



# Steadfast Amid Uncertainty



# To our shareholders

2008 was a year of tremendous challenge for 3M as it was for many companies. The people of 3M confronted the downturn with both resiliency and resolve. Fighting through deteriorating economic conditions in the first half of the year and combating a secular transition of the Optical Systems Division, the company posted revenue growth of 9.3 percent in the first six months of 2008.

The second half of the year was a different story. We worked hard to get ahead of the looming recession, making many adjustments in costs, staffing levels and capital projects in anticipation of the slowdown, and doing so before the need was apparent to many. We also dealt with the ongoing commoditization of our Optical Systems business, a trend which ran throughout the whole year. While the company's corrective cost actions could not fully mitigate the accelerating slowdown in the second half of the year, they were certainly a significant factor in our ability to make the best of a very tough situation.

For the total year, we posted sales of \$25.3 billion, another all-time record, compared with \$24.5 billion the year before. Net income was \$3.5 billion, or \$4.89 per share in 2008, versus \$4.1 billion, or \$5.60 per share, in the previous year. Excluding special items, 2008 earnings were \$5.17 per share, versus \$4.98 per share in 2007.

For many years, 3M's prudent and conservative approach to managing its assets has been well known and for the most part highly regarded and appreciated by investors. As a direct result of this approach, we have been able to provide consistent returns to our shareholders through good times and bad. Even through a tough 2008, we still delivered a world class ROIC of 19.7 percent (20.8 percent excluding special items). In 2008 alone, 3M additionally paid out \$1.4 billion in dividends. In the last five years, 3M has returned greater than 100 percent of reported net income to shareholders via dividends of \$6.6 billion and an additional \$11 billion in share buy-backs. In addition, even in this most uncertain of times, we increased our payback to shareholders by increasing our 2009 quarterly dividend to 51 cents per share. 3M has now increased its dividend every year for the last 51 years.



**George W. Buckley**  
Chairman of the Board,  
President and Chief Executive Officer

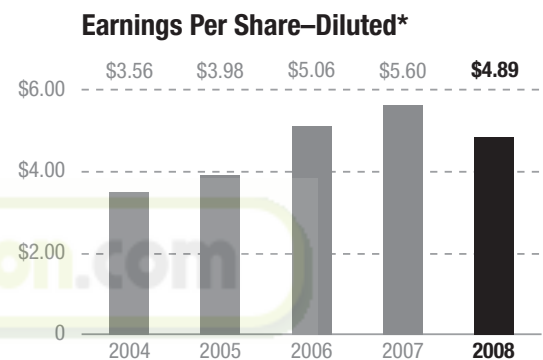
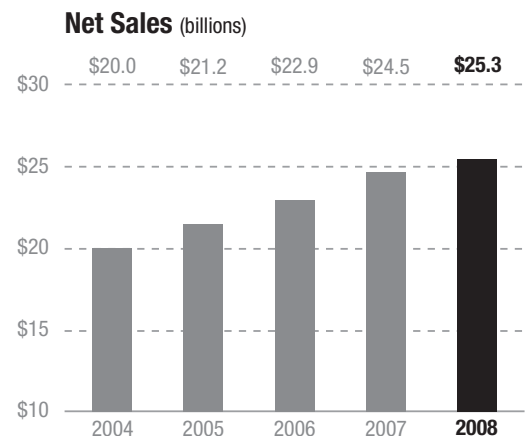
The real questions we all wrestle with are, how long and how deep will the recession be? Economists around the world have differing opinions and differing models and, of course, we do as well. I want you to be reassured that no matter how long its duration, 3M is well prepared to overcome the economic difficulties that face us all. We have capable people all over 3M who know exactly what to do in times like this and we have already taken huge steps to protect and to advance our company.

Our recent actions are designed to properly balance our cost structure with our revenue stream. Nobody likes layoffs, but they are a fact of life in modern business. Our approach has been to do as many as necessary but as few as possible. We have used furloughs, pay cuts, overtime bans, mandatory vacations and stringent incidental cost control to limit the number of layoffs, but in the end some were needed.

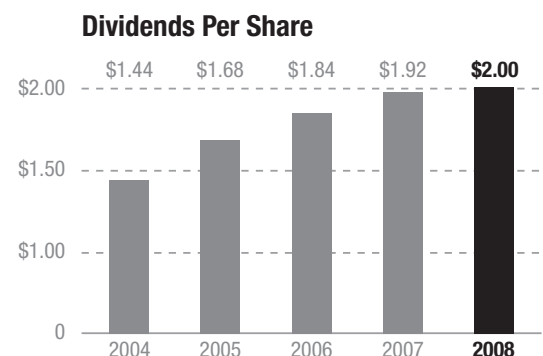
In the fourth quarter alone, we reduced over 2,400 full-time positions worldwide, and about 3,500 over the full year. These job eliminations spanned all geographies, but were particularly focused on those businesses and economies experiencing the highest level of sales pressure. In addition, we have furloughed over 1,000 factory workers until production volumes return to more normal levels. Contract workers have been severely reduced. These 2008 actions in total are expected to save the company \$250 to \$300 million in 2009.

In October 2008, the leadership team decided to defer merit pay increases for all employees in 2009 (except in those cases where local laws prohibit it). We are also amending our policy on banked vacation — essentially phasing it out — which is expected to reduce expenses by an additional \$100 million in each of the next two years.

Actions of this nature are neither pleasant nor uplifting, but they are absolutely essential for the company's well-being and



\* As indicated in the Financial Summary on page 4, certain years include net gains (losses) related to sales of businesses, restructuring and other items.





ultimately they are for the benefit of all stakeholders. As the need arises for further action, we will proceed with the care and thoroughness that you would expect from 3M. But the fact remains, we must continue to run the business as conditions dictate.

In a tight economy, cash is king. For 2009 we have already cut capital spending plans more than half a billion dollars, or down 35 percent, to around \$900 million. A substantial amount of the remaining spending is simply carryover from 2008 or for the tooling needed for new products and continued operations. That said, we will continue to selectively invest in capacity such as in the solar energy market where demand for our products is very high.

All current spending is being done strictly on a “need to do” basis. We are targeting free cash flow conversion of greater than 100 percent and an improvement in inventory turns in 2009 of a minimum of 0.5 turns.

Many companies today are struggling for survival. At 3M we have a different mindset: we intend not just to survive, but to emerge from the downturn a stronger company. As George Bernard Shaw said, “the best way to predict the future is to create it.” We can only do that by taking absolute control of our own destiny. It means rigorous control of cash and costs, but it does not mean throwing the metaphorical baby out with the bath water. Business is still about balance and, while remaining responsive to present-day developments, we must also keep an eye on the future. We must still invest in the future if we expect to thrive later on.

Toward that end, and despite these difficult times, we continue to invest significantly in R&D. We think it even more important right now to differentiate ourselves from the competition through great products and great service. We are working hard to earn new business as

customers are gradually turning to proven and stable suppliers like 3M, companies with the demonstrated capability to deliver in good times and bad. Even in times of recession, a huge amount of economic activity is still ongoing. In a 5 percent recession there is still 95 percent of the business left and winning an increasing share of that business has to be our focus. We will of course prioritize our R&D investments rigorously, but the main point is that our commitment to innovation and new product development is not diminished one iota.

The world of competition for most companies changed sometime in the early to middle 1990s. After China re-emerged from its self-imposed Tiananmen Square-related isolation, it began to rise to its full stature as a broad scale manufacturing nation. At that point, sometime between 1993 and 1995, the basis of world manufacturing competition changed. That is only 13 or 14 years ago, the blink of an eye in historical time, and companies that do not recognize and respond to this newly configured competitive landscape are likely to suffer from it. Gradually, piece by piece, top-quality electronics, hand and power tools, lighting, motorcycles, cars, industrial materials and consumables of all kinds have come onto the world scene from China. They have entered many new markets, almost always at the bottom to begin with, and then have established positions of strength almost everywhere.

We believe that the best way to defend our traditional positions of strength at the top of markets is also to be competitive and strong at or close to the bottom, because this is where new competition almost always enters. But it is not always an easy balance to achieve, and it has dangers as well as attractions. We have moved steadily along this pathway over the past three years and it has proved very effective. By launching products in the middle of the market and sometimes at

the bottom — Filtrete™ brand filters are an example — growth has also been facilitated at the top of the market.

Innovation has been the driving force behind our course of action over the past three years to strengthen 3M's core. This has helped us enormously and will continue to do so. Every one of our six businesses has expanded its product offerings either through reinvention or through acquisition. (Acquisitions bring speed as well as capability.) We have consciously created products to better serve the entire range of the market, from lower cost to premier products. This strategy has resulted in 3M gaining market share in almost all of our markets, but most notably in Safety, Security and Protection Services; Consumer and Office; and Industrial and Transportation.

I am confident that 3M will emerge much stronger from these challenging times and that we will be successful. In addition to having a strong culture of innovation, our confidence derives from several elements unique to 3M: the breadth of our portfolio, and our unequalled international strength. Clearly, 3M's diversity continues to provide us some insulation against economic cycles. Our diversity may not shield us as effectively as it has in the past because, today, the world's economies are more or less synchronized in a downward contraction owing to the worldwide banking crisis. Nevertheless, it is reassuring to have businesses such as Health Care and Safety, Security and Protection Services in our arsenal. Over the next economic cycle, markets will recover and will drift out of phase and the full power of 3M's diversity will be evident once again.

3M's international sales now approach 64 percent of our total revenue. We have increased investments in geographies with great potential. In addition, the quality of our international team is second to none. In fact, at

our top leadership level, more than 65 percent have extended hands-on international experience.

Overall, I remain optimistic about our prospects for sustained success. We significantly strengthened our company strategically in 2008 and we intend to continue in that direction in 2009 and well beyond. We will do so by planning conservatively, acting decisively and innovating aggressively, and then by leveraging our innovations in every corner of the world. In challenging times like these, you can be assured that we will continue to conduct business everywhere in the upright and honest manner for which 3M is well and rightly known.

Thank you for your interest and for your confidence in 3M.



**George W. Buckley**

Chairman of the Board, President and Chief Executive Officer  
February 10, 2009

# Financial Summary

(Dollars in millions, except per share amounts)

	2008	2007	2006	2005	2004	2003
<b>Operating Results</b>						
Net sales	<b>\$25,269</b>	\$24,462	\$22,923	\$21,167	\$20,011	\$18,232
Operating income	<b>5,218</b>	6,193	5,696	4,854	4,326	3,504
Income before cumulative effect of accounting change	<b>3,460</b>	4,096	3,851	3,146	2,841	2,286
Per share – basic	<b>4.95</b>	5.70	5.15	4.11	3.64	2.92
Per share – diluted	<b>4.89</b>	5.60	5.06	4.03	3.56	2.88
Net income	<b>3,460</b>	4,096	3,851	3,111	2,841	2,286
Per share – basic	<b>4.95</b>	5.70	5.15	4.07	3.64	2.92
Per share – diluted	<b>4.89</b>	5.60	5.06	3.98	3.56	2.88
<b>Financial Ratios</b>						
Percent of sales						
Cost of sales	<b>52.9%</b>	52.1%	51.1%	49.2%	50.0%	51.2%
Selling, general and administrative expenses	<b>20.8</b>	20.5	22.1	21.9	22.2	22.6
Research, development and related expenses	<b>5.6</b>	5.6	6.6	6.0	6.2	6.5
Other expense (income)	<b>0.1</b>	(3.5)	(4.6)	–	–	0.5
Operating income	<b>20.6</b>	25.3	24.8	22.9	21.6	19.2
Income before cumulative effect of accounting change	<b>13.7</b>	16.7	16.8	14.9	14.2	12.5
Total debt to total capital (total capital = debt plus equity)	<b>40%</b>	30%	26%	19%	21%	27%
<b>Additional Information</b>						
Cash dividends paid	<b>\$1,398</b>	\$ 1,380	\$ 1,376	\$ 1,286	\$ 1,125	\$ 1,034
Per share	<b>2.00</b>	1.92	1.84	1.68	1.44	1.32
Stock price at year-end	<b>57.54</b>	84.32	77.93	77.50	82.07	85.03
Total assets	<b>25,547</b>	24,694	21,294	20,541	20,723	17,612
Long-term debt (excluding current portion)	<b>5,166</b>	4,019	1,047	1,309	727	1,735
Capital expenditures	<b>1,471</b>	1,422	1,168	943	937	677
Depreciation and amortization	<b>1,153</b>	1,072	1,079	986	999	964
Research, development and related expenses	<b>1,404</b>	1,368	1,522	1,274	1,246	1,190
Number of employees at year-end	<b>79,183</b>	76,239	75,333	71,227	68,244	68,089
Average shares outstanding – basic (in millions)	<b>699.2</b>	718.3	747.5	764.9	780.5	782.8
Average shares outstanding – diluted (in millions)	<b>707.2</b>	732.0	761.0	781.3	797.3	794.1

2008 results included net losses of \$269 million (\$194 million after tax and minority interest). This included restructuring actions, exit activities and losses related to the sale of businesses, which were partially offset by a gain on sale of real estate.

2007 results included net gains of \$681 million (\$448 million after tax). This included gains related to the sale of businesses and a gain on sale of real estate, which were partially offset by increases in environmental liabilities, restructuring actions and other exit activities.

2006 results included net gains of \$523 million (\$438 million after tax). This included net benefits from gains related to the sale of certain portions of 3M's branded pharmaceuticals business and favorable income tax adjustments, which were partially offset by restructuring actions, acquired in-process research and development expenses, settlement costs of an antitrust class action, and environmental obligations related to the pharmaceuticals business.

2005 results included a cumulative effect of accounting change that reduced net income by \$35 million after tax, or 5 cents per diluted share, related to the adoption of Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations." Cumulative effect of accounting change impacts net income only, and is not included as part of income before cumulative effect of accounting change.

2005 results included charges of \$75 million after tax related to a tax liability resulting from 3M's reinvestment of approximately \$1.7 billion of foreign earnings into the United States pursuant to the repatriation provision of the American Jobs Creation Act of 2004.

2003 results included charges of \$93 million (\$58 million after tax), related to an adverse court ruling associated with a lawsuit filed by LePage's Inc.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

Commission file number 1-3285

**3M COMPANY**

State of Incorporation: **Delaware**

I.R.S. Employer Identification No. **41-0417775**

Principal executive offices: **3M Center, St. Paul, Minnesota 55144**

Telephone number: **(651) 733-1110**

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, Par Value \$.01 Per Share	New York Stock Exchange, Inc. Chicago Stock Exchange, Inc.

Note: The common stock of the Registrant is also traded on the SWX Swiss Exchange.

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒      Accelerated filer ☐      Non-accelerated filer ☐      Smaller reporting company ☐  
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).  
Yes ☐ No ☒

The aggregate market value of voting stock held by nonaffiliates of the Registrant, computed by reference to the closing price and shares outstanding, was approximately \$37.3 billion as of January 30, 2009 (approximately \$48.6 billion as of June 30, 2008, the last business day of the Registrant's most recently completed second quarter).

Shares of common stock outstanding at January 31, 2009: 693,791,556.

**DOCUMENTS INCORPORATED BY REFERENCE**

Parts of the Company's definitive proxy statement (to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year-end of December 31, 2008) for its annual meeting to be held on May 12, 2009, are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

This document (excluding exhibits) contains 104 pages.

The table of contents is set forth on page 2. The exhibit index begins on page 101.

**3M COMPANY**  
**FORM 10-K**  
**For the Year Ended December 31, 2008**

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**3M COMPANY**  
**ANNUAL REPORT ON FORM 10-K**  
**For the Year Ended December 31, 2008**  
**PART I**

**Item 1. Business.**

3M Company was incorporated in 1929 under the laws of the State of Delaware to continue operations begun in 1902. The Company's ticker symbol is MMM. As used herein, the term "3M" or "Company" includes 3M Company and its subsidiaries unless the context indicates otherwise. In this document, for any references to Note 1 through Note 19, refer to the Notes to Consolidated Financial Statements in Item 8.

**Available Information**

The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The public can obtain any documents that the Company files with the SEC at <http://www.sec.gov>. The Company files annual reports, quarterly reports, proxy statements and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act). The public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

3M also makes available free of charge through its website (<http://investor.3M.com>) the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC.

**General**

3M is a diversified technology company with a global presence in the following businesses: Industrial and Transportation; Health Care; Safety, Security and Protection Services; Consumer and Office; Display and Graphics; and Electro and Communications. 3M is among the leading manufacturers of products for many of the markets it serves. Most 3M products involve expertise in product development, manufacturing and marketing, and are subject to competition from products manufactured and sold by other technologically oriented companies.

At December 31, 2008, the Company employed 79,183 people (full-time equivalents), with 33,662 employed in the United States and 45,521 employed internationally.

**Business Segments**

As discussed in Note 17 to the Consolidated Financial Statements, effective in the first quarter of 2008, 3M made certain product moves between its business segments in its continuing effort to drive growth by aligning businesses around markets and customers. Segment information presented herein reflects the impact of these changes for all periods presented.

3M continues to manage its operations in six operating business segments: Industrial and Transportation; Health Care; Safety, Security and Protection Services; Consumer and Office; Display and Graphics; and Electro and Communications. 3M's six business segments bring together common or related 3M technologies, enhancing the development of innovative products and services and providing for efficient sharing of business resources. These segments have worldwide responsibility for virtually all 3M product lines. Certain small businesses and lab-sponsored products, as well as various corporate assets and expenses, are not attributed to the business segments. Financial information and other disclosures relating to 3M's business segments and operations in major geographic areas are provided in the Notes to Consolidated Financial Statements.

*Industrial and Transportation Business:* The Industrial and Transportation segment serves a broad range of markets, such as appliance, paper and packaging, food and beverage, electronics, automotive original equipment manufacturer (OEM) and automotive aftermarket (auto body shops and retail). Industrial and Transportation products include tapes, a wide variety of coated and non-woven abrasives, adhesives, specialty materials, filtration products, closure systems for personal hygiene products, and components and products that are used in the manufacture, repair and maintenance of automotive, marine, aircraft and specialty vehicles. The August 2005 acquisition of CUNO, Incorporated ("CUNO") added a comprehensive line of filtration products for the separation, clarification and purification of fluids and gases.

Major industrial products include vinyl, polyester, foil and specialty industrial tapes and adhesives; Scotch® Masking Tape, Scotch® Filament Tape and Scotch® Packaging Tape; packaging equipment; 3M™ VHB™ Bonding Tapes; conductive, low surface energy, hot melt, spray and structural adhesives; reclosable fasteners; label materials for durable goods; and coated, nonwoven and microstructured surface finishing and grinding abrasives for the industrial market. Other products include a comprehensive line of filtration products for the separation, clarification and purification of fluids and gases; fluoroelastomers for seals, tubes and gaskets in engines; engineering fluids; and closures for disposable diapers.

Major transportation products include insulation components, including components for catalytic converters; functional and decorative graphics; abrasion-resistant films; masking tapes; fasteners and tapes for attaching nameplates, trim, moldings, interior panels and carpeting; coated, nonwoven and microstructured finishing and grinding abrasives; structural adhesives; and other specialty materials. In addition, 3M provides paint finishing and detailing products, including a complete system of cleaners, dressings, polishes, waxes and other products.

*Health Care Business:* The Health Care segment serves markets that include medical clinics and hospitals, pharmaceuticals, dental and orthodontic practitioners, and health information systems. Products and services provided to these and other markets include medical and surgical supplies, skin health and infection prevention products, drug delivery systems, dental and orthodontic products, health information systems and anti-microbial solutions. As discussed in Note 2, the global branded pharmaceuticals business was sold in December 2006 and January 2007.

In the medical and surgical areas, 3M is a supplier of medical tapes, dressings, wound closure products, orthopedic casting materials, electrodes and stethoscopes. In infection prevention, 3M markets a variety of surgical drapes, masks and preps, as well as sterilization assurance equipment. Other products include drug delivery systems, such as metered-dose inhalers, transdermal skin patches and related components. Dental and orthodontic products include restoratives, adhesives, finishing and polishing products, crowns, impression materials, preventive sealants, professional tooth whiteners, prophylaxis and orthodontic appliances. In health information systems, 3M develops and markets computer software for hospital coding and data classification, and provides related consulting services. 3M provides microbiology products that make it faster and easier for food processors to test the microbiological quality of food.

*Safety, Security and Protection Services Business:* The Safety, Security and Protection Services segment serves a broad range of markets that increase the safety, security and productivity of workers, facilities and systems. Major product offerings include personal protection products, safety and security products, energy control products, cleaning and protection products for commercial establishments, track and trace solutions, and roofing granules for asphalt shingles. In August 2006, 3M completed the acquisition of Security Printing and Systems Limited, a producer of finished, personalized passports and secure cards, which expanded the 3M product line related to border and civil security solutions. In April 2008, 3M acquired Aearo Holding Corp., the parent company of Aearo Technologies Inc. (hereafter referred to as Aearo). Aearo manufactures and sells personal protection and energy absorbing products, which expanded 3M's platform by adding hearing protection as well as eyewear and fall protection product lines to 3M's existing line of respiratory products.

This segment's products include certain maintenance-free and reusable respirators, personal protective equipment, electronic surveillance products, films that protect against counterfeiting, and reflective materials that are widely used on apparel, footwear and accessories, enhancing visibility in low-light situations. 3M's Track and Trace Solutions business utilizes radio frequency identification (RFID) technology to provide a growing array of solutions — from library patron self-checkout systems to tracking packages. Other products include spill-control sorbents; Thinsulate™ Insulation and Thinsulate™ Lite Loft™ Insulation; 3M™ Scotchtint™ Window Film for buildings; 3M™ Ultra Safety and Security Window Film for property and personal protection during destructive weather conditions; nonwoven abrasive materials for floor maintenance and commercial cleaning; floor matting; and natural and color-coated mineral granules for asphalt shingles. In the second quarter of 2008, 3M completed the sale of its HighJump Software business which provided supply chain execution software solutions.

*Consumer and Office Business:* The Consumer and Office segment serves markets that include consumer retail, office retail, home improvement, building maintenance and other markets. Products in this segment include office supply products, stationery products, construction and home improvement products, home care products, protective material products and consumer health care products.

Major consumer and office products include Scotch® brand products, such as Scotch® Magic™ Tape, Scotch® Glue Stick and Scotch® Cushioned Mailer; Post-it® Products, such as Post-it® Flags, Post-it® Note Pads, Post-it® Labeling & Cover-up Tape, and Post-it® Pop-up Notes and Dispensers; construction and home improvement