year-on-year; two fewer days sequentially versus Q3 2020
 - Respirator-related revenue: estimated to add ~300 bps year-on-year
 - Drug delivery divestiture: revenue headwind of -\$100M, or -130 bps year-on-year
 - Adjusted operating income margin: anticipated to be ~21%
- Ongoing focus on cash flow generation, disciplined capital allocation and strengthening capital structure
- Will continue reporting monthly sales information through year-end 2020

Q&A

Mike Roman

Chairman and
Chief Executive Officer

Monish Patolawala

Senior Vice President and
Chief Financial Officer

Bruce Jermeland

Vice President,
Investor Relations



Appendix

Non-GAAP measures – description of special items

In addition to reporting financial results in accordance with U.S. GAAP, the Company also provides various non-GAAP measures that incorporate adjustments for the impacts of special items. Special items incorporated in the preparation of these non-GAAP measures for the periods presented include the items described below:

Significant litigation-related charges/benefits:

- In the third quarter of 2020, 3M made payments of approximately \$13 million related to significant litigation-related matters.
- In the third quarter of 2019, 3M made payments of approximately \$290 million related to significant litigation-related matters.

Enactment/measurement period adjustments related to the Tax Cuts and Jobs Act (TCJA):

- In the third quarter of 2020, 3M made payments of approximately \$33 million related to the transition tax expense incurred as a result of the 2017 enactment of the TCJA.

Gain/loss from sale of businesses:

- In the third quarter of 2019, 3M recorded a gain related to the divestiture of the Company's gas and flame detection business and an immaterial impact as a result of measuring a disposal group at the lower of its carrying amount or fair value less cost to sell, which in aggregate resulted in a pre-tax gain of \$106 million (\$79 million after tax).

Divestiture-related restructuring actions:

- In the third quarter of 2020, 3M made payments of \$7 million associated with restructuring charges taken in 2020 related to addressing corporate functional costs and manufacturing footprint across 3M in relation to the magnitude of amounts previously allocated/burdened to the drug delivery business that was divested.
- In the third quarter of 2019, 3M made payments of approximately \$11 million associated with restructuring charges taken in 2018 related to addressing corporate functional costs following the 2018 Communication Markets Division divestiture.

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Q3 2020 P&L

| (\$M) | Q3 2019 | Q3 2020 | Change |
|----------------------------|------------|------------|----------|
| Sales | \$7,991 | \$8,350 | +4.5% |
| Gross profit | \$3,803 | \$4,047 | +6.4% |
| % to sales | 47.6% | 48.5% | +0.9 pts |
| SG&A | \$1,455 | \$1,677 | +15.3% |
| % to sales | 18.2% | 20.1% | +1.9 pts |
| R&D & related | \$443 | \$461 | +4.2% |
| % to sales | 5.5% | 5.5% | --- |
| Gain on sale of businesses | (\$106) | --- | NM |
| % to sales | (1.3%) | (0.0%) | +1.3 pts |
| Operating income | \$2,011 | \$1,909 | -5.1% |
| % to sales | 25.2% | 22.9% | -2.3 pts |
| Net income | \$1,583 | \$1,413 | -10.8% |
| GAAP earnings per share | \$2.72 | \$2.43 | -10.7% |

Q3 2020 sales recap

| | Americas | EMEA | Asia Pacific |
|---------------------------|----------|-------|--------------|
| Organic volume | +2.3% | -1.8% | -1.8% |
| Price | +1.1% | +1.5% | -0.8% |
| Organic local-currency | +3.4% | -0.3% | -2.6% |
| Acquisitions/Divestitures | +5.7% | +0.1% | +0.4% |
| FX | -1.4% | +4.6% | +1.6% |
| Total growth | +7.7% | +4.4% | -0.6% |

| | U.S. | Canada | Mexico | Brazil | China | Japan |
|------------------------|------|--------|--------|--------|-------|-------|
| Organic local-currency | +5% | -1% | -13% | +12% | +8% | -13% |

Business segment information

| (\$M) | Net Sales | | Q3 2020 Sales Growth | | | | Organic local-currency by Geographic Area | | | Business Segment Operating Income/Adjusted Operating Income* | | | Business Segment Operating Margin /Adjusted Operating Margin* | |
|----------------------------------|-----------|---------|------------------------|------|-------|--------------------|---|--------------|-------|--|---------|----------------|---|---------|
| | Q3 2019 | Q3 2020 | Organic local-currency | FX | M&A | Total Sales change | Americas | Asia Pacific | EMEA | Q3 2019 | Q3 2020 | Percent Change | Q3 2019 | Q3 2020 |
| Safety & Industrial | \$2,829 | \$3,024 | 6.9% | 0.4% | -0.4% | 6.9% | 11% | -2% | 8% | \$647 | \$823 | 27.2% | 22.9% | 27.2% |
| Transportation & Electronics | \$2,500 | \$2,314 | -7.1% | 0.9% | -1.2% | -7.4% | -11% | -3% | -16% | \$637 | \$552 | -13.2% | 25.4% | 23.9% |
| Health Care | \$1,721 | \$2,160 | 8.1% | 1.1% | 16.3% | 25.5% | 13% | -4% | 9% | \$459 | \$508 | 10.6% | 26.7% | 23.5% |
| Consumer | \$1,342 | \$1,417 | 5.5% | 0.1% | 0.0% | 5.6% | 7% | -1% | 5% | \$313 | \$358 | 14.7% | 23.3% | 25.3% |
| Elimination of Dual Credit | (\$429) | (\$565) | | | | | | | | (\$111) | (\$145) | | | |
| Total Operating Business Segment | | | | | | | | | | \$1,945 | \$2,096 | | | |
| Corporate and Unallocated | \$28 | --- | | | | | | | | (\$40) | (\$187) | | | |
| Total | \$7,991 | \$8,350 | 0.9% | 0.6% | 3.0% | 4.5% | 3.4% | -2.6% | -0.3% | \$1,905 | \$1,909 | 0.2% | 23.8% | 22.9% |

* "Corporate and Unallocated" and "Total" provided on an adjusted basis

Organic local-currency = organic volume + price

Sales by division

| (\$M) | Net Sales | |
|---|-----------|---------|
| Business groups | Q3 2019 | Q3 2020 |
| Abrasives | 338 | 290 |
| Automotive Aftermarket | 307 | 309 |
| Closure and Masking Systems | 282 | 242 |
| Electrical Materials | 299 | 285 |
| Industrial Adhesives and Tapes | 684 | 647 |
| Personal Safety | 812 | 1,136 |
| Roofing Granules | 101 | 114 |
| Other Safety & Industrial | 6 | 1 |
| Total Safety & Industrial Business Group | 2,829 | 3,024 |
| Advanced Materials | 319 | 246 |
| Automotive & Aerospace Solutions | 477 | 410 |
| Commercial Solutions | 443 | 390 |
| Electronics | 1,001 | 1,024 |
| Transportation Safety | 260 | 245 |
| Other Transportation & Electronics | 0 | (1) |
| Total Transportation & Electronics Business Group | 2,500 | 2,314 |

| (\$M) | Net Sales | |
|----------------------------------|-----------|---------|
| Business groups | Q3 2019 | Q3 2020 |
| Drug Delivery | 93 | 0 |
| Food Safety | 86 | 82 |
| Health Information Systems | 296 | 280 |
| Medical Solutions | 745 | 1,251 |
| Oral Care | 312 | 320 |
| Separation & Purification | 191 | 221 |
| Other Health Care | (2) | 6 |
| Total Health Care Business Group | 1,721 | 2,160 |
| Consumer Health Care | 97 | 96 |
| Home Care | 243 | 268 |
| Home Improvement | 612 | 686 |
| Stationery and Office | 362 | 323 |
| Other Consumer | 28 | 44 |
| Total Consumer Business Group | 1,342 | 1,417 |
| Corporate and Unallocated | 28 | 0 |
| Elimination of Dual Credit | (429) | (565) |
| Total | 7,991 | 8,350 |

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