

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

(Millions, except per share amounts)	2018	2017	2016
Net sales	<u>\$ 32,765</u>	<u>\$ 31,657</u>	<u>\$ 30,109</u>
Operating expenses			
Cost of sales	16,682	16,055	15,118
Selling, general and administrative expenses	7,602	6,626	6,311
Research, development and related expenses	1,821	1,870	1,764
Gain on sale of businesses	(547)	(586)	(111)
Total operating expenses	<u>25,558</u>	<u>23,965</u>	<u>23,082</u>
Operating income	<u>7,207</u>	<u>7,692</u>	<u>7,027</u>
Other expense (income), net	207	144	(26)
Income before income taxes	7,000	7,548	7,053
Provision for income taxes	1,637	2,679	1,995
Net income including noncontrolling interest	<u>\$ 5,363</u>	<u>\$ 4,869</u>	<u>\$ 5,058</u>
Less: Net income attributable to noncontrolling interest	14	11	8
Net income attributable to 3M	<u>\$ 5,349</u>	<u>\$ 4,858</u>	<u>\$ 5,050</u>
Weighted average 3M common shares outstanding — basic	588.5	597.5	604.7
Earnings per share attributable to 3M common shareholders — basic	<u>\$ 9.09</u>	<u>\$ 8.13</u>	<u>\$ 8.35</u>
Weighted average 3M common shares outstanding — diluted	602.0	612.7	618.7
Earnings per share attributable to 3M common shareholders — diluted	<u>\$ 8.89</u>	<u>\$ 7.93</u>	<u>\$ 8.16</u>

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

3M Company and Subsidiaries
Consolidated Balance Sheet
At December 31

(Dollars in millions, except per share amount)	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 2,853	\$ 3,053
Marketable securities — current	380	1,076
Accounts receivable — net of allowances of \$95 and \$103	5,020	4,911
Inventories		
Finished goods	2,120	1,915
Work in process	1,292	1,218
Raw materials and supplies	954	901
Total inventories	4,366	4,034
Prepays	741	937
Other current assets	349	266
Total current assets	13,709	14,277
Property, plant and equipment	24,873	24,914
Less: Accumulated depreciation	(16,135)	(16,048)
Property, plant and equipment — net	8,738	8,866
Goodwill	10,051	10,513
Intangible assets — net	2,657	2,936
Other assets	1,345	1,395
Total assets	\$ 36,500	\$ 37,987
Liabilities		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 1,211	\$ 1,853
Accounts payable	2,266	1,945
Accrued payroll	749	870
Accrued income taxes	243	310
Other current liabilities	2,775	2,709
Total current liabilities	7,244	7,687
Long-term debt	13,411	12,096
Pension and postretirement benefits	2,987	3,620
Other liabilities	3,010	2,962
Total liabilities	\$ 26,652	\$ 26,365
Commitments and contingencies (Note 16)		
Equity		
3M Company shareholders' equity:		
Common stock par value, \$.01 par value	\$ 9	\$ 9
Shares outstanding - 2018: 576,575,168		
Shares outstanding - 2017: 594,884,237		
Additional paid-in capital	5,643	5,352
Retained earnings	40,636	39,115
Treasury stock	(29,626)	(25,887)
Accumulated other comprehensive income (loss)	(6,866)	(7,026)
Total 3M Company shareholders' equity	9,796	11,563
Noncontrolling interest	52	59
Total equity	\$ 9,848	\$ 11,622
Total liabilities and equity	\$ 36,500	\$ 37,987

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3M Company and Subsidiaries
Consolidated Statement of Cash Flow s
Years ended December 31

(Millions)	2018	2017	2016
Cash Flows from Operating Activities			
Net income including noncontrolling interest	\$ 5,363	\$ 4,869	\$ 5,058
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities			
Depreciation and amortization	1,488	1,544	1,474
Company pension and postretirement contributions	(370)	(967)	(383)
Company pension and postretirement expense	410	334	250
Stock-based compensation expense	302	324	298
Gain on sale of businesses	(545)	(586)	(111)
Deferred income taxes	(57)	107	7
Changes in assets and liabilities			
Accounts receivable	(305)	(245)	(313)
Inventories	(509)	(387)	57
Accounts payable	408	24	148
Accrued income taxes (current and long-term)	134	967	101
Other — net	120	256	76
Net cash provided by (used in) operating activities	6,439	6,240	6,662
Cash Flows from Investing Activities			
Purchases of property, plant and equipment (PP&E)	(1,577)	(1,373)	(1,420)
Proceeds from sale of PP&E and other assets	262	49	58
Acquisitions, net of cash acquired	13	(2,023)	(16)
Purchases of marketable securities and investments	(1,828)	(2,152)	(1,410)
Proceeds from maturities and sale of marketable securities and investments	2,497	1,354	1,247
Proceeds from sale of businesses, net of cash sold	846	1,065	142
Other — net	9	(6)	(4)
Net cash provided by (used in) investing activities	222	(3,086)	(1,403)
Cash Flows from Financing Activities			
Change in short-term debt — net	(284)	578	(797)
Repayment of debt (maturities greater than 90 days)	(1,034)	(962)	(992)
Proceeds from debt (maturities greater than 90 days)	2,251	1,987	2,832
Purchases of treasury stock	(4,870)	(2,068)	(3,753)
Proceeds from issuance of treasury stock pursuant to stock option and benefit plans	485	734	804
Dividends paid to shareholders	(3,193)	(2,803)	(2,678)
Other — net	(56)	(121)	(42)
Net cash provided by (used in) financing activities	(6,701)	(2,655)	(4,626)
Effect of exchange rate changes on cash and cash equivalents	(160)	156	(33)
Net increase (decrease) in cash and cash equivalents	(200)	655	600
Cash and cash equivalents at beginning of year	3,053	2,398	1,798
Cash and cash equivalents at end of period	\$ 2,853	\$ 3,053	\$ 2,398

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