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.

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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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

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

		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 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 Net Sales	% of Total	Oper. Income	2014 Net Sales	% of Total	Oper. Income	2015 vs 2014 % change Net Sales	Oper. Income
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 U.S.		2015 Intl.		2015 Worldwide		2014 U.S.		2014 Intl.		2014 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.

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		5.6		5.6		0.2		—	
Operating income	22.9	%	22.4	%	21.6	%	0.5	%	0.8	%

Pension and postretirement expense increased $165 million in 2015 compared to 2014, compared to a decrease of $162 million in 2014 compared to 2013. Year 2015 includes the impact of a first-quarter 2015 Japan pension curtailment gain of $17 million. Pension and postretirement expense is recorded in cost of sales; selling, general and administrative expenses (SG&A); and research, development and related expenses (R&D). Refer to Note 11 (Pension and Postretirement Plans) for components of net periodic benefit cost and the assumptions used to determine net cost.

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The Company is investing in 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.

In the fourth quarter of 2015, as discussed within the Overview section above, 3M incurred restructuring charges impacting operating expenses as follows:

(Millions)	2015
Cost of sales	40
Selling, general and administrative expenses	62
Research, development and related expenses	12
Total	$ 114

Cost of Sales:

Cost of sales includes manufacturing, engineering and freight costs.

Cost of sales, measured as a percent of net sales, was 50.9 percent in 2015, a decrease of 0.8 percentage points from 2014. Cost of sales as a percent of sales decreased due to the combination of selling price increases and raw material cost decreases, as selling prices increased net sales by 1.1 percent and raw material cost deflation was favorable by approximately 3.5 percent year-on-year. In addition, higher pension and postretirement costs (of which a portion impacts cost of sales) and fourth quarter 2015 restructuring charges, increased cost of sales as a percent of sales.

Cost of sales, measured as a percent of net sales, was 51.7 percent in 2014, a decrease of 0.4 percentage points from 2013. Cost of sales as a percent of sales decreased due to the combination of selling price increases and raw material cost decreases, as selling prices increased net sales by 1.0 percent and raw material cost deflation was favorable by approximately 1.5 percent year-on-year. In addition, lower pension and postretirement costs (of which a portion impacts cost of sales), along with organic volume leverage, decreased cost of sales as a percent of sales.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses (SG&A) decreased $287 million, or 4.4 percent, in 2015 when compared to 2014. The translation of foreign currencies into U.S. dollars reduced SG&A expense, as evidenced by our foreign currency translation impact which reduced worldwide sales by 6.8 percent. This foreign currency translation benefit was partially offset by higher pension and postretirement expense and fourth quarter 2015 restructuring charges. SG&A, measured as a percent of sales, increased 0.1 percentage points to 20.4 percent in 2015, compared to 20.3 percent of sales in 2014.

Selling, general and administrative expenses (SG&A) increased $85 million, or 1.3 percent, in 2014 when compared to 2013. Year 2014 included strategic investments in business transformation, while lower pension and postretirement expense benefitted SG&A. SG&A, measured as a percent of sales, decreased 0.4 percentage points to 20.3 percent in 2014, compared to 20.7 percent of sales in 2013.

Research, Development and Related Expenses:

Research, development and related expenses (R&D) decreased $7 million, or 0.4 percent, in 2015 compared to 2014. R&D increased 3.2 percent in 2014 compared to 2013. 3M continued to support its key growth initiatives, including more R&D aimed at disruptive innovation, which refers to innovation which has the potential to create new markets and disrupt existing markets. In 2015, like SG&A, R&D spending in U.S. dollars was reduced due to the translation of foreign currencies into U.S. dollars. These 2015 translation benefits were partially offset by higher pension and postretirement expense in 2015 when compared to 2014. In 2014, increases in R&D, when compared to 2013, were partially offset by lower pension and postretirement expense. R&D, measured as a percent of sales, was 5.8 percent in 2015, compared to 5.6 percent in both 2014 and 2013.

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Operating Income:

3M uses operating income as one of its primary business segment performance measurement tools. Refer to the table below for a reconciliation of operating income margins for 2015 versus 2014, and 2014 versus 2013.

Operating income margin:

	Year ended December 31,	
(Percent of net sales)	2015	2014
Same period last year	22.4 %	21.6 %
Increase/(decrease) in operating income margin, due to:		
Selling price and raw material impacts	1.6	1.0
Organic volume growth	—	0.3
Pension and postretirement benefit costs	(0.5)	0.5
Acquisitions and divestitures	(0.2)	(0.1)
Strategic investments	(0.3)	(0.6)
Foreign exchange impacts	—	(0.3)
Restructuring charges	(0.4)	—
Productivity and other	0.3	—
Current period	22.9 %	22.4 %

Operating income margins were 22.9 percent in 2015 compared to 22.4 percent in 2014, an increase of 0.5 percentage points. These results included a significant benefit from the combination of higher selling prices and lower raw material costs, and a benefit from productivity and other items. These benefits were partially offset by higher pension and postretirement benefit costs, 2015 restructuring charges, higher strategic investments, and acquisition and divestiture impacts. Strategic investments include incremental programs around disruptive R&D and business transformation. Acquisition and divestiture impacts primarily relate to the Capital Safety and Polypore Separations Media acquisitions, and the divestitures of substantially all of the library systems business, along with the license plate converting business in France.

Operating income margins were 22.4 percent in 2014 compared to 21.6 percent in 2013, an increase of 0.8 percentage points. These results included a significant benefit from the combination of higher selling prices and lower raw material costs. In addition, lower year-on-year pension and postretirement benefit costs and profit leverage on organic volume growth provided benefits. Items that reduced operating income margins included strategic investments, which included investments in disruptive R&D, business transformation, the supply chain center of expertise in Europe, and portfolio management actions. The Company invested $90 million in 2014 in portfolio management actions to position 3M for greater success. Foreign currency effects and acquisition impacts (Treo) reduced operating income margins.

Interest Expense and Income:

(Millions)	2015	2014	2013
Interest expense	$ 149	$ 142	$ 145
Interest income	(26)	(33)	(41)
Total	$ 123	$ 109	$ 104

Interest Expense: Interest expense increased slightly in 2015 compared to 2014, despite significantly higher debt levels, helped by lower average interest rates. Interest expense decreased in 2014 compared to 2013, again despite higher debt levels, primarily due to lower U.S. borrowing costs as debt maturities were replaced with lower cost financing from commercial paper and lower interest rates on new debt issuances.

Capitalized interest related to property, plant and equipment construction in progress is recorded as a reduction to interest expense. The amounts shown in the table above for interest expense are net of capitalized interest amounts of $13 million, $15 million, and $21 million, in 2015, 2014 and 2013, respectively.

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Interest Income: Interest income in 2015 was lower when compared to 2014 due to lower average cash/marketable securities balances. Interest income in 2014 was lower when compared to 2013 due to lower cash balances.

Provision for Income Taxes:

(Percent of pre-tax income)	2015	2014	2013
Effective tax rate	29.1 %	28.9 %	28.1 %

The effective tax rate for 2015 was 29.1 percent, compared to 28.9 percent in 2014, an increase of 0.2 percentage points. The effective tax rate for 2014 was 28.9 percent, compared to 28.1 percent in 2013, an increase of 0.8 percentage points. The changes in the rates between years are impacted by many factors, as described further in Note 8.

The Company currently expects that its effective tax rate for 2016 will be approximately 29.5 to 30.5 percent. The rate can vary from quarter to quarter due to discrete items, such as the settlement of income tax audits and changes in tax laws, as well as recurring factors, such as the geographic mix of income before taxes.

Refer to Note 8 for further discussion of income taxes.

Net Income Attributable to Noncontrolling Interest:

(Millions)	2015	2014	2013
Net income attributable to noncontrolling interest	$ 8	$ 42	$ 62

Net income attributable to noncontrolling interest represents the elimination of the income or loss attributable to non-3M ownership interests in 3M consolidated entities. The changes in noncontrolling interest amounts have largely related to Sumitomo 3M Limited (Japan), which was 3M's most significant consolidated entity with non-3M ownership interests. As discussed in Note 6, on September 1, 2014, 3M purchased the remaining 25 percent ownership in Sumitomo 3M Limited, bringing 3M's ownership to 100 percent. Thus, effective September 1, 2014, net income attributable to noncontrolling interest was significantly reduced. The primary remaining noncontrolling interest relates to 3M India Limited, of which 3M's effective ownership is 75 percent.

Currency Effects:

3M estimates that year-on-year currency effects, including hedging impacts, decreased pre-tax income by approximately $390 million and $100 million in 2015 and 2014, respectively. These estimates include the effect of translating profits from local currencies into U.S. dollars; the impact of currency fluctuations on the transfer of goods between 3M operations in the United States and abroad; and transaction gains and losses, including derivative instruments designed to reduce foreign currency exchange rate risks and the negative impact of swapping Venezuelan bolivars into U.S. dollars. 3M estimates that year-on-year derivative and other transaction gains and losses increased pre-tax income by approximately $180 million and $10 million in 2015 and 2014, respectively. Refer to Note 12 in the Consolidated Financial Statements for additional information concerning 3M's hedging activities.

PERFORMANCE BY BUSINESS SEGMENT

Disclosures relating to 3M's business segments are provided in Item 1, Business Segments. Financial information and other disclosures are provided in the Notes to the Consolidated Financial Statements. 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. The reportable segments are Industrial; Safety and Graphics; Electronics and Energy; Health Care; and Consumer.

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Corporate and Unallocated:

In addition to these five business segments, 3M assigns certain costs to "Corporate and Unallocated," which is presented separately in the preceding business segments table and in Note 16. Corporate and Unallocated includes a variety of miscellaneous items, such as corporate investment gains and losses, certain derivative gains and losses, certain insurance-related gains and losses, certain litigation and environmental expenses, corporate restructuring charges and certain under- or over-absorbed costs (e.g. pension, stock-based compensation) that the Company determines not to allocate directly to its business segments. Because this category includes a variety of miscellaneous items, it is subject to fluctuation on a quarterly and annual basis.

Corporate and Unallocated operating expenses increased by $104 million in 2015 when compared to 2014. This increase was driven by higher pension and postretirement benefit expenses, which increased in total by $165 million. Of this increase, $153 million was allocated to Corporate and Unallocated. Increases were also driven by fourth quarter 2015 restructuring charges of $37 million, as indicated in the below table. Items which partially offset these increases within Corporate and Unallocated included higher administrative and R&D cost absorption by the five business segments, resulting in less under-absorbed expense being allocated to Corporate.

Corporate and Unallocated operating expenses decreased by $70 million in 2014 when compared to 2013. This decrease was driven by lower pension and postretirement benefit expenses, which declined year-on-year by $162 million. Of this reduction, $116 million was allocated to Corporate and Unallocated. This was partially offset by higher Corporate and Unallocated expenses related to year-on-year increases in annual incentive plan expenses and legal accruals.

Restructuring Pre-Tax Charge by Business Segment:

(Millions)	2015
Industrial	42
Safety and Graphics	11
Health Care	9
Electronics and Energy	12
Consumer	3
Corporate and Unallocated	37
Total	$ 114

Operating Business Segments:

Each of 3M's business segments incurred restructuring charges in the fourth quarter of 2015, as indicated in the preceding table. In 2014, each business segment absorbed additional cost related to incremental investments related to business transformation, enabled by 3M's global ERP implementation, which impacted each of the five business segments 2014 annual operating income margins by approximately 0.2 percentage points when compared to 2013.

Information related to 3M's business segments is presented in the tables that follow. Organic local-currency sales include both organic volume impacts plus selling price impacts. Acquisition impacts, if any, are measured separately for the first twelve months of the acquisition. The divestiture impacts, if any, foreign currency translation impacts and total sales change are also provided for each business segment. Any references to EMEA relate to Europe, Middle East and Africa on a combined basis.

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The following discusses total year results for 2015 compared to 2014, and also discusses 2014 compared to 2013, for each business segment.

Industrial Business (34.1% of consolidated sales):

	2015		2014		2013	
Sales (millions)	$ 10,328		$ 10,990		$ 10,657	
Sales change analysis:						
Organic local currency	0.7	%	4.9	%	4.6	%
Acquisitions	0.6		—		3.6	
Translation	(7.3)		(1.8)		(1.7)	
Total sales change	(6.0)	%	3.1	%	6.5	%
Operating income (millions)	$ 2,263		$ 2,389		$ 2,307	
Percent change	(5.3)	%	3.6	%	2.8	%
Percent of sales	21.9	%	21.7	%	21.6	%

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 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.

Year 2015 results:

Sales in Industrial totaled $10.3 billion, down 6.0 percent in U.S. dollars. Organic local-currency sales increased 0.7 percent, acquisitions added 0.6 percent, and foreign currency translation reduced sales by 7.3 percent.

On an organic local-currency sales basis:

· Sales growth was led by 3M purification, automotive OEM, and aerospace and commercial transportation, while both automotive aftermarket, and industrial adhesives and tapes sales increased slightly.

·

Sales in advanced materials declined, primarily due to weakness in the oil and gas market. Sales in abrasive systems also declined.

- Geographically, sales increased 4 percent in Latin America/Canada, 1 percent in Asia Pacific, and were flat in both EMEA and the United States.

Acquisitions:

- Acquisition sales growth related to the late August 2015 acquisition of Polypore's Separations Media business.
- This business is a provider of microporous membranes and modules for filtration in the life sciences, industrial, and specialty segments. This acquisition enhances 3M's core filtration platform and will help generate new growth opportunities across the company.

Operating income:

- Operating income margins increased by 0.2 percentage points to 21.9 percent, helped by the combination of lower raw material costs and selective selling price increases.
- Operating income margins were negatively impacted by 0.4 percentage points due to the $42 million restructuring charge, plus an additional 0.3 percentage points penalty due to the Polypore Separations Media acquisition.

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Year 2014 results:

Sales in Industrial totaled $11.0 billion, up 3.1 percent in U.S. dollars. Organic local-currency sales increased 4.9 percent, and foreign currency translation reduced sales by 1.8 percent.

On an organic local-currency sales basis:

· Sales growth was positive across all businesses, led by aerospace and commercial transportation, automotive OEM, 3M purification, advanced materials, and abrasive systems.
· Geographically, organic local-currency sales increased 6 percent in the United States, 5 percent in Asia Pacific, and 3 percent in both EMEA and Latin America/Canada.

Operating income:

· Operating income was $2.4 billion in 2014, an increase of 3.6 percent.
· Operating income margins increased by 0.1 percentage points to 21.7 percent.
· Operating income margins improved due to sales volume leverage, plus the combination of selling price increases and raw material cost decreases, partially offset by incremental investments related to business transformation, enabled by 3M's global ERP implementation.

Safety and Graphics Business (18.2% of consolidated sales):

	2015	2014	2013
Sales (millions)	$ 5,515	$ 5,732	$ 5,584
Sales change analysis:			
Organic local currency	2.4 %	5.4 %	4.1 %
Acquisitions	2.6	—	1.3
Divestitures	(0.4)	—	—
Translation	(8.4)	(2.7)	(2.1)
Total sales change	(3.8) %	2.7 %	3.3 %
Operating income (millions)	$ 1,305	$ 1,296	$ 1,227
Percent change	0.7 %	5.6 %	1.4 %
Percent of sales	23.7 %	22.6 %	22.0 %

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; roofing granules for asphalt shingles; plus fall protection equipment.

Year 2015 results:

Sales in Safety and Graphics totaled $5.5 billion, down 3.8 percent in U.S. dollars. Organic local-currency sales increased 2.4 percent, and foreign currency translation reduced sales by 8.4 percent. Acquisitions added 2.6 percent, while divestitures reduced sales by 0.4 percent.

On an organic local-currency sales basis:

- Sales growth was led by roofing granules, commercial solutions, and personal safety, while sales were flat in traffic safety and security.
- Sales increased 6 percent in Asia Pacific, 3 percent in the United States, and 2 percent in EMEA, while sales declined 1 percent in Latin America/Canada.

Acquisitions and divestitures:

- Acquisition sales growth reflects the acquisition of Capital Safety in early August 2015. Capital Safety is a leading global provider of fall protection equipment.

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· In the fourth quarter of 2015, 3M divested its license plate converting business in France and substantially all of its library systems business as discussed in Note 2.

Operating income:

· Operating income in 2015 totaled $1.3 billion, up 0.7 percent.
· Operating income margins were 23.7 percent of sales, compared to 22.6 percent in 2014.
· Operating income margin improvements were driven by higher selling prices and lower raw material costs, along with productivity.
· Operating income margins penalty from acquisitions was partially offset by a benefit from divestitures, which resulted in a net margin penalty of 0.2 percentage points.

Year 2014 results:

Sales in Safety and Graphics totaled $5.7 billion, up 2.7 percent in U.S. dollars. Organic local-currency sales increased 5.4 percent, and foreign currency translation reduced sales by 2.7 percent.

On an organic local-currency sales basis:

· Sales growth was led by personal safety. 3M also saw positive organic local-currency sales growth in commercial solutions, and traffic safety and security.
· Sales in the roofing granules business declined year-on-year.
· Organic local-currency sales increased 6 percent in EMEA, and increased 5 percent in the United States, Asia Pacific, and Latin America/Canada.

Operating income:

· Operating income in 2014 totaled $1.3 billion, up 5.6 percent.
· Operating income margins were 22.6 percent of sales, compared to 22.0 percent in 2013.
· Operating income margins benefited from organic volume leverage plus selling price increases, partially offset by incremental investments related to business transformation, enabled by 3M's global ERP implementation, plus certain portfolio management actions.

Health Care Business (17.9% of consolidated sales):

	2015	2014	2013
Sales (millions)	$ 5,420	$ 5,572	$ 5,334
Sales change analysis:			

Organic local currency	3.7 %	5.8 %	5.0 %
Acquisitions	0.8	0.4	0.1
Translation	(7.2)	(1.7)	(1.3)
Total sales change	(2.7) %	4.5 %	3.8 %
Operating income (millions)	$ 1,724	$ 1,724	$ 1,672
Percent change	— %	3.1 %	1.9 %
Percent of sales	31.8 %	30.9 %	31.3 %

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. 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.

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Year 2015 results:

Health Care sales totaled $5.4 billion, a decrease of 2.7 percent in U.S. dollars. Organic local-currency sales increased 3.7 percent, acquisitions added 0.8 percent, and foreign currency translation reduced sales by 7.2 percent.

On an organic local-currency sales basis:

- Sales growth was broad-based across much of the Health Care portfolio, including food safety, health information systems, critical and chronic care, oral care solutions, and infection prevention.
- Sales declined in drug delivery systems.
- On a geographic basis, sales increased 8 percent in Asia Pacific, 6 percent in Latin America/Canada, 4 percent in the United States, and 1 percent in EMEA.
- In developing markets, Health Care organic local-currency sales grew 8 percent.

Acquisitions:

- Acquisition sales growth related to the March 2015 purchase of Ivera Medical Corp. Ivera is a manufacturer of health care products that disinfect and protect devices used for access into a patient's bloodstream. In addition, Treo Solutions LLC, acquired in April 2014, provided a year-on-year benefit (discussed further in Year 2014 results below).

Operating income:

- Operating income was flat in dollars at $1.7 billion.
- Operating income margins were 31.8 percent in 2015, compared to 30.9 percent in 2014, helped by portfolio management actions that are contributing to higher productivity and margins.
- Acquisition impacts reduced operating income margins by 0.2 percentage points.

In September 2015, 3M announced that it would explore strategic alternatives for its Health Information Systems Division (HIS), which included spinning-off, selling, or retaining the business. In February 2016, following an in-depth exploration of strategic alternatives, the Company announced that it made the decision to retain and further invest in HIS.

Year 2014 results:

Health Care sales totaled $5.6 billion, an increase of 4.5 percent in U.S. dollars. Organic local-currency sales increased 5.8 percent, acquisitions added 0.4 percent, and foreign currency translation reduced sales by 1.7 percent.

On an organic local-currency sales basis:

- Sales grew in all businesses, with the strongest growth in health information systems, drug delivery systems, food safety, critical and chronic care, and infection prevention.
- On a geographic basis, organic local-currency sales increased 9 percent in Latin America/Canada, 8 percent in Asia Pacific, 6 percent in the United States, and 3 percent in EMEA.
- In developing markets, Health Care organic local-currency sales grew 12 percent.

Acquisitions:

- Acquisition sales growth related to the April 2014 purchase of Treo Solutions LLC. Treo is a provider of data analytics and business intelligence to healthcare payers and providers.

Operating income:

- Operating income increased 3.1 percent to $1.7 billion.
- Operating income margins were 30.9 percent in 2014, compared to 31.3 percent in 2013, with acquisition impacts reducing operating income margins by 0.3 percentage points.
- The gain from sale of a non-strategic equity method investment benefited total year 2013 operating income margins by 0.3 percentage points.

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Electronics and Energy Business (17.2% of consolidated sales):

	2015	2014	2013
Sales (millions)	$ 5,220	$ 5,604	$ 5,393
Sales change analysis:			
Organic local currency	(1.9) %	5.2 %	— %
Divestitures	(0.8)	—	—
Translation	(4.1)	(1.3)	(1.2)
Total sales change	(6.8) %	3.9 %	(1.2) %
Operating income (millions)	$ 1,102	$ 1,115	$ 954
Percent change	(1.1) %	16.8 %	(7.0) %
Percent of sales	21.1 %	19.9 %	17.7 %

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 film solutions for the electronic display industry; packaging and interconnection devices; high performance fluids and abrasives; high-temperature and display tapes; flexible circuits, which use electronic packaging and interconnection technology; and touch systems products, which includes touch screens, touch monitors, and touch sensor components. This segment's energy solutions include pressure sensitive tapes and resins; electrical insulation; infrastructure products that provide both protection and detection solutions; a wide array of fiber-optic and copper-based telecommunications systems; and renewable energy component solutions for the solar and wind power industries.

The display materials and systems business 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. The display materials and systems business includes a number of different products that are protected by various patents and groups of patents. These patents provide varying levels of exclusivity to 3M for a number of such products. As some of 3M's multi-layer optical film patents expired at the end of 2013 and will expire over several years thereafter, 3M will likely see more competition in these products. 3M continues to innovate in the area of optical films and files patents on its new technology and products. 3M's proprietary manufacturing technology and know-how also provide a competitive advantage to 3M independent of its patents.

Year 2015 results:

Electronics and Energy sales totaled $5.2 billion, down 6.8 percent in U.S. dollars. Organic local-currency sales declined 1.9 percent, divestitures reduced sales by 0.8 percent, and foreign currency translation reduced sales by 4.1

percent.

On an organic local-currency sales basis:

- Sales decreased approximately 1 percent in 3M's electronics-related businesses, with growth in electronics materials solutions more than offset by a decline in display materials and systems, as 3M experienced softer conditions in the electronics markets.
- Sales decreased approximately 4 percent in 3M's energy-related businesses, as telecommunications, electrical markets, and renewable energy all declined.
- On a geographic basis, sales increased 1 percent in Europe, were flat in the United States, and declined 3 percent in both Latin America/Canada and Asia Pacific.

Divestitures:

- 3M completed the sale of its static control business in January 2015 (discussed in Note 2).

Operating income:

- Operating income decreased 1.1 percent to $1.1 billion in 2015.

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· Operating income margins were 21.1 percent compared to 19.9 percent in 2014, helped by prior year portfolio management actions that are contributing to higher productivity.
· Portfolio management actions in 2015 related to renewable energy, plus fourth quarter 2015 restructuring charges, which combined reduced operating income margins by 0.8 percentage points.

Year 2014 results:

Electronics and Energy sales totaled $5.6 billion, up 3.9 percent in U.S. dollars. Organic local-currency sales increased 5.2 percent, and foreign currency translation reduced sales by 1.3 percent.

On an organic local-currency sales basis:

· Sales increased approximately 8 percent in 3M's electronics-related businesses, with growth led by display materials and systems.
· In 3M's energy-related businesses, organic local-currency sales increased approximately 1 percent, with growth in electrical markets and telecommunications, partially offset by reductions in renewable energy.
· On a geographic basis, organic local-currency sales increased 8 percent in Latin America/Canada, 7 percent in Asia Pacific, and 1 percent in EMEA, while sales in the United States were flat.

Operating income:

· Operating income increased 16.8 percent to $1.1 billion in 2014.
· Operating income margins were 19.9 percent compared to 17.7 percent in 2013, helped by sales volume leverage.
  · In addition, prior portfolio management actions enhanced 3M's relevance with customers and generated operational efficiencies, which also contributed to the operating income margin improvement in 2014.

Consumer Business (14.6% of consolidated sales):

	2015	2014	2013
Sales (millions)	$ 4,422	$ 4,523	$ 4,435
Sales change analysis:			
Organic local currency	3.4 %	3.9 %	3.0 %
Divestitures	—	(0.1)	(0.1)
Translation	(5.6)	(1.8)	(1.8)
Total sales change	(2.2) %	2.0 %	1.1 %
Operating income (millions)	$ 1,046	$ 995	$ 945
Percent change	5.2 %	5.3 %	0.2 %
Percent of sales	23.7 %	22.0 %	21.3 %

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.

Year 2015 results:

Consumer sales totaled $4.4 billion, down 2.2 percent in U.S. dollars. Organic local-currency sales increased 3.4 percent, and foreign currency translation reduced sales by 5.6 percent.

On an organic local-currency sales basis:

- Sales growth was led by construction and home improvement, stationery and office supplies, and home care. 3M also posted positive growth in its consumer health care business.
- On a geographic basis, organic local-currency sales increased 5 percent in the United States and 3 percent in Asia Pacific, while sales in both EMEA and Latin America/Canada were flat.

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- In developing markets, sales growth was 3 percent.

Operating income:

- Consumer operating income was $1.0 billion, up 5.2 percent from 2014.
- Operating income margins were 23.7 percent, up from 22.0 percent in 2014.
- The combination of strong organic growth and productivity continued to drive efficiencies across this business.

Year 2014 results:

Consumer sales totaled $4.5 billion, up 2.0 percent in U.S. dollars. Organic local-currency sales increased 3.9 percent, divestitures reduced sales by 0.1 percent, and foreign currency translation reduced sales by 1.8 percent.

On an organic local-currency sales basis:

- Sales growth was led by construction and home improvement. 3M also posted positive growth in the consumer health care and home care businesses. Sales in the stationery and office supplies business were flat.
- On a geographic basis, organic local-currency sales increased 6 percent in Asia Pacific, 4 percent in the United States, 3 percent in Latin America/Canada, and 1 percent in EMEA.
- In developing markets, sales growth was 6 percent.

Operating income:

- Consumer operating income was $1.0 billion, up 5.3 percent from 2013.
- Operating income margins were 22.0 percent, up from 21.3 percent in 2013.
- The combination of strong organic growth, productivity, and portfolio prioritization continued to drive efficiencies across this business.

PERFORMANCE BY GEOGRAPHIC AREA

While 3M manages its businesses globally and believes its business segment results are the most relevant measure of performance, the Company also utilizes geographic area data as a secondary performance measure. Export sales are generally reported within the geographic area where the final sales to 3M customers are made. A portion of the products or components sold by 3M's operations to its customers are exported by these customers to different geographic areas. As customers move their operations from one geographic area to another, 3M's results will follow. Thus, net sales in a particular geographic area are not indicative of end-user consumption in that geographic area. Financial information related to 3M operations in various geographic areas is provided in Note 17.

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A summary of key information and discussion related to 3M's geographic areas follow:

2015	United States	Asia Pacific	Europe, Middle East & Africa	Latin America/ Canada	Other Unallocated	Worldwide
Net sales (millions)	$ 12,049	$ 9,041	$ 6,228	$ 2,982	$ (26)	$ 30,274
% of worldwide sales	39.8 %	29.9 %	20.5 %	9.8 %	—	100.0 %
Components of net sales change:						
Volume — organic	1.7 %	0.9 %	(1.0) %	(3.1) %	—	0.2 %
Price	0.4	—	1.8	4.6	—	1.1
Organic local-currency sales	2.1	0.9	0.8	1.5	—	1.3
Acquisitions	1.2	0.4	0.7	0.7	—	0.8
Divestitures	(0.4)	(0.1)	(0.1)	(0.2)	—	(0.2)
Translation	—	(5.2)	(14.9)	(16.9)	—	(6.8)
Total sales change	2.9 %	(4.0) %	(13.5) %	(14.9) %	—	(4.9) %
Operating income (millions)	$ 2,647	$ 2,580	$ 1,017	$ 706	$ (4)	$ 6,946
Percent change	4.2 %	3.8 %	(17.5) %	(18.5) %	—	(2.6) %

For total year 2015, as shown in the preceding table, sales declined 4.9 percent, with organic volume increases of 0.2 percent and selling price increases of 1.1 percent. Acquisitions added 0.8 percent, while divestitures reduced sales by 0.2 percent. Foreign currency translation reduced sales by 6.8 percent. Organic local-currency sales increased, 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 2015, international operations represented 60.2 percent of 3M's sales.

2014	United States	Asia Pacific	Europe, Middle East & Africa	Latin America/ Canada	Other Unallocated	Worldwide
Net sales (millions)	$ 11,714	$ 9,418	$ 7,198	$ 3,504	$ (13)	$ 31,821
% of worldwide sales	36.8 %	29.6 %	22.6 %	11.0 %	—	100.0 %
Components of net sales change:						
Volume — organic	4.4 %	6.2 %	2.1 %	0.2 %	—	3.9 %
Price	0.5	0.1	1.1	4.3	—	1.0
Organic local-currency sales	4.9	6.3	3.2	4.5	—	4.9
Acquisitions	0.2	—	—	—	—	0.1
Divestitures	(0.1)	—	—	—	—	—
Translation	—	(2.2)	(1.6)	(7.5)	—	(1.9)
Total sales change	5.0 %	4.1 %	1.6 %	(3.0) %	—	3.1 %

Operating income (millions)	$ 2,540	$ 2,487	$ 1,234	$ 867	$ 7	$ 7,135
Percent change	14.9 %	4.2 %	5.7 %	(4.5) %	—	7.0 %

For total year 2014, as shown in the preceding table, sales rose 3.1 percent, with organic volume increases of 3.9 percent and selling price increases of 1.0 percent. Acquisitions added 0.1 percent, while foreign currency translation reduced sales by 1.9 percent. Organic local-currency sales increased 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 2014, international operations represented 63.2 percent of 3M's sales.

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Geographic Area Supplemental Information

(Millions, except Employees)	Employees as of December 31, 2015	2014	2013	Capital Spending 2015	2014	2013	Property, Plant and Equipment - net as of December 31, 2015	2014
United States	35,973	35,581	34,719	$ 936	$ 909	$ 941	$ 4,838	$ 4,619
Asia Pacific	17,642	17,854	18,417	172	184	284	1,647	1,798
Europe, Middle East and Africa	20,563	20,506	20,504	249	288	290	1,531	1,502
Latin America and Canada	15,268	15,859	15,027	104	112	150	499	570
Total Company	89,446	89,800	88,667	$ 1,461	$ 1,493	$ 1,665	$ 8,515	$ 8,489

Employment:

Employment decreased by 354 positions in 2015 and increased by 1,133 positions in 2014. The primary factor that decreased employment in 2015 related to fourth-quarter 2015 restructuring actions that impacted approximately 1,700 positions worldwide. The 2015 acquisitions of Ivera Medical Corp., Polypore International Inc.'s Separations Media business and Capital Safety Group S.A.R.L. increased 2015 headcount by approximately 2,000 positions. The primary factors that increased employment in 2014 was additions in developing economies to support growth, plus additions related to the Treo Solutions LLC acquisition in 2014.

Capital Spending/Net Property, Plant and Equipment:

Investments in property, plant and equipment enable growth across many diverse markets, helping to meet product demand and increasing manufacturing efficiency. 3M's capital spending by geography has been led by the United States (64% of spending in 2015), followed by Europe, Middle East and Africa, Asia Pacific, and Latin America/Canada. 3M is continuing to increase its manufacturing and sourcing capability, particularly in developing economies, in order to more closely align its product capability with its sales in major geographic areas. 3M will continue to make investments in critical developing markets, such as Brazil, China, Mexico, Panama, Poland, Southeast Asia, and Turkey. Capital spending is discussed in more detail later in MD&A in the section entitled "Cash Flows from Investing Activities."

CRITICAL ACCOUNTING ESTIMATES

Information regarding significant accounting policies is included in Note 1. As stated in Note 1, the preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company believes its most critical accounting estimates relate to legal proceedings, the Company's pension and postretirement obligations, asset impairments and income taxes. Senior management has discussed the development, selection and disclosure of its critical accounting estimates with the Audit Committee of 3M's Board of Directors.

Legal Proceedings:

The categories of claims for which the Company has a probable and estimable liability, the amount of its liability accruals, and the estimates of its related insurance receivables are critical accounting estimates related to legal proceedings. Please refer to the section entitled "Process for Disclosure and Recording of Liabilities and Insurance Receivables Related to Legal Proceedings" (contained in "Legal Proceedings" in Note 14) for additional information about such estimates.

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Pension and Postretirement Obligations:

3M has various company-sponsored retirement plans covering substantially all U.S. employees and many employees outside the United States. The primary U.S. defined-benefit pension plan was closed to new participants effective January 1, 2009. The Company accounts for its defined benefit pension and postretirement health care and life insurance benefit plans in accordance with Accounting Standard Codification (ASC) 715, Compensation — Retirement Benefits, in measuring plan assets and benefit obligations and in determining the amount of net periodic benefit cost. ASC 715 requires employers to recognize the underfunded or overfunded status of a defined benefit pension or postretirement plan as an asset or liability in its statement of financial position and recognize changes in the funded status in the year in which the changes occur through accumulated other comprehensive income, which is a component of stockholders' equity. While the company believes the valuation methods used to determine the fair value of plan assets are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. See Note 11 for additional discussion of actuarial assumptions used in determining pension and postretirement health care liabilities and expenses.

Pension benefits associated with these plans are generally based primarily on each participant's years of service, compensation, and age at retirement or termination. The benefit obligation represents the present value of the benefits that employees are entitled to in the future for services already rendered as of the measurement date. The Company measures the present value of these future benefits by projecting benefit payment cash flows for each future period and discounting these cash flows back to the December 31 measurement date, using the yields of a portfolio of high quality, fixed-income debt instruments that would produce cash flows sufficient in timing and amount to settle projected future benefits. Historically, the single aggregated discount rate used for each plan's benefit obligation was also used for the calculation of all net periodic benefit costs, including the measurement of the service and interest costs. Beginning in 2016, 3M changed the method used to estimate the service and interest cost components of the net periodic pension and other postretirement benefit costs. The new method measures service cost and interest cost separately using the spot yield curve approach applied to each corresponding obligation. Service costs are determined based on duration-specific spot rates applied to the service cost cash flows. The interest cost calculation is determined by applying duration-specific spot rates to the year-by-year projected benefit payments. The spot yield curve approach does not affect the measurement of the total benefit obligations as the change in service and interest costs offset in the actuarial gains and losses recorded in other comprehensive income. The Company changed to the new method to provide a more precise measure of service and interest costs by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The Company accounted for this change as a change in estimate prospectively beginning in the first quarter of 2016. As a result of the change to the spot yield curve approach, 2016 defined benefit pension and postretirement net periodic benefit cost is expected to decrease by $180 million. Including this $180 million, 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.

Using this methodology, the Company determined discount rates for its plans as follow:

	U.S. Qualified Pension	International Pension (weighted average)	U.S. Postretirement Medical
December 31, 2014 Liability and 2015 Net Periodic Benefit Cost:			
Single discount rate	4.10 %	3.11 %	4.07 %
December 31, 2015 Liability:			
Benefit obligation	4.47 %	3.12 %	4.32 %
2016 Net Periodic Benefit Cost Components:			
Service cost	4.72 %	2.84 %	4.60 %
Interest cost	3.77 %	2.72 %	3.44 %

Another significant element in determining the Company’s pension expense in accordance with ASC 715 is the expected return on plan assets, which is based on historical results for similar allocations among asset classes. For the primary U.S. qualified pension plan, the expected long-term rate of return on an annualized basis for 2016 is 7.50%, 0.25% lower than 2015. Refer to Note 11 for information on how the 2015 rate was determined. Return on assets assumptions for

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international pension and other post-retirement benefit plans are calculated on a plan-by-plan basis using plan asset allocations and expected long-term rate of return assumptions. The weighted average expected return for the international pension plan is 5.77% for 2016, compared to 5.90% for 2015.

For the year ended December 31, 2015, the Company recognized total consolidated defined benefit pre-tax pension and postretirement expense (after settlements, curtailments, special termination benefits and other) of $556 million, up from $391 million in 2014. Defined benefit pension and postretirement expense (before settlements, curtailments, special termination benefits and other) is anticipated to decrease to approximately $236 million in 2016, a decrease of $320 million compared to 2015.

The table below summarizes the impact on 2016 pension expense for the U.S. and international pension plans of a 0.25 percentage point increase/decrease in the expected long-term rate of return on plan assets and discount rate assumptions used to measure plan liabilities and 2016 net periodic benefit cost. The table assumes all other factors are held constant, including the slope of the discount rate yield curves.

	Increase (Decrease) in Net Periodic Benefit Cost			
	Discount Rate		Expected Return on Assets	
(Millions)	-0.25%	+0.25%	-0.25%	+0.25%
U.S. pension plans	$ 30	$ (29)	$ 35	$ (35)
International pension plans	22	(20)	14	(14)

Asset Impairments:

As of December 31, 2015, net property, plant and equipment totaled $8.5 billion and net identifiable intangible assets totaled $2.6 billion. Management makes estimates and assumptions in preparing the consolidated financial statements for which actual results will emerge over long periods of time. This includes the recoverability of long-lived assets employed in the business, including assets of acquired businesses. These estimates and assumptions are closely monitored by management and periodically adjusted as circumstances warrant. For instance, expected asset lives may be shortened or an impairment recorded based on a change in the expected use of the asset or performance of the related asset group.

3M goodwill totaled approximately $9.2 billion as of December 31, 2015. 3M's annual goodwill impairment testing is performed in the fourth quarter of each year. Impairment testing for goodwill is done at a reporting unit level, with all goodwill assigned to a reporting unit. Reporting units are one level below the business segment level, but can be combined when reporting units within the same segment have similar economic characteristics. At 3M, reporting units generally correspond to a division. 3M did not combine any of its reporting units for impairment testing.

An impairment loss generally would be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The estimated fair value of a reporting unit is determined using earnings for the reporting unit multiplied by a price/earnings ratio for comparable industry groups, or by using a discounted cash flow analysis. 3M typically uses the price/earnings ratio approach for stable and growing businesses that have a long history and track record of generating positive operating income and cash flows. 3M uses the discounted cash flow approach for start-up, loss position and declining businesses, in addition to businesses where the price/earnings ratio valuation method indicates additional review is warranted. 3M also uses discounted cash flow as an additional tool for businesses that may be growing at a slower rate than planned due to economic or other conditions.

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. For any product moves that resulted in reporting unit changes, the Company applied the relative fair value method to determine the impact on goodwill of the associated reporting units. During the third quarter of 2015, the Company completed its assessment of any potential goodwill impairment for reporting units impacted by this new structure and determined that no impairment existed. The discussion that follows relates to the separate fourth quarter 2015 annual impairment test and is in the context of the reporting unit structure that existed at that time.

As of October 1, 2015, 3M had 26 primary reporting units, with ten reporting units accounting for approximately 87 percent of the goodwill. These ten reporting units were comprised of the following divisions: 3M purification (which includes the Polypore Separations Media acquisition), Advanced Materials, Communication Markets, Display Materials and Systems, Health Information Systems, Industrial Adhesives and Tapes, Infection Prevention, Oral Care Solutions, Personal Safety (which includes the Capital Safety acquisition), and Traffic Safety and Security. The estimated fair values for these reporting units were in excess of carrying value by approximately 50 percent or more, except for one reporting unit with approximately $300 million of goodwill, where the fair value exceeded the carrying value by approximately 30 percent. 3M's market value at both September 30, 2015, and December 31, 2015, was significantly in excess of its equity of approximately $12 billion at both December 31, 2015 and September 30, 2015.

In 2015, 3M primarily used an industry price-earnings ratio approach, but also used a discounted cash flows approach for certain reporting units, to determine fair values. Where applicable, 3M used a weighted-average discounted cash flow analysis for certain divisions, using projected cash flows that were weighted based on different sales growth and terminal value assumptions, among other factors. The weighting was based on management's estimates of the likelihood of each scenario occurring.

3M is an integrated materials enterprise, thus many of 3M's businesses could not easily be sold on a stand-alone basis. 3M's focus on research and development has resulted in a portion of 3M's value being comprised of internally developed businesses that have no goodwill associated with them. Based on the annual test in the fourth quarter of 2015, no goodwill impairment was indicated for any of the reporting units.

Factors which could result in future impairment charges include, among others, changes in worldwide economic conditions, changes in competitive conditions and customer preferences, and fluctuations in foreign currency exchange rates. These risk factors are discussed in Item 1A, "Risk Factors," of this document. In addition, changes in the weighted average cost of capital could also impact impairment testing results. As indicated above, during the third quarter of 2015, the Company completed its assessment of any potential goodwill impairment for reporting units impacted by changes between reporting units and determined that no impairment existed. Long-lived assets with a definite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) may not be recoverable. If future non-cash asset impairment charges are taken, 3M would expect that only a portion of the long-lived assets or goodwill would be impaired. 3M will continue to monitor its reporting units and asset groups in 2016 for any triggering events or other indicators of impairment.

Income Taxes:

The extent of 3M's operations involves dealing with uncertainties and judgments in the application of complex tax regulations in a multitude of jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. The Company follows guidance provided by ASC 740, Income Taxes, regarding uncertainty in income taxes, to record these liabilities (refer to Note 8 for additional information). The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary.

NEW ACCOUNTING PRONOUNCEMENTS

Information regarding new accounting pronouncements is included in Note 1 to the Consolidated Financial Statements.

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FINANCIAL CONDITION AND LIQUIDITY

3M continues its transition to a better-optimized capital structure and is adding leverage at a measured pace. The strength and stability of 3M's business model and strong free cash flow capability, together with proven capital markets access, enable the Company to implement this strategy. Investing in 3M's businesses to drive organic growth remains the first priority, thus 3M will continue to deploy capital towards research and development, capital expenditures, and commercialization capability. Investment in organic growth will be supplemented by complementary acquisitions. 3M will also continue to return cash to shareholders through dividends and share repurchases. Sources for cash availability in the United States, such as ongoing cash flow from operations and access to capital markets, have historically been sufficient to fund dividend payments to shareholders and share repurchases, as well as funding U.S. acquisitions and other items as needed. For those international earnings considered to be reinvested indefinitely, the Company currently has no plans or intentions to repatriate these funds for U.S. operations. However, if these international funds are needed for operations in the U.S., 3M would be required to accrue and pay U.S. taxes to repatriate them. See Note 8 for further information on earnings considered to be reinvested indefinitely.

3M's primary short-term liquidity needs are met through cash on hand and U.S. commercial paper issuances. The Company believes it will have continuous access to the commercial paper market. 3M's commercial paper program permits the Company to have a maximum of $3 billion outstanding with a maximum maturity of 397 days from date of issuance.

Net Debt:

The Company defines net debt as total debt less the total of cash, cash equivalents and marketable securities. 3M considers net debt and its components to be an important indicator of liquidity and a guiding measure of capital structure strategy. Net debt is not defined under U.S. generally accepted accounting principles and may not be computed the same as similarly titled measures used by other companies. The following table provides net debt as of December 31, 2015 and 2014.

At December 31 (Millions)	2015	2014
Total Debt	$ 10,797	$ 6,811
Less: Cash and cash equivalents and marketable securities	1,925	3,351
Net Debt	$ 8,872	$ 3,460

In 2015, net debt rose by $5.4 billion to a net debt balance of $8.9 billion (as of December 31, 2015), as 3M progressed on its capital structure strategy. Debt levels were higher in both the U.S. and internationally, while international cash and marketable securities balances were reduced. Specific actions related to cash, cash equivalents, and marketable securities, in addition to debt, are discussed further below.

Cash, Cash Equivalents and Marketable Securities:

At December 31, 2015, 3M had $1.9 billion of cash, cash equivalents and marketable securities, of which approximately $1.7 billion was held by the Company's foreign subsidiaries and $200 million was held by the United States. Of the $1.7 billion held internationally, U.S. dollar-based cash, cash equivalents and marketable securities totaled $355 million, or 21 percent, which was invested in money market funds, asset-backed securities, agency securities, corporate medium-term note securities and other high quality fixed income securities. At December 31, 2014, cash, cash equivalents and marketable securities held by the Company's foreign subsidiaries and in the United States totaled approximately $3.3 billion and less than $100 million, respectively.

The Company's total balance of cash, cash equivalents and marketable securities was $1.4 billion lower at December 31, 2015 when compared to December 31, 2014. 3M was able to manage the business with lower cash levels due to significant ongoing cash flow generation and proven access to capital markets funding throughout business cycles.

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Total Debt:

The Company's total debt was $4.0 billion higher at December 31, 2015 when compared to December 31, 2014. The strength of 3M's capital structure and significant ongoing cash flows provide 3M proven access to capital markets. Additionally, the Company's maturity profile is staggered to help ensure refinancing needs in any given year are reasonable in proportion to the total portfolio. 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's ongoing transition to a better-optimized capital structure, financed with additional low-cost debt, could impact 3M's credit rating in the future.

Effective May 16, 2014, the Company updated its "well-known seasoned issuer" shelf registration statement, which registers an indeterminate amount of debt or equity securities for future sales. This replaced 3M's previous shelf registration dated August 5, 2011. In June 2014, in connection with the May 16, 2014 shelf registration, 3M re-commenced its medium-term notes program (Series F) under which 3M may issue, from time to time, up to $9 billion aggregate principal amount of notes. Included in this $9 billion are $8.17 billion (utilizing the foreign exchange rate applicable at the time of issuance for the Euro denominated debt) of notes previously issued in 2011, 2012, 2014, and 2015 as part of Series F. Information with respect to long-term debt issuances and maturities for the periods presented is included in Note 10.

In August 2014, 3M amended and extended its existing $1.5 billion five-year multi-currency revolving credit agreement to a $2.25 billion five-year multi-currency revolving credit agreement, with an expiration date of August 2019. This credit agreement includes a provision under which 3M may request an increase of up to $2.25 billion, bringing the total facility up to $4.5 billion (at the lenders' discretion). This facility was undrawn at December 31, 2015. Under the $2.25 billion credit agreement, the Company is required to maintain its EBITDA to Interest Ratio as of the end of each fiscal quarter at not less than 3.0 to 1. This is calculated (as defined in the agreement) as the ratio of consolidated total EBITDA for the four consecutive quarters then ended to total interest expense on all funded debt for the same period. At December 31, 2015, this ratio was approximately 56 to 1. Debt covenants do not restrict the payment of dividends. Apart from the committed facilities, an additional $241 million in stand-alone letters of credit and $18 million in bank guarantees were also issued and outstanding at December 31, 2015. These lines of credit are utilized in connection with normal business activities.

Balance Sheet:

3M's strong balance sheet and liquidity provide the Company with significant flexibility to take advantage of numerous opportunities going forward. The Company will continue to invest in its operations to drive growth, including continual review of acquisition opportunities.

Various assets and liabilities, including cash and short-term debt, can fluctuate significantly from month to month depending on short-term liquidity needs. Working capital (defined as current assets minus current liabilities) totaled $3.868 billion at December 31, 2015, compared with $6.339 billion at December 31, 2014, a decrease of $2.471 billion. Current asset balance changes decreased working capital by $1.317 billion, driven by decreases in marketable securities. Current liability balance changes decreased working capital by $1.154 billion, driven by increases in short-term debt.

The Company uses various working capital measures that place emphasis and focus on certain working capital assets and liabilities. These measures are not defined under U.S. generally accepted accounting principles and may not be computed the same as similarly titled measures used by other companies. One of the primary working capital measures 3M uses is a combined index, which includes accounts receivable, inventories and accounts payable. This combined index (defined as quarterly net sales — fourth quarter at year-end — multiplied by four, divided by ending net accounts receivable plus inventories less accounts payable) was 4.9 at December 31, 2015 compared to 5.0 at December 31, 2014. Receivables decreased $84 million, or 2.0 percent, compared with December 31, 2014, as currency translation impacts decreased accounts receivable by $239 million, partially offset by 2015 acquisitions that added $103 million. Inventories decreased $188 million, or 5.1 percent, compared with December 31, 2014. The inventory decrease was attributable to currency translation, which decreased inventories by $272 million, partially offset by 2015 acquisitions that added $102 million.

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Accounts payable decreased by $113 million compared with December 31, 2014, as currency translation impacts reduced accounts payable by $76 million.

Return on Invested Capital (non-GAAP measure):

The Company uses non-GAAP measures to focus on shareholder value creation. 3M uses return on invested capital (ROIC), defined as annualized after-tax operating income (including interest income) divided by average operating capital. Operating capital is defined as net assets (total assets less total liabilities) excluding debt. This measure is not recognized under U.S. GAAP and may not be comparable to similarly titled measures used by other companies. ROIC was 22.5 percent for 2015, and 22.0 percent for 2014.

Cash Flows:

Cash flows from operating, investing and financing activities are provided in the tables that follow. Individual amounts in the Consolidated Statement of Cash Flows exclude the effects of acquisitions, divestitures and exchange rate impacts on cash and cash equivalents, which are presented separately in the cash flows. Thus, the amounts presented in the following operating, investing and financing activities tables reflect changes in balances from period to period adjusted for these effects.

Cash Flows from Operating Activities:

Years Ended December 31 (Millions)	2015	2014	2013
Net income including noncontrolling interest	$ 4,841	$ 4,998	$ 4,721
Depreciation and amortization	1,435	1,408	1,371
Company pension contributions	(264)	(210)	(476)
Company postretirement contributions	(3)	(5)	(6)
Company pension expense	442	310	446
Company postretirement expense	114	81	107
Stock-based compensation expense	276	280	240
Income taxes (deferred and accrued income taxes)	(349)	60	39
Excess tax benefits from stock-based compensation	(154)	(167)	(92)
Accounts receivable	(58)	(268)	(337)
Inventories	3	(113)	(86)
Accounts payable	9	75	16

Other — net	128	177	(126)
Net cash provided by operating activities	$ 6,420	$ 6,626	$ 5,817

Cash flows from operating activities can fluctuate significantly from period to period, as pension funding decisions, tax timing differences and other items can significantly impact cash flows.

In 2015, cash flows provided by operating activities decreased $206 million compared to 2014. Operating cash flows decreased due to $363 million in higher cash income taxes when comparing 2015 to 2014, plus lower net income, which was partially offset by lower year-on-year working capital requirements. The combination of accounts receivable, inventories and accounts payable increased working capital by $46 million in 2015, compared to increases of $306 million in 2014, with the year-on-year improvement related to lower organic volume growth. Additional discussion on working capital changes is provided earlier in the "Financial Condition and Liquidity" section.

In 2014, cash flows provided by operating activities increased $809 million compared to 2013. Operating cash flows benefited year-on-year from increases in net income including noncontrolling interest, lower pension and postretirement plans contributions, and lower year-on-year working capital requirements. The combination of accounts receivable, inventories and accounts payable increased working capital by $306 million in 2014, compared to increases of $407 million in 2013, with the year-on-year improvement partially due to higher receivable and inventory turns. Additional discussion on working capital changes is provided earlier in the "Financial Condition and Liquidity" section.

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Free Cash Flow (non-GAAP measure):

In addition, to net cash provided by operating activities, 3M believes free cash flow and free cash flow conversion are useful measures of performance and uses these measures as an indication of the strength of the Company and its ability to generate cash. Free cash flow and free cash flow conversion are not defined under U.S. generally accepted accounting principles (GAAP). Therefore, they should not be considered a substitute for income or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to similarly titled measures used by other companies. 3M defines free cash flow as net cash provided by operating activities less purchases of property, plant and equipment (which is classified as an investing activity). It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. 3M defines free cash flow conversion as free cash flow divided by net income attributable to 3M. Below find a recap of free cash flow and free cash flow conversion for 2015, 2014 and 2013.

Years ended December 31 (Millions)	2015	2014	2013
Net cash provided by operating activities	$ 6,420	$ 6,626	$ 5,817
Purchases of property, plant and equipment (PP&E)	(1,461)	(1,493)	(1,665)
Free Cash Flow	$ 4,959	$ 5,133	$ 4,152
Free Cash Flow Conversion	103 %	104 %	89 %

Cash Flows from Investing Activities:

Years ended December 31 (Millions)	2015	2014	2013
Purchases of property, plant and equipment (PP&E)	$ (1,461)	$ (1,493)	$ (1,665)
Proceeds from sale of PP&E and other assets	33	135	128
Acquisitions, net of cash acquired	(2,914)	(94)	—
Purchases and proceeds from maturities and sale of marketable securities and investments, net	1,300	754	627
Proceeds from sale of businesses	123	—	8
Other investing activities	102	102	46
Net cash used in investing activities	$ (2,817)	$ (596)	$ (856)

Investments in property, plant and equipment enable growth across many diverse markets, helping to meet product demand and increasing manufacturing efficiency. Capital spending was $1.461 billion in 2015, compared to $1.493

billion in 2014 and $1.665 billion in 2013. The Company expects 2016 capital spending to be approximately $1.3 billion to $1.5 billion as 3M continues to invest in its businesses.

3M invests in renewable and maintenance programs, which pertains to cost reduction, cycle time, maintaining and renewing current capacity, eliminating pollution, and compliance. Costs related to maintenance, ordinary repairs, and certain other items are expensed. 3M also invests in growth, which adds to capacity, driven by new products, both through expansion of current facilities and new facilities, plus research facilities. Finally, 3M also invests in other initiatives, such as information technology (IT) and corporate laboratory facilities.

In 2015, investments included new sites and buildings, investments in IT, continued expansion of current facilities and new facilities, plus the sustainment of existing facilities, in addition to other initiatives. Specific investments in 2015 included a new state-of-the-art, four story, 400,000 square foot research facility at 3M Center in St. Paul, Minnesota. In addition, 3M continued its investments it IT systems and infrastructure, particularly the ongoing multi-year phased implementation of an ERP system.

In 2014, investments in growth across geographies included production equipment, new sites and buildings, capacity investments, converting, and distribution, and other growth initiatives. Other investments include IT systems and infrastructure, including an ongoing multi-year phased implementation of an ERP system on a worldwide basis. In

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addition, 3M began a multi-year program in the United States to renew and upgrade laboratory facilities and administrative buildings.

In 2013, 3M continued its expansion of manufacturing capacity in key growth markets, including investments in the U.S., China, Germany, and Brazil. This included significant investments across 3M's many businesses, such as abrasives, industrial adhesives and tapes, advanced materials, electronics-related, infection prevention, and other businesses. 3M continued its investments in IT systems and infrastructure. In addition, 3M sustained existing facilities through general maintenance, cost reduction, and compliance efforts.

Proceeds from sale of PP&E and other assets totaled $33 million in 2015, $135 million in 2014, and $128 million in 2013. Apart from the normal periodic sales of PP&E, 2014 included proceeds of $114 million related to the sales of real estate and non-production equipment, and 2013 included proceeds of $79 million related to non-production equipment.

Refer to Note 2 for information on acquisitions and divestitures. The Company is actively considering additional acquisitions, investments and strategic alliances, and from time to time may also divest certain businesses.

Purchases of marketable securities and investments and proceeds from maturities and sale of marketable securities and investments are primarily attributable to asset-backed securities, agency securities, corporate debt securities and other securities, which are classified as available-for-sale. Refer to Note 9 for more details about 3M's diversified marketable securities portfolio. Purchases of investments include additional survivor benefit insurance, plus cost method and equity investments.

Cash Flows from Financing Activities:

Years ended December 31 (Millions)	2015	2014	2013
Change in short-term debt — net	$ 860	$ 27	$ (2)
Repayment of debt (maturities greater than 90 days)	(800)	(1,625)	(859)
Proceeds from debt (maturities greater than 90 days)	3,422	2,608	824
Total cash change in debt	$ 3,482	$ 1,010	$ (37)
Purchases of treasury stock	(5,238)	(5,652)	(5,212)
Proceeds from issuances of treasury stock pursuant to stock option and benefit plans	635	968	1,609
Dividends paid to stockholders	(2,561)	(2,216)	(1,730)

Excess tax benefits from stock-based compensation		154		167		92
Purchase of noncontrolling interest		—		(861)		—
Other — net		(120)		(19)		32
Net cash used in financing activities	$	(3,648)	$	(6,603)	$	(5,246)

Total debt was $10.8 billion at December 31, 2015, $6.8 billion at December 31, 2014, and $6.0 billion at December 31, 2013. Total debt was 48 percent of total capital (total capital is defined as debt plus equity) at year-end 2015, 34 percent of total capital at year-end 2014, and 25 percent of total capital at year-end 2013.

In both 2015 and 2014, the change in short-term debt primarily related to bank borrowings by international subsidiaries, primarily Japan and Korea in 2015. In 2015, repayment of debt primarily related to debt assumed (and paid off) as part of the Capital Safety acquisition (refer to Note 2). In 2014, repayment of debt primarily includes repayment of a Eurobond in July 2014 totaling 1.025 billion Euros (approximately $1.4 billion carrying value), repayment of the three-year 66 million British Pound committed credit facility agreement entered into in December 2012, and repayment of other international debt. In 2013, repayment of debt related to the August 2013 repayment of $850 million (principal amount) of medium-term notes.

In 2015, proceeds from debt primarily related to the May 2015 issuance of 650 million Euros aggregate principal amount of five-year floating rate medium-term notes due 2020, 600 million Euros aggregate principal amount of eight-year fixed rate medium-term notes due 2023, and 500 million Euros aggregate principal amount of fifteen-year fixed rate medium-term notes due 2030, which in the aggregate total approximately $1.9 billion at issue date exchange rates. In addition, August 2015 issuances included $450 million aggregate principal amount of three-year fixed rate medium-term notes due 2018, $500 million aggregate principal amount of five-year fixed rate medium-term notes due 2020, and $550 million aggregate principal amount of 10-year fixed rate medium-term notes due 2025, which in aggregate total $1.5 billion. In 2014, proceeds from debt primarily related to the June 2014 issuances of $625 million aggregate principal amount of five-year fixed rate medium-term notes due 2019 and $325 million aggregate principal amount of thirty-year fixed rate medium-term notes due 2044, as well as the November 2014 issuances of 500 million Euros principal amount of four-year floating rate medium-term notes due 2018 and 750 million Euros principal amount of 12-year fixed rate medium-term notes due 2026. In addition, proceeds from debt for 2014 also include bank borrowings by international subsidiaries. Proceeds from debt in 2013 related to the November 2013 issuance of an eight-year Eurobond for an amount of 600 million Euros. Refer to Note 10 for additional discussion of debt.

Repurchases of common stock are made to support the Company's stock-based employee compensation plans and for other corporate purposes. 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 authorization 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 full-year 2016 gross share repurchases will be in the range of $4 billion to $6 billion. For more information, refer to the table titled "Issuer Purchases of Equity Securities" in Part II, Item 5. The Company does not utilize derivative instruments linked to the Company's stock.

Cash dividends paid to shareholders totaled $2.561 billion ($4.10 per share) in 2015, $2.216 billion ($3.42 per share) in 2014, and $1.730 billion ($2.54 per share) in 2013. 3M has paid dividends since 1916. 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 is equivalent to an annual dividend of $4.44 per share and marked the 58th consecutive year of dividend increases.

On September 1, 2014, 3M purchased (via Sumitomo 3M Limited) Sumitomo Electric Industries, Ltd.'s 25 percent interest in 3M's consolidated Sumitomo 3M Limited subsidiary for 90 billion Japanese Yen. Upon completion of this transaction, 3M owned 100 percent of Sumitomo 3M Limited. This was reflected as a "Purchase of noncontrolling interest" in the financing section of the consolidated statement of cash flows. In addition, in April 2014, 3M purchased the remaining noncontrolling interest in a consolidated 3M subsidiary for an immaterial amount, which was also classified as a "Purchase of noncontrolling interest" in the financing section of the consolidated statement of cash flows.

In March 2013, 3M sold shares in 3M India Limited, a subsidiary of the Company, in return for $8 million. The noncontrolling interest shares of this subsidiary trade on a public exchange in India. This sale of shares complied with an amendment to Indian securities regulations that required 3M India Limited, as a listed company, to achieve a minimum public shareholding of at least 25 percent. As a result of this transaction, 3M's ownership in 3M India Limited was reduced from 76 percent to 75 percent. The $8 million received in the first quarter of 2013 was classified as other financing activity in the consolidated statement of cash flows.

In addition to the March 2013 sale of noncontrolling interest described above, other cash flows from financing activities may include various other items, such as changes in cash overdraft balances, and principal payments for capital leases.

Off-Balance Sheet Arrangements and Contractual Obligations:

As of December 31, 2015, the Company has not utilized special purpose entities to facilitate off-balance sheet financing arrangements. Refer to the section entitled “Warranties/Guarantees” in Note 14 for discussion of accrued product warranty liabilities and guarantees.

In addition to guarantees, 3M, in the normal course of business, periodically enters into agreements that require the Company to indemnify either major customers or suppliers for specific risks, such as claims for injury or property damage arising out of the use of 3M products or the negligence of 3M personnel, or claims alleging that 3M products infringe third-party patents or other intellectual property. While 3M’s maximum exposure under these indemnification provisions cannot be estimated, these indemnifications are not expected to have a material impact on the Company’s consolidated results of operations or financial condition.

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A summary of the Company’s significant contractual obligations as of December 31, 2015, follows:

Contractual Obligations

		Payments due by year					
(Millions)	Total	2016	2017	2018	2019	2020	After 2020
Long-term debt, including current portion (Note 10)	$ 9,878	$ 1,125	$ 744	$ 993	$ 622	$ 1,203	$ 5,191
Interest on long-term debt	2,244	174	157	153	149	146	1,465
Operating leases (Note 14)	943	234	191	134	86	72	226
Capital leases (Note 14)	59	11	6	4	3	3	32
Unconditional purchase obligations and other	1,631	1,228	160	102	54	56	31
Total contractual cash obligations	$ 14,755	$ 2,772	$ 1,258	$ 1,386	$ 914	$ 1,480	$ 6,945

Long-term debt payments due in 2016 and 2017 include floating rate notes totaling $126 million (classified as current portion of long-term debt), and $96 million (included as a separate floating rate note in the long-term debt table), respectively, as a result of put provisions associated with these debt instruments. Interest projections on both floating and fixed rate long-term debt, including the effects of interest rate swaps, are based on effective interest rates as of December 31, 2015.

Unconditional purchase obligations are defined as an agreement to purchase goods or services that is enforceable and legally binding on the Company. Included in the unconditional purchase obligations category above are certain obligations related to take or pay contracts, capital commitments, service agreements and utilities. These estimates include both unconditional purchase obligations with terms in excess of one year and normal ongoing purchase obligations with terms of less than one year. Many of these commitments relate to take or pay contracts, in which 3M guarantees payment to ensure availability of products or services that are sold to customers. The Company expects to receive consideration (products or services) for these unconditional purchase obligations. Contractual capital commitments are included in the preceding table, but these commitments represent a small part of the Company’s expected capital spending in 2016 and beyond. The purchase obligation amounts do not represent the entire anticipated purchases in the future, but represent only those items for which the Company is contractually obligated. The majority of 3M’s products and services are purchased as needed, with no unconditional commitment. For this reason, these amounts will not provide a reliable indicator of the Company’s expected future cash outflows on a stand-alone basis.

Other obligations, included in the preceding table within the caption entitled "Unconditional purchase obligations and other," include the current portion of the liability for uncertain tax positions under ASC 740, which is expected to be paid out in cash in the next 12 months. The Company is not able to reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease over time; therefore, the long-term portion of the net tax liability of $208 million is excluded from the preceding table. Refer to Note 8 for further details.

As discussed in Note 11, the Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2016 and Company contributions to its U.S. and international pension plans are expected to be largely discretionary in future years; therefore, amounts related to these plans are not included in the preceding table.

FINANCIAL INSTRUMENTS

The Company enters into foreign exchange forward contracts, options and swaps to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies and certain intercompany financing transactions. The Company manages interest rate risks using a mix of fixed and floating rate debt. To help manage borrowing costs, the Company may enter into interest rate swaps. Under these arrangements, the Company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. The Company manages commodity price risks through negotiated supply contracts, price protection agreements and forward contracts.

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Refer to Item 7A, “Quantitative and Qualitative Disclosures About Market Risk”, for further discussion of foreign exchange rates risk, interest rates risk, commodity prices risk and value at risk analysis.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the context of Item 7A, 3M is exposed to market risk due to the risk of loss arising from adverse changes in foreign currency exchange rates, interest rates and commodity prices. Changes in those factors could cause fluctuations in earnings and cash flows. Senior management provides oversight for risk management and derivative activities, determines certain of the Company’s financial risk policies and objectives, and provides guidelines for derivative instrument utilization. Senior management also establishes certain associated procedures relative to control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting.

The Company is exposed to credit loss in the event of nonperformance by counterparties in interest rate swaps, currency swaps, commodity price swaps, and forward and option contracts. However, the Company’s risk is limited to the fair value of the instruments. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits, and by selecting major international banks and financial institutions as counterparties. The Company does not anticipate nonperformance by any of these counterparties.

Foreign Exchange Rates Risk:

Foreign currency exchange rates and fluctuations in those rates may affect the Company’s net investment in foreign subsidiaries and may cause fluctuations in cash flows related to foreign denominated transactions. 3M is also exposed to the translation of foreign currency earnings to the U.S. dollar. The Company enters into foreign exchange forward and option contracts to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies. These transactions are designated as cash flow hedges. 3M may dedesignate these cash flow hedge relationships in advance of the occurrence of the forecasted transaction. Beginning in the second quarter of 2014, 3M began extending the maximum length of time over which it hedges its exposure to the variability in future cash flows of the forecasted transactions from a previous term of 12 months to a longer term of 24 months, with certain currencies being extended further to 36 months starting in the first quarter of 2015. In addition, 3M enters into foreign currency forward contracts that are not designated in hedging relationships to offset, in part, the impacts of certain intercompany activities (primarily associated with intercompany licensing arrangements and intercompany financing transactions). As circumstances warrant, the Company also uses foreign currency forward contracts and foreign currency denominated debt as hedging instruments to hedge portions of the Company’s net investments in foreign operations. The dollar equivalent gross notional amount of the Company’s foreign exchange forward and option contracts designated as cash flow hedges and those not designated as hedging instruments were $2.8 billion and $5.4 billion, respectively, at December 31, 2015. As of December 31, 2015, the Company had 974 million Euros and 248 billion South Korean Won in notional amount of foreign currency forward contracts designated as net investment hedges along with 3.6 billion Euros in principal amount of foreign currency denominated debt designated as non-derivative hedging instruments in certain net investment hedges as discussed in Note 12 in the “Net Investment Hedges” section.

Interest Rates Risk:

The Company may be impacted by interest rate volatility with respect to existing debt and future debt issuances. 3M manages interest expense using a mix of fixed and floating rate debt. To help manage borrowing costs, the Company may enter into interest rate swaps that are designated and qualify as fair value hedges. Under these arrangements, the Company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. The dollar equivalent (based on inception date foreign currency exchange rates) gross notional amount of the Company’s interest rate swaps at December 31, 2015 was $1.8 billion. Additional details about 3M’s long-term debt can be found in Note 10, including references to information regarding derivatives and/or hedging instruments associated with the Company’s long-term debt.

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Commodity Prices Risk:

The Company manages commodity price risks through negotiated supply contracts, price protection agreements and forward contracts. 3M used commodity price swaps as cash flow hedges of forecasted commodity transactions to manage price volatility, but discontinued this practice in the first quarter of 2015. The related mark-to-market gain or loss on qualifying hedges was included in other comprehensive income to the extent effective, and reclassified into cost of sales in the period during which the hedged transaction affected earnings.

Value At Risk:

The value at risk analysis is performed annually to assess the Company's sensitivity to changes in currency rates, interest rates, and commodity prices. A Monte Carlo simulation technique was used to test the impact on after-tax earnings related to financial instruments (primarily debt), derivatives and underlying exposures outstanding at December 31, 2015. The model (third-party bank dataset) used a 95 percent confidence level over a 12-month time horizon. The exposure to changes in currency rates model used 18 currencies, interest rates related to three currencies, and commodity prices related to five commodities. This model does not purport to represent what actually will be experienced by the Company. This model does not include certain hedge transactions, because the Company believes their inclusion would not materially impact the results. The risk of loss or benefit associated with exchange rates was higher in 2015 due to a greater mix of floating rate debt and a rising interest rate environment in the U.S. Interest rate volatility increased in 2015, based on a higher mix of floating rate debt and the use of forward rates. The following table summarizes the possible adverse and positive impacts to after-tax earnings related to these exposures.

	Adverse impact on after-tax earnings		Positive impact on after-tax earnings	
(Millions)	2015	2014	2015	2014
Foreign exchange rates	$ (254)	$ (164)	$ 273	$ 173
Interest rates	(13)	(4)	9	3
Commodity prices	(1)	(1)	1	1

In addition to the possible adverse and positive impacts discussed in the preceding table related to foreign exchange rates, recent historical information is as follows. 3M estimates that year-on-year currency effects, including hedging impacts, had the following effects on pre-tax income: 2015 ($390 million decrease) and 2014 ($100 million decrease). This estimate includes the effect of translating profits from local currencies into U.S. dollars; the impact of currency fluctuations on the transfer of goods between 3M operations in the United States and abroad; and transaction gains and losses, including derivative instruments designed to reduce foreign currency exchange rate risks and the negative impact of swapping Venezuelan bolivars into U.S. dollars. 3M estimates that year-on-year derivative and other transaction gains and losses had the following effects on pre-tax income: 2015 ($180 million increase) and 2014 ($10 million increase).

An analysis of the global exposures related to purchased components and materials is performed at each year-end. A one percent price change would result in a pre-tax cost or savings of approximately $70 million per year. The global energy exposure is such that a ten percent price change would result in a pre-tax cost or savings of approximately $40 million per year. Global energy exposure includes energy costs used in 3M production and other facilities, primarily electricity and natural gas.

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Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements

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Management's Responsibility for Financial Reporting

Management is responsible for the integrity and objectivity of the financial information included in this report. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Where necessary, the financial statements reflect estimates based on management's judgment.

Management has established and maintains a system of internal control over financial reporting for the Company and its subsidiaries. This system and its established accounting procedures and related controls are designed to provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions, that policies and procedures are implemented by qualified personnel, and that published financial statements are properly prepared and fairly presented. The Company's system of internal control over financial reporting is supported by widely communicated written policies, including business conduct policies, which are designed to require all employees to maintain high ethical standards in the conduct of Company affairs. Internal auditors continually review the accounting and control system.

3M Company

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework (2013). Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 excluded Capital Safety Group S.A.R.L. and Polypore International, Inc.'s Separation Media Business, which were both acquired by the Company in August 2015 in purchase business combinations. These acquired businesses' total assets and total net sales, in the aggregate, represented less than 2 percent and less than 1 percent, respectively, of the Company's consolidated financial statement amounts as of and for the year ended December 31, 2015. Companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of acquisition while integrating the acquired company under guidelines established by the Securities and Exchange Commission. Based on the assessment, management concluded that, as of December 31, 2015, the Company's internal control over financial reporting is effective.

The Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of 3M Company

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of 3M Company and its subsidiaries (the "Company") at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for marketable securities and deferred tax assets and liabilities in 2015.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Capital Safety Group S.A.R.L. ("Capital Safety") and Polypore International, Inc.'s Separations Media Business ("Polypore Separations Media") from its assessment of internal control over financial reporting as of December 31, 2015 because these businesses were acquired by the Company in purchase business combinations during 2015. We have also excluded Capital Safety and Polypore Separations Media from our audit of internal control over financial reporting. Capital Safety is a wholly-owned subsidiary of the Company and the Company acquired the assets and liabilities of Polypore Separations Media whose total assets and total net sales, in the aggregate, represent less than 2 percent and less than 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2015.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 11, 2016

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Consolidated Statement of Income

3M Company and Subsidiaries

Years ended December 31

	2015	2014	2013
Net sales	$ 30,274	$ 31,821	$ 30,871
Operating expenses			
Cost of sales	15,383	16,447	16,106
Selling, general and administrative expenses	6,182	6,469	6,384
Research, development and related expenses	1,763	1,770	1,715
Total operating expenses	23,328	24,686	24,205
Operating income	6,946	7,135	6,666
Interest expense and income			
Interest expense	149	142	145
Interest income	(26)	(33)	(41)
Total interest expense — net	123	109	104
Income before income taxes	6,823	7,026	6,562
Provision for income taxes	1,982	2,028	1,841
Net income including noncontrolling interest	$ 4,841	$ 4,998	$ 4,721
Less: Net income attributable to noncontrolling interest	8	42	62
Net income attributable to 3M	$ 4,833	$ 4,956	$ 4,659
Weighted average 3M common shares outstanding — basic	625.6	649.2	681.9
Earnings per share attributable to 3M common shareholders — basic	$ 7.72	$ 7.63	$ 6.83
Weighted average 3M common shares outstanding — diluted	637.2	662.0	693.6
Earnings per share attributable to 3M common shareholders — diluted	$ 7.58	$ 7.49	$ 6.72
Cash dividends paid per 3M common share	$ 4.10	$ 3.42	$ 2.54

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

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Consolidated Statement of Comprehensive Income

3M Company and Subsidiaries

Years ended December 31

(Millions)	2015	2014	2013
Net income including noncontrolling interest	$ 4,841	$ 4,998	$ 4,721
Other comprehensive income (loss), net of tax:			
Cumulative translation adjustment	(586)	(942)	(505)
Defined benefit pension and postretirement plans adjustment	489	(1,562)	1,245
Debt and equity securities, unrealized gain (loss)	—	2	—
Cash flow hedging instruments, unrealized gain (loss)	25	107	15
Total other comprehensive income (loss), net of tax	(72)	(2,395)	755
Comprehensive income (loss) including noncontrolling interest	4,769	2,603	5,476
Comprehensive (income) loss attributable to noncontrolling interest	(6)	(48)	20
Comprehensive income (loss) attributable to 3M	$ 4,763	$ 2,555	$ 5,496

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

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Consolidated Balance Sheet

3M Company and Subsidiaries

At December 31

(Dollars in millions, except per share amount)	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 1,798	$ 1,897
Marketable securities — current	118	1,439
Accounts receivable — net of allowances of $91 and $94	4,154	4,238
Inventories		
Finished goods	1,655	1,723
Work in process	1,008	1,081
Raw materials and supplies	855	902
Total inventories	3,518	3,706
Other current assets	1,398	1,023
Total current assets	10,986	12,303
Marketable securities — non-current	9	15
Investments	117	102
Property, plant and equipment	23,098	22,841
Less: Accumulated depreciation	(14,583)	(14,352)
Property, plant and equipment — net	8,515	8,489
Goodwill	9,249	7,050
Intangible assets — net	2,601	1,435
Prepaid pension benefits	188	46
Other assets	1,053	1,769
Total assets	$ 32,718	$ 31,209
Liabilities		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 2,044	$ 106
Accounts payable	1,694	1,807
Accrued payroll	644	732
Accrued income taxes	332	435
Other current liabilities	2,404	2,884
Total current liabilities	7,118	5,964
Long-term debt	8,753	6,705
Pension and postretirement benefits	3,520	3,843
Other liabilities	1,580	1,555
Total liabilities	$ 20,971	$ 18,067
Commitments and contingencies (Note 14)		
Equity		
3M Company shareholders' equity:		
Common stock, par value $.01 per share	$ 9	$ 9

Shares outstanding - 2015: 609,330,124		
Shares outstanding - 2014: 635,134,594		
Additional paid-in capital	4,791	4,379
Retained earnings	36,575	34,317
Treasury stock	(23,308)	(19,307)
Accumulated other comprehensive income (loss)	(6,359)	(6,289)
Total 3M Company shareholders’ equity	11,708	13,109
Noncontrolling interest	39	33
Total equity	$ 11,747	$ 13,142
Total liabilities and equity	$ 32,718	$ 31,209

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

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Consolidated Statement of Changes in Equity

3M Company and Subsidiaries

Years Ended December 31

		3M Company Shareholders				
(Dollars in millions, except per share amounts)	Total	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlli Interest
Balance at December 31, 2012	$ 18,040	$ 4,053	$ 30,679	$ (12,407)	$ (4,750)	$ 465
Net income	4,721		4,659			62
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(505)				(418)	(87)
Defined benefit pension and post-retirement plans adjustment	1,245				1,240	5
Debt and equity securities - unrealized gain (loss)	—				—	—
Cash flow hedging instruments - unrealized gain (loss)	15				15	—
Total other comprehensive income (loss), net of tax	755					
Dividends declared ($3.395 per share, Note 6)	(2,297)		(2,297)			
Sale of subsidiary shares	8	7				1
Stock-based compensation, net of tax impacts	324	324				
Reacquired stock	(5,216)			(5,216)		
Issuances pursuant to stock option and benefit plans	1,613		(625)	2,238		
Balance at December 31, 2013	$ 17,948	$ 4,384	$ 32,416	$ (15,385)	$ (3,913)	$ 446
Net income	4,998		4,956			42
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(942)				(948)	6
Defined benefit pension and post-retirement plans adjustment	(1,562)				(1,562)	—
Debt and equity securities - unrealized gain (loss)	2				2	—
Cash flow hedging instruments - unrealized gain (loss)	107				107	—
Total other comprehensive income (loss), net of tax	(2,395)					
Dividends declared ($3.59 per share, Note 6)	(2,297)		(2,297)			
Purchase of subsidiary shares	(870)	(434)			25	(461)
Stock-based compensation, net of tax impacts	438	438				
Reacquired stock	(5,643)			(5,643)		

Issuances pursuant to stock option and benefit plans	963		(758)	1,721		
Balance at December 31, 2014	$ 13,142	$ 4,388	$ 34,317	$ (19,307)	$ (6,289)	$ 33
Net income	4,841		4,833			8
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(586)				(584)	(2)
Defined benefit pension and post-retirement plans adjustment	489				489	—
Debt and equity securities - unrealized gain (loss)	—				—	—
Cash flow hedging instruments - unrealized gain/(loss)	25				25	—
Total other comprehensive income (loss), net of tax	(72)					
Dividends declared ($3.075 per share, Note 6)	(1,913)		(1,913)			
Stock-based compensation, net of tax impacts	412	412				
Reacquired stock	(5,304)			(5,304)		
Issuances pursuant to stock option and benefit plans	641		(662)	1,303		
Balance at December 31, 2015	$ 11,747	$ 4,800	$ 36,575	$ (23,308)	$ (6,359)	$ 39

Supplemental share information	2015	2014	2013
Treasury stock			
Beginning balance	308,898,462	280,736,817	256,941,406
Reacquired stock	34,072,584	40,664,061	45,445,610
Issuances pursuant to stock options and benefit plans	(8,268,114)	(12,502,416)	(21,650,199)
Ending balance	334,702,932	308,898,462	280,736,817

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

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Consolidated Statement of Cash Flows

3M Company and Subsidiaries

Years ended December 31

(Millions)	2015	2014	2013
Cash Flows from Operating Activities			
Net income including noncontrolling interest	$ 4,841	$ 4,998	$ 4,721
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities			
Depreciation and amortization	1,435	1,408	1,371
Company pension and postretirement contributions	(267)	(215)	(482)
Company pension and postretirement expense	556	391	553
Stock-based compensation expense	276	280	240
Deferred income taxes	395	(146)	(167)
Excess tax benefits from stock-based compensation	(154)	(167)	(92)
Changes in assets and liabilities			
Accounts receivable	(58)	(268)	(337)
Inventories	3	(113)	(86)
Accounts payable	9	75	16
Accrued income taxes (current and long-term)	(744)	206	206
Other — net	128	177	(126)
Net cash provided by operating activities	6,420	6,626	5,817
Cash Flows from Investing Activities			
Purchases of property, plant and equipment (PP&E)	(1,461)	(1,493)	(1,665)
Proceeds from sale of PP&E and other assets	33	135	128
Acquisitions, net of cash acquired	(2,914)	(94)	—
Purchases of marketable securities and investments	(652)	(1,280)	(4,040)
Proceeds from maturities and sale of marketable securities and investments	1,952	2,034	4,667
Proceeds from sale of businesses	123	—	8
Other investing	102	102	46
Net cash used in investing activities	(2,817)	(596)	(856)
Cash Flows from Financing Activities			