

3M CO
Form 10-K
February 12, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

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:

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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.

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
(Do not check if a smaller reporting company) 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 \$103.0 billion as of January 31, 2015 (approximately \$92.8 billion as of June 30, 2014, the last business day of the Registrant's most recently completed second quarter).

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Shares of common stock outstanding at January 31, 2015: 634,749,706

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, 2014) for its annual meeting to be held on May 12, 2015, 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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For the Year Ended December 31, 2014

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3M COMPANY

ANNUAL REPORT ON FORM 10-K

For the Year Ended December 31, 2014

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 17, 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; Electronics and Energy; Health Care; 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, 2014, the Company employed 89,800 people (full-time equivalents), with 35,581 employed in the United States and 54,219 employed internationally.

Business Segments

As described in Note 15 to the Consolidated Financial Statements, effective in the first quarter of 2014, 3M transferred a product line between divisions within different business segments and made other changes within business segments in its continuing effort to improve the alignment of its businesses around markets and customers. In addition, effective in the second quarter of 2014, within the Electronics and Energy business segment, 3M combined three existing divisions into two new divisions. A large portion of both the Electronics Markets Materials Division and the Electronic Solutions Division were combined to form the Electronics Materials Solutions Division, which focuses on semiconductor and electronics materials and assembly solutions. The Optical Systems Division, the remaining portion of the Electronic Solutions Division and a portion of the Electronics Markets Materials Division were combined to form the Display Materials and Systems Division, which focuses on delivering light, color and user interface solutions. Also, effective in the fourth quarter of 2014, within the Industrial business segment, the Personal Care Division, which focuses on tapes and attachment systems for infant and adult hygiene, was combined with the Industrial Adhesives and Tapes Division.

3M manages its operations in five operating business segments: Industrial; Safety and Graphics; Electronics and Energy; Health Care; 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. These segments have worldwide responsibility for virtually all 3M product lines. Certain small businesses and lab-sponsored products, as well as various corporate assets and expenses, are not attributed to the business segments. Financial information and other disclosures relating to 3M's business segments and operations in major geographic areas are provided in the Notes to Consolidated Financial Statements.

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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 Inc. (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. In the fourth quarter of 2012, 3M acquired Ceradyne, Inc., which develops and produces advanced technical ceramics for demanding applications in the automotive, oil and gas, solar, industrial, electronics and defense industries.

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 Inc. 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 surface and lighting solutions, and cleaning and protection products for commercial establishments; and roofing granules for asphalt shingles.

This segment's products include personal protection products, such as certain maintenance-free and reusable respirators, personal protective equipment, head and face protection, body protection, hearing protection and protective eyewear. 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, films that protect against counterfeiting, and reflective materials that are widely used on apparel, footwear and accessories, enhancing visibility in low-light situations. 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, digital signage systems 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; and natural and color-coated mineral granules for asphalt shingles.

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.

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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.

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This segment's energy solutions include electrical products, including infrastructure protection, telecommunications, and renewable energy. This segment serves the world's 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.

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, dental and orthodontic products (oral care), health information systems, and food safety products. In April 2014, 3M (Health Care Business) 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 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 surgical settings. Other products include drug delivery systems, such as metered-dose inhalers, transdermal skin patches and related components. Dental and orthodontic products include restoratives, adhesives, finishing and polishing products, crowns, impression materials, preventive sealants, professional tooth whiteners, prophylaxis and orthodontic appliances, 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.

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.

Distribution

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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.

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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 \$1.770 billion in 2014, \$1.715 billion in 2013 and \$1.634 billion in 2012. 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 \$1.193 billion in 2014, \$1.150 billion in 2013 and \$1.079 billion in 2012. Related expenses primarily include technical support provided by 3M to customers who are using existing 3M products; 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 2014, the Company experienced stable to declining costs for most raw material categories and transportation fuel. This was driven by 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 13, Commitments and Contingencies).

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

In 2014, 3M expended about \$28 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 policies stressing 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.

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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 12, 2015).

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2010-2014
Inge G. Thulin	61	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	55	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	53	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	55	Executive Vice President, Health Care	2012	Executive Vice President, Electro and Communications Business, 2009-2012
Ivan K. Fong	53	Senior Vice President, Legal Affairs and General Counsel	2012	General Counsel, U.S. Department of Homeland Security, 2009-2012
Nicholas C. Gangestad	50	Senior Vice President and Chief Financial Officer	2014	Vice President, Corporate Controller and Chief Accounting Officer, 2011-2014 Director, Corporate Accounting, 2007-2011
Ian F. Hardgrove	64	Senior Vice President, Corporate Communications and Enterprise Services	2014	Senior Vice President, Marketing, Sales and Communications, 2011-2013 Senior Vice President, Marketing and Sales, 2011

Table of Contents**Executive Officers (continued)**

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2010-2014
Paul A. Keel	45	Senior Vice President, Supply Chain	2014	<p>Managing Director, 3M United Kingdom-Ireland Region, 2013-2014</p> <p>Vice President and General Manager, Skin and Wound Care Division, 2010-2013</p> <p>Vice President and General Manager, 3M Unitek Corporation, 2007-2010</p>
Michael A. Kelly	58	Executive Vice President, Electronics and Energy	2012	Executive Vice President, Display and Graphics Business, 2006-2012
Ashish K. Khandpur	47	Senior Vice President, Research and Development and Chief Technology Officer	2014	<p>Vice President and General Manager, Personal Safety Division, 2014</p> <p>Vice President, Research and Development, Industrial Business Group, 2013</p> <p>Vice President, Research and Development, Industrial and Transportation Business, 2012</p> <p>Technical Director, Industrial and Transportation Business, Asia Pacific, 2011</p> <p>Technical Director, 3M India and Sri Lanka, and Technical Director, Industrial and Transportation Business, Asia Pacific, 2010-2011</p> <p>Technical Director, 3M India and Sri Lanka, India, 2008-2010</p>
Jon T. Lindekugel	51	Senior Vice President, Business Development	2014	President, Health Information Systems Inc., 2008-2014
Frank R. Little	54	Executive Vice President, Safety and Graphics Business Group	2013	<p>Vice President and General Manager, Personal Safety Division, 2013</p> <p>Vice President and General Manager, Occupational Health and Environmental Safety Division, 2011-2012</p> <p>Managing Director, 3M Korea, 2008-2011</p>
Marlene M. McGrath	52		2012	

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Senior Vice President, Human Resources

Vice President, Human Resources, International Operations, 2010-2012

Director, Human Resources, International Operations, 2006-2010

Michael F. Roman	55	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

Table of Contents**Executive Officers (continued)**

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2010-2014
Hak Cheol Shin	57	Executive Vice President, International Operations	2011	Executive Vice President, Industrial and Transportation Division Business, 2006-2011
Jesse G. Singh	49	Senior Vice President, Marketing and Sales	2014	Vice President and General Manager, Stationery and Office Supplies Division, 2012-2013 President, Sumitomo 3M Limited, 2007-2012
Michael G. Vale	48	Executive Vice President, Consumer	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, will, should, could and other words 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 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, Critical Accounting Estimates and Financial Condition and Liquidity. Discussion of these factors is incorporated by reference from Part I, Item 1A, Risk Factors, of

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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 and capital markets conditions.* The Company operates in more than 70 countries and derives approximately two-thirds of its revenues from outside the United States. The Company's business is subject to global competition and may be adversely affected by factors in the United States and other countries that are beyond its control, such as disruptions in financial markets, economic downturns in the form of either contained or widespread recessionary conditions, elevated unemployment levels, sluggish or uneven recovery, 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 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, or regulations in the jurisdictions in which the Company operates.

** 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. As of February 2015, the Company has an AA- credit rating, with

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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 facilitated lower borrowing costs and access to a variety of lenders. 3M'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 funds 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 two-thirds 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, 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, to improve operational efficiency and productivity. 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 enterprise resource planning (ERP) system 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 and suppliers, and expose 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-*

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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, 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 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 13 Commitments and Contingencies within the Notes to Consolidated Financial Statements.*

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 30 states. The Company operates 127 manufacturing and converting facilities in 38 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.

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Discussion of legal matters is incorporated by reference from Part II, Item 8, Note 13, 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 2014, 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.

Table of Contents**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, 2015, there were 87,598 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 in the fourth quarter of 2014 included a dividend paid in November 2014 of \$0.855 per share and a dividend payable in March 2015 of \$1.025 per share. Cash dividends declared and paid totaled \$0.855 per share for the second and third quarters of 2014. Cash dividends declared in the fourth quarter of 2013 included a dividend paid in November 2013 of \$0.635 per share and a dividend paid in March 2014 of \$0.855 per share. Cash dividends declared and paid totaled \$0.635 per share for the first three quarters of 2013. Stock price comparisons follow:

Stock price comparisons (NYSE composite transactions)

(Per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014 High	\$ 139.29	\$ 145.53	\$ 147.87	\$ 168.16	\$ 168.16
2014 Low	123.61	132.02	138.43	130.60	123.61
2013 High	\$ 106.88	\$ 113.25	\$ 122.27	\$ 140.43	\$ 140.43
2013 Low	93.96	102.89	108.21	116.65	93.96

Table of Contents**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 2013, 3M's Board of Directors authorized the repurchase of up to \$7.5 billion of 3M's outstanding common stock, with no pre-established end date. In February 2014, 3M's Board of Directors replaced the Company's February 2013 repurchase program with a new repurchase program. This new program authorizes the repurchase of up to \$12 billion of 3M's outstanding common stock, with no pre-established end date.

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, 2014	2,152,171	\$ 134.07	2,148,754	\$ 2,229
February 1-28, 2014	5,058,426	\$ 130.79	5,058,426	\$ 11,338
March 1-31, 2014	5,789,597	\$ 132.90	5,786,921	\$ 10,569
Total January 1-March 31, 2014	13,000,194	\$ 132.27	12,994,101	\$ 10,569
April 1-30, 2014	4,615,353	\$ 135.93	4,607,663	\$ 9,943
May 1-31, 2014	2,619,394	\$ 141.05	2,613,100	\$ 9,574
June 1-30, 2014	2,674,367	\$ 143.80	2,674,367	\$ 9,190
Total April 1-June 30, 2014	9,909,114	\$ 139.41	9,895,130	\$ 9,190
July 1-31, 2014	2,969,148	\$ 144.54	2,963,047	\$ 8,762
August 1-31, 2014	3,783,000	\$ 141.90	3,783,000	\$ 8,225
September 1-30, 2014	2,209,057	\$ 143.58	2,209,057	\$ 7,908
Total July 1-September 30, 2014	8,961,205	\$ 143.19	8,955,104	\$ 7,908
October 1-31, 2014	6,112,233	\$ 137.96	6,109,426	\$ 7,065
November 1-30, 2014	881,629	\$ 158.12	881,629	\$ 6,925
December 1-31, 2014	1,370,427	\$ 162.45	1,369,777	\$ 6,703
Total October 1-December 31, 2014	8,364,289	\$ 144.10	8,360,832	\$ 6,703
Total January 1-December 31, 2014	40,234,802	\$ 138.92	40,205,167	\$ 6,703

(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.

Table of Contents**Item 6. Selected Financial Data.**

(Dollars in millions, except per share amounts)	2014	2013	2012	2011	2010
Years ended December 31:					
Net sales	\$ 31,821	\$ 30,871	\$ 29,904	\$ 29,611	\$ 26,662
Net income attributable to 3M	4,956	4,659	4,444	4,283	4,085
Per share of 3M common stock:					
Net income attributable to 3M basic	7.63	6.83	6.40	6.05	5.72
Net income attributable to 3M diluted	7.49	6.72	6.32	5.96	5.63
Cash dividends declared per 3M common share	3.59	3.395	2.36	2.20	2.10
Cash dividends paid per 3M common share	3.42	2.54	2.36	2.20	2.10
At December 31:					
Total assets	\$ 31,269	\$ 33,550	\$ 33,876	\$ 31,616	\$ 30,156
Long-term debt (excluding portion due within one year) and long-term capital lease obligations	6,790	4,384	4,987	4,563	4,277

In December 2014, 3M's Board of Directors declared a first-quarter 2015 dividend of \$1.025 per share (payable 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.

Year 2010 included a one-time, non-cash income tax charge of \$84 million, or 12 cents per diluted share, resulting from the March 2010 enactment of the Patient Protection and Affordable Care Act, including modifications made in the Health Care and Education Reconciliation Act of 2010. This impact is included in the preceding table.

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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 15 to the Consolidated Financial Statements, effective in the first quarter of 2014, 3M transferred a product line between divisions within business segments, and in the first, second and fourth quarters of 2014 also made certain changes within business segments in its continuing effort to improve the alignment of its businesses around markets and customers. Segment information presented herein reflects the impact of these changes for all periods presented. 3M manages its operations in five operating business segments: Industrial; Safety and Graphics; Electronics and Energy; Health Care; and Consumer. From a geographic perspective, any references to EMEA refer to Europe, Middle East and Africa on a combined basis.

Financial goals:

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As a result of 3M's performance in 2014, the Company believes it remains on track to deliver its 2013-2017 financial goals:

- Grow diluted earnings per share 9-11 percent per year, on average (11.5 percent in 2014)
- Grow organic local-currency sales 4-6 percent per year, on average (4.9 percent in 2014)
- Achieve return on invested capital of approximately 20 percent (22 percent in 2014)
- Convert approximately 100 percent of net income to free cash flow (104 percent in 2014)

These results are discussed further in the following MD&A discussion, with return on invested capital and free cash flow conversion (non-GAAP measures) discussed more fully in the Financial Condition and Liquidity section.

Fourth quarter of 2014 results:

Fourth-quarter 2014 net income attributable to 3M was \$1.179 billion, or \$1.81 per diluted share, compared to \$1.103 billion, or \$1.62 per diluted share, in the fourth quarter of 2013. Fourth-quarter 2014 sales totaled \$7.7 billion, an increase of 2.0 percent from the fourth quarter of 2013. 3M achieved organic local-currency sales growth (which includes organic volume and selling price impacts) in all five of its business segments, led by Safety and Graphics. Organic local-currency sales increased 9.2 percent in Safety and Graphics, led by personal safety and commercial solutions, partially offset by declines in roofing granules, and traffic safety and security. Organic local-currency sales grew 6.4 percent in the Health Care business segment, with every business posting positive growth, led by health information systems, food safety, infection prevention, and critical and chronic care. Electronics and Energy organic local-currency sales growth was 6.2 percent, with increases in electronic-related sales in both electronics materials solutions, and display materials and systems. Energy-related sales growth was led by electrical markets, partially offset by declines in renewable energy and communications markets. Industrial organic local-currency sales increased 5.9 percent, led by advanced materials, aerospace and commercial transportation, industrial adhesives and tapes, automotive aftermarket, and automotive OEM. Organic local-currency sales increased 5.8 percent in the Consumer business segment, with positive growth in all businesses, led by the construction and home improvement business (do-it-yourself), and consumer health care. For the Company in total, organic-local currency sales grew 6.3 percent, with higher organic volumes contributing 5.6 percent and

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selling price increases contributing 0.7 percent. Acquisitions added 0.1 percent to sales, which related to the April 2014 acquisition of Treo Solutions LLC (Treo). Foreign currency translation reduced sales by 4.4 percent year-on-year.

From a geographic area perspective, fourth-quarter 2014 organic local-currency sales growth was 9.0 percent in Latin America/Canada, 6.9 percent in Asia Pacific, 6.6 percent in the United States, and 3.3 percent in EMEA. Organic local-currency sales growth in Latin America/Canada was led by Electronics and Energy, Health Care, and Safety and Graphics. Mexico delivered strong growth and Brazil was up slightly. Organic local-currency sales growth in Asia Pacific was led by Safety and Graphics, and Health Care. Sales in Japan grew 9 percent organically, or 4 percent excluding electronics. China/Hong Kong sales grew 4 percent organically, or 6 percent excluding electronics. Organic local-currency sales growth in the United States was strong in four of the five business segments, while Electronics and Energy was flat. Organic local-currency sales growth in EMEA was positive in four of five business segments, led by Safety and Graphics, and Electronics and Energy, while Consumer was down slightly in the quarter. Central/East Europe and Middle East/Africa each showed solid local-currency sales growth in the quarter, while West Europe grew 1 percent. EMEA economies remain soft, but 3M is managing the situation by growing market positions and driving continuous productivity across the region.

Operating income in the fourth quarter of 2014 was 21.5 percent of sales, compared to 20.9 percent of sales in the fourth quarter of 2013, an increase of 0.6 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. Strategic investments are further described for year 2014 in the section entitled **Results of Operations** .

The income tax rate was 28.0 percent in the fourth quarter of 2014, down 0.4 percentage points versus the fourth quarter of 2013, which increased earnings per diluted share by approximately 1 cent. Weighted-average diluted shares outstanding in the fourth quarter of 2014 declined 4.5 percent year-on-year to 650.9 million, which increased earnings per diluted share by approximately 8 cents. Foreign exchange impacts decreased earnings per diluted share by approximately 5 cents.

Year 2014 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 growth was 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 growth was 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 discussed above. 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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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. Foreign exchange impacts decreased earnings per diluted share by approximately 15 cents.

Fourth quarter of 2013 results:

Fourth-quarter 2013 net income attributable to 3M was \$1.103 billion, or \$1.62 per diluted share, compared to \$991 million, or \$1.41 per diluted share, in the fourth quarter of 2012. Fourth-quarter 2013 sales totaled \$7.6 billion, an increase of 2.4 percent from the fourth quarter of 2012. 3M achieved organic local-currency sales growth (which includes organic volume and selling price impacts) in all five of its business segments, led by Industrial. Industrial organic local-currency sales increased 5.8 percent, led by advanced materials, automotive OEM, 3M Purification Inc. (filtration products), aerospace and commercial transportation, and automotive aftermarket. Organic local-currency sales increased 4.7 percent in Safety and Graphics, led by roofing granules, personal safety, and commercial solutions. Organic local-

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currency sales grew 3.6 percent in the Health Care business segment, with the strongest sales growth in health information systems, food safety, critical and chronic care, and infection prevention; organic local-currency sales declined in drug delivery systems. Organic local-currency sales increased 1.3 percent in the Consumer business segment, led by the consumer health care and home care businesses. Electronics and Energy organic local-currency sales growth was 0.4 percent, with increases in energy-related sales in renewable energy and electrical markets. Electronic-related sales declined, with growth in display materials and systems more than offset by declines in electronics materials solutions. For the Company in total, organic-local currency sales grew 3.4 percent, with higher organic volumes contributing 2.0 percent and selling price increases contributing 1.4 percent. Acquisitions added 0.7 percent to sales, which related to the late November 2012 acquisition of Ceradyne, Inc. Foreign currency translation reduced sales by 1.7 percent year-on-year.

From a geographic area perspective, fourth-quarter 2013 organic local-currency sales growth was 4.5 percent in the United States, 3.4 percent in EMEA, 3.3 percent in Asia Pacific, and 2.2 percent in Latin America/Canada. In the U.S., EMEA, and Asia Pacific, all five business segments generated positive organic local-currency sales growth. Organic local-currency sales growth in the United States was led by Industrial, and Safety and Graphics. Organic local-currency sales growth in EMEA was led by Industrial. West Europe grew organically by 3 percent year-on-year, continuing the positive trends 3M had seen in preceding quarters. Organic local-currency sales growth in Asia Pacific was led by Consumer, Safety and Graphics, and Health Care. Sales in Japan grew 4 percent organically. China/Hong Kong sales grew 1 percent organically, impacted by a strong prior-year comparison of 16 percent growth in the fourth quarter of 2012 and weakness in electronics. Organic local-currency sales growth in Latin America/Canada was positive across most countries, but below trend levels for a few reasons. First, slowing in government tenders for infrastructure projects in certain countries impacted sales in Electronics and Energy. Consumer was also soft in the fourth quarter due to weak retail demand and challenging year-on-year comparisons. And lastly, sales in Venezuela declined year-on-year due to the economic and political situation there. Venezuela diluted fourth-quarter organic sales growth in Latin America/Canada by 1.5 percentage points, as 3M continued to work towards minimizing its Bolivar exposure and any associated costs.

Year 2013 results:

For total year 2013, net income attributable to 3M was \$4.659 billion, or \$6.72 per diluted share, compared to \$4.444 billion, or \$6.32 per diluted share, in 2012, an increase of 6.3 percent on a per diluted share basis. Sales totaled \$30.9 billion, an increase of 3.2 percent from 2012. From a business segment perspective, organic local-currency sales growth was 5.0 percent in Health Care, 4.6 percent in Industrial, 4.1 percent in Safety and Graphics, 3.0 percent in Consumer, and was flat in Electronics and Energy. From a geographic area perspective, 2013 organic local-currency sales growth was 7.1 percent in Latin America/Canada, 3.6 percent in Asia Pacific, 3.1 percent in the United States, and 2.1 percent in EMEA. For the Company in total, organic local-currency sales grew 3.4 percent, with higher organic volumes contributing 2.5 percent and selling price increases contributing 0.9 percent. Acquisitions added 1.4 percent to sales, driven by the November 2012 acquisition of Ceradyne, Inc. (Industrial), the September 2012 purchase of the net assets that comprised the business of Federal Signal Technologies Group (Safety and Graphics), and the April 2012 acquisition of CodeRyte, Inc. (Health Care). Foreign currency translation reduced sales by 1.6 percent year-on-year.

Operating income in 2013 was 21.6 percent of sales, compared to 21.7 percent of sales in 2012, a decline of 0.1 percentage points. Items that reduced operating income margins included lower factory utilization/productivity, strategic investments, the impact of 2012 acquisitions, and other factors. These factors were largely offset by the combination of selling price increases and raw material cost decreases, in addition to lower pension/postretirement benefit costs. Refer to the section entitled *Results of Operations* for further discussion.

The income tax rate was 28.1 percent in 2013, down 0.9 percentage points versus 2012, which increased earnings per diluted share by approximately 9 cents. Weighted-average diluted shares outstanding in 2013 declined 1.4 percent year-on-year to 693.6 million, which increased earnings per diluted share by approximately 9 cents. Foreign exchange impacts decreased earnings per diluted share by approximately 11 cents.

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, 2014 and 2013. 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 15 for additional information on business segments, including Elimination of Dual Credit.

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(Dollars in millions)	Net Sales	2014 % of Total	Oper. Income	Net Sales	2013 % of Total	Oper. Income	2014 vs. 2013 % change	
							Net Sales	Oper. Income
Business Segments								
Industrial	\$ 10,990	34.5%	\$ 2,389	\$ 10,657	34.5%	\$ 2,307	3.1%	3.6%
Safety and Graphics	5,732	18.0%	1,296	5,584	18.1%	1,227	2.7%	5.6%
Electronics and Energy	5,604	17.6%	1,115	5,393	17.5%	954	3.9%	16.8%
Health Care	5,572	17.5%	1,724	5,334	17.3%	1,672	4.5%	3.1%
Consumer	4,523	14.2%	995	4,435	14.4%	945	2.0%	5.3%
Corporate and Unallocated	4	%	(251)	8	%	(321)		
Elimination of Dual Credit	(604)	(1.8)%	(133)	(540)	(1.8)%	(118)		
Total Company	\$ 31,821	100.0%	\$ 7,135	\$ 30,871	100.0%	\$ 6,666	3.1%	7.0%

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.

Sales in 2013 increased 3.2 percent, led by Industrial at 6.5 percent, Health Care at 3.8 percent, and Safety and Graphics at 3.3 percent. Sales increased 1.1 percent in Consumer and declined 1.2 percent in Electronics and Energy. Total company organic local-currency sales growth (which includes organic volume and selling price impacts) was 3.4 percent, acquisitions added 1.4 percent, and foreign currency translation reduced sales by 1.6 percent. Four of 3M's five business segments posted operating income margins in excess of 21 percent in 2013. Worldwide operating income margins for 2013 were 21.6 percent, compared to 21.7 percent for 2012.

Financial condition:

3M generated \$6.626 billion of operating cash flow in 2014, an increase of \$809 million when compared to 2013. This followed an increase of \$517 million when comparing 2013 to 2012. Refer to the section entitled "Financial Condition and Liquidity" later in MD&A for a discussion of items impacting cash flows. In February 2014, 3M's Board of Directors authorized the repurchase of up to \$12 billion of 3M's outstanding common stock, which replaced the Company's February 2013 repurchase program. This new program has no pre-established end date. In 2014, the Company purchased \$5.652 billion of stock, and in 2013 the Company purchased \$5.212 billion of stock, up significantly from \$2.204 billion in 2012. The Company expects to purchase \$3 billion to \$5 billion of stock in 2015. In December 2014, 3M's Board of Directors declared a first-quarter 2015 dividend of \$1.025 per share, an increase of 20 percent. This marked the 57th consecutive year of dividend increases for 3M. 3M's debt to total capital ratio (total capital defined as debt plus equity) was 34 percent at December 31, 2014, and 25 percent at both December 31, 2013 and 2012. As of February 2015, 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. 3M currently expects that its effective tax rate for 2015 will be approximately 28.0 to 29.0 percent, which assumes that the U.S. research and development credit will be reinstated for 2015.

Raw materials:

In 2014, the Company experienced stable to declining costs for most raw material categories and transportation fuel. This was driven by 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.

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Pension and postretirement defined benefit plans:

On a worldwide basis, 3M's pension and postretirement plans were 85 percent funded at year-end 2014. The primary U.S. qualified pension plan, which is approximately 68 percent of the worldwide pension obligation, was 92 percent funded and the international pension plans were 85 percent funded. The U.S. non-qualified pension plan is not funded due to tax considerations and other factors. Asset returns in 2014 for the primary U.S. qualified pension plan was 13.0%, 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 2015 is 7.75%, unchanged from 2014. The primary U.S. qualified pension plan year-end 2014 discount rate was 4.10%, down 0.88 percentage points from the year-end 2013 discount rate of 4.98%. The decrease in U.S. discount rates resulted in an increased valuation of the projected benefit obligation, which decreased the plans' funded status. Additional detail and discussion of international plan asset returns and discount rates is provided in Note 10 (Pension and Postretirement Benefit Plans).

The changes in 3M's defined benefit pension and postretirement plans' funded status, which is required to be measured as of each year-end, significantly impacted several balance sheet amounts. In the fourth quarter of 2014, these required annual measurements decreased prepaid pension benefits by \$0.7 billion, increased deferred taxes within other assets by \$0.8 billion, increased pension and postretirement benefits long-term liabilities by \$1.9 billion, and decreased stockholders' equity by \$1.8 billion. Other pension and postretirement changes during the year, such as contributions and amortization, also impacted these balance sheet amounts.

In addition, two items will impact the income statement in 2015:

- In the fourth quarter of 2014, 3M's Board of Directors approved an amendment of the U.S. defined benefit pension plan to include a lump sum payment option for employees that have vested retirement benefits who commence their pension January 1, 2015, or later. This option is also available to vested employees who leave 3M before becoming eligible to retire at the time of termination. This change reduced 3M's year-end 2014 projected benefit obligation (PBO) liability by approximately \$266 million.
- As of December 31, 2014, the Company converted to the RP 2014 Mortality Tables and updated the mortality improvement scale it used for calculating the year-end 2014 U.S. defined benefit pension annuitant and postretirement obligations and 2015 expense. The impact of this change increased the year-end 2014 U.S. PBO for pension by approximately \$820 million and the 2014 U.S. accumulated postretirement benefit obligation by approximately \$100 million.

3M expects to contribute approximately \$100 million to \$200 million of cash to its global defined benefit pension and postretirement plans in 2015. The Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2015. 3M expects global defined benefit pension and postretirement expense in 2015 (before settlements, curtailments, special termination benefits and other) to increase by approximately \$210 million pre-tax when compared to 2014. Refer to Critical Accounting Estimates within MD&A and Note 10 (Pension and Postretirement Benefit Plans) for additional information concerning 3M's pension and post-retirement plans.

Table of Contents**RESULTS OF OPERATIONS***Net Sales:*

	2014			2013		
	U.S.	Intl.	Worldwide	U.S.	Intl.	Worldwide
Net sales (millions)	\$ 11,714	\$ 20,107	\$ 31,821	\$ 11,151	\$ 19,720	\$ 30,871
% of worldwide sales	36.8%	63.2%		36.1%	63.9%	
Components of net sales change:						
Volume organic	4.4%	3.8%	3.9%	2.4%	2.7%	2.5%
Price	0.5	1.2	1.0	0.7	0.9	0.9
Organic local-currency sales	4.9	5.0	4.9	3.1	3.6	3.4
Acquisitions	0.2		0.1	2.5	0.9	1.4
Divestitures	(0.1)			(0.1)		
Translation		(3.0)	(1.9)		(2.5)	(1.6)
Total sales change	5.0%	2.0%	3.1%	5.5%	2.0%	3.2%

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 growth was 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.

Worldwide selling prices rose 1.0 percent in 2014. 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. 3M also began raising selling prices in mid-2013 to help offset currency weakness in select developing countries. This resulted in 3M's price performance moderating in the second half of 2014.

In 2013, organic local-currency sales grew 3.4 percent, with increases of 7.1 percent in Latin America/Canada, 3.6 percent in Asia Pacific, 3.1 percent in the United States, and 2.1 percent in EMEA. Organic local-currency sales growth was 6.9 percent across developing markets, and 1.6 percent in developed markets. Worldwide organic local-currency sales grew 5.0 percent in Health Care, 4.6 percent in Industrial, 4.1 percent in Safety and Graphics, 3.0 percent in Consumer, and were flat in Electronics and Energy. Acquisitions added 1.4 percent to worldwide growth and foreign currency translation reduced worldwide sales growth by 1.6 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.

Table of Contents*Operating Expenses:*

(Percent of net sales)	2014	2013	2012	2014 Versus 2013	2013 Versus 2012
Cost of sales	51.7%	52.1%	52.4%	(0.4)%	(0.3)%
Selling, general and administrative expenses	20.3	20.7	20.4	(0.4)	0.3
Research, development and related expenses	5.6	5.6	5.5		0.1
Operating income	22.4%	21.6%	21.7%	0.8%	(0.1)%

Pension and postretirement expense decreased \$162 million in 2014 compared to 2013, versus a decrease of \$97 million in 2013 compared to 2012. 2012 includes a \$26 million charge related to the first-quarter 2012 voluntary early retirement incentive program (discussed in Note 10). 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 10 (Pension and Postretirement Plans) for components of net periodic benefit cost and the assumptions used to determine net cost.

The Company is investing in business transformation. This term includes the ongoing multi-year phased implementation of an enterprise resource planning (ERP) system on a worldwide basis, as well as changes in processes and internal/external service delivery across 3M.

Cost of Sales:

Cost of sales includes manufacturing, engineering and freight costs.

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.

Cost of sales, measured as a percent of net sales, was 52.1 percent in 2013, a decrease of 0.3 percentage points from 2012. 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 0.9 percent and raw material cost deflation was favorable by approximately 2 percent year-on-year. In addition, lower pension and postretirement costs (of which a portion impacts cost of sales), in addition to organic volume increases, decreased cost of sales as a percent of sales. These benefits were partially offset by the impact of 2012 acquisitions and lower factory utilization.

Selling, General and Administrative Expenses:

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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.

SG&A increased \$282 million, or 4.6 percent, in 2013 when compared to 2012. In 2013, SG&A included strategic investments in business transformation, in addition to increases from acquired businesses that were largely not in 3M's 2012 spending (Ceradyne, Inc. and Federal Signal Technologies), which were partially offset by lower pension and postretirement expense. SG&A, measured as a percent of sales, increased 0.3 percentage points to 20.7 percent in 2013, compared to 20.4 percent of sales in 2012.

Research, Development and Related Expenses:

Research, development and related expenses (R&D) increased 3.2 percent in 2014 compared to 2013 and increased 4.9 percent in 2013 compared to 2012, as 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. These increases were partially offset by lower pension and postretirement expense. In 2013, increases from acquired businesses that were largely not in 3M's 2012 spending (primarily Ceradyne, Inc. and Federal Signal

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Technologies) were partially offset by lower pension and postretirement expense. R&D, measured as a percent of sales, was 5.6 percent in both 2014 and 2013, compared to 5.5 percent in 2012.

Operating Income:

3M uses operating income as one of its primary business segment performance measurement tools.

Operating income margins were 22.4 percent in 2014 compared to 21.6 in 2013, an increase of 0.8 percentage points. These results included a 1.0 percentage point benefit from the combination of higher selling prices and lower raw material costs. In addition, lower year-on-year pension and postretirement benefit costs provided a 0.5 percentage point benefit and profit leverage on organic volume growth added 0.3 percentage points. Items that reduced operating income margins included a 0.6 percentage point impact from 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 reduced operating income margins by 0.3 percentage points, and the Treo acquisition reduced operating income margins by 0.1 percentage points.

Operating income margins were 21.6 percent in 2013, compared to 21.7 in 2012, a decrease of 0.1 percentage points. Items that reduced operating income margins included a 0.5 percentage point impact from lower factory utilization/productivity, along with a 0.4 percentage point impact from strategic investments, which included business transformation, along with more R&D aimed at disruptive innovation. The recently enacted medical device excise tax in the U.S., foreign currency effects, acquisition impacts, and other net impacts reduced operating income margins by 0.7 percentage points. These factors were largely offset by items that increased operating income margins, which included a 1.2 percentage point benefit from the combination of selling price increases and raw material cost decreases. Finally, lower pension/postretirement benefit costs increased operating income margins by 0.3 percentage points.

Interest Expense and Income:

(Millions)	2014		2013		2012	
Interest expense	\$	142	\$	145	\$	171
Interest income		(33)		(41)		(39)
Total	\$	109	\$	104	\$	132

Interest Expense: Interest expense, despite higher debt levels, decreased in 2014 compared to 2013, 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. Interest expense decreased in 2013 compared to 2012, driven by lower interest rates on U.S. debt. 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 \$15 million, \$21 million, and \$23 million, in 2014, 2013 and 2012, respectively.

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Interest Income: Interest income in 2014 was lower when compared to 2013 due to lower cash balances. Interest income was up \$2 million when comparing 2013 to 2012, as higher average international cash balances were largely offset by lower average U.S. balances and lower U.S. and international interest rates.

Provision for Income Taxes:

(Percent of pre-tax income)	2014	2013	2012
Effective tax rate	28.9%	28.1%	29.0%

The effective tax rate for 2014 was 28.9 percent, compared to 28.1 percent in 2013, an increase of 0.8 percentage points, impacted by many factors. Factors which increased the Company's effective tax rate included a one-time international tax impact related to the establishment of the supply chain center of expertise in Europe, decreased U.S. research and development credit in 2014 compared to 2013 due to two years inclusion as a result of the reinstatement in 2013, decreased domestic manufacturer's deduction, and other items. Combined, these factors increased the Company's effective tax rate by 1.6 percentage points. This increase was partially offset by a 0.8 percentage point decrease, which related to both lower 3M income tax reserves for 2014 when compared to 2013 and international taxes as a result of changes to the geographic mix of income before taxes.

The effective tax rate for 2013 was 28.1 percent, compared to 29.0 percent in 2012, a decrease of 0.9 percentage points, impacted by many factors. Factors that decreased the Company's effective tax rate included international taxes as a

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result of changes to the geographic mix of income before taxes, the reinstatement of the U.S. research and development credit in 2013, an increase in the domestic manufacturer's deduction benefit, the restoration of tax basis on certain assets for which depreciation deductions were previously limited, and other items. Combined, these factors decreased the Company's effective tax rate by 4.0 percentage points. This benefit was partially offset by factors that increased the effective tax rate by 3.1 percentage points, which largely related to increases in 3M's income tax reserves for 2013 when compared to 2012.

The Company currently expects that its effective tax rate for 2015 will be approximately 28.0 to 29.0 percent, which assumes that the U.S. research and development credit will be reinstated for 2015. 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 7 for further discussion of income taxes.

Net Income Attributable to Noncontrolling Interest:

(Millions)	2014	2013	2012
Net income attributable to noncontrolling interest	\$ 42	\$ 62	\$ 67

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 5, 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 net income attributable to 3M by approximately \$97 million and \$74 million in 2014 and 2013, 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 net income attributable to 3M by approximately \$8 million in 2014 and decreased net income attributable to 3M by approximately \$12 million in 2013. Refer to Note 11 in the Consolidated Financial Statements for additional information concerning 3M's hedging activities.

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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 discussed in Note 15, effective in the first quarter of 2014, 3M transferred a product line between divisions within business segments, and in the first, second, and fourth quarters of 2014 also made certain changes within business segments in its continuing effort to improve the alignment of its businesses around markets and customers. Segment information presented herein reflects the impact of these changes for all periods presented. 3M manages its operations in five operating business segments. The reportable segments are Industrial; Safety and Graphics; Electronics and Energy; Health Care; and Consumer.

Corporate and Unallocated:

In addition to these five operating business segments, 3M assigns certain costs to Corporate and Unallocated, which is presented separately in the preceding business segments table and in Note 15. 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 may choose 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 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.

Corporate and Unallocated operating expenses decreased by \$151 million in 2013 when compared to 2012. Of the \$151 million decrease in 2013, approximately \$127 million was due to lower pension and postretirement benefit expense.

Operating Business Segments:

Each of 3M's five business segments absorbed additional incremental investments in both 2014 and 2013 related to business transformation, enabled by 3M's global ERP implementation. This negatively impacted each of the five business segments' 2014 annual operating margins by approximately 0.20 percentage points when compared to 2013, following an approximate 0.30 percentage point year-on-year reduction in operating income margins for 2013 when compared to 2012.

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.

The following discusses total year results for 2014 compared to 2013, and also discusses 2013 compared to 2012, for each business segment.

Table of Contents*Industrial Business (34.5% of consolidated sales):*

	2014		2013		2012
Sales (millions)	\$ 10,990	\$	10,657	\$	10,008
Sales change analysis:					
Organic local currency	4.9%		4.6%		5.2%
Acquisitions			3.6		1.1
Translation	(1.8)		(1.7)		(3.0)
Total sales change	3.1%		6.5%		3.3%
Operating income (millions)	\$ 2,389	\$	2,307	\$	2,244
Percent change	3.6%		2.8%		12.9%
Percent of sales	21.7%		21.6%		22.4%

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 Inc. (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.

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 basis, sales growth was positive across all businesses, led by aerospace and commercial transportation, automotive OEM, 3M Purification Inc., 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 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. As indicated in the preceding Operating Business Segments section, each of 3M's five business segments absorbed incremental investments in 2014 related to business transformation and global ERP implementation. This reduced operating income margins in each of the businesses by approximately 0.2 percentage points year-on-year.

Year 2013 results:

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Sales in Industrial totaled \$10.7 billion, up 6.5 percent in U.S. dollars. Organic local-currency sales increased 4.6 percent, acquisitions added 3.6 percent, and foreign currency translation reduced sales by 1.7 percent. On an organic local-currency basis, all of Industrial's businesses experienced positive sales growth in 2013, led by aerospace and commercial transportation, automotive OEM, 3M Purification Inc. (filtration products), and industrial adhesives and tapes. Acquisition growth related to the 2012 acquisition of Ceradyne, Inc. (Ceradyne). As disclosed in Note 2, in November 2012, 3M acquired Ceradyne, which is headquartered in Costa Mesa, California. Ceradyne is involved in the development and production of advanced technical ceramics for demanding applications in the automotive, oil and gas, solar, industrial, electronics and defense industries.

Geographically, organic local-currency sales increased 8 percent in Latin America/Canada, 5 percent in the United States, 4 percent in EMEA, and 3 percent in Asia Pacific.

Operating income was \$2.3 billion in 2013, up 2.8 percent year-on-year. Operating income margins decreased by 0.8 percentage points to 21.6 percent. This decline in margins largely related to the Ceradyne acquisition, which reduced 2013 operating income margins by 0.7 percentage points. As indicated in the preceding Operating Business Segments section, each of 3M's five business segments absorbed incremental investments related to business transformation, enabled by 3M's global ERP implementation, which reduced operating income margins in each of 3M's five business segments by approximately 0.3 percentage points when comparing 2013 to 2012.

Table of Contents**Safety and Graphics Business (18.0% of consolidated sales):**

	2014		2013		2012
Sales (millions)	\$	5,732	\$	5,584	\$ 5,406
Sales change analysis:					
Organic local currency		5.4%		4.1%	2.3%
Acquisitions				1.3	0.6
Translation		(2.7)		(2.1)	(2.8)
Total sales change		2.7%		3.3%	0.1%
Operating income (millions)	\$	1,296	\$	1,227	\$ 1,210
Percent change		5.6%		1.4%	(1.8)%
Percent of sales		22.6%		22.0%	22.4%

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 surface and lighting solutions, and cleaning and protection products for commercial establishments; and roofing granules for asphalt shingles.

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 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 systems. 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 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 selective restructuring.

Year 2013 results:

Sales in Safety and Graphics totaled \$5.6 billion, up 3.3 percent in U.S. dollars. Organic local-currency sales increased 4.1 percent, acquisitions added 1.3 percent, and foreign currency translation reduced sales by 2.1 percent. On an organic local-currency basis, sales grew in personal safety, commercial solutions, and industrial minerals. Organic local-currency sales declined in traffic safety and security systems. Acquisition

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growth related to the September 2012 purchase of net assets that comprised the business of Federal Signal Technologies Group.

Organic local-currency sales increased 9 percent in both Latin America/Canada and Asia Pacific, and 2 percent in the United States. Organic local-currency sales were flat in EMEA.

Operating income in 2013 totaled \$1.2 billion, up 1.4 percent. Operating income margins were 22.0 percent of sales, compared to 22.4 percent in 2012. This decline in margins related to the Federal Signal Technologies Group acquisition, which reduced 2013 operating income margins by 0.5 percentage points.

Table of Contents*Electronics and Energy Business (17.6% of consolidated sales):*

	2014	2013	2012
Sales (millions)	\$ 5,604	\$ 5,393	\$ 5,458
Sales change analysis:			
Organic local currency	5.2%	%	(3.7)%
Translation	(1.3)	(1.2)	(1.1)
Total sales change	3.9%	(1.2)%	(4.8)%
Operating income (millions)	\$ 1,115	\$ 954	\$ 1,026
Percent change	16.8%	(7.0)%	(10.0)%
Percent of sales	19.9%	17.7%	18.8%

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 optical 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 optical 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 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.

Organic local-currency 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 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, recent portfolio management actions are enhancing 3M's relevance with customers and generating operational efficiencies, which also contributed to the operating income margin improvement in 2014.

Year 2013 results:

Electronics and Energy sales totaled \$5.4 billion, down 1.2 percent in U.S. dollars, with this decrease related to foreign currency translation. Organic local-currency sales were flat in 3M's electronics-related businesses, with sales increases in display materials and systems offset by declines in electronics materials solutions. Organic local-currency sales were also flat in 3M's energy-related businesses, where sales gains in electrical markets were offset by sales declines in telecommunication markets, and renewable energy.

On a geographic basis, organic local-currency sales increased slightly in Latin America/Canada and Asia Pacific. Organic local-currency sales declined slightly in the United States and EMEA.

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Operating income decreased 7.0 percent to \$954 million in 2013. Operating income margins were 17.7 percent, compared to 18.8 percent in 2012. The operating margin decline was primarily attributable to lower factory utilization and flat year-on-year organic local-currency sales.

Health Care Business (17.5% of consolidated sales):

	2014		2013		2012	
Sales (millions)	\$	5,572	\$	5,334	\$	5,138
Sales change analysis:						
Organic local currency		5.8%		5.0%		4.7%
Acquisitions		0.4		0.1		0.3
Translation		(1.7)		(1.3)		(2.5)
Total sales change		4.5%		3.8%		2.5%
Operating income (millions)	\$	1,724	\$	1,672	\$	1,641
Percent change		3.1%		1.9%		10.5%
Percent of sales		30.9%		31.3%		31.9%

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, dental and orthodontic products (oral care), health information systems, and food safety products.

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. Organic local-currency 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.

Acquisition sales growth related to the April 2014 purchase 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.

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.

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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. As discussed below in 2013 results, the gain from sale of a non-strategic equity method investment benefited total year 2013 operating income margins by 0.3 percentage points.

Year 2013 results:

Health Care sales totaled \$5.3 billion, an increase of 3.8 percent in U.S. dollars. Organic local-currency sales increased 5.0 percent, acquisitions added 0.1 percent, and foreign currency translation reduced sales by 1.3 percent. Organic local-currency sales growth was led by health information systems, food safety, critical and chronic care, infection prevention, and oral care. Organic local-currency sales declined in drug delivery. Acquisition growth related to the April 2012 acquisition of CodeRyte, Inc., which provides clinical natural language processing technology and computer-assisted coding solutions for outpatient providers.

On a geographic basis, organic local-currency sales increased 10 percent in Latin America/Canada, 8 percent in Asia Pacific, and 4 percent in both EMEA and the United States.

Operating income increased 1.9 percent to \$1.7 billion. Operating income margins were 31.3 percent in 2013, compared to 31.9 percent in 2012. Effective January 1, 2013, 3M began to absorb additional costs related to the U.S. medical device excise tax, which decreased operating income margins by 0.4 percentage points. The third-quarter 2013 gain from sale of a non-strategic equity method investment benefited total year 2013 operating income margins by 0.3 percentage points.

Table of Contents**Consumer Business (14.2% of consolidated sales):**

	2014		2013		2012
Sales (millions)	\$	4,523	\$	4,435	\$ 4,386
Sales change analysis:					
Organic local currency		3.9%		3.0%	3.6%
Acquisitions					2.0
Divestitures		(0.1)		(0.1)	
Translation		(1.8)		(1.8)	(1.9)
Total sales change		2.0%		1.1%	3.7%
Operating income (millions)	\$	995	\$	945	\$ 943
Percent change		5.3%		0.2%	10.3%
Percent of sales		22.0%		21.3%	21.5%

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 2014 results:

Sales in Consumer 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 basis, sales growth was led by construction and home improvement. 3M also posted positive growth in its 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, organic local-currency growth was 6 percent.

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.

Year 2013 results:

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Sales in Consumer totaled \$4.4 billion, up 1.1 percent in U.S. dollars. Organic local-currency sales increased 3.0 percent, divestitures reduced sales by 0.1 percent, and foreign currency translation reduced sales by 1.8 percent. On an organic local-currency basis, sales growth was led by consumer health care, home care, and construction and home improvement. Organic local-currency sales increased slightly in stationery and office supplies, impacted by continued consolidation trends in the office retail and wholesale market.

On a geographic basis, organic local-currency sales increased 7 percent in Asia Pacific and 3 percent in both Latin America/Canada and the United States. Organic local-currency sales declined 1 percent in EMEA.

Consumer operating income was \$945 million, up 0.2 percent from 2012. Operating income margins were 21.3 percent, down slightly from 2012.

As discussed in Note 2, in June 2013, 3M completed the sale of the Scientific Anglers and Ross Reels businesses to The Orvis Company, Inc. based in Manchester, Vermont.

Table of Contents**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 16.

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

	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.

	2013					
	United States	Asia Pacific	Europe, Middle East & Africa	Latin America/Canada	Other Unallocated	Worldwide
Net sales (millions)	\$ 11,151	\$ 9,047	\$ 7,085	\$ 3,611	\$ (23)	\$ 30,871
% of worldwide sales	36.1%	29.3%	22.9%	11.7%		100.0%
Components of net sales change:						
Volume organic	2.4%	4.3%	1.5%	1.5%		2.5%
Price	0.7	(0.7)	0.6	5.6		0.9
Organic local-currency sales	3.1	3.6	2.1	7.1		3.4

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Acquisitions	2.5	0.2	2.0	0.3	1.4	
Divestitures	(0.1)					
Translation		(4.3)	1.2	(5.1)	(1.6)	
Total sales change	5.5%	(0.5)%	5.3%	2.3%	3.2%	
Operating income (millions)	\$ 2,210	\$ 2,386	\$ 1,168	\$ 908	\$ (6)	\$ 6,666
Percent change	14.0%	(2.6)%	0.4%	(3.0)%		2.8%

For total year 2013, as shown in the preceding table, sales rose 3.2 percent, with organic volume increases of 2.5 percent and selling price increases of 0.9 percent. Acquisitions added 1.4 percent, while foreign currency translation reduced sales by 1.6 percent. Organic local-currency sales increased 7.1 percent in Latin America/Canada, 3.6 percent in Asia

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Pacific, 3.1 percent in the United States, and 2.1 percent in EMEA. For 2013, international operations represented 63.9 percent of 3M's sales.

Geographic Area Supplemental Information

(Millions, except Employees)	Employees as of December 31,			Capital Spending			Property, Plant and Equipment - net as of December 31,	
	2014	2013	2012	2014	2013	2012	2014	2013
United States	35,581	34,719	34,851	\$ 909	\$ 941	\$ 816	\$ 4,619	\$ 4,478
Asia Pacific	17,854	18,417	18,210	184	284	332	1,798	1,943
Europe, Middle East and Africa	20,506	20,504	20,638	288	290	226	1,502	1,636
Latin America and Canada	15,859	15,027	13,978	112	150	110	570	595
Total Company	89,800	88,667	87,677	\$ 1,493	\$ 1,665	\$ 1,484	\$ 8,489	\$ 8,652

Employment:

Employment increased by 1,133 positions in 2014 and 990 positions in 2013. The primary factors that increased employment in both years 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 (61% of spending in 2014), 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, Singapore, 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.

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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 13) for additional information about such estimates.

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

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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.

Pension benefits associated with these plans are generally based primarily on each participant's years of service, compensation, and age at retirement or termination. Two critical assumptions, the discount rate and the expected return on plan assets, are important elements of expense and liability measurement. See Note 10 for additional discussion of actuarial assumptions used in determining pension and postretirement health care liabilities and expenses.

The Company determines the discount rate used to measure plan liabilities as of the December 31 measurement date for its pension and postretirement benefit plans. The discount rate reflects the current rate at which the associated liabilities could be effectively settled at the end of the year. The Company sets its rate to reflect the yield 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. Using this methodology, the Company determined a discount rate of 4.10% for the primary U.S. qualified pension plan and 4.07% for U.S. postretirement plans to be appropriate as of December 31, 2014, which represents a decrease from the 4.98% and 4.83% rates, respectively, used as of December 31, 2013. The weighted average discount rate for international pension plans as of December 31, 2014 was 3.11%, a decrease from the 4.02% rate used as of December 31, 2013.

A 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 2015 is 7.75%, unchanged from 2013. Refer to Note 10 for information on how the 2014 rate was determined. Return on assets assumptions for 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 5.90% for 2015, compared to 5.83% for 2014.

For the year ended December 31, 2014, the Company recognized total consolidated defined benefit pre-tax pension and postretirement expense (after settlements, curtailments, special termination benefits and other) of \$391 million, down from \$553 million in 2013. Defined benefit pension and postretirement expense (before settlements, curtailments, special termination benefits and other) is anticipated to increase to \$601 million in 2015, an increase of \$210 million compared to 2014. For the pension plans, holding all other factors constant, a 0.25 percentage point increase/decrease in the expected long-term rate of return on plan assets would decrease/increase 2015 pension expense by approximately \$34 million for U.S. pension plans and approximately \$15 million for international pension plans. Also, holding all other factors constant, a 0.25 percentage point increase in the discount rate used to measure plan liabilities would decrease 2015 pension expense by approximately \$33 million for U.S. pension plans and approximately \$24 million for international pension plans. In addition, a 0.25 percentage point decrease in the discount rate used to measure plan liabilities would increase 2015 pension expense by approximately \$34 million for U.S. pension plans and approximately \$26 million for international pension plans.

Asset Impairments:

As of December 31, 2014, net property, plant and equipment totaled \$8.5 billion and net identifiable intangible assets totaled \$1.4 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

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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 \$7.1 billion as of December 31, 2014. 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

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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, but 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 discussed in Notes 3 and 15 to the Consolidated Financial Statements, effective in the first quarter of 2014, 3M transferred a product line between divisions within business segments, and in the first, second and fourth quarters of 2014 also made certain changes within business segments in its continuing effort to improve the alignment of its businesses around markets and customers. Concurrent with these business segment changes, certain products were moved between and within business segments. 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 first, second and fourth quarters of 2014, 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 2014 annual impairment test and is in the context of the reporting unit structure that existed at that time.

As of October 1, 2014, 3M had 27 primary reporting units, with ten reporting units accounting for approximately 81 percent of the goodwill. These ten reporting units were comprised of the following divisions: 3M ESPE, 3M Purification Inc., Advanced Materials, Communication Markets, Display Materials and Systems, Health Information Systems, Industrial Adhesives and Tapes, Infection Prevention, Personal Safety, and Traffic Safety and Security Systems. The estimated fair values for all significant reporting units were in excess of carrying value by approximately 50 percent or more. 3M's market value at both September 30, 2014, and December 31, 2014, was significantly in excess of its equity of approximately \$16 billion and \$13 billion, respectively.

In 2014, 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 2014, 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 first, second and fourth quarters of 2014, the Company completed its assessment of any potential goodwill impairment for reporting units impacted by product moves plus other 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 2015 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 7 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

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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.

FINANCIAL CONDITION AND LIQUIDITY

3M continues to manage towards a better-optimized capital structure by adding balance sheet leverage, which is being used for two purposes: first, to invest in 3M's businesses, and second, to increase cash returns to shareholders. The strength and stability of 3M's business model and strong free cash flow capability, together with proven capital markets access, enables 3M to implement this strategy while continuing to invest in its businesses. Organic growth remains a high priority, thus 3M will continue to invest in research and development, capital expenditures, and commercialization capability. In addition, 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 7 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. 3M resumed commercial paper funding in July 2013 for the first time since late 2008. 3M expects to maintain a consistent presence in the market and 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 current and long-term 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, 2014 and 2013.

At December 31 (Millions)	2014	2013
Total Debt	\$ 6,837	\$ 6,009
Less: Cash and cash equivalents and marketable securities	3,351	4,790

Net Debt	\$	3,486	\$	1,219
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In 2014, net debt increased by \$2.3 billion to a net debt balance of \$3.5 billion (as of December 31, 2014), as 3M progressed on its capital structure strategy and experienced higher debt levels and lower cash balances in both the U.S. and internationally. 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, 2014, 3M had \$3.4 billion of cash, cash equivalents and marketable securities, of which approximately \$3.3 billion was held by the Company's foreign subsidiaries and less than \$100 million was held by the United States. Of the \$3.3 billion held internationally, U.S. dollar-based cash, cash equivalents and marketable securities totaled \$1.9 billion, or 58 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, 2013, cash, cash equivalents and marketable securities held by the Company's foreign subsidiaries and in the United States totaled approximately \$4.3 billion and \$0.5 billion, respectively.

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The Company's total balance of cash, cash equivalents and marketable securities was \$1.4 billion lower at December 31, 2014 when compared to December 31, 2013. 3M was able to manage the business with lower cash levels, particularly in the U.S., due to significant ongoing cash flow generation and proven access to capital markets funding throughout business cycles.

Total debt:

The Company's total debt was \$0.8 billion higher at December 31, 2014 when compared to December 31, 2013. 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. As of February 2015, 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 more 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 \$2.25 billion of notes previously issued in 2011 and 2012 as part of Series F.

Significant long-term debt activity during 2013 is summarized below:

- In August 2013, 3M repaid \$850 million (principal amount) of medium-term notes.
- In November 2013, 3M issued an eight-year Eurobond for an amount of 600 million Euros.

Significant long-term debt activity in 2014 is summarized below:

- In June 2014, 3M issued \$625 million aggregate principal amount of five-year fixed-rate medium-term notes due 2019 with a coupon rate of 1.625%. Upon debt issuance, the Company entered into an interest rate swap to convert \$600 million of this amount to an interest rate based on a floating LIBOR index (Series F).
- In addition, in June 2014, 3M issued \$325 million aggregate principal amount of thirty-year fixed-rate medium-term notes due 2044 with a coupon rate of 3.875% (Series F).
- In July 2014, 3M repaid 1.025 billion Euros (principal amount) of maturing Eurobond notes.

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- In November 2014, the Company issued 500 million Euros aggregate principal amount of four-year floating rate medium-term notes due 2018 with interest based on a floating EURIBOR index (Series F).
- Also, in November 2014, the Company issued a 750 million Euros aggregate principal amount of 12-year fixed rate medium-term notes due 2026 with a coupon rate of 1.5% (Series F).

In August 2014, 3M amended and extended the 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, 2014. 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, 2014, this ratio was approximately 60 to 1. Debt covenants do not restrict the payment of dividends.

In December 2012, 3M entered into a three-year 66 million British Pound (approximately \$106 million based on agreement date exchange rates) committed credit agreement, which was fully drawn as of December 31, 2012. 3M repaid 36 million British Pounds in the first quarter of 2014, with the remaining balance of 30 million British Pounds repaid in December 2014. Apart from the committed facilities, an additional \$219 million in stand-alone letters of credit and \$18 million in bank guarantees were also issued and outstanding at December 31, 2014. 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.

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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 \$5.767 billion at December 31, 2014, compared with \$5.235 billion at December 31, 2013, an increase of \$532 million. Current asset balance changes decreased working capital by \$968 million, driven by decreases in cash, cash equivalents and marketable securities, plus inventory decreases. Current liability balance changes increased working capital by \$1.5 billion, largely due to decreases 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 5.0 at December 31, 2014 compared to 4.8 at December 31, 2013. Receivables decreased \$15 million, or 0.4 percent, compared with December 31, 2013, with higher December 2014 sales compared to December 2013 sales contributing to this increase. Currency translation impacts decreased accounts receivable by \$292 million. Inventories decreased \$158 million, or 4.1 percent, compared with December 31, 2013. The inventory decrease was attributable to currency translation, which decreased inventories by \$271 million, partially offset by an increase in demand. Accounts payable had a minimal change when compared with December 31, 2013.

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 22.0 percent for 2014, and 20.0 percent for 2013.

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.

Table of Contents**Cash Flows from Operating Activities:**

Years Ended December 31 (Millions)	2014	2013	2012
Net income including noncontrolling interest	\$ 4,998	\$ 4,721	\$ 4,511
Depreciation and amortization	1,408	1,371	1,288
Company pension contributions	(210)	(476)	(1,079)
Company postretirement contributions	(5)	(6)	(67)
Company pension expense	310	446	534
Company postretirement expense	81	107	116
Stock-based compensation expense	280	240	223
Income taxes (deferred and accrued income taxes)	60	39	123
Excess tax benefits from stock-based compensation	(167)	(92)	(62)
Accounts receivable	(268)	(337)	(133)
Inventories	(113)	(86)	(251)
Accounts payable	75	16	72
Other net	177	(126)	25
Net cash provided by operating activities	\$ 6,626	\$ 5,817	\$ 5,300

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 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 related to higher receivable and inventory turns. Additional discussion on working capital changes is provided earlier in the Financial Condition and Liquidity section.

In 2013, cash flows provided by operating activities increased \$517 million compared to 2012. Operating cash flows benefited year-on-year from \$664 million of lower pension and postretirement plans contributions and increases in net income including noncontrolling interest, which were partially offset by higher year-on-year working capital requirements. The combination of accounts receivable, inventories and accounts payable increased working capital by \$407 million in 2013, compared to increases of \$312 million in 2012, primarily driven by year-on-year increases in working capital requirements due to increasing sales.

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.

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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 2014, 2013 and 2012.

Years ended December 31 (Millions)	2014	2013	2012
Net cash provided by operating activities	\$ 6,626	\$ 5,817	\$ 5,300
Purchases of property, plant and equipment (PP&E)	(1,493)	(1,665)	(1,484)
Free Cash Flow	\$ 5,133	\$ 4,152	\$ 3,816
Free Cash Flow Conversion	104%	89%	86%

Table of Contents**Cash Flows from Investing Activities:**

Years ended December 31 (Millions)	2014	2013	2012
Purchases of property, plant and equipment (PP&E)	\$ (1,493)	\$ (1,665)	\$ (1,484)
Proceeds from sale of PP&E and other assets	135	128	41
Acquisitions, net of cash acquired	(94)		(1,046)
Purchases and proceeds from maturities and sale of marketable securities and investments, net	754	627	(211)
Proceeds from sale of businesses		8	
Other investing activities	102	46	14
Net cash used in investing activities	\$ (596)	\$ (856)	\$ (2,686)

Investments in property, plant and equipment enable growth across many diverse markets, helping to meet product demand and increasing manufacturing efficiency. Capital spending was \$1.493 billion in 2014, compared to \$1.665 billion in 2013 and \$1.484 billion in 2012. The Company expects 2015 capital spending to be approximately \$1.5 billion to \$1.7 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 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 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.

In 2012, 3M expanded manufacturing capacity in key growth markets, particularly with respect to international and developing countries. This included investments in China, Turkey and Poland, in addition to investments in Singapore and the U.S. 3M also increased investments in IT systems and infrastructure and made strategic investments in research/development infrastructure and manufacturing sites to lay the foundation for future growth.

Proceeds from sale of PP&E and other assets totaled \$135 million in 2014, \$128 million in 2013, and \$41 million in 2012. 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 medium-term note securities and other securities, which are classified as available-for-sale. Refer to Note 8 for more details about 3M's diversified marketable securities portfolio. Purchases of investments include additional survivor benefit insurance, plus cost method and equity investments.

Table of Contents*Cash Flows from Financing Activities:*

Years Ended December 31 (Millions)	2014	2013	2012
Change in short-term debt net	\$ 27	\$ (2)	\$ (36)
Repayment of debt (maturities greater than 90 days)	(1,625)	(859)	(612)
Proceeds from debt (maturities greater than 90 days)	2,608	824	1,370
Total cash change in debt	\$ 1,010	\$ (37)	\$ 722
Purchases of treasury stock	(5,652)	(5,212)	(2,204)
Proceeds from issuances of treasury stock pursuant to stock option and benefit plans	968	1,609	1,012
Dividends paid to stockholders	(2,216)	(1,730)	(1,635)
Excess tax benefits from stock-based compensation	167	92	62
Purchase of noncontrolling interest	(861)		
Other net	(19)	32	(15)
Net cash used in financing activities	\$ (6,603)	\$ (5,246)	\$ (2,058)

Total debt was \$6.8 billion at December 31, 2014, and \$6.0 billion at both December 31, 2013, and December 31, 2012. Total debt was 34 percent of total capital (total capital is defined as debt plus equity) at year-end 2014, and 25 percent of total capital at both year-end 2013 and 2012. In 2014, changes in short-term debt largely related to bank borrowings by international subsidiaries.

In 2014, repayment of debt primarily includes repayment of a Eurobond repaid 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 2012, repayment of debt included \$500 million (principal amount) of medium-term notes and repayment of debt acquired, primarily Ceradyne, Inc.

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 (refer to Note 9 for more detail). 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. Proceeds from debt in 2012 related to the June 2012 issuance of \$650 million aggregate principal amount of five-year fixed rate medium-term notes due 2017 and \$600 million aggregate principal amount of ten-year fixed rate medium-term notes due 2022, in addition to 66 million GBP (approximately \$106 million) in UK borrowings, which was paid in full in 2014 (refer to Note 9 for further detail on these items).

Repurchases of 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, which replaced the Company's February 2013 repurchase program. This authorization has no pre-established end date. In 2014, the Company purchased \$5.652 billion of stock, and in 2013 the Company purchased \$5.212 billion of stock, up significantly from \$2.204 billion in 2012. The Company expects full-year 2015 gross share repurchases will be in the range of \$3 billion to \$5 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.

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Cash dividends paid to shareholders totaled \$2.216 billion (\$3.42 per share), \$1.730 billion (\$2.54 per share) in 2013, and \$1.635 billion (\$2.36 per share) in 2012. 3M has paid dividends since 1916. In December 2014, 3M's Board of Directors declared a first-quarter 2015 dividend of \$1.025 per share, an increase of 20 percent. This is equivalent to an annual dividend of \$4.10 per share and marked the 57th 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.

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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, 2014, the Company has not utilized special purpose entities to facilitate off-balance sheet financing arrangements. Refer to the section entitled "Warranties/Guarantees" in Note 13 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.

A summary of the Company's significant contractual obligations as of December 31, 2014, follows:

Contractual Obligations

(Millions)	Total	Payments due by year						After 2019
		2015	2016	2017	2018	2019		
Long-term debt, including current portion (Note 9)	\$ 6,786	\$ 55	\$ 1,109	\$ 745	\$ 608	\$ 622	\$ 3,647	
Interest on long-term debt	1,995	139	136	118	114	111	1,377	
Operating leases (Note 13)	831	225	164	126	75	54	187	
Capital leases (Note 13)	73	11	11	7	4	3	37	
Unconditional purchase obligations and other	1,237	879	139	92	55	34	38	
Total contractual cash obligations	\$ 10,922	\$ 1,309	\$ 1,559	\$ 1,088	\$ 856	\$ 824	\$ 5,286	

Long-term debt payments due in 2015, 2016 and 2017 include floating rate notes totaling \$55 million (classified as current portion of long-term debt), \$71 million (included in other borrowings in the long-term debt table), and \$96 million (included as a separate floating rate note in the

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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, 2014.

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 2014 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

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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 \$262 million is excluded from the preceding table. Refer to Note 7 for further details.

As discussed in Note 10, the Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2015 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.

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.

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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 de-designate 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. 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 \$2.2 billion and \$6.6 billion, respectively, at December 31, 2014. As of December 31, 2014, the Company had 200 million Euros in notional amount of foreign currency forward contracts designated as net investment hedges along with 1.85 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 11 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, 2014 was \$1 billion. Additional details about 3M's long-term debt can be found in Note 9, including references to information regarding derivatives and/or hedging instruments associated with the Company's long-term debt.

Commodity Prices Risk:

Certain commodities the Company uses in the production of its products are exposed to market price risks. 3M manages commodity price risks through negotiated supply contracts, price protection agreements and forward contracts. The Company uses commodity price swaps as cash flow hedges of forecasted commodity transactions to manage price volatility. Generally, the length of time over which 3M hedges its exposure to the variability in future cash flows for its forecasted transactions is 12 months. 3M also enters into commodity price swaps that are not designated in hedge relationships to offset, in part, the impacts of fluctuations in costs associated with the use of certain commodities and precious metals.

The dollar equivalent gross notional amount of the Company's commodity price swaps designated as cash flow hedges and commodity price swaps not designated in hedge relationships were \$20 million and \$2 million, respectively, at December 31, 2014.

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Value At Risk:

The value at risk analysis is performed annually. A Monte Carlo simulation technique was used to test the Company's exposure to changes in currency rates, interest rates, and commodity prices and assess the risk of loss or benefit in after-tax earnings of financial instruments (primarily debt), derivatives and underlying exposures outstanding at December 31, 2014. 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 (four in 2013), 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. 3M changed to a different third-party bank dataset in 2014 and have revised 2013 amounts to reflect this change. Foreign exchange rate risk of loss or benefit increased in 2014, primarily due to increases in exposures, which is one of the key drivers in the valuation model. Interest rate volatility remained stable in 2014 because the majority of 3M's debt is fixed and interest rates are currently very low and are projected to remain low, based on forward rates. The following table summarizes the possible adverse and positive impacts to after-tax earnings related to these exposures.

(Millions)	Adverse impact on after-tax earnings		Positive impact on after-tax earnings	
	2014	2013	2014	2013
Foreign exchange rates	\$ (164)	\$ (128)	\$ 173	\$ 134
Interest rates	(4)	(2)	3	1
Commodity prices	(1)	(4)	1	3

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 net income attributable to 3M: 2014 (\$97 million decrease) and 2013 (\$74 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 net income attributable to 3M: 2014 (\$8 million increase) and 2013 (\$12 million decrease).

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 \$80 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 \$47 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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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)*. Based on the assessment, management concluded that, as of December 31, 2014, the Company's internal control over financial reporting is effective.

The Company's internal control over financial reporting as of December 31, 2014 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, 2014.

3M Company

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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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 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, 2014, 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.

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.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 12, 2015

Table of Contents**Consolidated Statement of Income****3M Company and Subsidiaries****Years ended December 31**

(Millions, except per share amounts)	2014	2013	2012
Net sales	\$ 31,821	\$ 30,871	\$ 29,904
Operating expenses			
Cost of sales	16,447	16,106	15,685
Selling, general and administrative expenses	6,469		