3M | 25 years of 3M in India 1988-2013

3M INDIA LIMITED
26th Annual General Meeting
CHAIRMAN'S SPEECH

Ladies and Gentlemen,

I have great pleasure in welcoming you all to this Twenty Sixth Annual General Meeting of your Company. I trust the Notice convening the Meeting; the Directors' Report and the Audited Accounts for the year 2012-13 have reached you on time.

I am pleased to share with you that your Company has completed 25 years of operations in India, a significant milestone in the history of the Company.

As many of you may be aware, there were changes in the composition of the Board of Directors during the year 2012-13. Effective October 26, 2012, Mr. Vijay Kumar resigned as Whole-time Director and Mr. Frank Little and Mr. John Houle joined the Board as Non-Executive Directors of the Company. On your behalf, I would like to extend a warm welcome to Mr. Frank Little and Mr. John Houle.

Indian Economic Situation

Now I would like to brief you on the Indian Economic Situation. The Indian economy started off with a lot of promise continuing the high growth of the previous years. However, depreciation of the currency, higher domestic inflation, high interest rates and risk adverse sentiments prevented the higher growth trajectory. As a result, the Indian economy grew at 5% in 2012-13 in relation to 6.5% in 2011-12. The fiscal deficit and current account deficit also were main causes for concern. The Government of India with keen focus on reducing the fiscal deficit has taken various measures to propel India back to high single digit growth in the mid term and will hopefully lead us to come out of the economic slowdown sooner than anticipated in the current year and we continue to have confidence in the long term growth story of India.

Performance of the Company for the year 2012-13

Ladies and Gentlemen, I now touch upon the performance of the Company. Despite a challenging year, your Company performed moderately well with a sales growth of 12% at Rs. 1,585 crores as against Rs.1,410 crores last year. The Industrial and Transportation business grew by 11.6%; Health Care business grew by 21.1%; Display and Graphics business grew by 18.6%; Consumer and Office business grew by 17.7% and Safety, Security and Protection Services business declined by 3%.The operating margin for 2012-13 was however lower at 7.6% compared to 8.9% in 2011-12 due to depreciation of the rupee, higher fixed charges and lower utilization of recent capital investments made by your Company in strategic manufacturing processes, like non woven, tape coater & medical facilities with a view to boost local innovation. Net profit after taxation in 2012-13 was at Rs.52 crores compared to Rs.65 crores in the previous year.

Reinforcing our continued commitment to accelerating our footprint in India, your Company incurred Capital Investments of Rs. 129 crores during the financial year 2012-13 as against Rs.97 crores in 2011-12.Total borrowings during the year was Rs. 160 crores mainly for working capital requirements and capital investments.

Your Company also received recognition from national as well as global 3M for excellence in domain expertise, customer service, marketing, technical, packaging,

manufacturing excellence and quality. The Bangalore Innovation Center set up during September 2011 has also got recognition from the Government of India as an eligible R&D entity for tax incentives from the year 2012-13.

Consistent with 3M's global strategy of building relevance and presence in the marketplace, with effect from April 1, 2013, your Company has also aligned resources and management towards a new revised structure comprising five business groups: *Consumer; Industrial; Health Care; Safety and Graphics; and Energy.*

Challenges and Opportunities before the Company

Despite the challenging external environment expected in India in 2013, looking ahead, your Company remains committed to maximizing the opportunities by leveraging the full breadth of our extensive portfolio. With a number of new programs coming on stream, your Company is poised to sustain the momentum and build on the investments made and is well equipped to move from strength to strength and create opportunities which can sustain our growth in the future.

India will continue to be the hub for expansion with its rapidly developing market and opportunity through its big domestic market potential coupled with current low average per capita GDP. In order to achieve this, the main challenges for the Government of India would be to improve quality of infrastructure, balance different levels of development in urban and rural areas and implement economic reforms.

Your Company is approaching the current situation with cautious optimism and tight cost control, since this will be another challenging year. Your Company continues to be strongly committed to India and is looking for further growth especially with products designed for the local market.

Corporate Social Responsibility

Your Company continues to support the cause of underprivileged and physically challenged children through partnerships with NGOs. I am also happy to note that the employees are taking active interest personally in contributing to the community through various socially responsible initiatives.

Performance of 3M Company, US in 2012 and first quarter January-March 2013

For the year 2012, net income attributable to 3M was US $ 4.4 billion compared to US $ 4.28 billion in 2011. Sales for the year 2012 were US $ 29.9 billion, an increase of 1% in relation to the year 2011. For the first-quarter January - March 2013, 3M reported Sales of US $ 7.6 billion, up by 2% year on year, an all time first quarter record. Operating income was US $1.6 billion and net income was US $1.1 billion.

Appreciation

To conclude, I would like to express our sincere thanks to the Government of India and the State Governments of Karnataka, Maharashtra and Gujarat for their continued support. My thanks also goes to our customers, dealers, suppliers, bankers and yourselves including the Parent 3M USA and other 3M Group Companies worldwide. My special thanks and appreciation also go to the employees of the Company at all levels for their hard work, dedication and continued commitment.

Bangalore
July 23, 2013

D.J. Balaji Rao
Chairman

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.