3M

THE MARKET

3M is a diversified technology company with vast technological, market, brand, and geographic reach. The company is known throughout the world for high-quality, innovative products that respond to customer needs. 3M is a leader in the health care, safety, electronics, telecommunications, home and office, and industrial markets. With operations in more than 60 countries and customers in nearly 200 countries, 3M's focus remains constant: to create practical and ingenious solutions that help customers succeed.

ACHIEVEMENTS

3M (NYSE: MMM), formerly Minnesota Mining and Manufacturing, is an $18 billion company with 67,000 employees worldwide. 3M is one of 30 companies whose stock compose the Dow Jones Industrial Average and is a component of the Standard & Poor's 500 Index.

Known for its innovative products, 3M has exhibited remarkable resiliency over the past century. By exercising creativity and initiative through its diverse technology platforms, 3M expands and combines technologies to create products that meet customers' needs. For example, 3M's early products were based on three technologies: abrasives, adhesives, and coatings. These technologies led to the development of sandpaper, which the automotive industry used for metal finishing, and masking tape, which was created in 1925 as a solution for painting two-tone automobiles. Scotch® Masking tape set the stage for thousands of other products that 3M would introduce. Today, Scotch brand Tapes continue to reinvent themselves, from the original masking tape to cellophane tape to the recent addition of Scotch® Pop-up Tape.

3M adhesive technology also led to the development of Post-it® Notes, which revolutionized communications. 3M's adhesive expertise expanded into the medical and surgical markets, initially developing medical tapes and disposable surgical drapes and more recently bringing consumers Nexcare™ products, a family of first-aid solutions.

3M also applied its understanding of coatings and adhesives to the transportation market and created 3M™ Scotchlite™ Reflective Sheeting, which helps to make highways safer by increasing visibility. This same technology is also used in fabric to increase pedestrian visibility.

3M's more than 30 technology platforms are the core of the company's innovation. These technologies range from adhesives, abrasives, and precision coatings to fiber optics, drug delivery systems, and fuel cells. The entrepreneurial spirit on which the company was founded continues as 3M's scientists and engineers combine and apply its core technologies to design solutions that solve everyday problems and make life easier for its customers.

HISTORY

3M celebrated its 100th anniversary in 2002. In 1902, five Minnesota businessmen thought they had discovered corundum, and they believed it could rival garnet, the widely used abrasive found in furniture manufacturers' grinding wheels. By 1907, they learned that what they thought was corundum was actually an inferior, low-grade mineral. They modified their plans and secured funding to make sandpaper. Their new plant collapsed, and the quality of the paper was poor; still 3M persevered.

In 1907, 3M hired William L. McKnight, an assistant bookkeeper who eventually became president and chairman of the board. He supported freedom in the workplace and fostered a spirit of adventure and challenge. Under McKnight's leadership, 3M declared its first dividend in the last quarter of 1916 and has paid dividends every quarter since. By 1919, annual sales topped $1 million. The company was poised for rapid growth.

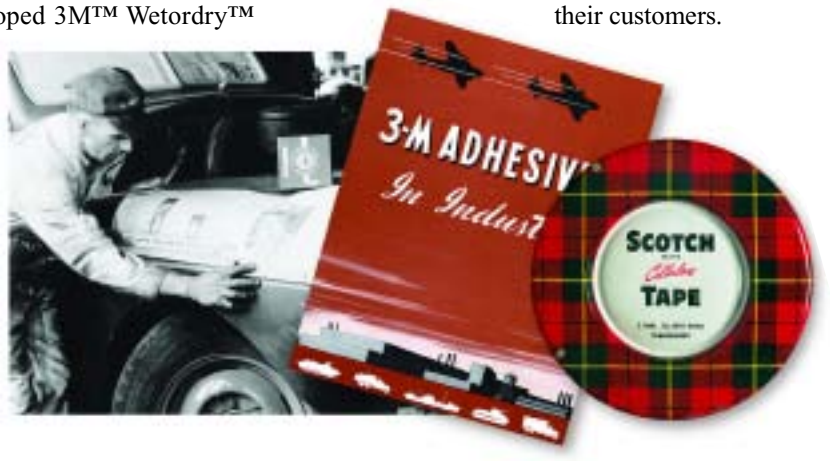
McKnight believed that diversification was the key to building superior technologies and exploring new applications. During the first years of his tenure, 3M developed 3M™ Wetordry™ Sandpaper, a product that could be used with water to create smoother surfaces while reducing the dust hazard to workers. As the popularity of automobiles grew, 3M's researchers developed another practical product, Scotchlite reflective sheeting. When a car beam shines on it, Scotchlite sheeting reflects the light back, making night driving less hazardous.

In the mid-1940s, 3M acquired the rights to a process for creating fluorochemical compounds. The investment paid off in 1952 with Scotchgard™ Fabric Protector. At this juncture, 3M began to promote the "cross-pollination" that fueled the company's continued growth. Researchers were encouraged to collaborate with colleagues in other divisions to see what their combined efforts might produce. By 1951, this practice was well-established among 3M's scientists and engineers.

From the late 1940s through the 1950s, several breakthroughs distinguished 3M as a diversified technology company, including the development of the adhesive-backed surgical drapes that started 3M's health care business. 3M also continued to strengthen its home and office business with tapes, adhesives, sandpapers, and scouring pads.

By the mid-1950s, the company's annual sales exceeded $1 billion. In addition to the development of new products, 3M began its international operations in the 1950s. 3M International was born in 1951 with the creation of companies in seven countries: Australia, Brazil, Canada, France, Germany, Mexico, and the United Kingdom. Today, 3M holds fast to its goal of keeping resources close to its customers. As a result, the company has laboratories in 32 countries and operates manufacturing or converting operations at nearly 90 sites worldwide.

For the next 50 years, 3M grew at an unprecedented rate, becoming a category leader in each of its businesses with familiar brands, such as Scotchgard™, Post-it®, Scotch-Brite™, Filtrete™, and Nexcare™. In 2000, America's highest award for technical achievement — the National Medal of Technology — was given to 3M, recognizing its unique culture that promotes research and collaboration among its diverse technologies and allows its employees and businesses the freedom to respond to the emerging needs of their customers.



THE PRODUCT

3M is probably best known for inventing two of the most ubiquitous products of the 20th century: Scotch® Transparent Tapes and Post-it® Notes. However, 3M is much more. As a diversified technology company, 3M has developed products in a variety of markets, including aerospace, transportation, graphic arts, pharmaceuticals, entertainment, and textiles. The diversity of 3M's products illustrates its commitment to using its technologies to develop practical solutions that help customers succeed.

Since 1964, 3M has been the leader in the graphics market, creating the first vinyl film that replaced paint for automobiles. 3M's glass bead technology sharpens colors and makes graphics more durable. Today, Scotchprint® Graphics are seen in stores and on buses and cars, advertising some of the world's favorite brands.

3M's nonwoven technology has contributed to the development of several of the company's well-known products, including Scotch-Brite® Scour Pads, 3M™ Nomad™ Floor Matting, a family of surgical tapes, and Filtrete™ Filters. Also using nonwoven technology, in the 1960s 3M began developing super-lightweight fabrics to help keep people warm and dry. Within 10 years, Thinsulate™ Insulation was introduced.

3M has also succeeded by combining dissimilar materials, like ceramics and polymers, for practical applications. Using nanotechnology, 3M developed a dental composite that has aesthetic properties almost identical to a tooth's natural structure. These nanocomposite fillers provide strength and wear-resistance, and yet have a more natural appearance than traditional fillers. Today, 3M supplies more than 2,000 products to the dental market.

In its 100-year history, 3M's products have followed a similar path — from challenges to opportunities to discovery to practical applications — using technology to change everyday lives of people around the world.

RECENT DEVELOPMENTS

3M's diversified technologies easily adapt to the digital age. As laptop computers, flat-panel displays, cell phones, and PDAs develop into a standard means of global communications, consumers have a growing need to enhance the performance of their electronic displays by improving their brightness and clarity. Today, Vikuiti™ Display Enhancement Films are widely used to increase screen brightness, reduce glare, and secure viewing privacy. In addition, car navigation systems, rear projection televisions, and the rapidly growing touch-screen market are among the film's newer applications.

Another 3M breakthrough is its immune response modifiers (IRMs) — a new class of pharmaceuticals that stimulate the body's immune system to fight virus-infected cells. 3M's first IRM — Aldara™ (imiquimod) cream, 5% — was launched in 2001 as the only patient-applied treatment that combats the virus that causes genital warts. Aldara cream is the leading prescription treatment in its category. Aldara cream has been approved as a treatment option for certain patients with actinic keratosis (AK), a precancerous skin disease caused by cumulative sun exposure. 3M continues to research several other promising IRMs.

To capitalize on its culture of ingenuity and discovery and to develop its operational excellence, 3M uses Six Sigma in its operations. By creating a common language and measurement tools to reduce variation and deliver consistent results, the Six Sigma methodology has taken hold throughout 3M's global operations. From product development and manufacturing to sales and marketing, many projects already have achieved targeted improvements. Employees and customers alike are seeing even higher-quality products and faster response times, and shareholders are seeing 3M's renewed focus on growth.

PROMOTION

People around the world recognize and trust 3M. The company has achieved this position through major national and international programs, including advertising campaigns, public relations, in-store promotions, and trade shows. 3M has also sponsored the Olympics and continues to be involved in NASCAR.

3M supports its major brands through consumer advertising and public relations. Post-it®, Filtrete™, and Command™ have had very successful advertising campaigns. In 2003, 3M launched Post-it® Super Sticky Notes using advertising and public relations.

To improve awareness of Scotch® Pop-up Tape, 3M created the annual Scotch® Brand Most Gifted Wrapper™ Contest. Each year, professionals and amateurs alike face off in popular venues, like New York's bustling Penn Station or Rockefeller Center. With ribbons, scissors, and Scotch brand Tape in hand, they wrap hatboxes, skateboards, and giant rocking horses for a $10,000 grand prize. Major media including CNN, the *New York Times*, NBC's *Today* show, and CBS' *Good Morning America* have covered the event.

In 2004, 3M and the National Trust for Historic Preservation launched "Protecting America's Treasures," an initiative to draw attention to America's diverse historic sites. Twenty sites were selected from thousands of architectural landmarks across the country. From this list, consumers selected their top five. The top five sites received professional Scotchgard protector treatments to preserve and protect the historical riches.

3M launched its newly designed 3M™ Digital Projector line at events in New York and Italy. The projectors were designed by Pininfarina, the famous Ferrari design house.

BRAND VALUES

Throughout its long history, 3M has delivered on its reputation as a practical problem solver. 3M focuses on delivering ingenious solutions that help customers succeed, winning their confidence and trust. Customers associate 3M with superior products, thus improving their incentive to try new products.

Earning this trust isn't the result of happenstance. From the beginning, 3M has focused on creativity and practicality, which time and again have been exhibited in 3M's long history of solving everyday problems and producing results for people throughout the world. The company excels in its combination of products, people, and systems and consistently delivers original solutions that work. For more than 100 years, 3M's products have followed a similar path — from challenges to opportunities to discovery to practical applications — using technology to change the everyday lives of people around the world.

THINGS YOU DIDN'T KNOW ABOUT 3M

- Neil Armstrong walked on the moon wearing space boots with soles made of synthetic material from 3M.
- 3M was one of the first American companies to establish a global presence.
- 3M introduced Post-it® Notes in 1980. Today, there are more than 600 Post-it® products available in six standard sizes and 62 colors.
- 3M™ Scotchlite™ Glass Bubbles were used in SpaceShipOne, the passenger-carrying suborbital craft.
- Michael Johnson won a gold medal in the 2000 Olympics' 400-meter sprint wearing shoes made from 24-carat gold 3M™ Scotchlite™ Reflective Fabric developed by 3M.