

3M CO  
Form 10-Q  
October 29, 2007

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549



## **FORM 10-Q**

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

**For the quarterly period ended September 30, 2007**





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**

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 the filing requirements for the past 90 days. Yes ☒ . No ☐.

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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

Shares of common stock outstanding at September 30, 2007: **713,228,973.**

This document (excluding exhibits) contains 50 pages.

The table of contents is set forth on page 2.

The exhibit index begins on page 48.

3M COMPANY

Form 10-Q for **the Quarterly Period Ended September 30, 2007**

## TABLE OF CONTENTS

		PAGE
<b><u>PART I</u></b>	<b><u>FINANCIAL INFORMATION</u></b>	
<b><u>ITEM 1.</u></b>	<b><u>Financial Statements</u></b>	3
	<b><u>Index to Financial Statements:</u></b>	
	<u>Consolidated Statement of Income</u>	3
	<u>Consolidated Balance Sheet</u>	4
	<u>Consolidated Statement of Cash Flows</u>	5
	<u>Notes to Consolidated Financial Statements</u>	6
	<u>Note 1. Basis of Presentation</u>	6
	<u>Note 2. Acquisition and Divestitures</u>	7
	<u>Note 3. Goodwill and Intangible Assets</u>	8
	<u>Note 4. Restructuring Actions and Other Exit Activities</u>	10
	<u>Note 5. Supplemental Comprehensive Income and Accumulated Other Comprehensive Income (AOCI) Information</u>	13
	<u>Note 6. Income Taxes</u>	13
	<u>Note 7. Derivatives and Other Financial Instruments</u>	14
	<u>Note 8. Marketable Securities</u>	15
	<u>Note 9. Long-Term Debt and Short-Term Borrowings</u>	16
	<u>Note 10. Pension and Postretirement Benefit Plans</u>	17
	<u>Note 11. Commitments and Contingencies</u>	18
	<u>Note 12. Management Stock Ownership Program (MSOP) and General Employees' Stock Purchase Plan (GESPP)</u>	22
	<u>Note 13. Business Segments</u>	25
	<u>Note 14. Review Report of Independent Registered Public Accounting Firm</u>	27
	<u>Report of Independent Registered Public Accounting Firm</u>	28
<b><u>ITEM 2.</u></b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	29
	<b><u>Index to Management's Discussion and Analysis:</u></b>	
	<u>Overview</u>	29
	<u>Results of Operations</u>	31
	<u>Critical Accounting Estimates</u>	34
	<u>Performance by Business Segment</u>	34
	<u>Financial Condition and Liquidity</u>	42
	<u>Forward-Looking Statements</u>	45
<b><u>ITEM 3.</u></b>	<b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>	46
<b><u>ITEM 4.</u></b>	<b><u>Controls and Procedures</u></b>	46
<b><u>PART II</u></b>	<b><u>OTHER INFORMATION</u></b>	
<b><u>ITEM 1.</u></b>	<b><u>Legal Proceedings</u></b>	47
<b><u>ITEM 1A.</u></b>	<b><u>Risk Factors</u></b>	47
<b><u>ITEM 2.</u></b>	<b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	47
<b><u>ITEM 3.</u></b>	<b><u>Defaults Upon Senior Securities</u></b>	48
<b><u>ITEM 4.</u></b>	<b><u>Submission of Matters to a Vote of Security Holders</u></b>	48
<b><u>ITEM 5.</u></b>	<b><u>Other Information</u></b>	48
<b><u>ITEM 6.</u></b>	<b><u>Exhibits</u></b>	48

3M COMPANY

**FORM 10-Q**

For the Quarterly Period Ended September 30, 2007



**PART I. Financial Information**



**Item 1. Financial Statements.****Consolidated Statement of Income****(Unaudited)****3M Company and Subsidiaries**

(Millions, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Net sales	\$ 6,177	\$ 5,858	\$ 18,256	\$ 17,141
Operating expenses				
Cost of sales	3,240	2,990	9,437	8,551
Selling, general and administrative expenses	1,174	1,186	3,741	3,691
Research, development and related expenses	338	340	1,009	1,013
Gain on sale of businesses			(854)	
Total	4,752	4,516	13,333	13,255
Operating income	1,425	1,342	4,923	3,886
Interest expense and income				
Interest expense	53	37	139	84
Interest income	(37)	(13)	(94)	(35)
Total	16	24	45	49
Income before income taxes and minority interest	1,409	1,318	4,878	3,837
Provision for income taxes	433	412	1,586	1,127
Minority interest	16	12	47	35
Net income	\$ 960	\$ 894	\$ 3,245	\$ 2,675
Weighted average common shares outstanding basic	714.5	745.2	720.7	751.6
Earnings per share basic	\$ 1.34	\$ 1.20	\$ 4.50	\$ 3.56
Weighted average common shares outstanding diluted	729.9	756.2	734.3	765.1
Earnings per share diluted	\$ 1.32			