

3M CO
Form 10-K
February 07, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

Commission file number 1-3285

3M COMPANY

State of Incorporation: Delaware I.R.S. Employer Identification No. 41-0417775
Principal executive offices: 3M Center, St. Paul, Minnesota 55144

Telephone number: (651) 733-1110

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value \$.01 Per Share	New York Stock Exchange, Inc. Chicago Stock Exchange, Inc.
1.500% Notes due 2026	New York Stock Exchange, Inc.

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Floating Rate Notes due 2020	New York Stock Exchange, Inc.
0.375% Notes due 2022	New York Stock Exchange, Inc.
0.950% Notes due 2023	New York Stock Exchange, Inc.
1.750% Notes due 2030	New York Stock Exchange, Inc.
1.500% Notes due 2031	New York Stock Exchange, Inc.

Note: The common stock of the Registrant is also traded on the SWX Swiss Exchange.

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 \$115.3 billion as of January 31, 2019 (approximately \$115.4 billion as of June 30, 2018, the last business day of the Registrant's most recently completed second quarter).

Shares of common stock outstanding at January 31, 2019: 575.8 million

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, 2018) for its annual meeting to be held on May 14, 2019, are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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3M COMPANY

FORM 10-K

For the Year Ended December 31, 2018

Pursuant to Part IV, Item 16, a summary of Form 10-K content follows, including hyperlinked cross-references (in the EDGAR filing). This allows users to easily locate the corresponding items in Form 10-K, where the disclosure is fully presented. The summary does not include certain Part III information that will be incorporated by reference from the proxy statement, which will be filed after this Form 10-K filing.

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3M COMPANY

ANNUAL REPORT ON FORM 10-K

For the Year Ended December 31, 2018

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 20, 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).

3M also makes available free of charge through its website (<http://investors.3M.com>) the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC.

General

3M is a diversified technology company with a global presence in the following businesses: Industrial; Safety and Graphics; Health Care; Electronics and Energy; and Consumer. 3M is among the leading manufacturers of products for many of the markets it serves. Most 3M products involve expertise in product development, manufacturing and marketing, and are subject to competition from products manufactured and sold by other technologically oriented companies.

At December 31, 2018, the Company employed 93,516 people (full-time equivalents), with 37,412 employed in the United States and 56,104 employed internationally.

Business Segments

As described in Notes 4 and 18, effective in the first quarter of 2018, the Company changed its business segment reporting as part of 3M's continuing effort to improve the alignment of its businesses around markets and customers. Business segment information presented herein reflects the impact of these changes for all periods presented.

3M manages its operations in five business segments. The reportable segments are Industrial, Safety and Graphics, Health Care, Electronics and Energy, and Consumer. 3M's five business segments bring together common or related 3M technologies, enhancing the development of innovative products and services and providing for efficient sharing of business resources. Financial information and other disclosures relating to 3M's business segments and operations in major geographic areas are provided in the Notes to Consolidated Financial Statements.

Industrial Business: The Industrial segment serves a broad range of markets, such as automotive original equipment manufacturer (OEM) and automotive aftermarket (auto body shops and retail), electronics and automotive electrification, 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, purification (filtration products), closure systems for personal hygiene products, acoustic systems products, and components and products that are used in the manufacture, repair and maintenance of automotive, marine, aircraft and specialty vehicles. 3M is also a leading global supplier of precision grinding technology serving customers in the area of hard-to-grind precision applications in industrial, automotive, aircraft and cutting tools. 3M develops and produces advanced technical ceramics for demanding applications in the automotive, oil and gas, solar, industrial, electronics and defense industries. In the first quarter of 2016, 3M sold the assets of its pressurized polyurethane foam adhesives

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business, and in October 2016 sold the assets of its adhesive-backed temporary protective films business. In the first quarter of 2018, 3M divested a polymer additives compounding business and in May 2018 divested an abrasives glass products business.

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; coated, nonwoven and microstructured surface finishing and grinding abrasives for the industrial market; a comprehensive line of filtration products for the separation, clarification and purification of fluids and gases; and fluoroelastomers for seals, tubes and gaskets in engines.

Major industrial products used in the transportation industry 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 and productivity of people, facilities and systems. Major product offerings include personal protection products, such as respiratory, hearing, eye and fall protection equipment; commercial solutions, including commercial graphics sheeting and systems, architectural design solutions for surfaces, and cleaning and protection products for commercial establishments; transportation safety solutions, such as retroreflective sign sheeting; and roofing granules for asphalt shingles. As discussed in Note 3, in October 2017, 3M completed the acquisition of the underlying legal entities and associated assets of Scott Safety, a premier manufacturer of innovative products, including self-contained breathing apparatus systems, gas and flame detection instruments, and other safety devices that complement 3M's personal safety portfolio. In January 2017, 3M sold the assets of its safety prescription eyewear business. In February 2018, 3M sold certain personal safety product offerings primarily focused on noise, environmental, and heat stress monitoring.

This segment's products include personal protection products, such as certain disposable and reusable respirators, fall protection equipment, personal protective equipment, head and face protection, body protection, hearing protection and protective eyewear, plus reflective materials that are widely used on apparel, footwear and accessories, enhancing visibility in low-light situations.

Major commercial graphics products include films, inks, and related products used to produce graphics for vehicles, signs and interior surfaces.

In transportation safety, 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 the first quarter of 2016, 3M completed the sale of its library systems business. As discussed in Note 3, in May 2017, 3M completed the related sale or transfer of control, as applicable, of its identity management business. In June 2017, 3M also completed the sale of its tolling and automated license/number plate recognition business and in October 2017, sold its electronic monitoring business.

Other segment 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.

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, oral care solutions (dental and orthodontic products), health information systems, inhalation and transdermal drug delivery systems, and food safety products.

In medical solutions, 3M is a supplier of medical tapes, dressings, wound closure products, and orthopedic casting materials, in addition to acute wound care, skin integrity and disinfecting port protection products. In addition, 3M markets a variety of surgical drapes, masks and preps, electrodes, stethoscopes, 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. Oral care solutions include restoratives, adhesives, finishing and polishing products, crowns, impression materials, preventive sealants, professional tooth whiteners, prophylaxis and orthodontic appliances, as well as digital

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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. As discussed in Note 3, in September 2017, 3M purchased all of the ownership interests of Elution Technologies, LLC, a Vermont-based manufacturer of test kits that help enable food and beverage companies ensure their products are free from certain potentially harmful allergens such as peanuts, soy or milk.

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; and power generation and distribution.

This segment's electronics solutions include the display materials and systems business, which provides films that serve numerous market segments of the electronic display industry. 3M provides distinct products for five market segments, including products for: 1) LCD computer monitors 2) LCD televisions 3) handheld devices such as cellular phones and tablets 4) notebook PCs and 5) automotive displays. This segment also provides desktop and notebook computer screen filters that address display light control, privacy, and glare reduction needs. Major electronics products also include packaging and interconnection devices; high performance fluids and abrasives used in the manufacture of computer chips, and for cooling electronics and lubricating computer hard disk drives; and high-temperature and display tapes. Flexible circuits use electronic packaging and interconnection technology, providing more connections in less space, and are used in ink-jet printer cartridges, cell phones and electronic devices. This segment also includes touch systems products, including touch screens, touch monitors, and touch sensor components. In December 2016, 3M sold the assets of its cathode battery technology out-licensing business.

This segment's energy solutions include electrical products, including infrastructure protection, and renewable energy. This segment serves the world's electrical markets, including electrical utilities, electrical construction, maintenance and repair, original equipment manufacturers (OEM), outside plant and enterprise, as well as aerospace, military, automotive and medical markets, with products that enable the efficient transmission of electrical power. Products in this segment include pressure sensitive tapes and resins, electrical insulation, 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. As discussed in Note 3, in June 2018, 3M completed the sale of substantially all of its Communication Markets Division, with the remaining telecommunications systems services portion based in Germany sold in December 2018.

Consumer Business: The Consumer segment serves markets that include consumer retail, online 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, 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® Extreme Notes, Post-it® Note Pads, Post-it® Labeling & Cover-up Tape, and Post-it® Pop-up Notes and Dispensers; home improvement products, including ScotchBlue™ painter tapes, surface-preparation and wood-finishing materials, Command™ Adhesive Products and Filtrete™ Filters for furnaces and air conditioners and Filtrete™ Room Air Purifiers; 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

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 \$1.821 billion in 2018, \$1.870 billion in 2017 and \$1.764 billion in 2016. 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 \$1.253 billion in 2018, \$1.352 billion in 2017 and \$1.248 billion in 2016. Related expenses primarily include technical support; internally developed patent costs, which include costs and fees incurred to prepare, file, secure and maintain patents; amortization of externally acquired patents and externally acquired in-process research and development; and gains/losses associated with certain corporate approved investments in R&D-related ventures, such as equity method effects and impairments.

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

The Company believes that its patents provide an important competitive advantage in many of its businesses. In general, no single patent or group of related patents is in itself essential to the Company as a whole or to any of the Company's business segments.

Raw Materials

In 2018, the Company experienced raw material price inflation across most material markets worldwide. In response, the Company continued to deploy productivity projects to minimize the impact of raw material inflation and market supply challenges, including input management, reformulations, and multi-sourcing activities. These succeeded in partially offsetting the overall raw material headwinds experienced throughout the year. To date, the Company is receiving sufficient quantities of all raw materials to meet its reasonably foreseeable production requirements. It is difficult 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, strategic relationships with key suppliers, and development and qualification of additional supply sources. 3M manages spend category price risks through negotiated supply contracts, price protection agreements and commodity price swaps.

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 16, Commitments and Contingencies).

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

In 2018, 3M expended approximately \$27 million for capital projects related to protecting the environment. This amount excludes expenditures for remediation actions relating to existing matters caused by past operations that do not contribute to current or future revenues, which are expensed. Capital expenditures for environmental purposes have included pollution control devices — such as wastewater treatment plant improvements, scrubbers, containment structures, solvent recovery units and thermal oxidizers — at new and existing facilities constructed or upgraded in the normal course of business. Consistent with the Company's emphasis on environmental responsibility, capital expenditures (other than for remediation projects) for known projects are presently expected to be approximately \$75 million over the next two years for new or expanded programs to build facilities or modify manufacturing processes to minimize waste and reduce emissions.

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

Executive Officers

Following is a list of the executive officers of 3M, and their age, present position, the year elected to their present position and other positions they have held during the past five years. No family relationships exist among any of the executive officers named, nor is there any undisclosed arrangement or understanding pursuant to which any person was selected as an officer. This information is presented in the table below as of the date of the 10-K filing (February 7, 2019).

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2014-2018
Inge. G. Thulin	65	Executive Chairman of the Board	2018	Chairman of the Board, President and Chief Executive Officer, 2012-2018
Michael F. Roman	59	Chief Executive Officer	2018	Chief Operating Officer and Executive Vice President, 2017-2018 Executive Vice President, Industrial Business Group, 2014-2017 Senior Vice President, Business Development, 2013-2014
John P. Banovetz	51	Senior Vice President, Research and Development and Chief Technology Officer	2017	Managing Director, DACH Region, 2016-2017 Vice President, Corporate Research Laboratory, Research and Development, 2015-2016 Global Business Director, Industrial Adhesives and Tapes Division, 2012-2015
James L. Bauman	59	Executive Vice President, Industrial Business Group	2017	Executive Vice President, Electronics and Energy Business Group, 2015-2017 Senior Vice President, Business Transformation, Americas, 2015

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				Senior Vice President, Asia Pacific, 2012-2014
Julie L. Bushman	57	Executive Vice President, International Operations	2017	Senior Vice President, Business Transformation and Information Technology, 2013-2017
Joaquin Delgado	58	Executive Vice President, Consumer Business Group	2016	Executive Vice President, Health Care Business Group 2012-2016
Ivan K. Fong	57	Senior Vice President, Legal Affairs and General Counsel	2012	
Nicholas C. Gangestad	54	Senior Vice President and Chief Financial Officer	2014	Vice President, Corporate Controller and Chief Accounting Officer, 2011-2014
Eric D. Hammes	44	Senior Vice President, Business Transformation & Information Technology	2017	Vice President, Corporate Controller and Chief Accounting Officer, 2014-2017 Vice President, Finance, International and Staff Operations, 2013-2014
Paul A. Keel	49	Senior Vice President, Business Development and Marketing-Sales	2017	Senior Vice President, Supply Chain, 2014-2017 Managing Director, 3M United Kingdom-Ireland Region, 2013-2014
Ashish K. Khandpur	51	Executive Vice President, Electronics & Energy Business Group	2017	Senior Vice President, Research and Development, and Chief Technology Officer, 2014-2017 Vice President and General Manager, Personal Safety Division, 2014

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Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2014-2018
Jon T. Lindekugel	54	Senior Vice President, Manufacturing and Supply Chain	2018	Senior Vice President, Supply Chain, 2017 Senior Vice President, Business Development and Marketing-Sales, 2015-2017 Senior Vice President, Business Development, 2014-2015 President, Health Information Systems Inc., 2008-2014
Kristen M. Ludgate	56	Senior Vice President, Human Resources	2018	Senior Vice President, Corporate Communications and Enterprise Services, 2018 Vice President, Global Human Resources Business Operations, Human Resources, 2017-2018 Vice President, Associate General Counsel and Chief Compliance Officer, Compliance and Business Conduct, 2015-2017 Associate General Counsel, Labor and Employment, Office of General Counsel, 2013-2015
Mojdeh Poul	55	Executive Vice President, Safety and Graphics Business Group	2018	President and General Manager, 3M Canada, 2016-2018 Vice President and General Manager, Infection Prevention Division, 2014-2016
Michael G. Vale	52	Executive Vice President, Health Care Business Group	2016	Executive Vice President, Consumer Business Group, 2012-2016

Cautionary Note Concerning Factors That May Affect Future Results

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

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

- the Company's strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position,
- worldwide economic, political, and capital markets conditions, such as interest rates, foreign currency exchange rates, financial conditions of our suppliers and customers, trade restrictions such as tariffs in addition to retaliatory counter measures, and natural and other disasters or climate change affecting the operations of the Company or our suppliers and customers,
 - new business opportunities, product development, and future performance or results of current or anticipated products,
- the scope, nature or impact of acquisition, strategic alliance and divestiture activities,
 - the outcome of contingencies, such as legal and regulatory proceedings,
- future levels of indebtedness, common stock repurchases and capital spending,
- future availability of and access to credit markets,
- pension and postretirement obligation assumptions and future contributions,
- asset impairments,
- tax liabilities,
- information technology security, and
- the effects of changes in tax (including the Tax Cuts and Jobs Act), 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.

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Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those reflected in any such forward-looking statements depending on a variety of factors. Important information as to these factors can be found in this document, including, among others, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings of “Overview,” “Financial Condition and Liquidity” and annually in “Critical Accounting Estimates.” Discussion of these factors is incorporated by reference from Part I, Item 1A, “Risk Factors,” of this document, and should be considered an integral part of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” For additional information concerning factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Form 10-K, 10-Q and 8-K filed with the SEC from time to time.

Item 1A. Risk Factors

Provided below is a cautionary discussion of what we believe to be the most important risk factors applicable to the Company. Discussion of these factors is incorporated by reference into and considered an integral part of Part I, Item 2, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations.”

* Results are impacted by the effects of, and changes in, worldwide economic, political, and capital markets conditions. The Company operates in more than 70 countries and derives approximately 60 percent of its revenues from outside the United States. The Company’s business is subject to global competition and geopolitical risks and may be adversely affected by factors in the United States and other countries that are beyond its control, such as slower economic growth, disruptions in financial markets, economic downturns in the form of either contained or widespread recessionary conditions, inflation, elevated unemployment levels, sluggish or uneven recovery, government actions impacting international trade agreements, imposing trade restrictions such as tariffs, and retaliatory counter measures, government deficit reduction and other austerity measures in specific countries or regions, or in the various industries in which the Company operates; social, political or labor conditions in specific countries or regions; natural and other disasters or climate change affecting the operations of the Company or its customers and suppliers; or adverse changes in the availability and cost of capital, interest rates, tax rates, tax laws, or exchange control, ability to expatriate earnings and other regulations in the jurisdictions in which the Company operates.

* Change in the Company’s credit ratings could increase cost of funding. The Company’s credit ratings are important to 3M’s cost of capital. The major rating agencies routinely evaluate the Company’s credit profile and assign debt ratings to 3M. 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. 3M currently has an AA- credit rating with a stable outlook from Standard & Poor’s and has an A1 credit rating with a stable outlook from Moody’s Investors Service. The Company’s credit ratings have served to lower 3M’s borrowing costs and facilitate access to a variety of lenders. The addition of further leverage to the Company’s capital structure could impact 3M’s credit ratings in the future. Failure to maintain strong investment grade ratings would adversely affect the Company’s cost of funding and could adversely affect liquidity and access to capital markets.

* The Company's results are affected by competitive conditions and customer preferences. Demand for the Company's products, which impacts revenue and profit margins, is affected by (i) the development and timing of the introduction of competitive products; (ii) the Company's response to downward pricing to stay competitive; (iii) changes in customer order patterns, such as changes in the levels of inventory maintained by customers and the timing of customer purchases which may be affected by announced price changes, changes in the Company's incentive programs, or the customer's ability to achieve incentive goals; (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; and (v) changes in the business environment related to disruptive technologies, such as artificial intelligence, block-chain, expanded analytics and other enhanced learnings from increasing volume of available data.

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

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* 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, and engages in ongoing global business transformation. Business transformation is defined as changes in processes and internal/external service delivery across 3M to move to more efficient business models to improve operational efficiency and productivity, while allowing 3M to serve customers with greater speed and efficiency. This is enabled by the ongoing multi-year phased implementation of an enterprise resource planning (ERP) system on a worldwide basis. There can be no assurance that all of the projected productivity improvements will be realized.

* The Company employs information technology systems to support its business, including ongoing phased implementation of an ERP system as part of business transformation on a worldwide basis over the next several years. Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations, compromise information belonging to the Company or its customers, suppliers, and employees, exposing the Company to liability which could adversely impact the Company's business and reputation. In the ordinary course of business, the Company relies on centralized and local 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 businesses. Additionally, the Company collects and stores certain data, including proprietary business information, and may have access to confidential or personal information in certain of our

businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, patching, maintenance, and backup of systems and data), the Company's information technology networks and infrastructure may still be vulnerable to damage, disruptions or shutdowns due to attacks by hackers, breaches, employee error or malfeasance, power outages, computer viruses, ransomware, telecommunication or utility failures, systems failures, service or cloud provider breaches, 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 vulnerabilities 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, disruptions or shutdowns, and damage to the Company's reputation, which could adversely affect the Company's business. Although the Company maintains insurance coverage for various cybersecurity and business continuity risks, there can be no guarantee that all costs or losses incurred will be fully insured.

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

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assets, and relevant legislative or regulatory changes relating to defined benefit plan funding may increase the Company's funding obligations and adversely impact its results of operations and cash flows.

* The Company's future results may be affected by various legal and regulatory proceedings and legal compliance risks, including those involving product liability, antitrust, intellectual property, environmental, the U.S. Foreign Corrupt Practices Act and other anti-bribery, anti-corruption, or other matters. The outcome of these legal proceedings may differ from the Company's expectations because the outcomes of litigation, including regulatory matters, are often difficult to reliably predict. Various factors or developments can lead the Company to change current estimates of liabilities and related insurance receivables where applicable, or make such estimates for matters previously not susceptible of reasonable estimates, such as a significant judicial ruling or judgment, a significant settlement, significant regulatory developments or changes in applicable law. A future adverse ruling, settlement or unfavorable development could result in future charges that could have a material adverse effect on the Company's results of operations or cash flows in any particular period. For a more detailed discussion of the legal proceedings involving the Company and the associated accounting estimates, see the discussion in Note 16 "Commitments and Contingencies" within the Notes to Consolidated Financial Statements.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In the U.S., 3M's general offices, corporate research laboratories, and certain division laboratories are located in St. Paul, Minnesota. The Company operates 75 manufacturing facilities in 29 states. Internationally, the Company operates 107 manufacturing and converting facilities in 36 countries.

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

Item 3. Legal Proceedings.

Discussion of legal matters is incorporated by reference from Part II, Item 8, Note 16, “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 2018, the information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Act is included in Exhibit 95 to this annual report.

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PART II

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

Equity compensation plans’ information is incorporated by reference from Part III, Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” of this document, and should be considered an integral part of Item 5. At January 31, 2019, there were 76,596 shareholders of record. 3M’s stock ticker symbol is MMM and is listed on the New York Stock Exchange, Inc. (NYSE), the Chicago Stock Exchange, Inc., and the SWX Swiss Exchange. Cash dividends declared and paid totaled \$1.36 and \$1.175 per share for each quarter in 2018 and 2017, respectively.

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 2016, 3M’s Board of Directors authorized the repurchase of up to \$10 billion of 3M’s outstanding common stock, with no pre-established end date. In November 2018, 3M’s Board of Directors replaced the Company’s February 2016 repurchase program with a new repurchase program. This new program authorizes the repurchase of up to \$10 billion of 3M’s outstanding common stock, with no pre-established end date.

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, 2018	714,575	\$ 245.98	714,138	\$ 4,894
February 1-28, 2018	1,420,634	\$ 233.78	1,420,599	\$ 4,562
March 1-31, 2018	1,791,496	\$ 228.82	1,791,496	\$ 4,152
Total January 1-March 31, 2018	3,926,705	\$ 233.74	3,926,233	\$ 4,152

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April 1-30, 2018	2,135,968	\$ 213.63	2,135,968	\$ 3,696
May 1-31, 2018	3,283,170	\$ 201.64	3,282,339	\$ 3,034
June 1-30, 2018	2,358,619	\$ 200.31	2,358,619	\$ 2,562
Total April 1-June 30, 2018	7,777,757	\$ 204.53	7,776,926	\$ 2,562
July 1-31, 2018	1,851,663	\$ 201.17	1,851,663	\$ 2,189
August 1-31, 2018	1,813,661	\$ 205.37	1,813,661	\$ 1,817
September 1-30, 2018	1,476,649	\$ 211.62	1,476,649	\$ 1,504
Total July 1-September 30, 2018	5,141,973	\$ 205.65	5,141,973	\$ 1,504
October 1-31, 2018	2,346,310	\$ 198.16	2,346,310	\$ 1,039
November 1-30, 2018	1,847,238	\$ 199.51	1,847,238	\$ 9,828
December 1-31, 2018	2,249,175	\$ 192.10	2,249,175	\$ 9,396
Total October 1-December 31, 2018	6,442,723	\$ 196.43	6,442,723	\$ 9,396
Total January 1-December 31, 2018	23,289,158	\$ 207.46	23,287,855	\$ 9,396

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- (1) The total number of shares purchased includes: (i) shares purchased under the Board's authorizations described above, and (ii) shares purchased in connection with the exercise of stock options.
- (2) The total number of shares purchased as part of publicly announced plans or programs includes shares purchased under the Board's authorizations described above.

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Item 6. Selected Financial Data.

(Dollars in millions, except per share amounts)	2018*	2017	2016	2015	2014
Years ended December 31:					
Net sales	\$ 32,765	\$ 31,657	\$ 30,109	\$ 30,274	\$ 31,821
Net income attributable to 3M	5,349	4,858	5,050	4,833	4,956
Per share of 3M common stock:					
Net income attributable to 3M — basic	9.09	8.13	8.35	7.72	7.63
Net income attributable to 3M — diluted	8.89	7.93	8.16	7.58	7.49
Cash dividends declared per 3M common share	5.44	4.70	4.44	3.075	3.59
Cash dividends paid per 3M common share	5.44	4.70	4.44	4.10	3.42
At December 31:					
Total assets	\$ 36,500	\$ 37,987	\$ 32,906	\$ 32,883	\$ 31,374
Long-term debt (excluding portion due within one year) and long-term capital lease obligations	13,486	12,156	10,723	8,799	6,764

* The Company adopted ASU No. 2014-09 and related standards (collectively, Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers), as described in Note 1, on January 1, 2018 using the modified retrospective method of adoption, the impact of which was not material to the Company's consolidated results of operations and financial condition. Prior periods have not been restated.

Cash dividends declared and paid totaled \$1.36 and \$1.175 per share for each quarter in 2018 and 2017, respectively. 3M typically declares and pays dividends in the same quarter. In December 2014, 3M declared dividends that were paid in the following first quarter.

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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 18, effective in the first quarter of 2018, 3M improved 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; Health Care; Electronics and Energy; and Consumer. From a geographic perspective, any references to EMEA refer to Europe, Middle East and Africa on a combined basis.

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

The following table provides the increase (decrease) in diluted earnings per share for the fourth quarter and year 2018 compared to the same period last year, in addition to 2017 compared to 2016.

(Earnings per diluted share)	Three months ended December 31, 2018	Year ended December 31,	
		2018	2017
Same period last year	\$ 0.85	\$ 7.93	\$ 8.16
2017 Enactment of TCJA Impact	1.25	1.24	—
Same period last year, excluding 2017 Tax Cuts and Jobs Act (TCJA)	\$ 2.10	\$ 9.17	\$ 8.16
Increase/(decrease) in earnings per share - diluted, due to:			
2017 divestiture of identity management business	—	(0.54)	0.54
Organic growth/productivity and other	0.18	0.92	0.47
Acquisitions/other divestiture gains	(0.15)	(0.15)	—
Foreign exchange impacts	(0.03)	(0.05)	(0.13)
Legal-related charges	—	(0.04)	—
Legal - respirator mask actuarial reserve	—	—	(0.07)
Other expense	0.06	(0.14)	(0.22)
Income tax rate, excluding Tax Cuts and Jobs Act (TCJA) measurement period adjustment	0.05	0.61	0.34
Shares of common stock outstanding	0.08	0.18	0.08
2018 divestiture of Communication Markets Division, net of related restructuring actions	0.02	0.50	—
Current period, excluding MN Natural Resource Damages (NRD) resolution and TCJA measurement period adjustment	\$ 2.31	\$ 10.46	\$ 9.17
TCJA measurement period adjustment	0.07	(0.29)	(1.24)
MN NRD resolution	(0.11)	(1.28)	—
Current period	\$ 2.27	\$ 8.89	\$ 7.93

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Year 2018 and fourth quarter EPS:

For the fourth quarter of 2018, net income attributable to 3M was \$1.347 billion, or \$2.27 per diluted share, compared to \$523 million, or \$0.85 per diluted share, in the fourth quarter of 2017, an increase of 167 percent on a per diluted share basis. Adjusting for the impacts related to the resolution of the Minnesota natural resource damages (NRD) matter and accounting for the enactment of the Tax Cuts and Jobs Act (TCJA), as further described in the Operating income, operating income margin, income before taxes, net income, earnings per share, and effective tax rate adjusted for impacts of the Minnesota NRD resolution and the measurement period adjustment to the impact of the enactment of the Tax Cuts and Jobs Act (TCJA) - (non-GAAP measures) section below, net income attributable to 3M was \$1.366 billion, or \$2.31 diluted share for the fourth quarter of 2018, compared to \$1.285 billion, or \$2.10 per diluted share for the fourth quarter of 2017, an increase of 10.0 percent on a per diluted share basis.

For full year 2018, net income attributable to 3M was \$5.349 billion, or \$8.89 per diluted share basis, compared to \$4.858 billion, or \$7.93 per diluted share, for full year 2017, an increase of 12.1 percent on a per diluted share. Adjusting for the NRD matter and the TCJA as described further below, net income was \$6.295 billion, or \$10.46 per diluted share for the full year 2018, compared to \$5.620 billion, or \$9.17 per diluted share for full year 2017, an increase of 14.1 percent on a per diluted share basis.

These non-GAAP measures are further described and reconciled to the most directly comparable GAAP financial measures in the section that follows.

Additional discussion related to the components of the year-on-year change in earnings per diluted share follows:

2017 divestiture of identity management business:

- In May 2017, 3M completed the related sale or transfer of control, as applicable of its identity management business and reflected a pre-tax gain of \$457 million, which was reported within the Company's Safety and Graphics business. The earnings per share impact reflects the specific income tax rate used for this divestiture.

Organic growth/productivity and other:

- Fourth quarter and full year 2018 year-on-year benefits include higher organic local-currency sales, selling price increases, and business transformation, which is having a positive impact on 3M's productivity efforts. Higher raw material costs partially offset these year-on-year benefits.
- Lower year-on-year restructuring (other than activity related to the Communication Markets Division divestiture), portfolio and footprint actions increased pre-tax earnings by approximately \$58 million and \$307 million in the

fourth quarter and full year 2018, respectively. These charges included \$24 million related to exit activities and \$80 million in asset charges, accelerated depreciation and other costs taken in the first quarter of 2017, \$99 million in restructuring actions and \$51 million in asset charges, accelerated depreciation and other costs taken in the second quarter of 2017, \$35 million in asset charges, accelerated depreciation and other costs taken in the third quarter of 2017, in addition to \$23 million related to exit activities and \$41 million in asset charges, accelerated depreciation and other costs taken in the fourth quarter of 2017.

Acquisitions/other divestiture gains:

- In aggregate, acquisitions, year-on-year divestitures gains (other than the sale of the Communication Markets Division and identity management business), and lost operating income from divested businesses (other than lost income related to the divestiture of the Communication Markets Division) decreased earnings per diluted share by 12 cents year-on-year for the fourth quarter of 2018 and decreased earnings per diluted share by 10 cents for full year 2018.
- Remaining stranded costs and lost operating income related to the divestiture of the Communication Markets Division decreased earnings per diluted share by 3 cents and 5 cents year-on-year for the fourth quarter of 2018 and full year 2018, respectively.

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Foreign exchange impacts:

- Foreign currency impacts (net of hedging) decreased pre-tax earnings year-on-year by approximately \$27 million and approximately \$42 million, or the equivalent of 3 cents and 5 cents per diluted share, for the fourth quarter and full year 2018, respectively, excluding the impact of foreign currency changes on tax rates.

Legal-related charges

- In the second quarter of 2018, 3M reached agreements in principle on a number of respiratory mask/asbestos claims and an oral care product liability matter, the implications of which resulted in an increase in certain legal accruals. Refer to Note 16 for further details.

Other expense:

- Fourth quarter 2018's interest expense (net of interest income) decreased \$72 million, primarily due to the \$96 million early extinguishment of debt charge in the fourth quarter 2017 that was not repeated in 2018. Full year 2018's interest expense (net of interest income) increased \$8 million year-on-year as a result of higher U.S. average debt balances and higher borrowing costs.
- On a combined basis, higher defined benefit pension and postretirement service cost expense and defined contribution expense, in addition to lower income related to non-service cost components of pension and postretirement expense, increased expense year-on-year.

Income tax rate, excluding Tax Cuts and Jobs Act (TCJA) measurement period adjustment:

- The effective tax rate for the fourth quarter of 2018 was 21.6 percent, a decrease of 47 percentage points versus 2017. The effective tax rate for full year 2018 was 23.4 percent, a decrease of 12.1 percentage points versus 2017.
- The effect of income taxes on items that had specific tax rates are reflected within their respective diluted earnings per share impacts in the table above for both the fourth quarter and full year 2018. Additionally, as discussed in the section below titled Operating income, operating income margin, income before taxes, net income, earnings per share, and effective tax rate adjusted for impacts of the Minnesota NRD resolution and the measurement period adjustment to the impact of the enactment of the Tax Cuts and Jobs Act (TCJA) - (non-GAAP measures), excluding the Minnesota NRD Resolution and measurement period adjustment related to TCJA, the effective income tax rate was 20.5 percent and 20.1 percent in the fourth quarter 2018 and full year 2018, respectively. Excluding the \$762 million impact related to the enactment of the TCJA in the fourth quarter of 2017, the effective income tax rate for the fourth quarter 2017 and full year 2017 was 23.0 percent and 25.4 percent, respectively.
- Factors that decreased the effective tax rate for the fourth quarter and full year 2018 primarily related to the favorable aspects of the TCJA such as the decrease in the U.S. income tax rate and foreign-derived intangible income (FDII), reduced transitional impact of TCJA related to transition tax and remeasurement of deferred tax assets/liabilities (further discussed below), and increased benefits from the R&D tax credit. These decreases were partially offset by the elimination of the domestic manufacturing deduction, the global intangible low-taxed income (GILTI) provision, and lower excess tax benefits related to employee share-based payments. Refer to Note 10 for additional details.

Shares of common stock outstanding:

- Lower shares outstanding increased earnings per share by 8 cents and 18 cents per diluted share for the fourth quarter and full year 2018, respectively. Weighted-average diluted shares outstanding in the fourth quarter and full year 2018 declined 3.4 percent and 1.8 percent year-on-year, respectively, which benefited earnings per share. The decrease in the outstanding weighted-average diluted shares relates to the Company's purchase of \$1.3 billion and \$4.9 billion of its own stock in the fourth quarter and full year 2018, respectively.

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2018 divestiture of Communication Markets Division, net of related restructuring actions and exit activities:

- In June 2018, 3M completed the sale of substantially all of its Communication Markets Division and reflected a pre-tax gain of \$494 million as a result of this divestiture. Additionally in December 2018, 3M completed the sale of the remaining telecommunications system integration services portion of the business based in Germany and reflected a pre-tax gain of \$15 million as a result of this divestiture. Both divestitures were reported within the Company's Electronics and Energy business. During the second quarter and fourth quarter of 2018, management approved and committed to undertake certain restructuring actions related to addressing corporate functional costs following the Communication Markets Division divestiture. These actions affected approximately 1,200 positions worldwide and resulted in a second quarter 2018 pre-tax charge of \$105 million and a fourth quarter 2018 pre-tax charge of \$22 million, net of adjustments for reductions in cost estimates. The aggregate net impact of the gain on sale and related restructuring actions increased earnings per diluted share by 2 cents and 50 cents per diluted share for the fourth quarter and full year 2018, respectively, and reflects the specific income tax rate associated with these items.

Year 2017 EPS:

2017 divestiture of identity management business:

- In May 2017, 3M completed the related sale or transfer of control, as applicable of its identity management business and reflected a pre-tax gain of \$457 million. The earnings per share impact reflects the specific income tax rate used for this divestiture.

Organic growth/productivity and other:

- Organic growth/productivity in 2017 included benefits from higher organic local-currency sales, raw material cost decreases from sourcing cost reduction projects, and business transformation, which had a positive impact on 3M's productivity efforts. These benefits were partially offset by higher defined benefit pension service cost expenses. During 2017, organic growth and productivity were the primary drivers for the year-on-year benefit.
- Year-on-year incremental strategic investments decreased pre-tax earnings by approximately \$413 million in 2017. These incremental strategic investments are comprised of 3M's investments in growth initiatives and optimization of its portfolio and supply chain footprint.

Acquisitions/other divestiture gains:

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