

3M CO
Form 10-K
February 11, 2016
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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, 2015

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:

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

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EUR 500 Million Notes due 2018	New York Stock Exchange, Inc.
EUR 750 Million Notes due 2026	New York Stock Exchange, Inc.
EUR 650 Million Notes due 2020	New York Stock Exchange, Inc.
EUR 600 Million Notes due 2023	New York Stock Exchange, Inc.
EUR 500 Million Notes due 2030	New York 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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

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 \$91.4 billion as of January 31, 2016 (approximately \$96.4 billion as of June 30, 2015, the last business day of the Registrant's most recently completed second quarter).

Shares of common stock outstanding at January 31, 2016: 605,038,186

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, 2015) for its annual meeting to be held on May 10, 2016, are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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FORM 10-K

For the Year Ended December 31, 2015

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3M COMPANY

ANNUAL REPORT ON FORM 10-K

For the Year Ended December 31, 2015

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 18, 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; Safety and Graphics; Health Care; Electronics and Energy; and Consumer. 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, 2015, the Company employed 89,446 people (full-time equivalents), with 35,973 employed in the United States and 53,473 employed internationally.

Business Segments

As described in Note 16, effective in the third quarter of 2015, within the Health Care business segment, the Company formed the Oral Care Solutions Division, which combined the former 3M ESPE and 3M Unitek divisions.

3M manages its operations in five business segments: Industrial; Safety and Graphics; Health Care; Electronics and Energy; and Consumer. 3M's five 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. 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 Business: The Industrial segment serves a broad range of markets, such as automotive original equipment manufacturer (OEM) and automotive aftermarket (auto body shops and retail), electronics, appliance, paper and printing, packaging, food and beverage, and construction. Industrial products include tapes, a wide variety of coated, non-woven and bonded abrasives, adhesives, advanced ceramics, sealants, specialty materials, 3M purification (filtration products), closure systems for personal hygiene products, acoustic systems products, and components and products that are used in the manufacture, repair and maintenance of automotive, marine, aircraft and specialty vehicles. 3M is also a leading

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global supplier of precision grinding technology serving customers in the area of hard-to-grind precision applications in industrial, automotive, aircraft and cutting tools. 3M develops and produces advanced technical ceramics for demanding applications in the automotive, oil and gas, solar, industrial, electronics and defense industries. In August 2015, 3M acquired assets and liabilities associated with Polypore International, Inc.'s Separations Media business, a leading provider of microporous membranes and modules for filtration in the life sciences, industrial and specialty segments.

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, sealants, 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. 3M purification provides a comprehensive line of filtration products for the separation, clarification and purification of fluids and gases. Other industrial products include fluoroelastomers for seals, tubes and gaskets in engines.

Major transportation products include insulation components, including Thinsulate™ Acoustic Insulation and components for cabin noise reduction and catalytic converters; functional and decorative graphics; abrasion-resistant films; adhesives; sealants; 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.

Safety and Graphics Business: The Safety and Graphics segment serves a broad range of markets that increase the safety, security and productivity of people, facilities and systems. Major product offerings include personal protection products; traffic safety and security products, including border and civil security solutions; commercial solutions, including commercial graphics sheeting and systems, architectural design solutions for surfaces, and cleaning and protection products for commercial establishments; and roofing granules for asphalt shingles. In August 2015, 3M acquired Capital Safety Group S.A.R.L., a leading global provider of fall protection equipment.

This segment's products include personal protection products, such as certain disposable and reusable respirators, personal protective equipment, head and face protection, body protection, hearing protection and protective eyewear, plus reflective materials that are widely used on apparel, footwear and accessories, enhancing visibility in low-light situations. In traffic safety and security, 3M provides reflective sheeting used on highway signs, vehicle license plates, construction work-zone devices, trucks and other vehicles, and also provides pavement marking systems, in addition to electronic surveillance products, and films that protect against counterfeiting. Traffic safety and security also provides finger, palm, face and iris biometric systems for governments, law enforcement agencies, and commercial enterprises, in addition to remote people-monitoring technologies used for offender-monitoring applications. Major commercial graphics products include films, inks, and related products used to produce graphics for vehicles, signs and interior surfaces. Other products include spill-control sorbents; nonwoven abrasive materials for floor maintenance and commercial cleaning; floor matting; natural and color-coated mineral granules for asphalt shingles; plus fall protection equipment.

Health Care Business: The Health Care segment serves markets that include medical clinics and hospitals, pharmaceuticals, dental and orthodontic practitioners, health information systems, and food manufacturing and testing. Products and services provided to these and other markets include medical and surgical supplies, skin health and infection prevention products, inhalation and transdermal drug delivery systems, oral care solutions (dental and orthodontic products), health information systems, and food safety products. In April 2014, 3M purchased all of the outstanding equity interests of Treo Solutions LLC, headquartered in Troy, New York. Treo Solutions LLC is a provider of data analytics and business intelligence to healthcare payers and providers. In March 2015, 3M acquired Ivera Medical Corp., a manufacturer of health care products that disinfect and protect devices used for access into a patient's bloodstream.

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 and patient warming solutions designed to prevent hypothermia in

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surgical settings. Other products include drug delivery systems, such as metered-dose inhalers, transdermal skin patches and related components. Oral care solutions include restoratives, adhesives, finishing and polishing products, crowns, impression materials, preventive sealants, professional tooth whiteners, prophylaxis and orthodontic appliances, as well as digital workflow solutions to transform traditional impression and analog processes. In health information systems, 3M develops and markets computer software for hospital coding and data classification, and provides related consulting services. 3M provides food safety products that make it faster and easier for food processors to test the microbiological quality of food.

Electronics and Energy Business: The Electronics and Energy segment serves customers in electronics and energy markets, including solutions that improve the dependability, cost-effectiveness, and performance of electronic devices; electrical products, including infrastructure protection; telecommunications networks, and power generation and distribution.

This segment's electronics solutions include the display materials and systems business, which provides films that serve numerous market segments of the electronic display industry. 3M provides distinct products for five market segments, including products for: 1) LCD computer monitors 2) LCD televisions 3) handheld devices such as cellular phones and tablets 4) notebook PCs and 5) automotive displays. This segment also provides desktop and notebook computer screen filters that address display light control, privacy, and glare reduction needs. Major electronics products also include packaging and interconnection devices; high performance fluids and abrasives used in the manufacture of computer chips, and for cooling electronics and lubricating computer hard disk drives; and high-temperature and display tapes. Flexible circuits use electronic packaging and interconnection technology, providing more connections in less space, and are used in ink-jet printer cartridges, cell phones and electronic devices. This segment also includes the touch systems products, including touch screens, touch monitors, and touch sensor components.

This segment's energy solutions include electrical products, including infrastructure protection, telecommunications, and renewable energy. This segment serves the worlds electrical and telecommunications markets, including electrical utilities, electrical construction, maintenance and repair, original equipment manufacturers (OEM), telecommunications central office, outside plant and enterprise, as well as aerospace, military, automotive and medical markets, with products that enable the efficient transmission of electrical power and speed the delivery of information. Products in this segment include pressure sensitive tapes and resins, electrical insulation, a wide array of fiber-optic and copper-based telecommunications systems for rapid deployment of fixed and wireless networks, as well as the 3M™ Aluminum Conductor Composite Reinforced (ACCR) electrical power cable that increases transmission capacity for existing power lines. This segment also includes renewable energy component solutions for the solar and wind power industries, as well as infrastructure products solutions that provide municipalities both protection and detection solutions for electrical, oil, natural gas, water, rebar and other infrastructure assets.

Consumer Business: The Consumer segment serves markets that include consumer retail, office retail, office business to business, home improvement, drug and pharmacy retail, and other markets. Products in this segment include office supply products, stationery products, construction and home improvement products (do-it-yourself), home care products, protective material products, certain consumer retail personal safety products, and consumer health care

products.

Major consumer 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 products, including surface-preparation and wood-finishing materials, Command™ Adhesive Products and Filtrete™ Filters for furnaces and air conditioners; home care products, including Scotch-Brite® Scour Pads, Scotch-Brite® Scrub Sponges, Scotch-Brite® Microfiber Cloth products, O-Cel-O™ Sponges; protective material products, such as Scotchgard™ Fabric Protectors; certain maintenance-free respirators; certain consumer retail personal safety products, including safety glasses, hearing protectors, and 3M Thinsulate™ Insulation, which is used in jackets, pants, gloves, hats and boots to keep people warm; Nexcare™ Adhesive Bandages; and ACE® branded (and related brands) elastic bandage, supports and thermometer product lines.

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Distribution

3M products are sold through numerous distribution channels, including directly to users and through numerous wholesalers, retailers, jobbers, distributors and dealers in a wide variety of trades in many countries around the world. Management believes the confidence of wholesalers, retailers, jobbers, distributors and dealers in 3M and its products — a confidence developed through long association with skilled marketing and sales representatives — has contributed significantly to 3M's position in the marketplace and to its growth.

Research and Patents

Research and product development constitutes an important part of 3M's activities and has been a major driver of 3M's sales and profit growth. Research, development and related expenses totaled \$1.763 billion in 2015, \$1.770 billion in 2014 and \$1.715 billion in 2013. Research and development, covering basic scientific research and the application of scientific advances in the development of new and improved products and their uses, totaled \$1.223 billion in 2015, \$1.193 billion in 2014 and \$1.150 billion in 2013. Related expenses primarily include technical support; internally developed patent costs, which include costs and fees incurred to prepare, file, secure and maintain patents; amortization of externally acquired patents and externally acquired in-process research and development; and gains/losses associated with certain corporate approved investments in R&D-related ventures, such as equity method effects and impairments.

The Company's products are sold around the world under various trademarks. The Company also owns, or holds licenses to use, numerous U.S. and foreign patents. The Company's research and development activities generate a steady stream of inventions that are covered by new patents. Patents applicable to specific products extend for varying periods according to the date of patent application filing or patent grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country.

The Company believes that its patents provide an important competitive advantage in many of its businesses. In general, no single patent or group of related patents is in itself essential to the Company as a whole or to any of the Company's business segments. The importance of patents in the Electronics and Energy segment is described in "Performance by Business Segment" — "Electronics and Energy Business" in Part II, Item 7, of this Annual Report on Form 10-K.

Raw Materials

In 2015, the Company experienced declining costs for most raw material categories and transportation fuel, due largely to the significant price decreases in crude oil. This in turn drove year-on-year cost decreases in many feedstock categories, including petroleum based materials, minerals, metals and wood pulp based products. To date, the Company is receiving sufficient quantities of all raw materials to meet its reasonably foreseeable production requirements. It is impossible to predict future shortages of raw materials or the impact any such shortages would have. 3M has avoided disruption to its manufacturing operations through careful management of existing raw material inventories and development and qualification of additional supply sources. 3M manages commodity price risks through negotiated supply contracts, price protection agreements and forward contracts.

Environmental Law Compliance

3M's manufacturing operations are affected by national, state and local environmental laws around the world. 3M has made, and plans to continue making, necessary expenditures for compliance with applicable laws. 3M is also involved in remediation actions relating to environmental matters from past operations at certain sites (refer to "Environmental Matters and Litigation" in Note 14, Commitments and Contingencies).

Environmental expenditures relating to existing conditions caused by past operations that do not contribute to current or future revenues are expensed. Reserves for liabilities for anticipated remediation costs are recorded on an undiscounted basis when they are probable and reasonably estimable, generally no later than the completion of feasibility studies, the Company's commitment to a plan of action, or approval by regulatory agencies. Environmental expenditures for capital

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projects that contribute to current or future operations generally are capitalized and depreciated over their estimated useful lives.

In 2015, 3M expended about \$26 million for capital projects related to protecting the environment. This amount excludes expenditures for remediation actions relating to existing matters caused by past operations that do not contribute to current or future revenues, which are expensed. Capital expenditures for environmental purposes have included pollution control devices — such as wastewater treatment plant improvements, scrubbers, containment structures, solvent recovery units and thermal oxidizers — at new and existing facilities constructed or upgraded in the normal course of business. Consistent with the Company’s emphasis on environmental responsibility, capital expenditures (other than for remediation projects) for known projects are presently expected to be about \$51 million over the next two years for new or expanded programs to build facilities or modify manufacturing processes to minimize waste and reduce emissions.

While the Company cannot predict with certainty the future costs of such cleanup activities, capital expenditures or operating costs for environmental compliance, the Company does not believe they will have a material effect on its capital expenditures, earnings or competitive position.

Executive Officers

Following is a list of the executive officers of 3M, and their age, present position, the year elected to their present position and other positions they have held during the past five years. No family relationships exist among any of the executive officers named, nor is there any undisclosed arrangement or understanding pursuant to which any person was selected as an officer. This information is presented in the table below as of the date of the 10-K filing (February 11, 2016).

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2011-2015
Inge G. Thulin	62	Chairman of the Board, President and Chief Executive Officer	2012	President and Chief Executive Officer, 2012 Executive Vice President and Chief Operating Officer, 2011-2012 Executive Vice President, International Operations, 2004-2011

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James L. Bauman	56	Executive Vice President, Electronics and Energy Business Group	2015	Senior Vice President, Business Transformation, Americas, 2015
				Senior Vice President, Asia Pacific, 2012-2014
				Vice President and General Manager, Optical Systems Division, 2008-2012
Julie L. Bushman	54	Senior Vice President, Business Transformation and Information Technology	2013	Executive Vice President, Safety and Graphics, 2012-2013
				Executive Vice President, Safety, Security and Protection Services Business, 2011-2012
				Vice President and General Manager, Occupational Health and Environmental Safety Division, 2007-2011
Joaquin Delgado	56	Executive Vice President, Health Care Business Group	2012	Executive Vice President, Electro and Communications Business, 2009-2012
Ivan K. Fong	54	Senior Vice President, Legal Affairs and General Counsel	2012	General Counsel, U.S. Department of Homeland Security, 2009-2012
Nicolas C. Gangestad	51	Senior Vice President and Chief Financial Officer	2014	Vice President, Corporate Controller and Chief Accounting Officer, 2011-2014
				Director, Corporate Accounting, 2007-2011

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Executive Officers (continued)

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2011-2015
Paul A. Keel	46	Senior Vice President, Supply Chain	2014	Managing Director, 3M United Kingdom-Ireland Region, 2013-2014 Vice President and General Manager, Skin and Wound Care Division, 2010-2013
Ashish K. Khandpur	48	Senior Vice President, Research and Development, and Chief Technology Officer	2014	Vice President and General Manager, Personal Safety Division, 2014 Vice President, Research and Development, Industrial Business Group, 2013 Vice President, Research and Development, Industrial and Transportation Business, 2012 Technical Director, Industrial and Transportation Business, Asia Pacific, 2011 Technical Director, 3M India and Sri Lanka, and Technical Director, Industrial and Transportation Business, Asia Pacific, 2010-2011
Jon T. Lindekugel	52	Senior Vice President, Business Development and Marketing-Sales	2015	Senior Vice President, Business Development, 2014-2015 President, Health Information Systems Inc., 2008-2014
Frank R. Little	55	Executive Vice President, Safety and Graphics Business Group	2013	Vice President and General Manager, Personal Safety Division, 2013 Vice President and General Manager, Occupational Health and Environmental Safety Division, 2011-2012 Managing Director, 3M Korea, 2008-2011
Marlene M. McGrath	53	Senior Vice President, Human Resources	2012	Vice President, Human Resources, International Operations, 2010-2012
Kimberly F. Price	56	Senior Vice President, Corporate	2016	Vice President, 3Mgives, 2013-2015

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		Communications and Enterprise Services		Vice President, Community Affairs, 2012-2013 Assistant General Counsel, Office of General Counsel, 2000-2012
Michael F. Roman	56	Executive Vice President, Industrial Business Group	2014	Senior Vice President, Business Development, 2013-2014 Vice President and General Manager, Industrial Adhesives and Tapes Division, 2011-2013 Vice President and General Manager, Renewable Energy Division, 2009-2011
Hak Cheol Shin	58	Executive Vice President, International Operations	2011	Executive Vice President, Industrial and Transportation Business, 2006-2011
Jesse G. Singh	50	Senior Vice President, Supply Chain Transformation	2016	President, Health Information Systems, 2015-2016 Senior Vice President, Marketing and Sales, 2014-2015 Vice President and General Manager, Stationery and Office Supplies Division, 2012-2013 President, Sumitomo 3M Limited, 2007-2012
Michael G. Vale	49	Executive Vice President, Consumer Business Group	2012	Executive Vice President, Consumer and Office Business, 2011-2012 Managing Director, 3M Brazil, 2009-2011

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Cautionary Note Concerning Factors That May Affect Future Results

This Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company may also make forward-looking statements in other reports filed with the Securities and Exchange Commission, in materials delivered to shareholders and in press releases. In addition, the Company’s representatives may from time to time make oral forward-looking statements.

Forward-looking statements relate to future events and typically address the Company’s expected future business and financial performance. Words such as “plan,” “expect,” “aim,” “believe,” “project,” “target,” “anticipate,” “intend,” “estimate,” “should,” “could,” “forecast” and other words and terms of similar meaning, typically identify such forward-looking statements. In particular, these include, among others, statements relating to:

- the Company’s strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position,
- worldwide economic and capital markets conditions, such as interest rates, foreign currency exchange rates, financial conditions of our suppliers and customers, and natural and other disasters or climate change affecting the operations of the Company or our suppliers and customers,
 - new business opportunities, product development, and future performance or results of current or anticipated products,
- the scope, nature or impact of acquisition, strategic alliance and divestiture activities,
 - the outcome of contingencies, such as legal and regulatory proceedings,
- future levels of indebtedness, common stock repurchases and capital spending,
- future availability of and access to credit markets,
- pension and postretirement obligation assumptions and future contributions,
- asset impairments,
- tax liabilities,
- information technology security, and
- the effects of changes in tax, environmental and other laws and regulations in the United States and other countries in which we operate.

The Company assumes no obligation to update or revise any forward-looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those reflected in any such forward-looking statements depending on a variety of factors. Important information as to these factors can be found in this document, including, among others, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings of “Overview,” “Financial Condition and Liquidity” and annually in “Critical Accounting Estimates.” Discussion of these factors is incorporated by reference from Part I, Item 1A, “Risk Factors,” of this document, and should be considered an integral part of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” For additional information concerning factors that may

cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Form 10-K, 10-Q and 8-K filed with the SEC from time to time.

Item 1A. Risk Factors.

Provided below is a cautionary discussion of what we believe to be the most important risk factors applicable to the Company. Discussion of these factors is incorporated by reference into and considered an integral part of Part II, Item 7, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations.”

* Results are impacted by the effects of, and changes in, worldwide economic, political, and capital markets conditions. The Company operates in more than 70 countries and derives approximately 60 percent of its revenues from outside the United States. The Company’s business is subject to global competition and geopolitical risks and may be adversely affected by factors in the United States and other countries that are beyond its control, such as slower economic growth, disruptions in financial markets, economic downturns in the form of either contained or widespread recessionary

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conditions, inflation, elevated unemployment levels, sluggish or uneven recovery, government deficit reduction and other austerity measures in specific countries or regions, or in the various industries in which the Company operates; social, political or labor conditions in specific countries or regions; natural and other disasters or climate change affecting the operations of the Company or its customers and suppliers; or adverse changes in the availability and cost of capital, interest rates, tax rates, tax laws, or exchange control, ability to expatriate earnings and other regulations in the jurisdictions in which the Company operates.

* Change in the Company's credit ratings could increase cost of funding. The Company's credit ratings are important to 3M's cost of capital. The major rating agencies routinely evaluate the Company's credit profile and assign debt ratings to 3M. The Company has an AA- credit rating, with a stable outlook, from Standard & Poor's and an Aa3 credit rating, with a negative outlook, from Moody's Investors Service. This evaluation is based on a number of factors, which include financial strength, business and financial risk, as well as transparency with rating agencies and timeliness of financial reporting. The Company's credit ratings have served to lower 3M's borrowing costs and facilitate access to a variety of lenders. The Company's ongoing transition to a more optimized capital structure, financed with additional low-cost debt, could impact 3M's credit rating in the future. Failure to maintain strong investment grade ratings would adversely affect the Company's cost of funding and could adversely affect liquidity and access to capital markets.

* The Company's results are affected by competitive conditions and customer preferences. Demand for the Company's products, which impacts revenue and profit margins, is affected by (i) the development and timing of the introduction of competitive products; (ii) the Company's response to downward pricing to stay competitive; (iii) changes in customer order patterns, such as changes in the levels of inventory maintained by customers and the timing of customer purchases which may be affected by announced price changes, changes in the Company's incentive programs, or the customer's ability to achieve incentive goals; and (iv) changes in customers' preferences for our products, including the success of products offered by our competitors, and changes in customer designs for their products that can affect the demand for some of the Company's products.

* Foreign currency exchange rates and fluctuations in those rates may affect the Company's ability to realize projected growth rates in its sales and earnings. Because the Company's financial statements are denominated in U.S. dollars and approximately 60 percent of the Company's revenues are derived from outside the United States, the Company's results of operations and its ability to realize projected growth rates in sales and earnings could be adversely affected if the U.S. dollar strengthens significantly against foreign currencies.

* The Company's growth objectives are largely dependent on the timing and market acceptance of its new product offerings, including its ability to continually renew its pipeline of new products and to bring those products to market. This ability may be adversely affected by difficulties or delays in product development, such as the inability to identify viable new products, obtain adequate intellectual property protection, or gain market acceptance of new products. There are no guarantees that new products will prove to be commercially successful.

* The Company's future results are subject to fluctuations in the costs and availability of purchased components, compounds, raw materials and energy, including oil and natural gas and their derivatives, due to shortages, increased demand, supply interruptions, currency exchange risks, natural disasters and other factors. The Company depends on various components, compounds, raw materials, and energy (including oil and natural gas and their derivatives) supplied by others for the manufacturing of its products. It is possible that any of its supplier relationships could be interrupted due to natural and other disasters and other events, or be terminated in the future. Any sustained interruption in the Company's receipt of adequate supplies could have a material adverse effect on the Company. In addition, while the Company has a process to minimize volatility in component and material pricing, no assurance can be given that the Company will be able to successfully manage price fluctuations or that future price fluctuations or shortages will not have a material adverse effect on the Company.

* Acquisitions, strategic alliances, divestitures, and other unusual events resulting from portfolio management actions and other evolving business strategies, and possible organizational restructuring could affect future results. The Company monitors its business portfolio and organizational structure and has made and may continue to make acquisitions, strategic alliances, divestitures and changes to its organizational structure. With respect to acquisitions,

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future results will be affected by the Company's ability to integrate acquired businesses quickly and obtain the anticipated synergies.

* The Company's future results may be affected if the Company generates fewer productivity improvements than estimated. The Company utilizes various tools, such as Lean Six Sigma, and engages in ongoing global business transformation. Business transformation is defined as changes in processes and internal/external service delivery across 3M to move to more efficient business models to improve operational efficiency and productivity, while allowing 3M to serve customers with greater speed and efficiency. This is enabled by the ongoing multi-year phased implementation of an enterprise resource planning (ERP) system on a worldwide basis. There can be no assurance that all of the projected productivity improvements will be realized.

* The Company employs information technology systems to support its business, including ongoing phased implementation of an ERP system as part of business transformation on a worldwide basis over the next several years. Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations, compromise information belonging to the Company and its customers, suppliers, and employees, exposing the Company to liability which could adversely impact the Company's business and reputation. In the ordinary course of business, the Company relies on information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. Additionally, the Company collects and stores certain data, including proprietary business information, and may have access to confidential or personal information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, and maintenance of backup and protective systems) which are continuously reviewed and upgraded, the Company's information technology networks and infrastructure may still be vulnerable to damage, disruptions or shutdowns due to attack by hackers or breaches, employee error or malfeasance, power outages, computer viruses, telecommunication or utility failures, systems failures, service providers including cloud services, natural disasters or other catastrophic events. It is possible for such vulnerabilities to remain undetected for an extended period, up to and including several years. While we have experienced, and expect to continue to experience, these types of threats to the Company's information technology networks and infrastructure, none of them to date has had a material impact to the Company. There may be other challenges and risks as the Company upgrades and standardizes its ERP system on a worldwide basis. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to the Company's reputation, which could adversely affect the Company's business. Although the Company maintains insurance coverage for various cybersecurity risks, there can be no guarantee that all costs or losses incurred will be fully insured.

* The Company's defined benefit pension and postretirement plans are subject to financial market risks that could adversely impact our results. The performance of financial markets and discount rates impact the Company's funding obligations under its defined benefit plans. Significant changes in market interest rates, decreases in the fair value of plan assets and investment losses on plan assets, and relevant legislative or regulatory changes relating to defined benefit plan funding may increase the Company's funding obligations and adversely impact its results of operations and cash flows.

* The Company's future results may be affected by various legal and regulatory proceedings and legal compliance risks, including those involving product liability, antitrust, intellectual property, environmental, the U.S. Foreign Corrupt Practices Act and other anti-bribery, anti-corruption, or other matters. The outcome of these legal proceedings may differ from the Company's expectations because the outcomes of litigation, including regulatory matters, are often difficult to reliably predict. Various factors or developments can lead the Company to change current estimates of liabilities and related insurance receivables where applicable, or make such estimates for matters previously not susceptible of reasonable estimates, such as a significant judicial ruling or judgment, a significant settlement, significant regulatory developments or changes in applicable law. A future adverse ruling, settlement or unfavorable development could result in future charges that could have a material adverse effect on the Company's results of operations or cash flows in any particular period. For a more detailed discussion of the legal proceedings involving the Company and the associated accounting estimates, see the discussion in Note 14 "Commitments and Contingencies" within the Notes to Consolidated Financial Statements.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

3M's general offices, corporate research laboratories, and certain division laboratories are located in St. Paul, Minnesota. The Company operates 88 manufacturing facilities in 29 states. The Company operates 127 manufacturing and converting facilities in 37 countries outside the United States.

3M owns the majority of its physical properties. 3M's physical facilities are highly suitable for the purposes for which they were designed. Because 3M is a global enterprise characterized by substantial intersegment cooperation, properties are often used by multiple business segments.

Item 3. Legal Proceedings.

Discussion of legal matters is incorporated by reference from Part II, Item 8, Note 14, "Commitments and Contingencies," of this document, and should be considered an integral part of Part I, Item 3, "Legal Proceedings."

Item 4. Mine Safety Disclosures.

Pursuant to Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), the Company is required to disclose, in connection with the mines it operates, information concerning mine safety violations or other regulatory matters in its periodic reports filed with the SEC. For the year 2015, the information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Act is included in Exhibit 95 to this annual report.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Equity compensation plans' information is incorporated by reference from Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," of this document, and should be considered an integral part of Item 5. At January 31, 2016, there were 84,607 shareholders of record. 3M's stock is listed on the New York Stock Exchange, Inc. (NYSE), the Chicago Stock Exchange, Inc., and the SWX Swiss Exchange. Cash dividends declared and paid totaled \$1.025 per share for each of the second, third, and fourth quarters of 2015. Cash dividends declared in the fourth quarter of 2014 included a dividend paid in November 2014 of \$0.855 per share and a dividend paid in March 2015 of \$1.025 per share. Cash dividends declared and paid totaled \$0.855 per share for each of the second and third quarters of 2014. Cash dividends declared in the fourth quarter of 2013 include a dividend paid in March 2014 of \$0.855 per share. Stock price comparisons follow:

Stock price comparisons (NYSE composite transactions)

(Per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2015 High	\$ 170.50	\$ 167.70	\$ 157.94	\$ 160.09	\$ 170.50
2015 Low	157.74	153.92	134.00	138.57	134.00
2014 High	\$ 139.29	\$ 145.53	\$ 147.87	\$ 168.16	\$ 168.16
2014 Low	123.61	132.02	138.43	130.60	123.61

Issuer Purchases of Equity Securities

Repurchases of 3M common stock are made to support the Company's stock-based employee compensation plans and for other corporate purposes. In February 2014, 3M's Board of Directors authorized the repurchase of up to \$12 billion of 3M's outstanding common stock, with no pre-established end date. In February 2016, 3M's Board of Directors replaced the Company's February 2014 repurchase program with a new repurchase program. This new program authorizes the repurchase of up to \$10 billion of 3M's outstanding common stock, with no pre-established end date.

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Issuer Purchases of Equity Securities

(registered pursuant to Section 12 of the Exchange Act)

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (Millions)
January 1-31, 2015	1,628,420	\$ 161.61	1,628,420	\$ 6,440
February 1-28, 2015	1,451,986	\$ 166.64	1,449,538	\$ 6,198
March 1-31, 2015	2,001,351	\$ 164.58	2,000,848	\$ 5,869
Total January 1-March 31, 2015	5,081,757	\$ 164.22	5,078,806	\$ 5,869
April 1-30, 2015	2,937,143	\$ 160.60	2,934,726	\$ 5,398
May 1-31, 2015	3,966,294	\$ 160.30	3,966,100	\$ 4,762
June 1-30, 2015	4,294,763	\$ 157.50	4,294,763	\$ 4,085
Total April 1-June 30, 2015	11,198,200	\$ 159.30	11,195,589	\$ 4,085
July 1-31, 2015	4,943,483	\$ 154.28	4,943,483	\$ 3,323
August 1-31, 2015	2,428,004	\$ 144.75	2,428,004	\$ 2,971
September 1-30, 2015	2,371,046	\$ 140.13	2,369,922	\$ 2,639
Total July 1-September 30, 2015	9,742,533	\$ 148.46	9,741,409	\$ 2,639
October 1-31, 2015	1,922,628	\$ 151.09	1,922,628	\$ 2,349
November 1-30, 2015	2,052,151	\$ 157.89	2,051,444	\$ 2,025
December 1-31, 2015	3,669,029	\$ 152.01	3,669,029	\$ 1,467
Total October 1-December 31, 2015	7,643,808	\$ 153.36	7,643,101	\$ 1,467
Total January 1-December 31, 2015	33,666,298	\$ 155.56	33,658,905	\$ 1,467

(1) The total number of shares purchased includes: (i) shares purchased under the Board's authorizations described above, and (ii) shares purchased in connection with the exercise of stock options.

(2) The total number of shares purchased as part of publicly announced plans or programs includes shares purchased under the Board's authorizations described above.

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Item 6. Selected Financial Data.

(Dollars in millions, except per share amounts)	2015	2014	2013	2012	2011
Years ended December 31:					
Net sales	\$ 30,274	\$ 31,821	\$ 30,871	\$ 29,904	\$ 29,611
Net income attributable to 3M	4,833	4,956	4,659	4,444	4,283
Per share of 3M common stock:					
Net income attributable to 3M — basic	7.72	7.63	6.83	6.40	6.05
Net income attributable to 3M — diluted	7.58	7.49	6.72	6.32	5.96
Cash dividends declared per 3M common share	3.075	3.59	3.395	2.36	2.20
Cash dividends paid per 3M common share	4.10	3.42	2.54	2.36	2.20
At December 31:					
Total assets	\$ 32,718	\$ 31,209	\$ 33,304	\$ 33,841	\$ 31,584
Long-term debt (excluding portion due within one year) and long-term capital lease obligations	8,799	6,764	4,367	4,970	4,549

In 2015, 3M's Board of Directors declared a second, third, and fourth quarter dividend of \$1.025 per share, which resulted in total year 2015 declared dividends of \$3.075 per share. In December 2014, 3M's Board of Directors declared a first-quarter 2015 dividend of \$1.025 per share (paid in March 2015), which when added to second, third, and fourth quarter 2014 declared dividends of \$0.855 per share, resulted in total year 2014 declared dividends of \$3.59 per share. In December 2013, 3M's Board of Directors declared a first-quarter 2014 dividend of \$0.855 per share (paid in March 2014). This resulted in total year 2013 declared dividends of \$3.395 per share, with \$2.54 per share paid in 2013 and the additional \$0.855 per share paid in March 2014.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of 3M's financial statements with a narrative from the perspective of management. 3M's MD&A is presented in eight sections:

- Overview
- Results of Operations
- Performance by Business Segment
- Performance by Geographic Area
- Critical Accounting Estimates
- New Accounting Pronouncements
- Financial Condition and Liquidity
- Financial Instruments

Forward-looking statements in Item 7 may involve risks and uncertainties that could cause results to differ materially from those projected (refer to the section entitled "Cautionary Note Concerning Factors That May Affect Future Results" in Item 1 and the risk factors provided in Item 1A for discussion of these risks and uncertainties).

OVERVIEW

3M is a diversified global manufacturer, technology innovator and marketer of a wide variety of products and services. As described in Note 16, effective in the third quarter of 2015, within the Health Care business segment, the Company formed the Oral Care Solutions Division, which combined the former 3M ESPE and 3M Unitek divisions. 3M manages its operations in five operating business segments: Industrial; Safety and Graphics; Health Care; Electronics and Energy; and Consumer. From a geographic perspective, any references to EMEA refer to Europe, Middle East and Africa on a combined basis.

Restructuring actions:

During the fourth quarter of 2015, management approved and committed to undertake certain restructuring actions primarily focused on structural overhead, largely in the U.S., and slower-growing markets, with particular emphasis on EMEA and Latin America. This impacted approximately 1,700 positions worldwide and resulted in a fourth-quarter 2015 pre-tax charge of \$114 million, \$88 million after-tax or \$0.14 per diluted share.

Earnings per share attributable to 3M common shareholders – diluted:

The following table provides the increase (decrease) in diluted earnings per share for 2015 compared to 2014, and 2014 compared to 2013.

	Year ended	
	December 31,	
(Earnings per diluted share)	2015	2014
Same period last year	\$ 7.49	\$ 6.72
Increase/(decrease) in earnings per share - diluted, due to:		
Operational benefits	0.40	0.66
Restructuring charges	(0.14)	—
Acquisitions and divestitures	(0.02)	—
Foreign exchange impacts	(0.43)	(0.15)
Income tax rate	—	(0.08)
Shares of common stock outstanding	0.28	0.34
Current period	\$ 7.58	\$ 7.49

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For total year 2015, net income attributable to 3M was \$4.833 billion, or \$7.58 per diluted share, compared to \$4.956 billion, or \$7.49 per diluted share, in 2014, an increase of 1.2 percent on a per diluted share basis. Operational benefits include the combination of selling price increases and raw material cost decreases, partially offset by higher pension/postretirement benefit costs. Restructuring actions (discussed above) resulted in an after-tax charge of 14 cents per diluted share. Acquisition and divestiture impacts primarily relate to the Capital Safety and Polypore Separations Media acquisitions, and the divestitures of the license plate converting business in France and substantially all of the library systems business. Foreign exchange impacts decreased earnings per diluted share by approximately 43 cents year-on-year, driven by average year-on-year changes in foreign exchange rates in the Euro of 17 percent, Yen of 12 percent, and Brazil Real of 30 percent. The income tax rate was largely unchanged year-on-year. Weighted-average diluted shares outstanding in 2015 declined 3.7 percent year-on-year to 637.2 million, which increased earnings per diluted share by approximately 28 cents. Refer to the section entitled “Results of Operations” for further discussion.

For total year 2014, net income attributable to 3M was \$4.956 billion, or \$7.49 per diluted share, compared to \$4.659 billion, or \$6.72 per diluted share, in 2013, an increase of 11.5 percent on a per diluted share basis. Operational benefits include a significant benefit from the combination of selling price increases and raw material cost decreases, plus profit leverage on organic volume growth. Foreign exchange impacts decreased earnings per diluted share by approximately 15 cents per diluted share. The income tax rate was 28.9 percent in 2014, up 0.8 percentage points versus 2013, which decreased earnings per diluted share by approximately 8 cents. Weighted-average diluted shares outstanding in 2014 declined 4.6 percent year-on-year to 662.0 million, which increased earnings per diluted share by approximately 34 cents.

Fourth-quarter 2015 sales and operating income results:

Fourth-quarter 2015 net income attributable to 3M was \$1.038 billion, or \$1.66 per diluted share, compared to \$1.179 billion, or \$1.81 per diluted share, in the fourth quarter of 2014. Fourth-quarter 2015 sales totaled \$7.3 billion, a decrease of 5.4 percent from the fourth quarter of 2014. 3M achieved organic local-currency sales growth (which includes organic volume and selling price impacts) in Health Care, and Consumer, with declines in Industrial, Safety and Graphics, and Electronics and Energy. Organic local-currency sales increased 4.5 percent in Health Care, led by health information systems, food safety, oral care, drug delivery systems, and critical and chronic care. Organic local-currency sales increased 2.7 percent in the Consumer business segment, with positive growth in the construction and home improvement business, stationery and office supplies, and home care, while consumer health care declined. Organic local-currency sales declined 1.8 percent in Industrial, with sales growth in 3M purification and automotive OEM more than offset by declines in industrial adhesives and tapes, abrasives, and advanced materials. Organic local-currency sales declined 2.5 percent in Safety and Graphics, with sales declines in personal safety partially offset by sales growth in roofing granules, and commercial solutions, while traffic safety and security was flat. Electronics and Energy organic local-currency sales growth declined 7.7 percent, with decreases in electronic-related sales in both electronics materials solutions, and display materials and systems. Energy-related organic local-currency sales declined in renewable energy, communications markets, and electrical markets. For the Company in total, organic-local currency sales declined 1.1 percent, with organic volume declines of 2.3 percent partially offset by higher selling prices which added 1.2 percent. Acquisitions added 1.9 percent to sales, which related to the March 2015 acquisition of Ivera Medical Corp. (Ivera), the August 2015 acquisition of Capital Safety Group S.A.R.L. (Capital Safety), and the August 2015 acquisition of Polypore International Inc.’s Separations Media business

(Polypore). Divestitures reduced sales by 0.4 percent, related to the January 2015 sale of the global static business, and the fourth quarter sale of the license converting business in France, along with substantially all of the library systems business. Foreign currency translation reduced sales by 5.8 percent year-on-year.

From a geographic area perspective, fourth-quarter 2015 organic local-currency sales grew 1.1 percent in EMEA. Organic local-currency sales declined 0.4 percent in the United States, 0.6 percent in Latin America/Canada, and 2.7 percent in Asia Pacific. In EMEA, Central/East Europe showed solid local-currency sales growth in the quarter, while West Europe was up slightly, and Middle East/Africa declined. Organic local-currency sales in the United States declined, as 3M experienced weak end-market demand in its industrial-related businesses. The consumer-oriented businesses (Health Care and Consumer) continued to deliver positive organic growth. Organic local-currency sales in Latin America/Canada declined. In Latin America, Mexico continued its trend of strong organic growth, increasing 7 percent, while Brazil declined 6 percent. Organic local-currency sales in Asia Pacific declined 2.7 percent. Three of five

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business groups posted positive growth in the Asia Pacific region, led by Health Care and Consumer, while Electronics and Energy declined. Within Asia Pacific, organic local-currency sales declined by 3 percent in both Japan and China/Hong Kong.

Operating income in the fourth quarter of 2015 was 20.5 percent of sales, compared to 21.5 percent of sales in the fourth quarter of 2014, a decrease of 1.0 percentage points. Restructuring charges reduced operating income margins by 1.6 percentage points. In addition, higher pension/postretirement benefit costs reduced margins. These impacts were partially offset by a benefit from the combination of selling price increases and raw material cost decreases.

Year 2015 sales and operating income results:

Sales totaled \$30.3 billion, a decrease of 4.9 percent from 2014. From a business segment perspective, organic local-currency sales increased 3.7 percent in Health Care, 3.4 percent in Consumer, 2.4 percent in Safety and Graphics, and 0.7 percent in Industrial, while sales declined 1.9 percent in Electronics and Energy. From a geographic area perspective, 2015 organic local-currency sales grew 2.1 percent in the United States, 1.5 percent in Latin America/Canada, 0.9 percent in Asia Pacific, and 0.8 percent in EMEA. For the Company in total, organic local-currency sales grew 1.3 percent, with higher organic volumes contributing 0.2 percent and selling price increases contributing 1.1 percent. Acquisitions added 0.8 percent to sales, while divestitures reduced sales by 0.2 percent. Foreign currency translation reduced sales by 6.8 percent year-on-year. Refer to the sections entitled “Performance by Business Segment” and “Performance by Geographic Area” for additional detail.

Operating income in 2015 was 22.9 percent of sales, compared to 22.4 percent of sales in 2014, an increase of 0.5 percentage points. These results included a benefit from the combination of selling price increases and raw material cost decreases, partially offset by higher pension/postretirement benefit costs. Refer to the section entitled “Results of Operations” for further discussion.

Year 2014 sales and operating income results:

For total year 2014, net income attributable to 3M was \$4.956 billion, or \$7.49 per diluted share, compared to \$4.659 billion, or \$6.72 per diluted share, in 2013, an increase of 11.5 percent on a per diluted share basis. Sales totaled \$31.8 billion, an increase of 3.1 percent from 2013. From a business segment perspective, organic local-currency sales grew 5.8 percent in Health Care, 5.4 percent in Safety and Graphics, 5.2 percent in Electronics and Energy, 4.9 percent in Industrial, and 3.9 percent in Consumer. From a geographic area perspective, 2014 organic local-currency sales grew 6.3 percent in Asia Pacific, 4.9 percent in the United States, 4.5 percent in Latin America/Canada, and 3.2 percent in EMEA. For the Company in total, organic local-currency sales grew 4.9 percent, with higher organic volumes contributing 3.9 percent and selling price increases contributing 1.0 percent. Acquisitions added 0.1 percent to sales, driven by the Treo acquisition. Foreign currency translation reduced sales by 1.9 percent year-on-year.

Operating income in 2014 was 22.4 percent of sales, compared to 21.6 percent of sales in 2013, an increase of 0.8 percentage points. These results included a benefit from the combination of selling price increases and raw material cost decreases, lower pension/postretirement benefit costs, and profit leverage on organic volume growth. These factors were partially offset by strategic investments and other factors. Refer to the section entitled “Results of Operations” for further discussion.

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Sales and operating income by business segment:

The following table contains sales and operating income results by business segment for the years ended December 31, 2015 and 2014. In addition to the discussion below, refer to the section entitled “Performance by Business Segment” and “Performance by Geographic Area” later in MD&A for a more detailed discussion of the sales and income results of the Company and its respective business segments (including Corporate and Unallocated). Refer to Note 16 for additional information on business segments, including Elimination of Dual Credit.

(Dollars in millions)	2015			2014			2015 vs 2014			
	Net Sales	% of Total	Oper. Income	Net Sales	% of Total	Oper. Income	Net Sales % change	Oper. Income % change		
Business Segments										
Industrial	\$ 10,328	34.1 %	\$ 2,263	\$ 10,990	34.5 %	\$ 2,389	(6.0) %	(5.3) %		
Safety and Graphics	5,515	18.2 %	1,305	5,732	18.0 %	1,296	(3.8) %	0.7 %		
Health Care	5,420	17.9 %	1,724	5,572	17.5 %	1,724	(2.7) %	— %		
Electronics and Energy	5,220	17.2 %	1,102	5,604	17.6 %	1,115	(6.8) %	(1.1) %		
Consumer	4,422	14.6 %	1,046	4,523	14.2 %	995	(2.2) %	5.2 %		
Corporate and Unallocated	1	— %	(355)	4	— %	(251)	— %	— %		
Elimination of Dual Credit	(632)	(2.0) %	(139)	(604)	(1.8) %	(133)	— %	— %		
Total Company	\$ 30,274	100.0 %	\$ 6,946	\$ 31,821	100.0 %	\$ 7,135	(4.9) %	(2.6) %		

Sales in 2015 decreased 4.9 percent, substantially impacted by foreign currency translation, which reduced sales by 6.8 percent. Sales in U.S. dollars declined in Consumer by 2.2 percent, Health Care by 2.7 percent, Safety and Graphics by 3.8 percent, Industrial by 6.0 percent, and Electronics and Energy by 6.8 percent. Total company organic local-currency sales growth (which includes organic volume and selling price impacts) was 1.3 percent, acquisitions added 0.8 percent, divestitures reduced sales by 0.2 percent, and foreign currency translation reduced sales by 6.8 percent. All of 3M’s five business segments posted operating income margins of approximately 21 percent or more in 2015. Worldwide operating income margins for 2015 were 22.9 percent, compared to 22.4 percent for 2014.

Sales in 2014 increased 3.1 percent, led by Health Care at 4.5 percent, Electronics and Energy at 3.9 percent, Industrial at 3.1 percent, Safety and Graphics at 2.7 percent, and Consumer at 2.0 percent. Total company organic local-currency sales growth (which includes organic volume and selling price impacts) was 4.9 percent, acquisitions added 0.1 percent, and foreign currency translation reduced sales by 1.9 percent. All of 3M’s five business segments posted operating income margins of approximately 20 percent or more in 2014. Worldwide operating income margins for 2014 were 22.4 percent, compared to 21.6 percent for 2013.

Financial condition:

3M generated \$6.4 billion of operating cash flow in 2015, a decrease of \$206 million when compared to 2014. This followed an increase of \$809 million when comparing 2014 to 2013. Refer to the section entitled “Financial Condition and Liquidity” later in MD&A for a discussion of items impacting cash flows. In February 2016, 3M’s Board of Directors authorized the repurchase of up to \$10 billion of 3M’s outstanding common stock, which replaced the Company’s February 2014 repurchase program. This new program has no pre-established end date. In 2015, 2014, and 2013, the Company purchased more than \$5 billion of its own stock each year. The Company expects to purchase \$4 billion to \$6 billion of its own stock in 2016. In February 2016, 3M’s Board of Directors declared a first-quarter 2016 dividend of \$1.11 per share, an increase of 8 percent. This marked the 58th consecutive year of dividend increases for 3M. 3M’s debt to total capital ratio (total capital defined as debt plus equity) was 48 percent at December 31, 2015, 34 percent at December 31, 2014, and 25 percent at December 31, 2013. The Company has an AA- credit rating, with a stable outlook, from Standard & Poor’s and an Aa3 credit rating, with a negative outlook, from Moody’s Investors Service. The Company has significant cash on hand and sufficient additional access to capital markets to meet its funding needs.

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Raw materials:

In 2015, the Company experienced declining costs for most raw material categories and transportation fuel, due largely to the significant price decreases in crude oil. This in turn drove year-on-year cost decreases in many feedstock categories, including petroleum based materials, minerals, metals and wood pulp based products. To date the Company is receiving sufficient quantities of all raw materials to meet its reasonably foreseeable production requirements. It is impossible to predict future shortages of raw materials or the impact any such shortages would have. 3M has avoided disruption to its manufacturing operations through careful management of existing raw material inventories and development and qualification of additional supply sources. 3M manages commodity price risks through negotiated supply contracts, price protection agreements and forward contracts.

Pension and postretirement defined benefit/contribution plans:

On a worldwide basis, 3M's pension and postretirement plans were 86 percent funded at year-end 2015. The primary U.S. qualified pension plan, which is approximately 69 percent of the worldwide pension obligation, was 91 percent funded and the international pension plans were 90 percent funded. The U.S. non-qualified pension plan is not funded due to tax considerations and other factors. Asset returns in 2015 for the primary U.S. qualified pension plan was 0.7%, as 3M strategically invests in both growth assets and fixed income matching assets to manage its funded status. For the primary U.S. qualified pension plan, the expected long-term rate of return on an annualized basis for 2016 is 7.50%, down 0.25% from 2015. The primary U.S. qualified pension plan year-end 2015 discount rate was 4.47%, up 0.37 percentage points from the year-end 2014 discount rate of 4.10%. The increase in U.S. discount rates resulted in a decreased valuation of the projected benefit obligation (PBO), however the plan's funded status decreased slightly in 2015 as the growth in the PBO increased at a greater rate than the plan assets returned in 2015. Additional detail and discussion of international plan asset returns and discount rates is provided in Note 11 (Pension and Postretirement Benefit Plans).

3M expects to contribute approximately \$100 million to \$200 million of cash to its global defined benefit pension and postretirement plans in 2016. The Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2016. 3M expects global defined benefit pension and postretirement expense in 2016 (before settlements, curtailments, special termination benefits and other) to decrease by approximately \$320 million pre-tax when compared to 2015. Refer to "Critical Accounting Estimates" within MD&A and Note 11 (Pension and Postretirement Benefit Plans) for additional information concerning 3M's pension and post-retirement plans.

Beginning on January 1, 2016, with respect to defined contribution plans, the Company reduced its match on employee 401(k) contributions for U.S. employees. Previously, based on the date the employee was hired, up to 6% of eligible compensation was matched in cash at rates of 60%, 75% or 100%. Beginning in 2016, 5% of eligible compensation will be matched at rates of 45%, 60% or 100%, respectively. The reduction in the company's match is anticipated to reduce 2016 defined contribution pension expense by approximately \$35 million.

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RESULTS OF OPERATIONS

Net Sales:

	2015			2014		
	U.S.	Intl.	Worldwide	U.S.	Intl.	Worldwide
Net sales (millions)	\$ 12,049	\$ 18,225	\$ 30,274	\$ 11,714	\$ 20,107	\$ 31,821
% of worldwide sales	39.8 %	60.2 %		36.8 %	63.2 %	
Components of net sales change:						
Volume — organic	1.7 %	(0.5) %	0.2 %	4.4 %	3.8 %	3.9 %
Price	0.4	1.4	1.1	0.5	1.2	1.0
Organic local-currency sales	2.1	0.9	1.3	4.9	5.0	4.9
Acquisitions	1.2	0.5	0.8	0.2	—	0.1
Divestitures	(0.4)	(0.1)	(0.2)	(0.1)	—	—
Translation	—	(10.7)	(6.8)	—	(3.0)	(1.9)
Total sales change	2.9 %	(9.4) %	(4.9) %	5.0 %	2.0 %	3.1 %

In 2015, organic local-currency sales grew 1.3 percent, with increases of 2.1 percent in the United States, 1.5 percent in Latin America/Canada, 0.9 percent in Asia Pacific, and 0.8 percent in EMEA. Organic local-currency sales growth was 1.6 percent across developing markets, and 1.2 percent in developed markets. Worldwide organic local-currency sales grew 3.7 percent in Health Care, 3.4 percent in Consumer, 2.4 percent in Safety and Graphics, and 0.7 percent in Industrial, while sales declined 1.9 percent in Electronics and Energy. Acquisitions added 0.8 percent to worldwide growth, while divestitures reduced worldwide growth by 0.2 percent. Foreign currency translation reduced worldwide sales growth by 6.8 percent.

Worldwide selling prices rose 1.1 percent in 2015. Selling prices continue to be supported by technology innovation, which is a key fundamental strength of the Company, helping to drive unique customer solutions and an increasing flow of new products.

In 2014, organic local-currency sales grew 4.9 percent, with increases of 6.3 percent in Asia Pacific, 4.9 percent in the United States, 4.5 percent in Latin America/Canada, and 3.2 percent in EMEA. Organic local-currency sales grew 5.6 percent across developing markets, and 4.5 percent in developed markets. Worldwide organic local-currency sales grew 5.8 percent in Health Care, 5.4 percent in Safety and Graphics, 5.2 percent in Electronics and Energy, 4.9 percent in Industrial, and 3.9 percent in Consumer. Acquisitions added 0.1 percent to worldwide growth and foreign currency translation reduced worldwide sales growth by 1.9 percent.

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Refer to the sections entitled “Performance by Business Segment” and “Performance by Geographic Area” later in MD&A for additional discussion of sales change.

Operating Expenses:

(Percent of net sales)	2015	2014	2013	2015 versus 2014	2014 versus 2013
Cost of sales	50.9 %	51.7 %	52.1 %	(0.8) %	(0.4) %
Selling, general and administrative expenses	20.4	20.3	20.7	0.1	(0.4)
Research, development and related expenses	5.8				