3M CO
Form 10-Q
October 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

Commission file number: 1-3285

3M COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	41-0417775 (I.R.S. Employer Identification No.)
3M Center, St. Paul, Minnesota (Address of principal executive offices)	55144 (Zip Code)

(651) 733-1110

(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
(Do not check if a smaller reporting company)	

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2015
Common Stock, $0.01 par value per share	615,712,937 shares

This document (excluding exhibits) contains 80 pages.

The table of contents is set forth on page 2.

The exhibit index begins on page 77.

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3M COMPANY

FORM 10-Q

For the Quarterly Period Ended September 30, 2015

PART I. Financial Information

Item 1. Financial Statements.

3M Company and Subsidiaries

Consolidated Statement of Income

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(Millions, except per share amounts)	2015	2014	2015	2014
Net sales	$ 7,712	$ 8,137	$ 22,976	$ 24,102
Operating expenses				
Cost of sales	3,877	4,205	11,556	12,420
Selling, general and administrative expenses	1,530	1,597	4,644	4,875
Research, development and related expenses	429	434	1,330	1,334
Total operating expenses	5,836	6,236	17,530	18,629
Operating income	1,876	1,901	5,446	5,473
Interest expense and income				
Interest expense	38	28	104	110
Interest income	(7)	(7)	(18)	(25)
Total interest expense — net	31	21	86	85
Income before income taxes	1,845	1,880	5,360	5,388
Provision for income taxes	547	569	1,558	1,569
Net income including noncontrolling interest	$ 1,298	$ 1,311	$ 3,802	$ 3,819
Less: Net income attributable to noncontrolling interest	2	8	7	42
Net income attributable to 3M	$ 1,296	$ 1,303	$ 3,795	$ 3,777
Weighted average 3M common shares outstanding — basic	620.6	645.3	629.4	652.9
Earnings per share attributable to 3M common shareholders — basic	$ 2.09	$ 2.02	$ 6.03	$ 5.78

Weighted average 3M common shares outstanding — diluted	631.2	657.9	641.2	665.7
Earnings per share attributable to 3M common shareholders — diluted	$ 2.05	$ 1.98	$ 5.92	$ 5.67
Cash dividends paid per 3M common share	$ 1.025	$ 0.855	$ 3.075	$ 2.565

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

3M Company and Subsidiaries

Consolidated Statement of Comprehensive Income

(Unaudited)

(Millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net income including noncontrolling interest	$ 1,298	$ 1,311	$ 3,802	$ 3,819
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	(472)	(603)	(642)	(456)
Defined benefit pension and postretirement plans adjustment	236	59	423	180
Debt and equity securities, unrealized gain (loss)	—	(1)	—	1
Cash flow hedging instruments, unrealized gain (loss)	1	68	39	61
Total other comprehensive income (loss), net of tax	(235)	(477)	(180)	(214)
Comprehensive income (loss) including noncontrolling interest	1,063	834	3,622	3,605
Comprehensive (income) loss attributable to noncontrolling interest	(1)	2	(5)	(48)
Comprehensive income (loss) attributable to 3M	$ 1,062	$ 836	$ 3,617	$ 3,557

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

3M Company and Subsidiaries

Consolidated Balance Sheet

(Unaudited)

(Dollars in millions, except per share amount)	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 1,605	$ 1,897
Marketable securities — current	153	626
Accounts receivable — net	4,610	4,238
Inventories		
Finished goods	1,745	1,723
Work in process	1,061	1,081
Raw materials and supplies	903	902
Total inventories	3,709	3,706
Other current assets	1,531	1,298
Total current assets	11,608	11,765
Marketable securities — non-current	13	828
Investments	112	102
Property, plant and equipment	22,940	22,841
Less: Accumulated depreciation	(14,470)	(14,352)
Property, plant and equipment — net	8,470	8,489
Goodwill	9,354	7,050
Intangible assets — net	2,632	1,435
Prepaid pension benefits	60	46
Other assets	1,009	1,554
Total assets	$ 33,258	$ 31,269
Liabilities		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 2,279	$ 106
Accounts payable	1,600	1,807
Accrued payroll	684	732
Accrued income taxes	105	435
Other current liabilities	2,364	2,918
Total current liabilities	7,032	5,998
Long-term debt	8,974	6,731
Pension and postretirement benefits	3,462	3,843
Other liabilities	1,566	1,555
Total liabilities	$ 21,034	$ 18,127
Commitments and contingencies (Note 11)		
Equity		
3M Company shareholders' equity:		

Common stock, par value $.01 par value, 944,033,056 shares issued	$	9	$	9
Additional paid-in capital		4,731		4,379
Retained earnings		36,235		34,317
Treasury stock, at cost: 328,320,119 shares at September 30, 2015: 308,898,462 shares at December 31, 2014		(22,322)		(19,307)
Accumulated other comprehensive income (loss)		(6,467)		(6,289)
Total 3M Company shareholders' equity		12,186		13,109
Noncontrolling interest		38		33
Total equity	$	12,224	$	13,142
Total liabilities and equity	$	33,258	$	31,269

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

3M Company and Subsidiaries

Consolidated Statement of Cash Flows

(Unaudited)

(Millions)	Nine months ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income including noncontrolling interest	$ 3,802	$ 3,819
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities		
Depreciation and amortization	1,038	1,058
Company pension and postretirement contributions	(216)	(112)
Company pension and postretirement expense	418	293
Stock-based compensation expense	233	221
Deferred income taxes	393	(61)
Excess tax benefits from stock-based compensation	(137)	(121)
Changes in assets and liabilities		
Accounts receivable	(478)	(587)
Inventories	(139)	(232)
Accounts payable	(112)	55
Accrued income taxes (current and long-term)	(588)	36
Other — net	(132)	74
Net cash provided by operating activities	4,082	4,443
Cash Flows from Investing Activities		
Purchases of property, plant and equipment (PP&E)	(1,015)	(1,003)
Proceeds from sale of PP&E and other assets	17	116
Acquisitions, net of cash acquired	(2,910)	(94)
Purchases of marketable securities and investments	(486)	(1,028)
Proceeds from maturities and sale of marketable securities and investments	1,742	1,411
Proceeds from sale of businesses	19	—
Other investing	22	20
Net cash used in investing activities	(2,611)	(578)
Cash Flows from Financing Activities		
Change in short-term debt — net	1,160	1,935
Repayment of debt (maturities greater than 90 days)	(793)	(1,551)
Proceeds from debt (maturities greater than 90 days)	3,420	1,064
Purchases of treasury stock	(4,104)	(4,373)
Proceeds from issuance of treasury stock pursuant to stock option and benefit plans	518	739
Dividends paid to shareholders	(1,933)	(1,672)
Excess tax benefits from stock-based compensation	137	121
Purchase of noncontrolling interest	—	(699)

Other — net	(99)	(37)
Net cash used in financing activities	(1,694)	(4,473)
Effect of exchange rate changes on cash and cash equivalents	(69)	(44)
Net increase (decrease) in cash and cash equivalents	(292)	(652)
Cash and cash equivalents at beginning of year	1,897	2,581
Cash and cash equivalents at end of period	$ 1,605	$ 1,929

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

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3M Company and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1. Significant Accounting Policies

Basis of Presentation

The interim consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair statement of the Company's consolidated financial position, results of operations and cash flows for the periods presented. These adjustments consist of normal, recurring items. The results of operations for any interim period are not necessarily indicative of results for the full year. The interim consolidated financial statements and notes are presented as permitted by the requirements for Quarterly Reports on Form 10-Q. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in its 2014 Annual Report on Form 10-K.

Foreign Currency Translation

Local currencies generally are considered the functional currencies outside the United States. Assets and liabilities for operations in local-currency environments are translated at month-end exchange rates of the period reported. Income and expense items are translated at month-end exchange rates of each applicable month. Cumulative translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in shareholders' equity.

Although local currencies are typically considered as the functional currencies outside the United States, under Accounting Standards Codification (ASC) 830, Foreign Currency Matters, the reporting currency of a foreign entity's parent is assumed to be that entity's functional currency when the economic environment of a foreign entity is highly inflationary—generally when its cumulative inflation is approximately 100 percent or more for the three years that precede the beginning of a reporting period. 3M has a subsidiary in Venezuela with operating income representing less than 1.0 percent of 3M's consolidated operating income for 2014. 3M has determined that the applicable cumulative inflation rate of Venezuela has exceeded, and continues to exceed, 100 percent since November 2009. Accordingly, since January 1, 2010, the financial statements of the Venezuelan subsidiary have been remeasured as if its functional currency were that of its parent.

The Venezuelan government sets official rates of exchange and conditions precedent to purchase foreign currency at these rates with local currency. Such rates and conditions are subject to change. In January 2014, the Venezuelan government announced that a new agency, the National Center for Foreign Commerce (CENCOEX), had assumed the role with respect to the continuation of the existing official exchange rate; significantly expanded the use of a second foreign exchange mechanism called the Complementary System for Foreign Currency Acquirement (or SICAD1); and issued exchange regulations indicating the SICAD1 rate of exchange would be used for payments related to international investments. The SICAD1 exchange mechanism, a complementary currency auction system, had previously been created for purchases of foreign currency by only certain eligible importers and tourists. In late March 2014, the Venezuelan government launched a third foreign exchange mechanism, SICAD2, which relied on U.S. dollar cash and U.S. dollar denominated bonds offered by the Venezuelan Central Bank, PDVSA (the Venezuelan national oil and gas company) and certain private companies. SICAD2 was announced as being available to all industry sectors and that its use would not be restricted as to purpose. In February 2015, the Venezuelan government introduced another foreign currency exchange platform called the Marginal System of Foreign Currency (SIMADI), resulting in the elimination and replacement of the SICAD2 rate. The SIMADI rate was described as being derived from daily private bidders and buyers exchanging offers through authorized agents and approved and published by the Venezuelan Central Bank.

Since January 1, 2010, as discussed above, the financial statements of 3M’s Venezuelan subsidiary have been remeasured as if its functional currency were that of its parent. For the periods presented, this remeasurement utilized the official CENCOEX rate into March 2014, the SICAD1 rate beginning in late March 2014, the SICAD2 rate beginning in June 2014, and the SIMADI rate beginning in February 2015. 3M’s uses of these applicable exchange rates were based upon evaluation of a number of factors including, but not limited to, the exchange rate the Company’s Venezuelan

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subsidiary may legally use to convert currency, settle transactions or pay dividends; the probability of accessing and obtaining currency by use of a particular rate or mechanism; and the Company's intent and ability to use a particular exchange mechanism. Other factors notwithstanding, the remeasurement impacts as a result of the changes in use of these exchange rates did not have material impacts on 3M's consolidated results of operations or financial condition.

The Company continues to monitor circumstances relative to its Venezuelan subsidiary. Changes in applicable exchange rates or exchange mechanisms may continue in the future. These changes could impact the rate of exchange applicable to remeasure the Company's net monetary assets (liabilities) denominated in Venezuelan Bolivars (VEF). As of September 30, 2015, the Company had a balance of net monetary assets denominated in VEF of less than 500 million VEF and the CENCOEX, SICAD (formerly SICAD1), and SIMADI exchange rates were approximately 6 VEF, 13 VEF, and 200 VEF per U.S. dollar, respectively.

A need to deconsolidate the Company's Venezuelan subsidiary's operations may result from a lack of exchangeability of VEF-denominated cash coupled with an acute degradation in the ability to make key operational decisions due to government regulations in Venezuela. 3M monitors factors such as its ability to access various exchange mechanisms; the impact of government regulations on the Company's ability to manage its Venezuelan subsidiary's capital structure, purchasing, product pricing, and labor relations; and the current political and economic situation within Venezuela. Based upon such factors as of September 30, 2015, the Company continues to consolidate its Venezuelan subsidiary. As of September 30, 2015, the balance of intercompany receivables due from this subsidiary is less than $25 million and its equity balance is not significant.

Earnings Per Share

The difference in the weighted average 3M shares outstanding for calculating basic and diluted earnings per share attributable to 3M common shareholders is a result of the dilution associated with the Company's stock-based compensation plans. Certain options outstanding under these stock-based compensation plans were not included in the computation of diluted earnings per share attributable to 3M common shareholders because they would not have had a dilutive effect (5.5 million average options for the three months ended September 30, 2015; 4.8 million average options for the nine months ended September 30, 2015; insignificant for the three months ended September 30, 2014; and 1.8 million average options for the nine months ended September 30, 2014). The computations for basic and diluted earnings per share follow:

Earnings Per Share Computations

	Three months ended September 30,	Nine months ended September 30,

(Amounts in millions, except per share amounts)	2015	2014	2015	2014
Numerator:				
Net income attributable to 3M	$ 1,296	$ 1,303	$ 3,795	$ 3,777
Denominator:				
Denominator for weighted average 3M common shares outstanding — basic	620.6	645.3	629.4	652.9
Dilution associated with the Company's stock-based compensation plans	10.6	12.6	11.8	12.8
Denominator for weighted average 3M common shares outstanding — diluted	631.2	657.9	641.2	665.7
Earnings per share attributable to 3M common shareholders — basic	$ 2.09	$ 2.02	$ 6.03	$ 5.78
Earnings per share attributable to 3M common shareholders — diluted	$ 2.05	$ 1.98	$ 5.92	$ 5.67

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New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which changed the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. This standard has the impact of reducing the frequency of disposals reported as discontinued operations, by requiring such a disposal to represent a strategic shift that has or will have a major effect on an entity's operations and financial results. However, existing provisions that prohibited an entity from reporting a discontinued operation if it had certain continuing cash flows or involvement with the component after disposal were eliminated by this standard. The ASU also expands the disclosures for discontinued operations and requires new disclosures related to individually significant disposals that do not qualify as discontinued operations. For 3M, this ASU was effective prospectively beginning January 1, 2015. This ASU was applied to the 2015 divestiture information discussed in Note 2 and had no material impact on consolidated results of operations and financial condition.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, and in August 2015 issued ASU No. 2015-14, which amended ASU No. 2014-09 as to effective date. The ASU, as amended, provides a single comprehensive model to be used in the accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard's stated core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle the ASU includes provisions within a five step model that includes identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when (or as) an entity satisfies a performance obligation. The standard also specifies the accounting for some costs to obtain or fulfill a contract with a customer and requires expanded disclosures about revenue recognition. The standard provides for either full retrospective adoption or a modified retrospective adoption by which it is applied only to the most current period presented. For 3M, the ASU, as amended, is effective January 1, 2018. The Company is currently assessing this standard's impact on 3M's consolidated results of operations and financial condition.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis, which changes guidance related to both the variable interest entity (VIE) and voting interest entity (VOE) consolidation models. With respect to the VIE model, the standard changes, among other things, the identification of variable interests associated with fees paid to a decision maker or service provider, the VIE characteristics for a limited partner or similar entity, and the primary beneficiary determination. With respect to the VOE model, the ASU eliminates the presumption that a general partner controls a limited partnership or similar entity unless the presumption can otherwise be overcome. Under the new guidance, a general partner would largely not consolidate a partnership or similar entity under the VOE model. For 3M, this ASU is effective January 1, 2016, with early adoption permitted. 3M does not have significant involvement with entities subject to consolidation considerations impacted by the VIE model changes or with limited partnerships potentially impacted by the VOE model changes. As a result, 3M does not expect this ASU to have a material impact on the Company's consolidated results of operations and financial condition.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, and in August 2015 issued ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. Under ASU 2015-03, debt issuance costs reported on the consolidated balance sheet would be reflected as a direct deduction from the related debt liability rather than as an asset. While ASU 2015-03 addresses costs related to term debt, ASU No. 2015-15 provides clarification regarding costs to secure revolving lines of credit, which are, at the outset, not associated with an outstanding borrowing. ASU No. 2015-15 provides commentary that the SEC staff would not object to an entity deferring and presenting costs associated with line-of-credit arrangements as an asset and subsequently amortizing them ratably over the term of the revolving debt arrangement. For 3M, ASU No. 2015-03 is effective January 1, 2016, with early adoption permitted. Retrospective application to prior periods is required. As this standard impacts only the classification of certain amounts within the consolidated balance sheet, 3M does not expect this ASU to have a material impact on the Company's consolidated results of operations and financial condition.

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In April 2015, the FASB issued ASU No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Arrangement, which requires a customer to determine whether a cloud computing arrangement contains a software license. If the arrangement contains a software license, the customer would account for fees related to the software license element in a manner consistent with accounting for the acquisition of other acquired software licenses. If the arrangement does not contain a software license, the customer would account for the arrangement as a service contract. An arrangement would contain a software license element if both (1) the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and (2) it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software. For 3M, this ASU is effective January 1, 2016, with early adoption permitted. The standard provides for adoption either fully retrospectively or prospectively to arrangements entered into, or materially modified, after the effective date. The Company is currently assessing this ASU's impact on 3M's consolidated results of operations and financial condition.

In May 2015, the FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This standard modifies existing disclosure requirements such that investments for which the practical expedient is used to measure their fair value at net asset value (NAV) would be removed from the fair value hierarchy disclosures. Instead, an entity would be required to include those investments as a reconciling item such that the total fair value amount of investments in the fair value hierarchy disclosure is consistent with the amount on the balance sheet. Changes were also made to the requirements in a sponsor's employee benefit plan asset disclosures. For 3M, this standard is effective January 1, 2016, with retrospective application required. Early adoption is permitted. As this ASU only impacts certain disclosures, it will not impact the Company's consolidated results of operations and financial condition.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory, which modifies existing requirements regarding measuring inventory at the lower of cost or market. Under existing standards, the market amount requires consideration of replacement cost, net realizable value (NRV), and NRV less an approximately normal profit margin. The new ASU replaces market with NRV, defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This eliminates the need to determine and consider replacement cost or NRV less an approximately normal profit margin when measuring inventory. For 3M, this standard is effective prospectively beginning January 1, 2017, with early adoption permitted. The Company is currently assessing this ASU's impacts on 3M's consolidated results of operations and financial condition.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, that eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Under existing standards, an acquirer in a business combination reports provisional amounts with respect to acquired assets and liabilities when their measurements are incomplete as of the end of the reporting period. Prior to the impact of this ASU, an acquirer is required to adjust provisional amounts (and the related impact on earnings) by restating prior period financial statements during the measurement period which cannot exceed one year from the date of acquisition. The new guidance requires that the cumulative impact of a measurement-period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified—eliminating the requirement to restate prior period financial statements. The new standard requires disclosure of the nature and amount of measurement-period adjustments as well as information with respect to the portion of the adjustments recorded in current-period earnings that would have been recorded in previous reporting periods if the adjustments to provisional amounts had been recognized as of the acquisition date. The ASU is applied prospectively to measurement-period adjustments that occur after the effective date. For 3M, this standard is required prospectively beginning January 1, 2016, with early adoption permitted. The Company expects to adopt this standard to measurement-period adjustments beginning October 1, 2015.

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NOTE 2. Acquisitions and Divestitures

3M makes acquisitions of certain businesses from time to time that the Company feels align with its strategic intent with respect to, among other factors, growth markets and adjacent product lines or technologies. Goodwill resulting from business combinations is largely attributable to the existing workforce of the acquired businesses and synergies expected to arise after 3M's acquisition of these businesses. In addition to business combinations, 3M periodically acquires certain tangible and/or intangible assets and purchases interests in certain enterprises that do not otherwise qualify for accounting as business combinations. These transactions are largely reflected as additional asset purchase and investment activity.

During the nine months ended September 30, 2015, the purchase price paid for business combinations (net of cash acquired) was $2.9 billion (discussed below). The allocation of substantially all the purchase consideration related to the August 2015 Capital Safety and Polypore Separations Media acquisitions is considered preliminary. 3M expects to finalize the allocation of purchase price within the one year measurement-period following these acquisitions.

	2015 Acquisition Activity			
(Millions)		Polypore		
	Capital	Separations		
Asset (Liability)	Safety	Media	Other	Total
Accounts receivable	$ 66	$ 30	$ 7	$ 103
Inventory	64	35	4	103
Other current assets	10	1	4	15
Property, plant, and equipment	35	132	7	174
Purchased finite-lived intangible assets	1,009	329	51	1,389
Purchased goodwill	1,782	628	95	2,505
Accounts payable and other liabilities, net of other assets	(77)	(118)	(5)	(200)
Interest bearing debt	(767)	—	—	(767)
Deferred tax asset/(liability)	(402)	—	(10)	(412)
Net assets acquired	$ 1,720	$ 1,037	$ 153	$ 2,910
Supplemental information:				
Cash paid	$ 1,754	$ 1,037	$ 154	$ 2,945
Less: Cash acquired	34	—	1	35
Cash paid, net of cash acquired	$ 1,720	$ 1,037	$ 153	$ 2,910

Purchased identifiable finite-lived intangible assets related acquisitions which closed in the nine months ended September 30, 2015 totaled $1.4 billion. The associated finite-lived intangible assets acquired will be amortized on a systematic and rational basis (generally straight line) over a weighted-average life of 17 years (lives ranging from two to 23 years). Acquired in-process research and development and identifiable intangible assets for which significant assumed renewals or extensions of underlying arrangements impacted the determination of their useful lives were not material. Pro forma information related to acquisitions was not included because the impact on the Company's consolidated results of operations was not considered to be material.

In March 2015, 3M (Health Care Business) purchased all of the outstanding shares of Ivera Medical Corp., headquartered in San Diego, California. Ivera Medical Corp. is a manufacturer of health care products that disinfect and protect devices used for access into a patient's bloodstream. In addition, in the first quarter of 2015, 3M (Industrial Business) purchased the remaining interest in a former equity method investment for an immaterial amount.

In August 2015, 3M (Safety and Graphics Business) acquired all of the outstanding shares of Capital Safety Group S.A.R.L., with operating headquarters in Bloomington, Minnesota, from KKR & Co. L.P. for $1.7 billion, net of cash acquired. The net assets acquired included the assumption of $0.8 billion of debt. Capital Safety is a leading global provider of fall protection equipment.

In August 2015, 3M (Industrial Business) acquired the assets and liabilities associated with Polypore International, Inc.'s Separations Media business, headquartered in Wuppertal, Germany, for $1.0 billion. Polypore's Separations Media

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business is a leading provider of microporous membranes and modules for filtration in the life sciences, industrial and specialty segments.

Divestitures:

3M may divest certain businesses from time to time based upon review of the Company's portfolio considering, among other items, factors relative to the extent of strategic and technological alignment and optimization of capital deployment, in addition to considering if selling the businesses results in the greatest value creation for the Company and for shareholders.

In January 2015, 3M (Electronics and Energy Business) completed the sale of its global static control business to Desco Industries Inc., based in Chino, California. 2014 sales of this business were $46 million. This transaction was not considered material.

In October 2015, 3M (Safety and Graphics Business) announced that it completed the sale of assets of its North American library systems business to One Equity Partners Capital Advisors L.P. (OEP) and that it entered into agreements for OEP to purchase the assets of its remaining global library systems business. In October 2015, 3M (Safety and Graphics Business) also announced that it received a binding offer from Hills Numberplates Limited to purchase Faab Fabricauto, a wholly-owned subsidiary of 3M. The library systems business, part of the Traffic Safety and Security Division, delivers circulation management solutions to library customers with on-premise hardware and software, maintenance and service, and an emerging cloud-based digital lending platform. Faab Fabricauto, also part of the Traffic Safety and Security Division, is a leading French manufacturer of license plates and signage solutions. The aggregate selling price relative to the global library systems and Faab Fabricauto divestiture transactions is approximately $120 million, subject to working capital at close. The remaining transactions are expected to close in the fourth quarter of 2015. The Company expects a net pre-tax gain of approximately $45 million (approximately $10 million after tax) as a result of the sale and any adjustment of carrying value related to these divestitures. The aggregate operating income of these businesses included in the Company's operating results for the periods presented and the amounts of major assets and liabilities of associated disposal groups classified as held-for-sale as of September 30, 2015 were not material.

Refer to Note 2 in 3M's 2014 Annual Report on Form 10-K for more information on 3M's acquisitions and divestitures.

NOTE 3. Goodwill and Intangible Assets

Purchased goodwill from acquisitions totaled $2.5 billion during the first nine months of 2015, $628 million of which is deductible for tax purposes. The amounts in the “Translation and other” column in the following table primarily relate to changes in foreign currency exchange rates. The goodwill balances by business segment as of December 31, 2014 and September 30, 2015, follow:

Goodwill

(Millions)	December 31, 2014 Balance	Acquisition activity	Translation and other	September 30, 2015 Balance
Industrial	$ 2,037	$ 629	$ (84)	$ 2,582
Safety and Graphics	1,650	1,782	(41)	3,391
Electronics and Energy	1,559	—	(26)	1,533
Health Care	1,589	94	(44)	1,639
Consumer	215	—	(6)	209
Total Company	$ 7,050	$ 2,505	$ (201)	$ 9,354

Accounting standards require that goodwill be tested for impairment annually and between annual tests in certain circumstances such as a change in reporting units or the testing of recoverability of a significant asset group within a reporting unit. At 3M, reporting units generally correspond to a division.

Effective in the third quarter of 2015, the Company formed the Oral Care Solutions Division, which combined the former 3M ESPE and 3M Unitek divisions (both within the Health Care business segment). During the third quarter of

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2015, the Company completed its assessment of any potential goodwill impairment for reporting units impacted by this new structure and determined that no impairment existed.

Acquired Intangible Assets

For the nine months ended September 30, 2015, intangible assets (excluding goodwill) acquired through business combinations increased the gross carrying amount. Balances are also impacted by changes in foreign currency exchange rates. The carrying amount and accumulated amortization of acquired finite-lived intangible assets, in addition to the balance of non-amortizable intangible assets, as of September 30, 2015, and December 31, 2014, follow:

(Millions)	September 30, 2015	December 31, 2014
Customer related intangible assets	$ 2,063	$ 1,348
Patents	620	581
Other technology-based intangible assets	527	407
Definite-lived tradenames	834	401
Other amortizable intangible assets	230	221
Total gross carrying amount	$ 4,274	$ 2,958
Accumulated amortization — customer related	(659)	(597)
Accumulated amortization — patents	(477)	(472)
Accumulated amortization — other technology based	(239)	(215)
Accumulated amortization — definite-lived tradenames	(214)	(195)
Accumulated amortization — other	(169)	(167)
Total accumulated amortization	$ (1,758)	$ (1,646)
Total finite-lived intangible assets — net	$ 2,516	$ 1,312
Non-amortizable intangible assets (primarily tradenames)	116	123
Total intangible assets — net	$ 2,632	$ 1,435

Amortization expense for acquired intangible assets for the three-month and nine-month periods ended September 30, 2015 and 2014 follows:

	Three months ended September 30,		Nine months ended September 30,	
(Millions)	2015	2014	2015	2014
Amortization expense	$ 66	$ 56	$ 169	$ 170

The table below shows expected amortization expense for acquired amortizable intangible assets recorded as of September 30, 2015:

(Millions)	Remainder of 2015	2016	2017	2018	2019	2020	After 2020
Amortization expense	$ 71	$ 273	$ 247	$ 226	$ 213	$ 203	$ 1,283

The preceding expected amortization expense is an estimate. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, changes in foreign currency exchange rates, impairment of intangible assets, accelerated amortization of intangible assets and other events. 3M expenses the costs incurred to renew or extend the term of intangible assets.

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NOTE 4. Supplemental Equity and Comprehensive Income Information

Consolidated Statement of Changes in Equity

Three months ended September 30, 2015

		3M Company Shareholders				
(Millions)	Total	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at June 30, 2015	$ 13,130	$ 4,694	$ 35,615	$ (20,983)	$ (6,233)	$ 37
Net income	1,298		1,296			2
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(472)				(471)	(1)
Defined benefit pension and post-retirement plans adjustment	236				236	—
Debt and equity securities - unrealized gain (loss)	—				—	—
Cash flow hedging instruments - unrealized gain (loss)	1				1	—
Total other comprehensive income (loss), net of tax	(235)					
Dividends declared	(635)		(635)			
Stock-based compensation, net of tax impacts	46	46				
Reacquired stock	(1,449)			(1,449)		
Issuances pursuant to stock option and benefit plans	69		(41)	110		
Balance at September 30, 2015	$ 12,224	$ 4,740	$ 36,235	$ (22,322)	$ (6,467)	$ 38

Nine months ended September 30, 2015

(Millions)	Total	3M Company Shareholders Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at December 31, 2014	$ 13,142	$ 4,388	$ 34,317	$ (19,307)	$ (6,289)	$ 33
Net income	3,802		3,795			7
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(642)				(640)	(2)
Defined benefit pension and post-retirement plans adjustment	423				423	—
Debt and equity securities - unrealized gain (loss)	—				—	—
Cash flow hedging instruments - unrealized gain (loss)	39				39	—
Total other comprehensive income (loss), net of tax	(180)					
Dividends declared	(1,284)		(1,284)			
Stock-based compensation, net of tax impacts	352	352				
Reacquired stock	(4,132)			(4,132)		
Issuances pursuant to stock option and benefit plans	524		(593)	1,117		
Balance at September 30, 2015	$ 12,224	$ 4,740	$ 36,235	$ (22,322)	$ (6,467)	$ 38

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Three months ended September 30, 2014

		3M Company Shareholders				
(Millions)	Total	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at June 30, 2014	$ 17,846	$ 4,650	$ 33,836	$ (17,466)	$ (3,666)	$ 492
Net income	1,311		1,303			8
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(603)				(593)	(10)
Defined benefit pension and post-retirement plans adjustment	59				59	—
Debt and equity securities - unrealized gain (loss)	(1)				(1)	—
Cash flow hedging instruments - unrealized gain (loss)	68				68	—
Total other comprehensive income (loss), net of tax	(477)					
Dividends declared	(550)		(550)			
Purchase of subsidiary shares	(865)	(433)			25	(457)
Stock-based compensation, net of tax impacts	69	69				
Reacquired stock	(1,283)			(1,283)		
Issuances pursuant to stock option and benefit plans	155		(105)	260		
Balance at September 30, 2014	$ 16,206	$ 4,286	$ 34,484	$ (18,489)	$ (4,108)	$ 33

Nine months ended September 30, 2014

		3M Company Shareholders				
(Millions)	Total	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at December 31, 2013	$ 17,948	$ 4,384	$ 32,416	$ (15,385)	$ (3,913)	$ 446

Net income	3,819		3,777			42
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(456)				(462)	6
Defined benefit pension and post-retirement plans adjustment	180				180	—
Debt and equity securities - unrealized gain (loss)	1				1	—
Cash flow hedging instruments - unrealized gain (loss)	61				61	—
Total other comprehensive income (loss), net of tax	(214)					
Dividends declared	(1,105)		(1,105)			
Purchase of subsidiary shares	(870)	(434)			25	(461)
Stock-based compensation, net of tax impacts	336	336				
Reacquired stock	(4,438)			(4,438)		
Issuances pursuant to stock option and benefit plans	730		(604)	1,334		
Balance at September 30, 2014	$ 16,206	$ 4,286	$ 34,484	$ (18,489)	$ (4,108)	$ 33

In December 2014, 3M's Board of Directors declared a first-quarter 2015 dividend of $1.025 per share (paid in March 2015). In December 2013, 3M's Board of Directors declared a first-quarter 2014 dividend of $0.855 per share (paid in March 2014). This reduced 3M's stockholder equity and increased other current liabilities as of both December 31, 2014 and December 31, 2013, by approximately $0.6 billion.

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Changes in Accumulated Other Comprehensive Income (Loss) Attributable to 3M by Component

Three months ended September 30, 2015

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Debt and Equity Securities, Unrealized Gain (Loss)	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2015, net of tax:	$ (1,264)	$ (5,106)	$ —	$ 137	$ (6,233)
Other comprehensive income (loss), before tax:					
Amounts before reclassifications	(477)	233	—	57	(187)
Amounts reclassified out	—	134	—	(55)	79
Total other comprehensive income (loss), before tax	(477)	367	—	2	(108)
Tax effect	6	(131)	—	(1)	(126)
Total other comprehensive income (loss), net of tax	(471)	236	—	1	(234)
Balance at September 30, 2015, net of tax:	$ (1,735)	$ (4,870)	$ —	$ 138	$ (6,467)

Nine months ended September 30, 2015

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Debt and Equity Securities, Unrealized Gain (Loss)	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2014, net of tax:	$ (1,095)	$ (5,293)	$ —	$ 99	$ (6,289)
Other comprehensive income (loss), before tax:					
Amounts before reclassifications	(533)	257	—	177	(99)
Amounts reclassified out	—	399	—	(116)	283
Total other comprehensive income (loss), before tax	(533)	656	—	61	184
Tax effect	(107)	(233)	—	(22)	(362)

Total other comprehensive income (loss), net of tax	(640)	423	—	39	(178)
Balance at September 30, 2015, net of tax:	$ (1,735)	$ (4,870)	$ —	$ 138	$ (6,467)

Three months ended September 30, 2014

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Debt and Equity Securities, Unrealized Gain (Loss)	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2014, net of tax:	$ (57)	$ (3,594)	$ —	$ (15)	$ (3,666)
Other comprehensive income (loss), before tax:					
Amounts before reclassifications	(537)	—	(1)	98	(440)
Amounts reclassified out	—	89	—	9	98
Total other comprehensive income (loss), before tax	(537)	89	(1)	107	(342)
Tax effect	(56)	(30)	—	(39)	(125)
Total other comprehensive income (loss), net of tax	(593)	59	(1)	68	(467)
Impact from purchase of subsidiary shares	41	(16)	—	—	25
Balance at September 30, 2014, net of tax:	$ (609)	$ (3,551)	$ (1)	$ 53	$ (4,108)

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Nine months ended September 30, 2014

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Debt and Equity Securities, Unrealized Gain (Loss)	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2013, net of tax:	$ (188)	$ (3,715)	$ (2)	$ (8)	$ (3,913)
Other comprehensive income (loss), before tax:					
Amounts before reclassifications	(403)	—	2	86	(315)
Amounts reclassified out	—	272	—	8	280
Total other comprehensive income (loss), before tax	(403)	272	2	94	(35)
Tax effect	(59)	(92)	(1)	(33)	(185)
Total other comprehensive income (loss), net of tax	(462)	180	1	61	(220)
Impact from purchase of subsidiary shares	41	(16)	—	—	25
Balance at September 30, 2014, net of tax	$ (609)	$ (3,551)	$ (1)	$ 53	$ (4,108)

Income taxes are not provided for foreign translation relating to permanent investments in international subsidiaries, but tax effects within cumulative translation does include impacts from items such as net investment hedge transactions. Reclassification adjustments are made to avoid double counting in comprehensive income items that are also recorded as part of net income.

Reclassifications out of Accumulated Other Comprehensive Income Attributable to 3M