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Form 10-Q
August 01, 2017
Table of Contents

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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 June 30, 2017

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, 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
(Do not check if a 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 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 June 30, 2017
Common Stock, $0.01 par value per share	596,767,147 shares

Table of Contents

3M COMPANY

Form 10-Q for the Quarterly Period Ended June 30, 2017

Table of Contents

3M COMPANY

FORM 10-Q

For the Quarterly Period Ended June 30, 2017

PART I. Financial Information

Item 1. Financial Statements.

3M Company and Subsidiaries

Consolidated Statement of Income

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(Millions, except per share amounts)	2017	2016	2017	2016
Net sales	$ 7,810	$ 7,662	$ 15,495	$ 15,071
Operating expenses				
Cost of sales	4,007	3,799	7,876	7,477
Selling, general and administrative expenses	1,607	1,560	3,207	3,093
Research, development and related expenses	473	437	944	887
Gain on sale of businesses	(461)	—	(490)	(40)
Total operating expenses	5,626	5,796	11,537	11,417
Operating income	2,184	1,866	3,958	3,654
Interest expense and income				
Interest expense	54	38	99	85
Interest income	(12)	(7)	(20)	(12)
Total interest expense — net	42	31	79	73
Income before income taxes	2,142	1,835	3,879	3,581
Provision for income taxes	557	542	968	1,010
Net income including noncontrolling interest	$ 1,585	$ 1,293	$ 2,911	$ 2,571
Less: Net income attributable to noncontrolling interest	2	2	5	5
Net income attributable to 3M	$ 1,583	$ 1,291	$ 2,906	$ 2,566
Weighted average 3M common shares outstanding — basic	598.1	606.9	598.1	607.2

Earnings per share attributable to 3M common shareholders — basic	$ 2.65	$ 2.13	$ 4.86	$ 4.23
Weighted average 3M common shares outstanding — diluted	612.8	620.9	612.4	621.1
Earnings per share attributable to 3M common shareholders — diluted	$ 2.58	$ 2.08	$ 4.74	$ 4.13
Cash dividends paid per 3M common share	$ 1.175	$ 1.11	$ 2.35	$ 2.22

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

Table of Contents

3M Company and Subsidiaries

Consolidated Statement of Comprehensive Income

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(Millions)	2017	2016	2017	2016
Net income including noncontrolling interest	$ 1,585	$ 1,293	$ 2,911	$ 2,571
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	(67)	37	225	175
Defined benefit pension and postretirement plans adjustment	78	67	161	136
Cash flow hedging instruments, unrealized gain (loss)	(51)	(27)	(127)	(137)
Total other comprehensive income (loss), net of tax	(40)	77	259	174
Comprehensive income (loss) including noncontrolling interest	1,545	1,370	3,170	2,745
Comprehensive (income) loss attributable to noncontrolling interest	(2)	(2)	(8)	(4)
Comprehensive income (loss) attributable to 3M	$ 1,543	$ 1,368	$ 3,162	$ 2,741

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

Table of Contents

3M Company and Subsidiaries

Consolidated Balance Sheet

(Unaudited)

(Dollars in millions, except per share amount)	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 2,654	$ 2,398
Marketable securities — current	140	280
Accounts receivable — net	4,919	4,392
Inventories		
Finished goods	1,863	1,629
Work in process	1,145	1,039
Raw materials and supplies	830	717
Total inventories	3,838	3,385
Other current assets	1,090	1,271
Total current assets	12,641	11,726
Marketable securities — non-current	17	17
Investments	137	128
Property, plant and equipment	24,292	23,499
Less: Accumulated depreciation	(15,726)	(14,983)
Property, plant and equipment — net	8,566	8,516
Goodwill	9,105	9,166
Intangible assets — net	2,201	2,320
Prepaid pension benefits	83	52
Other assets	1,207	981
Total assets	$ 33,957	$ 32,906
Liabilities		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$ 213	$ 972
Accounts payable	1,782	1,798
Accrued payroll	666	678
Accrued income taxes	432	299
Other current liabilities	2,604	2,472
Total current liabilities	5,697	6,219
Long-term debt	11,088	10,678
Pension and postretirement benefits	3,761	4,018
Other liabilities	1,767	1,648
Total liabilities	$ 22,313	$ 22,563
Commitments and contingencies (Note 12)		
Equity		
3M Company shareholders' equity:		

Common stock par value, $.01 par value, 944,033,056 shares issued	$ 9	$ 9
Additional paid-in capital	5,244	5,061
Retained earnings	38,793	37,907
Treasury stock, at cost: 347,265,909 shares at June 30, 2017; 347,306,778 shares at December 31, 2016	(25,466)	(25,434)
Accumulated other comprehensive income (loss)	(6,989)	(7,245)
Total 3M Company shareholders' equity	11,591	10,298
Noncontrolling interest	53	45
Total equity	$ 11,644	$ 10,343
Total liabilities and equity	$ 33,957	$ 32,906

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

Table of Contents

3M Company and Subsidiaries

Consolidated Statement of Cash Flows

(Unaudited)

(Millions)	Six months ended June 30, 2017	2016
Cash Flows from Operating Activities		
Net income including noncontrolling interest	$ 2,911	$ 2,571
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities		
Depreciation and amortization	818	722
Company pension and postretirement contributions	(279)	(97)
Company pension and postretirement expense	162	118
Stock-based compensation expense	206	193
Gain on sale of businesses	(490)	(40)
Deferred income taxes	(120)	(134)
Changes in assets and liabilities		
Accounts receivable	(412)	(419)
Inventories	(347)	(42)
Accounts payable	(60)	(57)
Accrued income taxes (current and long-term)	257	(102)
Other — net	(16)	(168)
Net cash provided by operating activities	2,630	2,545
Cash Flows from Investing Activities		
Purchases of property, plant and equipment (PP&E)	(589)	(637)
Proceeds from sale of PP&E and other assets	13	18
Acquisitions, net of cash acquired	—	(4)
Purchases of marketable securities and investments	(407)	(510)
Proceeds from maturities and sale of marketable securities and investments	543	449
Proceeds from sale of businesses, net of cash sold	862	56
Other — net	5	(2)
Net cash provided by (used in) investing activities	427	(630)
Cash Flows from Financing Activities		
Change in short-term debt — net	(113)	(337)
Repayment of debt (maturities greater than 90 days)	(650)	—
Proceeds from debt (maturities greater than 90 days)	—	1,112
Purchases of treasury stock	(1,184)	(2,055)
Proceeds from issuance of treasury stock pursuant to stock option and benefit plans	496	612
Dividends paid to shareholders	(1,403)	(1,344)
Other — net	(2)	(16)
Net cash used in financing activities	(2,856)	(2,028)

Effect of exchange rate changes on cash and cash equivalents	55	3
Net increase (decrease) in cash and cash equivalents	256	(110)
Cash and cash equivalents at beginning of year	2,398	1,798
Cash and cash equivalents at end of period	$ 2,654	$ 1,688

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

Table of Contents

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.

As described in 3M's Current Report on Form 8-K dated May 4, 2017 (which updated 3M's 2016 Annual Report on Form 10-K) and 3M's Quarterly Report on Form 10-Q for the period ended March 31, 2017, effective in the first quarter of 2017, the Company changed its business segment reporting in its continuing effort to improve the alignment of businesses around markets and customers. These changes included the integration of the former Renewable Energy Division into existing divisions, the combining of two divisions to form the Automotive and Aerospace Solutions Division, and consolidation of U.S. customer account activity, impacting dual credit reporting. Segment information presented herein reflects the impact of these changes for all periods presented. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in its Current Report on Form 8-K dated May 4, 2017.

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.

3M has a subsidiary in Venezuela, the financial statements of which are remeasured as if its functional currency were that of its parent because Venezuela's economic environment is considered highly inflationary. The operating income of this subsidiary represented less than 1.0 percent of 3M's consolidated operating income for 2016. The Venezuelan government sets official rates of exchange and conditions precedent to purchase foreign currency at these rates with local currency. The government also operates various expanded secondary currency exchange mechanisms that have been eliminated and replaced from time to time. Such rates and conditions have been and continue to be subject to change. For the periods presented, the financial statements of 3M's Venezuelan subsidiary were remeasured utilizing the rate associated with the secondary auction mechanism, Tipo de Cambio Complementario, which was redesigned by the Venezuelan government in June 2017, (DICOM2), or its predecessor. During the same periods, the Venezuelan government's official exchange was Tipo de Cambio Protegido (DIPRO), or its predecessor.

Table of Contents

Note 1 in 3M's Current Report on Form 8-K dated May 4, 2017 (which updated 3M's 2016 Annual Report on Form 10-K) provides additional information the Company considers in determining the exchange rate used relative to its Venezuelan subsidiary as well as factors which could lead to its deconsolidation. The Company continues to monitor these circumstances. 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 June 30, 2017, the Company had a balance of net monetary assets denominated in VEF of less than 5 billion VEF and the DIPRO and DICOM exchange rates were approximately 10 VEF and 2,600 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. Based upon a review of factors as of June 30, 2017, the Company continues to consolidate its Venezuelan subsidiary. As of June 30, 2017, the balance of intercompany receivables due from this subsidiary and its equity balance were not significant.

Reclassifications

Certain amounts in prior periods' consolidated financial statements have been reclassified to conform to the current period presentation.

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 (insignificant for the three months ended June 30, 2017; 1.6 million average options for the six months ended June 30, 2017; 2.9 million average options for the three months ended June 30, 2016; and 5.9 million average options for the six months ended June 30, 2016). The computations for basic and diluted earnings per share follow:

Earnings Per Share Computations

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions, except per share amounts)	2017	2016	2017	2016
Numerator:				
Net income attributable to 3M	$ 1,583	$ 1,291	$ 2,906	$ 2,566

Denominator:				
Denominator for weighted average 3M common shares outstanding – basic	598.1	606.9	598.1	607.2
Dilution associated with the Company's stock-based compensation plans	14.7	14.0	14.3	13.9
Denominator for weighted average 3M common shares outstanding – diluted	612.8	620.9	612.4	621.1
Earnings per share attributable to 3M common shareholders – basic	$ 2.65	$ 2.13	$ 4.86	$ 4.23
Earnings per share attributable to 3M common shareholders – diluted	$ 2.58	$ 2.08	$ 4.74	$ 4.13

Table of Contents

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, and in August 2015 issued ASU No. 2015-14, which amended the standard as to effective date. The ASU 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 the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. During 2016, the FASB also issued ASU No. 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net); ASU No. 2016-10, Identifying Performance Obligations and Licensing; ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients, and ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers which amend ASU No. 2014-09. These amendments include clarification of principal versus agent guidance in situations in which a revenue transaction involves a third party in providing goods or services to a customer. In such circumstances, an entity must determine whether the nature of its promise to the customer is to provide the underlying goods or services (i.e., the entity is the principal in the transaction) or to arrange for the third party to provide the underlying goods or services (i.e., the entity is the agent in the transaction). The amendments clarify, in terms of identifying performance obligations, how entities would determine whether promised goods or services are separately identifiable from other promises in a contract and, therefore, would be accounted for separately. The guidance allows entities to disregard goods or services that are immaterial in the context of a contract and provides an accounting policy election to account for shipping and handling activities as fulfillment costs rather than as additional promised services. With regard to the licensing, the amendments clarify how an entity would evaluate the nature of its promise in granting a license of intellectual property, which determines whether the entity recognizes revenue over time or at a point in time. The amendments also address implementation issues relative to transition (adding a practical expedient for contract modifications and clarifying what constitutes a completed contract when employing full or modified retrospective transition methods), collectability, noncash consideration, and the presentation of sales and other similar-type taxes (allowing entities to exclude sales-type taxes collected from transaction price). Finally, the amendments make certain technical corrections and provide additional guidance in the areas of disclosure of performance obligations, provisions for losses on certain types of contracts, scoping, and other areas. Overall, ASU No. 2014-09, as amended, 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 is effective January 1, 2018. The Company is continuing to evaluate the standard's impact on 3M's consolidated results of operations and financial condition. 3M has conducted initial analyses, developed project management relative to the process of adopting this ASU, and is currently completing detailed contract reviews to determine necessary adjustments to existing accounting policies and to support an evaluation of the standard's impact on the Company's consolidated results of operations and financial condition. For the majority of 3M's revenue arrangements, no significant impacts are expected as these transactions are not accounted for under industry-specific guidance that will be superseded by the ASU and generally consist of a single performance obligation to transfer promised goods or services. However, in addition to expanded disclosures regarding revenue, the ASU could, for example, impact the timing of revenue recognition in some arrangements for which software industry-specific guidance (which the ASU supersedes) is presently utilized. The Company currently anticipates utilizing the modified retrospective method of adoption on January 1, 2018.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory, which modified previous requirements regarding measuring inventory at the lower of cost or market. Under previous standards, the market amount required consideration of replacement cost, net realizable value (NRV), and NRV less an approximately normal profit margin. The new ASU replaced market with NRV, defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This eliminated the need to determine and consider replacement cost or NRV less an approximately normal profit margin when measuring

Table of Contents

inventory. 3M adopted this standard prospectively beginning January 1, 2017. The adoption did not have a material impact on 3M's consolidated results of operations and financial condition.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which revises the accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. The new guidance requires the fair value measurement of investments in equity securities and other ownership interests in an entity, including investments in partnerships, unincorporated joint ventures and limited liability companies (collectively, equity securities) that do not result in consolidation and are not accounted for under the equity method. Entities will need to measure these investments and recognize changes in fair value in net income. Entities will no longer be able to recognize unrealized holding gains and losses on equity securities they classify under current guidance as available for sale in other comprehensive income (OCI). They also will no longer be able to use the cost method of accounting for equity securities that do not have readily determinable fair values. Instead, for these types of equity investments that do not otherwise qualify for the net asset value practical expedient, entities will be permitted to elect a practicability exception and measure the investment at cost less impairment plus or minus observable price changes (in orderly transactions). The ASU also establishes an incremental recognition and disclosure requirement related to the presentation of fair value changes of financial liabilities for which the fair value option (FVO) has been elected. Under this guidance, an entity would be required to separately present in OCI the portion of the total fair value change attributable to instrument-specific credit risk as opposed to reflecting the entire amount in earnings. For derivative liabilities for which the FVO has been elected, however, any changes in fair value attributable to instrument-specific credit risk would continue to be presented in net income, which is consistent with current guidance. For 3M, this standard is effective beginning January 1, 2018 via a cumulative-effect adjustment to beginning retained earnings, except for guidance relative to equity securities without readily determinable fair values which is applied prospectively. The Company is currently assessing this ASU's impact on 3M's consolidated results of operations and financial condition, however, 3M has historically held limited amounts of equity securities and cost method investments (less than $75 million in aggregate at June 30, 2017), and has not elected the FVO with respect to material financial liabilities.

In February 2016, the FASB issued ASU No. 2016-02, Leases, replacing existing lease accounting guidance. The new standard introduces a lessee model that would require entities to recognize assets and liabilities for most leases, but recognize expenses on their income statements in a manner similar to current accounting. The ASU does not make fundamental changes to existing lessor accounting. However, it modifies what qualifies as a sales-type and direct financing lease and related accounting and aligns a number of the underlying principles with those of the new revenue standard, ASU No. 2014-09, such as evaluating how collectability should be considered and determining when profit can be recognized. The guidance eliminates existing real estate-specific provisions and requires expanded qualitative and quantitative disclosures. The standard requires modified retrospective transition by which it is applied at the beginning of the earliest comparative period presented in the year of adoption. For 3M, the ASU is effective January 1, 2019. Information under existing lease guidance with respect to rent expense for operating leases and the Company's minimum lease payments for capital and operating leases with non-cancelable terms in excess of one year as of December 31, 2016 is included in Note 14 in 3M's Current Report on Form 8-K dated May 4, 2017 (which updated 3M's 2016 Annual Report on Form 10-K). The Company is currently assessing this ASU's impact on 3M's consolidated results of operations and financial condition.

In March 2016, the FASB issued ASU No. 2016-06, Contingent Put and Call Options in Debt Instruments. This ASU clarified guidance used to determine if debt instruments that contain contingent put or call options require separation of the embedded put or call feature from the debt instrument and trigger accounting for the feature as a derivative with changes in fair value recorded through income. Under the new guidance, fewer put or call options embedded in debt instruments require derivative accounting. For 3M, this ASU was effective January 1, 2017. The Company's outstanding debt with embedded put provisions did not require separate derivative accounting under previous guidance. As a result, the adoption of this standard did not have a material impact on the Company's consolidated results of operations and financial condition.

In March 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting, which eliminated the previous requirement to apply the equity method of accounting retrospectively (revising prior periods as if the equity method had always been applied) when an entity obtained significant influence over a previously held investment. The new guidance requires the investor to apply the equity method prospectively from the date the investment qualifies for the equity method. The investor would add the carrying value of the existing investment to the cost of any additional investment to determine the initial cost basis of the equity method investment. For 3M, this ASU was effective January 1, 2017 on a prospective basis, with early adoption permitted. 3M will apply this guidance to investments that transition to the equity method after the adoption date.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures. With respect to available-for-sale (AFS) debt securities, the ASU amends the current other-than-temporary impairment model. For such securities with unrealized losses, entities will still consider if a portion of any impairment is related only to credit losses and therefore recognized as a reduction in income. However, rather than also reflecting that credit loss amount as a permanent reduction in cost (amortized cost) basis of that AFS debt security, the ASU requires that credit losses be reflected as an allowance. As a result, under certain circumstances, a recovery in value could result in previous allowances, or portions thereof, reversing back into income. For 3M, this ASU is effective January 1, 2020, with early adoption permitted. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently assessing this ASU's impact on 3M's consolidated results of operations and financial condition.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which was intended to reduce diversity in practice in how certain cash receipts and payments are presented and classified in the statement of cash flows. The standard provided guidance in a number of situations including, among others, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and distributions received from equity method investees. The ASU also provided guidance for classifying cash receipts and payments that have aspects of more than one class of cash flows. For 3M, this ASU is effective January 1, 2018, with early adoption permitted. The Company early adopted ASU No. 2016-15 as of January 1, 2017. Since the associated changes in classification were immaterial to all prior periods presented, no impact was reflected in the Company's pre-2017 consolidated results of operations and financial condition presented.

In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which modifies existing guidance and is intended to reduce diversity in practice with respect to the accounting for the income tax consequences of intra-entity transfers of assets. The ASU indicates that the current exception to income tax accounting that requires companies to defer the income tax effects of certain intercompany transactions would apply only to intercompany inventory transactions. That is, the exception would no longer apply to intercompany sales and transfers of other assets (e.g., intangible assets). Under the existing exception, income tax expense associated with intra-entity profits in an intercompany sale or transfer of assets is eliminated from earnings. Instead, that cost is deferred and recorded on the balance sheet (e.g., as a prepaid asset) until the assets leave the consolidated group.

Similarly, the entity is prohibited from recognizing deferred tax assets for the increases in tax bases due to the intercompany sale or transfer. For 3M, this ASU is effective January 1, 2018, with early adoption permitted as of January 1, 2017. The standard requires modified retrospective transition with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. Upon adoption, a company would write off any income tax effects that had been deferred from past intercompany transactions involving non-inventory assets to opening retained earnings. In addition, an entity would record deferred tax assets with an offset to opening retained earnings for amounts that entity had previously not recognized under existing guidance but would recognize under the new guidance. While 3M could initiate additional relevant transactions prior to this ASU's adoption date, based on deferred tax amounts related to applicable past intercompany transactions as of December 31, 2016, the Company does not expect this ASU to have a material impact on 3M's consolidated results of operations and financial condition.

In October 2016, the FASB issued ASU No. 2016-17, Interests Held through Related Parties That Are under Common Control, which modified previous guidance with respect to how a decision maker that holds an indirect interest in a variable interest entity (VIE) through a common control party determines whether it is the primary beneficiary of the VIE as part of the analysis of whether the VIE would need to be consolidated. Under the ASU, a decision maker would need to consider only its proportionate indirect interest in the VIE held through a common control party. Previous guidance had required the decision maker to treat the common control party's interest in the VIE as if the decision maker held the interest itself. As a result of the ASU, in certain cases, previous consolidation conclusions may change. For 3M, the standard was effective January 1, 2017 with retrospective application to January 1, 2016. 3M does not have significant involvement with entities subject to consolidation considerations impacted by VIE model factors. As a result, the adoption of this ASU did not have a material impact on the Company's consolidated results of operations and financial condition.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which clarified guidance on the classification and presentation of restricted cash in the statement of cash flows. Under the ASU, changes in restricted cash and restricted cash equivalents would be included along with those of cash and cash equivalents in the statement of cash flows. As a result, entities would no longer present transfers between cash/equivalents and restricted cash/equivalents in the statement of cash flows. In addition, a reconciliation between the balance sheet and the statement of cash flows would be disclosed when the balance sheet includes more than one line item for cash/equivalents and restricted cash/equivalents. For 3M, this ASU is effective January 1, 2018, with early adoption permitted. The Company early adopted ASU No. 2016-18 as of January 1, 2017. Due to the immaterial use of restricted cash and restricted cash equivalents, no impact was reflected in the Company's pre-2017 consolidated results of operations and financial condition presented.

In January 2017, the FASB issued ASU No. 2017-01, Clarifying the Definition of a Business, which narrows the existing definition of a business and provides a framework for evaluating whether a transaction should be accounted for as an acquisition (or disposal) of assets or a business. The ASU requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities (collectively, the set) is not a business. To be considered a business, the set would need to include an input and a substantive process that together significantly contribute to the ability to create outputs. The standard also narrows the definition of outputs. The definition of a business affects areas of accounting such as acquisitions, disposals and goodwill. Under the new guidance, fewer acquired sets are expected to be considered businesses. For 3M, this ASU is effective January 1, 2018 on a prospective basis with early adoption permitted. 3M would apply this guidance to applicable transactions after the adoption date.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. Under the new standard, goodwill impairment would be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. This ASU eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. For 3M, this ASU is effective prospectively to impairment tests beginning January 1, 2020, with early adoption permitted. 3M currently plans to apply this ASU in the fourth quarter of 2017 in conjunction with its annual goodwill impairment testing.

In February 2017, the FASB issued ASU No. 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. This ASU addresses scope-related questions that arose after the FASB issued its revenue guidance in ASU No. 2014-09, Revenue from Contracts with Customers. The new standard clarifies the accounting for derecognition of nonfinancial assets and defines what is considered an in substance nonfinancial asset. Nonfinancial assets largely relate to items such as real estate, ships and intellectual property that do not constitute a business. The new ASU impacts entities derecognizing (e.g. selling) nonfinancial assets (or in substance nonfinancial assets), including partial interests therein, when the purchaser is not a customer. Under the new guidance, the seller would apply certain recognition and measurement principles of ASU No. 2014-09, Revenue from Contracts with Customers, even though the purchaser is not a customer. For 3M, this new standard is effective coincident with the Company’s January 1, 2018 adoption of ASU No. 2014-09. The Company is currently assessing this ASU’s impact on 3M’s consolidated results of operations and financial condition.

Table of Contents

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU changes how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Under the new standard, only the service cost component of net periodic benefit cost would be included in operating expenses and only the service cost component would be eligible for capitalization into assets such as inventory. All other net periodic benefit costs components (such as interest, expected return on plan assets, prior service cost amortization and actuarial gain/loss amortization) would essentially be reported outside of operating income. For 3M, this ASU is effective January 1, 2018 on a retrospective basis; however, guidance limiting the capitalization to only the service cost component is applied on prospective basis. The components of 3M's net periodic defined benefit pension and postretirement benefit costs are presented in Note 9. These include components totaling a benefit of $32 million and $54 million for the three months ended June 30, 2017 and 2016, respectively, and $64 million and $106 million for the six months ended June 30, 2017 and 2016, respectively, that would no longer be included within operating expenses and instead would be reported outside of income from operations under the new standard.

In March 2017, the FASB issued ASU No. 2017-08, Premium Amortization on Purchased Callable Debt Securities, which amends the amortization period for certain purchased callable debt securities held at a premium. Under existing standards, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. The new guidance shortens the amortization period to the earliest call date for certain callable debt securities that have explicit, noncontingent call features and are callable at a fixed price and preset date. The amendments do not require an accounting change for securities held at a discount. For 3M, this ASU is effective January 1, 2019 with a modified retrospective transition resulting in a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. Early adoption is permitted. 3M's marketable security portfolio includes very limited instances of callable debt securities held at a premium. As a result, the Company does not expect this ASU to have a material impact on 3M's consolidated results of operations and financial condition.

In May 2017, the FASB issued ASU No. 2017-09, Scope of Modification Accounting, that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. The general model for accounting for modifications of share-based payment awards is to record the incremental value arising from the changes as additional compensation cost. Under the new standard, fewer changes to the terms of an award would require accounting under this modification model. For 3M, this ASU is effective January 1, 2018, with early adoption permitted. Because the Company does not typically make changes to the terms or conditions of its issued share-based payment awards, 3M does not expect this ASU to have a material impact on its consolidated results of operations and financial condition.

In May 2017, the FASB issued ASU No. 2017-10, Determining the Customer of the Operation Services, that clarifies how an operating entity determines the customer of the operation services for transactions within the scope of a service concession arrangement. Service concession arrangements are typically agreements between a grantor and an operating entity whereby the operating entity will operate the grantor's infrastructure (i.e. airports, roadways, bridges, and prisons) for a specified period of time. The operating entity also may be required to maintain the infrastructure and provide capital-intensive maintenance to enhance or extend its life. In such arrangements, typically the operation services (i.e. operation and maintenance of a roadway) would be used by third parties (i.e. drivers). The ASU clarifies that the grantor, not the third party, is the customer of the operation services in such arrangements. For 3M, this new standard is effective coincident with the Company's January 1, 2018 adoption of ASU No. 2014-09. Because the Company is not typically a party to agreements within the scope of accounting for service concession arrangements, 3M does not expect this ASU to have a material impact on its consolidated results of operations and financial condition.

In July 2017, the FASB issued ASU No. 2017-11, (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. The new standard applies to issuers of financial instruments with down-round features. A down-round provision is a term in an equity-linked financial instrument (i.e. a freestanding warrant contract or an equity conversion feature embedded within a host debt or equity contract) that triggers a downward adjustment to the instrument's strike price (or conversion price) if equity shares are issued at a lower price (or equity-linked financial instruments are issued at a lower strike price)

Table of Contents

than the instrument's then-current strike price. The purpose of the feature is typically to protect the instrument's counterparty from future issuances of equity shares at a more favorable price. The ASU amends (1) the classification of such instruments as liabilities or equity by revising the certain guidance relative to evaluating if they must be accounted for as derivative instruments and (2) the guidance on recognition and measurement of freestanding equity-classified instruments. For 3M, this ASU is effective January 1, 2019, with early adoption permitted. Because the Company has not issued financial instruments with down-round features, 3M does not expect this ASU to have a material impact on its consolidated results of operations and financial condition.

NOTE 2. Acquisitions and Divestitures

Acquisitions:

3M makes acquisitions of certain businesses from time to time that are aligned with its strategic intent with respect to, among other factors, growth markets and adjacent product lines or technologies.

There were no business combinations that closed during the six months ended June 30, 2017.

In March 2017, 3M announced that it entered into an agreement to acquire Scott Safety, which is headquartered in Monroe, North Carolina, from Johnson Controls for $2.0 billion, subject to closing and other adjustments. Scott Safety is 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. The business had revenues of approximately $570 million in 2016. This transaction is expected to close in the second half of 2017 and will be reflected within the Company's Safety and Graphics business, subject to customary closing conditions, regulatory approvals, and information or consultation requirements with relevant works councils.

Divestitures:

3M may divest certain businesses from time to time based upon reviews 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 2017, 3M sold the assets of its safety prescription eyewear business, with annual sales of approximately $45 million, to HOYA Vision Care. The Company recorded a pre-tax gain of $29 million in the first quarter of 2017 as a result of this sale, which was reported within the Company's Safety and Graphics business.

In May 2017, 3M completed the related sale or transfer of control, as applicable of its identity management business to Gemalto N.V. This business, with 2016 sales of approximately $205 million, is a leading provider in identity management solutions, including biometric hardware and software that enable identity verification and authentication, as well as secure materials and document readers. In June 2017, 3M also completed the sale of its tolling and automated license/number plate recognition business, with annual sales of approximately $40 million, to Neology, Inc. 3M's tolling and automated license/number plate recognition business includes RFID readers and tags, automatic vehicle classification systems, lane controller and host software, and back office software and services. It also provides mobile and fixed cameras, software, and services in automated license/number plate recognition. 3M received proceeds of $833 million, or $809 million net of cash sold, and reflected a pre-tax gain of $461 million in the second quarter of 2017 as a result of these two divestitures, which was reported within the Company's Safety and Graphics business.

In June 2017, 3M agreed to sell its electronic monitoring business to an affiliate of Apax Partners, for $200 million, net of cash sold and subject to closing and other adjustments. This business, with annual sales of approximately $95 million, is a provider of electronic monitoring technologies, serving hundreds of correctional and law enforcement agencies around the world. This sale is expected to close in the second half of 2017, subject to customary closing conditions, regulatory approvals and consultation or information requirements with relevant works councils. The Company expects a pre-tax gain of approximately $100 million as a result of this divestiture that will be reported within the Company's Safety and Graphics business.

Table of Contents

The aggregate operating income of these four preceding divested businesses was less than $20 million in 2016. The approximate amounts of major assets and liabilities associated with disposal groups classified as held-for-sale as of June 30, 2017 were not significant and, as of December 31, 2016, included the following:

(Millions)	December 31, 2016
Accounts receivable	$ 25
Property, plant and equipment (net)	25
Intangible assets	35
Deferred revenue (other current liabilities)	35

In addition, approximately $50 million and $270 million of goodwill was estimated to be attributable to disposal groups classified as held-for-sale as of June 30, 2017 and December 31, 2016, respectively, based upon relative fair value. The amounts above have not been segregated and are classified within the existing corresponding line items on the Company's consolidated balance sheet.

Refer to Note 2 in 3M's Current Report on Form 8-K dated May 4, 2017 (which updated 3M's 2016 Annual Report on Form 10-K) for more information on 3M's acquisitions and divestitures.

NOTE 3. Goodwill and Intangible Assets

There were no acquisitions that closed during the first six month of 2017. 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, 2016 and June 30, 2017, follow:

Goodwill

(Millions)	December 31, 2016 Balance	Acquisition activity	Divestiture activity	Translation and other	June 30, 2017 Balance
Industrial	$ 2,536	$ —	$ —	$ 93	$ 2,629
Safety and Graphics	3,324	—	(276)	54	3,102

Health Care	1,609	—	—	41	1,650
Electronics and Energy	1,489	—	—	26	1,515
Consumer	208	—	—	1	209
Total Company	$ 9,166	$ —	$ (276)	$ 215	$ 9,105

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.

As described in Note 14, effective in the first quarter of 2017, the Company changed its business segment reporting in its continuing effort to improve the alignment of its businesses around markets and customers. For any product changes that resulted in reporting unit changes, the Company applied the relative fair value method to determine the impact on goodwill of the associated reporting units. During the first quarter of 2017, the Company completed its assessment of any potential goodwill impairment for reporting units impacted by this new structure and determined that no impairment existed.

Table of Contents

Acquired Intangible Assets

The carrying amount and accumulated amortization of acquired finite-lived intangible assets, in addition to the balance of non-amortizable intangible assets, as of June 30, 2017, and December 31, 2016, follow:

(Millions)	June 30, 2017	December 31, 2016
Customer related intangible assets	$ 1,900	$ 1,939
Patents	585	602
Other technology-based intangible assets	475	524
Definite-lived tradenames	392	420
Other amortizable intangible assets	209	211
Total gross carrying amount	$ 3,561	$ 3,696
Accumulated amortization — customer related	(818)	(797)
Accumulated amortization — patents	(494)	(497)
Accumulated amortization — other technology based	(284)	(302)
Accumulated amortization — definite-lived tradenames	(231)	(236)
Accumulated amortization — other	(173)	(173)
Total accumulated amortization	$ (2,000)	$ (2,005)
Total finite-lived intangible assets — net	$ 1,561	$ 1,691
Non-amortizable intangible assets (primarily tradenames)	640	629
Total intangible assets — net	$ 2,201	$ 2,320

Certain tradenames acquired by 3M are not amortized because they have been in existence for over 55 years, have a history of leading-market share positions, have been and are intended to be continuously renewed, and the associated products of which are expected to generate cash flows for 3M for an indefinite period of time.

Amortization expense for acquired intangible assets for the three and six months ended June 30, 2017 and 2016 follows:

	Three months ended June 30,		Six months ended June 30,	
(Millions)	2017	2016	2017	2016
Amortization expense	$ 47	$ 66	$ 111	$ 132

Expected amortization expense for acquired amortizable intangible assets recorded as of June 30, 2017:

(Millions)	Remainder of 2017	2018	2019	2020	2021	2022	After 2022
Amortization expense	$ 118	$ 190	$ 181	$ 172	$ 160	$ 147	$ 593

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.

Table of Contents

NOTE 4. Restructuring Actions and Exit Activities

2017 Restructuring Actions:

During the second quarter of 2017, management approved and committed to undertake certain restructuring actions primarily focused on portfolio and footprint optimization. These actions affected approximately 1,300 positions worldwide and resulted in a second quarter 2017 pre-tax charge of $99 million. Remaining activities related to restructuring are expected to be completed by the end of 2018.

Components of these restructuring charges are summarized by business segment as follows:

(Millions)	Second Quarter 2017 Employee-Related
Industrial	$ 39
Safety and Graphics	9
Health Care	2
Electronics and Energy	7
Consumer	36
Corporate and Unallocated	6
Total Expense	$ 99

The preceding restructuring charges were recorded in the income statement as follows:

(Millions)	Second Quarter 2017
Cost of sales	86
Selling, general and administrative expenses	5
Research, development and related expenses	8
Total	$ 99

Components of these restructuring actions, follow:

(Millions)	Employee-Related
Expense incurred	$ 99
Accrued restructuring action balances as of June 30, 2017	$ 99

2017 Exit Activities:

In the first quarter of 2017, the Company recorded net pre-tax charges of $24 million related to exit activities. These charges related to employee reductions, primarily in Western Europe.

Table of Contents

NOTE 5. Supplemental Equity and Comprehensive Income Information

Consolidated Statement of Changes in Equity

Three months ended June 30, 2017

(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 March 31, 2017	$ 11,040	$ 5,198	$ 38,094	$ (25,354)	$ (6,949)	$ 51
Net income	1,585		1,583			2
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(67)				(67)	—
Defined benefit pension and post-retirement plans adjustment	78				78	—
Cash flow hedging instruments - unrealized gain (loss)	(51)				(51)	—
Total other comprehensive income (loss), net of tax	(40)					
Dividends declared	(701)		(701)			
Stock-based compensation	55	55				
Reacquired stock	(475)			(475)		
Issuances pursuant to stock option and benefit plans	180		(183)	363		
Balance at June 30, 2017	$ 11,644	$ 5,253	$ 38,793	$ (25,466)	$ (6,989)	$ 53

Six months ended June 30, 2017

3M Company Shareholders
Common　　Accumulated

(Millions)	Total	Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at December 31, 2016	$ 10,343	$ 5,070	$ 37,907	$ (25,434)	$ (7,245)	$ 45
Net income	2,911		2,906			5
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	225				222	3
Defined benefit pension and post-retirement plans adjustment	161				161	—
Cash flow hedging instruments - unrealized gain (loss)	(127)				(127)	—
Total other comprehensive income (loss), net of tax	259					
Dividends declared	(1,403)		(1,403)			
Stock-based compensation	183	183				
Reacquired stock	(1,153)			(1,153)		
Issuances pursuant to stock option and benefit plans	504		(617)	1,121		
Balance at June 30, 2017	$ 11,644	$ 5,253	$ 38,793	$ (25,466)	$ (6,989)	$ 53

Table of Contents

Three months ended June 30, 2016

(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 March 31, 2016	$ 11,495	$ 4,925	$ 36,506	$ (23,716)	$ (6,261)	$ 41
Net income	1,293		1,291			2
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	37				37	—
Defined benefit pension and post-retirement plans adjustment	67				67	—
Cash flow hedging instruments - unrealized gain (loss)	(27)				(27)	—
Total other comprehensive income (loss), net of tax	77					
Dividends declared	(672)		(672)			
Stock-based compensation	47	47				
Reacquired stock	(837)			(837)		
Issuances pursuant to stock option and benefit plans	255		(210)	465		
Balance at June 30, 2016	$ 11,658	$ 4,972	$ 36,915	$ (24,088)	$ (6,184)	$ 43

Six months ended June 30, 2016

(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, 2015	$ 11,468	$ 4,800	$ 36,296	$ (23,308)	$ (6,359)	$ 39
Net income	2,571		2,566			5

Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	175				176	(1)
Defined benefit pension and post-retirement plans adjustment	136				136	—
Cash flow hedging instruments - unrealized gain (loss)	(137)				(137)	—
Total other comprehensive income (loss), net of tax	174					
Dividends declared	(1,344)		(1,344)			
Stock-based compensation	172	172				
Reacquired stock	(2,000)			(2,000)		
Issuances pursuant to stock option and benefit plans	617		(603)	1,220		
Balance at June 30, 2016	$ 11,658	$ 4,972	$ 36,915	$ (24,088)	$ (6,184)	$ 43

19

Table of Contents

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

Three months ended June 30, 2017

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2017, net of tax:	$ (1,719)	$ (5,245)	$ 15	$ (6,949)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(167)	—	(74)	(241)
Amounts reclassified out	—	119	(5)	114
Total other comprehensive income (loss), before tax	(167)	119	(79)	(127)
Tax effect	100	(41)	28	87
Total other comprehensive income (loss), net of tax	(67)	78	(51)	(40)
Balance at June 30, 2017, net of tax:	$ (1,786)	$ (5,167)	$ (36)	$ (6,989)

Six months ended June 30, 2017

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2016, net of tax:	$ (2,008)	$ (5,328)	$ 91	$ (7,245)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	59	—	(175)	(116)
Amounts reclassified out	—	238	(23)	215
Total other comprehensive income (loss), before tax	59	238	(198)	99
Tax effect	163	(77)	71	157
Total other comprehensive income (loss), net of tax	222	161	(127)	256
Balance at June 30, 2017, net of tax:	$ (1,786)	$ (5,167)	$ (36)	$ (6,989)

Three months ended June 30, 2016

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2016, net of tax:	$ (1,540)	$ (4,735)	$ 14	$ (6,261)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	59	—	(15)	44
Amounts reclassified out	—	101	(28)	73
Total other comprehensive income (loss), before tax	59	101	(43)	117
Tax effect	(22)	(34)	16	(40)
Total other comprehensive income (loss), net of tax	37	67	(27)	77
Balance at June 30, 2016, net of tax:	$ (1,503)	$ (4,668)	$ (13)	$ (6,184)

Table of Contents

Six months ended June 30, 2016

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2015, net of tax:	$ (1,679)	$ (4,804)	$ 124	$ (6,359)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	119	—	(136)	(17)
Amounts reclassified out	—	204	(80)	124
Total other comprehensive income (loss), before tax	119	204	(216)	107
Tax effect	57	(68)	79	68
Total other comprehensive income (loss), net of tax	176	136	(137)	175
Balance at June 30, 2016, net of tax	$ (1,503)	$ (4,668)	$ (13)	$ (6,184)

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

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income				Location on Income Statement
	Three months ended June 30,		Six months ended June 30,		
(Millions)	2017	2016	2017	2016	
Gains (losses) associated with, defined benefit pension and postretirement plans amortization					
Transition asset	$ —	$ 1	$ —	$ 1	See Note 9
Prior service benefit	22	24	44	47	See Note 9
Net actuarial loss	(141)	(126)	(282)	(252)	See Note 9
Total before tax	(119)	(101)	(238)	(204)	
Tax effect	41	34	77	68	Provision for income taxes
Net of tax	$ (78)	$ (67)	$ (161)	$ (136)	

Cash flow hedging instruments gains (losses)					
Foreign currency forward/option contracts	$ 5	$ 28	$ 23	$ 81	Cost of sales
Interest rate swap contracts	—	—	—	(1)	Interest expense
Total before tax	5	28	23	80	
Tax effect	(2)	(11)	(8)	(29)	Provision for income taxes
Net of tax	$ 3	$ 17	$ 15	$ 51	
Total reclassifications for the period, net of tax	$ (75)	$ (50)	$ (146)	$ (85)	

21

Table of Contents

NOTE 6. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2005.

The IRS has completed its field examination of the Company's U.S. federal income tax returns for the years 2005 through 2014. The Company protested certain IRS positions within these tax years and entered into the administrative appeals process with the IRS. In December 2012, the Company received a statutory notice of deficiency for the 2006 year. The Company filed a petition in Tax Court in the first quarter of 2013 relating to the 2006 tax year.

Currently, the Company is under examination by the IRS for its U.S. federal income tax returns for the years 2015, 2016, and 2017. It is anticipated that the IRS will complete its examination of the Company for 2015 by the end of the fourth quarter of 2017, for 2016 by the end of the first quarter of 2018, and for 2017 by the end of the first quarter of 2019. As of June 30, 2017, the IRS has not proposed any significant adjustments to the Company's tax positions for which the Company is not adequately reserved.

Payments relating to other proposed assessments arising from the 2005 through 2017 examinations may not be made until a final agreement is reached between the Company and the IRS on such assessments or upon a final resolution resulting from the administrative appeals process or judicial action. In addition to the U.S. federal examination, there is also audit activity in several U.S. state and foreign jurisdictions.

3M anticipates changes to the Company's uncertain tax positions due to the closing and resolution of audit issues for various audit years mentioned above and closure of statutes. Currently, the Company is estimating a decrease in unrecognized tax benefits during the next 12 months as a result of anticipated resolutions of audit issues. The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of June 30, 2017 and December 31, 2016 are $370 million and $333 million, respectively.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense. The Company recognized in the consolidated statement of income on a gross basis approximately $5 million and $1 million of expense for the three months ended June 30, 2017 and June 30, 2016, respectively, and approximately $8 million of expense and $3 million of benefit for the six months ended June 30, 2017 and June 30, 2016, respectively. At June 30, 2017 and December 31, 2016, accrued interest and penalties in the consolidated balance sheet on a gross basis were $56 million and $52 million, respectively. Included in these interest and penalty amounts are interest and penalties related to tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The effective tax rate for the second quarter of 2017 was 26.0 percent, compared to 29.6 percent in the second quarter of 2016, a decrease of 3.6 percentage points. Primary factors that decreased the Company's effective tax rate on a combined basis by 5.0 percentage points year-on-year included international taxes that were impacted by changes to the geographic mix of income before taxes and prior year cash optimization actions, tax benefits resulting from the held-for-sale status of certain legal entities, and other items. This decrease was partially offset by a 1.4 percentage points year-on-year increase to the Company's effective tax rate, which reflects a lower year-on-year excess tax benefit related to employee share-based payments, and remeasurements of 3M's uncertain tax positions.

The effective tax rate for the first six months of 2017 was 25.0 percent, compared to 28.2 percent in the first six months of 2016, a decrease of 3.2 percentage points. Primary factors that decreased the Company's effective tax rate included international taxes that were impacted by changes to the geographic mix of income before taxes and prior year cash optimization actions, tax benefits resulting from the held-for-sale status of certain legal entities, remeasurements of 3M's uncertain tax positions, an increase in excess tax benefits related to employee share-based payments, and other items.

Table of Contents

The provision for income taxes is determined using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. The Company records a valuation allowance to reduce its deferred tax assets when uncertainty regarding their realizability exits. As of June 30, 2017 and December 31, 2016, the Company had valuation allowances of $57 million and $47 million on its deferred tax assets, respectively.

NOTE 7. Marketable Securities

The Company invests in asset-backed securities, certificates of deposit/time deposits, commercial paper, and other securities. The following is a summary of amounts recorded on the Consolidated Balance Sheet for marketable securities (current and non-current).

(Millions)	June 30, 2017	December 31, 2016
Corporate debt securities	$ 10	$ 10
Commercial paper	37	14
Certificates of deposit/time deposits	53	197
U.S. municipal securities	3	3
Asset-backed securities:		
Automobile loan related	28	31
Credit card related	9	18
Other	—	7
Asset-backed securities total	37	56
Current marketable securities	$ 140	$ 280
U.S. municipal securities	$ 17	$ 17
Non-current marketable securities	$ 17	$ 17
Total marketable securities	$ 157	$ 297

Classification of marketable securities as current or non-current is based on the nature of the securities and availability for use in current operations. At June 30, 2017 and December 31, 2016, gross unrealized gains and/or losses (pre-tax) were not material. The gross amounts of the realized gains or losses were not material. Cost of securities sold use the first in, first out (FIFO) method. Since these marketable securities are classified as available-for-sale securities, changes in fair value will flow through other comprehensive income, with amounts reclassified out of other comprehensive income into earnings upon sale or “other-than-temporary” impairment.

3M reviews impairments associated with its marketable securities in accordance with the measurement guidance provided by ASC 320, Investments-Debt and Equity Securities, when determining the classification of the impairment as “temporary” or “other-than-temporary”. A temporary impairment charge results in an unrealized loss being recorded in the other comprehensive income component of shareholders’ equity. Such an unrealized loss does not reduce net income attributable to 3M for the applicable accounting period because the loss is not viewed as other-than-temporary. The factors evaluated to differentiate between temporary and other-than-temporary include the projected future cash flows, credit ratings actions, and assessment of the credit quality of the underlying collateral, as well as other factors.

Table of Contents

The balances at June 30, 2017 for marketable securities by contractual maturity are shown below. Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

(Millions)	June 30, 2017
Due in one year or less	$ 104
Due after one year through five years	49
Due after five years through ten years	4
Total marketable securities	$ 157

3M has a diversified marketable securities portfolio. Within this portfolio, asset-backed securities primarily include interests in automobile loans, credit cards and other asset-backed securities. 3M's investment policy allows investments in asset-backed securities with minimum credit ratings of Aa2 by Moody's Investors Service or AA by Standard & Poor's or Fitch Ratings or DBRS. Asset-backed securities must be rated by at least two of the aforementioned rating agencies, one of which must be Moody's Investors Service or Standard & Poor's. At June 30, 2017, all asset-backed security investments were in compliance with this policy. Approximately 76.8 percent of all asset-backed security investments were rated AAA or A-1+ by Standard & Poor's and/or Aaa or P-1 by Moody's Investors Service and/or AAA or F1+ by Fitch Ratings. Interest rate risk and credit risk related to the underlying collateral may impact the value of investments in asset-backed securities, while factors such as general conditions in the overall credit market and the nature of the underlying collateral may affect the liquidity of investments in asset-backed securities. 3M does not currently expect risk related to its holding in asset-backed securities to materially impact its financial condition or liquidity.

NOTE 8. Long-Term Debt and Short-Term Borrowings

In June 2017, 3M repaid $650 million aggregate principal amount of fixed rate medium-term notes.

Table of Contents

NOTE 9. Pension and Postretirement Benefit Plans

Net periodic benefit cost is recorded in cost of sales, selling, general and administrative expenses, and research, development and related expenses. Components of net periodic benefit cost and other supplemental information for the three and six months ended June 30, 2017 and 2016 follow:

Benefit Plan Information

	Three months ended June 30, Qualified and Non-qualified Pension Benefits					
	United States		International		Postretirement Benefits	
(Millions)	2017	2016	2017	2016	2017	2016
Net periodic benefit cost (benefit)						
Service cost	$ 67	$ 65	$ 34	$ 34	$ 12	$ 14
Interest cost	142	144	37	43	20	19
Expected return on plan assets	(259)	(261)	(70)	(78)	(21)	(22)
Amortization of transition (asset) obligation	—	—	—	(1)	—	—
Amortization of prior service cost (benefit)	(6)	(6)	(3)	(4)	(13)	(14)
Amortization of net actuarial (gain) loss	97	88	30	23	14	15
Settlements, curtailments, special termination benefits and other	—	—	—	—	—	—
Net periodic benefit cost (benefit) after settlements, curtailments, special termination benefits and other	$ 41	$ 30	$ 28	$ 17	$ 12	$ 12

	Six months ended June 30, Qualified and Non-qualified Pension Benefits					
	United States		International		Postretirement Benefits	
(Millions)	2017	2016	2017	2016	2017	2016
Net periodic benefit cost (benefit)						
Service cost	$ 134	$ 130	$ 67	$ 67	$ 25	$ 27
Interest cost	284	287	74	86	39	39
Expected return on plan assets	(518)	(521)	(139)	(156)	(42)	(45)
Amortization of transition (asset) obligation	—	—	—	(1)	—	—
Amortization of prior service cost (benefit)	(12)	(12)	(6)	(7)	(26)	(28)
Amortization of net actuarial (gain) loss	194	176	60	45	28	31

Settlements, curtailments, special termination benefits and other	—	—	—	—	—	—
Net periodic benefit cost (benefit) after settlements, curtailments, special termination benefits and other	$ 82	$ 60	$ 56	$ 34	$ 24	$ 24

For the six months ended June 30, 2017, contributions totaling $277 million were made to the Company's U.S. and international pension plans and $2 million to its postretirement plans. For total year 2017, the Company expects to contribute approximately $300 million to $500 million of cash to its global defined benefit pension and postretirement plans. The Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2017. Future contributions will depend on market conditions, interest rates and other factors. 3M's annual measurement date for pension and postretirement assets and liabilities is December 31 each year, which is also the date used for the related annual measurement assumptions.

3M was informed in 2009, that the general partners of WG Trading Company, in which 3M's benefit plans hold limited partnership interests, are the subject of a criminal investigation as well as civil proceedings by the SEC and CFTC (Commodity Futures Trading Commission). In March 2011, over the objections of 3M and six other limited partners of WG Trading Company, the district court judge ruled in favor of the court appointed receiver's proposed distribution plan (and in April 2013, the United States Court of Appeals for the Second Circuit affirmed the district court's ruling). The benefit plan trustee holdings of WG Trading Company interests were adjusted to reflect the decreased estimated fair market value, inclusive of estimated insurance proceeds, as of the annual measurement dates. In the first quarter of 2014, 3M and certain 3M benefit plans filed a lawsuit in the U.S. District Court for the District of Minnesota against five insurers seeking insurance coverage for the WG Trading Company claim. In September 2015, the court ruled in favor of the defendant insurance companies on a motion for summary judgment and dismissed the lawsuit. In October 2015, 3M

Table of Contents

and the 3M benefit plans filed a notice of appeal to the United States Court of Appeals for the Eighth Circuit. In May 2017, the appellate court affirmed the lower court's decision. The decision will reduce U.S. pension and postretirement plan assets by $73 million at the December 31, 2017 measurement date and will not have a material adverse effect on the consolidated financial position of the Company.

As part of a diversified investment strategy, the U.S. pension and postretirement benefit plans made investments in the natural gas fired power generation industry during the period 2011 through 2013. In April 2017, one of these entities, Panda Temple Power, LLC, filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the District of Delaware. This investment represented less than one percent of the fair value of the U.S. pension and postretirement plans' assets as of their 2016 measurement date.

NOTE 10. Derivatives

The Company uses interest rate swaps, currency swaps, commodity price swaps, and forward and option contracts to manage risks generally associated with foreign exchange rate, interest rate and commodity price fluctuations. The information that follows explains the various types of derivatives and financial instruments used by 3M, how and why 3M uses such instruments, how such instruments are accounted for, and how such instruments impact 3M's financial position and performance.

Additional information with respect to the impacts on other comprehensive income of nonderivative hedging and derivative instruments is included in Note 5. Additional information with respect to the fair value of derivative instruments is included in Note 11. References to information regarding derivatives and/or hedging instruments associated with the Company's long-term debt are also made in Note 10 in 3M's Current Report on Form 8-K dated May 4, 2017 (which updated 3M's 2016 Annual Report on Form 10-K).

Types of Derivatives/Hedging Instruments and Inclusion in Income/Other Comprehensive Income

Cash Flow Hedges:

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Cash Flow Hedging - Foreign Currency Forward and Option Contracts: The Company enters into foreign exchange forward and option contracts to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies. These transactions are designated as cash flow hedges. The settlement or extension of these derivatives will result in reclassifications (from accumulated other comprehensive income) to earnings in the period during which the hedged transactions affect earnings. 3M may dedesignate these cash flow hedge relationships in advance of the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive income for dedesignated hedges remains in accumulated other comprehensive income until the forecasted transaction occurs or is no longer probable of occurring. Changes in the value of derivative instruments after dedesignation are recorded in earnings and are included in the Derivatives Not Designated as Hedging Instruments section below. The maximum length of time over which 3M hedges its exposure to the variability in future cash flows of the forecasted transactions is 36 months.

Cash Flow Hedging — Interest Rate Contracts: The Company may use forward starting interest rate contracts to hedge exposure to variability in cash flows from interest payments on forecasted debt issuances. The amortization of gains and losses on forward starting interest rate swaps is included in the tables below as part of the gain/(loss) recognized in income on the effective portion of derivatives as a result of reclassification from accumulated other comprehensive income. Additional information regarding previously issued and terminated interest rate contracts can be found in Note 12 in 3M’s Current Report on Form 8-K dated May 4, 2017 (which updated 3M’s 2016 Annual Report on Form 10-K).

Table of Contents

In the first six months of 2016, the Company entered into forward starting interest rate swaps that expired in December 2016 with an aggregate notional amount of $300 million as a hedge against interest rate volatility associated with a forecasted issuance of fixed rate debt. Upon issuance of medium-term notes in September 2016, 3M terminated these interest rate swaps. The termination resulted in an immaterial loss within accumulated other comprehensive income that will be amortized over the respective lives of the debt.

In the fourth quarter of 2016, the Company entered into forward starting interest rate swaps with a notional amount of $200 million as a hedge against interest rate volatility associated with a forecasted issuance of fixed rate debt. In the first quarter of 2017, the Company entered into forward starting interest rate swaps with a notional amount of $200 million as a hedge against interest rate volatility associated with a forecasted issuance of fixed rate debt. In the second quarter of 2017, the Company entered into forward starting interest rate swaps with a notional amount of $200 million as a hedge against interest rate volatility associated with a forecasted issuance of fixed rate debt.

As of June 30, 2017, the Company had a balance of $36 million associated with the after-tax net unrealized loss associated with cash flow hedging instruments recorded in accumulated other comprehensive income. This includes a remaining balance of $5 million (after tax loss) related to the forward starting interest rate swaps, which will be amortized over the respective lives of the debt. Based on exchange rates as of June 30, 2017, 3M expects to reclassify approximately $1 million of the after-tax net unrealized foreign exchange cash flow hedging losses to earnings over the remainder of 2017, approximately $18 million of the after-tax net unrealized foreign exchange cash flow hedging losses to earnings in 2018, and approximately $17 million of the after-tax net unrealized foreign exchange cash flow hedging losses to earnings after 2018 (with the impact offset by earnings/losses from underlying hedged items). 3M expects to reclassify approximately $16 million of the after-tax net unrealized foreign exchange cash flow hedging losses to earnings over the next 12 months.

The location in the consolidated statements of income and comprehensive income and amounts of gains and losses related to derivative instruments designated as cash flow hedges are provided in the following table.

Three months ended June 30, 2017	Pretax Gain (Loss) Recognized in Other Comprehensive Income on Effective Portion of Derivative	Pretax Gain (Loss) Recognized in Income on Effective Portion of Derivative as a Result of Reclassification from Accumulated Other Comprehensive Income		Ineffective Portion of Gain (Loss) on Derivative and Amount Excluded from Effectiveness Testing Recognized in Income	
(Millions)	Amount	Location	Amount	Location	Amount
Foreign currency forward/option contracts	$ (72)	Cost of sales	$ 5	Cost of sales	$ —
Interest rate swap contracts	(2)	Interest expense	—	Interest expense	—
Total	$ (74)		$ 5		$ —

Six months ended June 30, 2017	Portion of Derivative	Comprehensive Income		Recognized in Income	
(Millions)	Amount	Location	Amount	Location	Amount
Foreign currency forward/option contracts	$ (172)	Cost of sales	$ 23	Cost of sales	$ —
Interest rate swap contracts	(3)	Interest expense	—	Interest expense	—
Total	$ (175)		$ 23		$ —

Three months ended June 30, 2016	Portion of Derivative	Comprehensive Income		Recognized in Income	
(Millions)	Amount	Location	Amount	Location	Amount
Foreign currency forward/option contracts	$ (11)	Cost of sales	$ 28	Cost of sales	$ —
Interest rate swap contracts	(4)	Interest expense	—	Interest expense	—
Total	$ (15)		$ 28		$ —

Six months ended June 30, 2016	Portion of Derivative	Comprehensive Income		Recognized in Income	
(Millions)	Amount	Location	Amount	Location	Amount
Foreign currency forward/option contracts	$ (131)	Cost of sales	$ 81	Cost of sales	$ —
Interest rate swap contracts	(5)	Interest expense	(1)	Interest expense	—
Total	$ (136)		$ 80		$ —

Table of Contents

Fair Value Hedges:

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivatives as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings.

Fair Value Hedging - Interest Rate Swaps: The Company manages interest expense using a mix of fixed and floating rate debt. To help manage borrowing costs, the Company may enter into interest rate swaps. Under these arrangements, the Company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. The mark-to-market of these fair value hedges is recorded as gains or losses in interest expense and is offset by the gain or loss of the underlying debt instrument, which also is recorded in interest expense. These fair value hedges are highly effective and, thus, there is no impact on earnings due to hedge ineffectiveness. Additional information regarding designated interest rate swaps can be found in Note 12 in 3M’s Current Report on Form 8-K dated May 4, 2017 (which updated 3M’s 2016 Annual Report on Form 10-K).

The location in the consolidated statements of income and amounts of gains and losses related to derivative instruments designated as fair value hedges and similar information relative to the hedged items are as follows:

Three months ended June 30, 2017	Gain (Loss) on Derivative Recognized in Income		Gain (Loss) on Hedged Item Recognized in Income	
(Millions)	Location	Amount	Location	Amount
Interest rate swap contracts	Interest expense	$ 1	Interest expense	$ (1)
Total		$ 1		$ (1)

Six months ended June 30, 2017				
(Millions)	Location	Amount	Location	Amount
Interest rate swap contracts	Interest expense	$ (4)	Interest expense	$ 4
Total		$ (4)		$ 4

Three months ended June 30, 2016				
(Millions)	Location	Amount	Location	Amount
Interest rate swap contracts	Interest expense	$ 5	Interest expense	$ (5)
Total		$ 5		$ (5)

Six months ended June 30, 2016				
(Millions)	Location	Amount	Location	Amount
Interest rate swap contracts	Interest expense	$ 34	Interest expense	$ (34)
Total		$ 34		$ (34)

Net Investment Hedges:

The Company may use non-derivative (foreign currency denominated debt) and derivative (foreign exchange forward contracts) instruments to hedge portions of the Company's investment in foreign subsidiaries and manage foreign exchange risk. For instruments that are designated and qualify as hedges of net investments in foreign operations and that meet the effectiveness requirements, the net gains or losses attributable to changes in spot exchange rates are recorded in cumulative translation within other comprehensive income. The remainder of the change in value of such instruments is recorded in earnings. Recognition in earnings of amounts previously recorded in cumulative translation is limited to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. To the extent foreign currency denominated debt is not designated in or is dedesignated from a net investment hedge relationship, changes in value of that portion of foreign currency denominated debt due to exchange rate changes are recorded in earnings through their maturity date.

3M's use of foreign exchange forward contracts designated in hedges of the Company's net investment in foreign subsidiaries can vary by time period depending on when foreign currency denominated debt balances designated in such relationships are dedesignated, matured, or are newly issued and designated. Additionally, variation can occur in connection with the extent of the Company's desired foreign exchange risk coverage.

Table of Contents

At June 30, 2017, the total notional amount of foreign exchange forward contracts designated in net investment hedges was approximately 250 million Euros and approximately 248 billion South Korean Won, along with a principal amount of long-term debt instruments designated in net investment hedges totaling 4.4 billion Euros. The maturity dates of these derivative and nonderivative instruments designated in net investment hedges range from 2017 to 2031.

The location in the consolidated statements of income and comprehensive income and amounts of gains and losses related to derivative and nonderivative instruments designated as net investment hedges are as follows. There were no reclassifications of the effective portion of net investment hedges out of accumulated other comprehensive income into income for the periods presented in the table below.

Three months ended June 30, 2017 (Millions)	Pretax Gain (Loss) Recognized as Cumulative Translation within Other Comprehensive Income on Effective Portion of Instrument Amount	Ineffective Portion of Gain (Loss) on Instrument and Amount Excluded from Effectiveness Testing Recognized in Income Location	Amount
Foreign currency denominated debt	$ (270)	N/A	$ —
Foreign currency forward contracts	(7)	Cost of sales	3
Total	$ (277)		$ 3

Six months ended June 30, 2017 (Millions)	Comprehensive Income Amount	Instrument and Amount Excluded Location	Amount
Foreign currency denominated debt	$ (391)	N/A	$ —
Foreign currency forward contracts	(27)	Cost of sales	5
Total	$ (418)		$ 5

Three months ended June 30, 2016 (Millions)	Comprehensive Income Amount	Instrument and Amount Excluded Location	Amount
Foreign currency denominated debt	$ 94	N/A	$ —
Foreign currency forward contracts	16	Cost of sales	3
Total	$ 110		$ 3

Six months ended June 30, 2016 (Millions)	Comprehensive Income Amount	Instrument and Amount Excluded Location	Amount
Foreign currency denominated debt	$ (50)	N/A	$ —

Foreign currency forward contracts		(27)	Cost of sales		1
Total	$	(77)		$	1

Derivatives Not Designated as Hedging Instruments:

3M enters into foreign exchange forward contracts that are not designated in hedge relationships to offset, in part, the impacts of certain intercompany transactions and to further mitigate short-term currency impacts. In addition, the Company enters into commodity price swaps to offset, in part, fluctuations in costs associated with the use of certain precious metals. These derivative instruments are not designated in hedging relationships; therefore, fair value gains and losses on these contracts are recorded in earnings. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company revised amounts previously presented in the table below for the gain (loss) on derivatives recognized in income for the three and six months ended June 30, 2016 relative to foreign currency forward contracts. This immaterial correction increased the previously presented amount of the gain recognized in income in the disclosure table below by $40 million for the three months ended June 30, 2016 and decreased the previously presented amount of the gain recognized in income by $18 million for the six months ended June 30, 2016. This revision had no impact on the Company’s consolidated results of operations, financial condition, or cash flows.

Table of Contents

The location in the consolidated statements of income and amounts of gains and losses related to derivative instruments not designated as hedging instruments are as follows:

	Three months ended June 30, 2017 Gain (Loss) on Derivative Recognized in Income		Six months ended June 30, 2017 Gain (Loss) on Derivative Recognized in Income	
(Millions)	Location	Amount	Location	Amount
Foreign currency forward/option contracts	Cost of sales	$ 6	Cost of sales	$ 5
Foreign currency forward contracts	Interest expense	(138)	Interest expense	(96)
Total		$ (132)		$ (91)

	Three months ended June 30, 2016 Gain (Loss) on Derivative Recognized in Income		Six months ended June 30, 2016 Gain (Loss) on Derivative Recognized in Income	
(Millions)	Location	Amount	Location	Amount
Foreign currency forward/option contracts	Cost of sales	$ (1)	Cost of sales	$ (6)
Foreign currency forward contracts	Interest expense	89	Interest expense	24
Total		$ 88		