

**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 March 31, 2020**

Commission file number: 1-3285

**3M COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**3M Center, St. Paul, Minnesota**

(Address of Principal Executive Offices)

**41-0417775**

(IRS Employer Identification No.)

**55144-1000**

(Zip Code)

(Registrant's Telephone Number, Including Area Code) **(651) 733-1110**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, Par Value \$.01 Per Share	MMM	New York Stock Exchange, Inc.
1.500% Notes due 2026	MMM	Chicago Stock Exchange, Inc.
Floating Rate Notes due 2020	MMM26	New York Stock Exchange, Inc.
0.375% Notes due 2022	MMM22A	New York Stock Exchange, Inc.
0.950% Notes due 2023	MMM23	New York Stock Exchange, Inc.
1.750% Notes due 2030	MMM30	New York Stock Exchange, Inc.
1.500% Notes due 2031	MMM31	New York Stock Exchange, Inc.

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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.

<u>Class</u>	<u>Outstanding at March 31, 2020</u>
Common Stock, \$0.01 par value per share	575,196,371 shares

**3M COMPANY**  
**Form 10-Q for the Quarterly Period Ended March 31, 2020**

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**3M COMPANY**  
**FORM 10-Q**  
**For the Quarterly Period Ended March 31, 2020**  
**PART I. Financial Information**

**Item 1. Financial Statements.**

**3M Company and Subsidiaries**  
**Consolidated Statement of Income**  
**(Unaudited)**

(Millions, except per share amounts)	Three months ended March 31,	
	2020	2019
Net sales	\$ 8,075	\$ 7,863
Operating expenses		
Cost of sales	4,109	4,310
Selling, general and administrative expenses	1,768	1,948
Research, development and related expenses	537	477
Gain on sale of businesses	(2)	(8)
Total operating expenses	6,412	6,727
Operating income	1,663	1,136
Other expense (income), net	96	48
Income before income taxes	1,567	1,088
Provision for income taxes	273	195
Net income including noncontrolling interest	\$ 1,294	\$ 893
Less: Net income attributable to noncontrolling interest	2	2
Net income attributable to 3M	\$ 1,292	\$ 891
Weighted average 3M common shares outstanding — basic	576.8	577.5
Earnings per share attributable to 3M common shareholders — basic	\$ 2.24	\$ 1.54
Weighted average 3M common shares outstanding — diluted	581.5	588.5
Earnings per share attributable to 3M common shareholders — diluted	\$ 2.22	\$ 1.51

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

**3M Company and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**(Unaudited)**

(Millions)	Three months ended March 31,	
	2020	2019
Net income including noncontrolling interest	\$ 1,294	\$ 893
Other comprehensive income (loss), net of tax		
Cumulative translation adjustment	(444)	77
Defined benefit pension and postretirement plans adjustment	119	84
Cash flow hedging instruments	47	6
Total other comprehensive income (loss), net of tax	(278)	167
Comprehensive income (loss) including noncontrolling interest	1,016	1,060
Comprehensive (income) loss attributable to noncontrolling interest	1	(2)
Comprehensive income (loss) attributable to 3M	\$ 1,017	\$ 1,058

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

**3M Company and Subsidiaries**  
**Consolidated Balance Sheet**  
**(Unaudited)**

	March 31, 2020	December 31, 2019
<b>(Dollars in millions, except per share amount)</b>		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,253	\$ 2,353
Marketable securities — current	224	98
Accounts receivable — net of allowances of \$172 and \$161	4,821	4,791
Inventories		
Finished goods	2,021	2,003
Work in process	1,214	1,194
Raw materials and supplies	982	937
Total inventories	4,217	4,134
Prepays	604	704
Other current assets	971	891
Total current assets	15,090	12,971
Property, plant and equipment	26,000	26,124
Less: Accumulated depreciation	(16,835)	(16,791)
Property, plant and equipment — net	9,165	9,333
Operating lease right of use assets	849	858
Goodwill	13,312	13,444
Intangible assets — net	6,191	6,379
Other assets	1,605	1,674
Total assets	\$ 46,212	\$ 44,659
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 3,248	\$ 2,795
Accounts payable	2,207	2,228
Accrued payroll	523	702
Accrued income taxes	136	194
Operating lease liabilities — current	244	247
Other current liabilities	2,776	3,056
Total current liabilities	9,134	9,222
Long-term debt	19,247	17,518
Pension and postretirement benefits	3,794	3,911
Operating lease liabilities	603	607
Other liabilities	3,225	3,275
Total liabilities	\$ 36,003	\$ 34,533
Commitments and contingencies (Note 14)		
<b>Equity</b>		
3M Company shareholders' equity:		
Common stock par value, \$.01 par value; 944,033,056 shares issued	\$ 9	\$ 9
Shares outstanding - March 31, 2020: 575,196,371		
Shares outstanding - December 31, 2019: 575,184,835		
Additional paid-in capital	6,024	5,907
Retained earnings	42,345	42,135
Treasury stock, at cost:	(29,817)	(29,849)
Shares at March 31, 2020: 368,836,685		
Shares at December 31, 2019: 368,848,221		
Accumulated other comprehensive income (loss)	(8,414)	(8,139)
Total 3M Company shareholders' equity	10,147	10,063
Noncontrolling interest	62	63
Total equity	\$ 10,209	\$ 10,126
Total liabilities and equity	\$ 46,212	\$ 44,659

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

**3M Company and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**(Unaudited)**

(Millions)	Three months ended March 31,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Net income including noncontrolling interest	\$ 1,294	\$ 893
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities		
Depreciation and amortization	440	375
Company pension and postretirement contributions	(39)	(47)
Company pension and postretirement expense	98	70
Stock-based compensation expense	120	130
Gain on sale of businesses	(2)	(5)
Deferred income taxes	29	(56)
Changes in assets and liabilities		
Accounts receivable	(143)	(78)
Inventories	(207)	(178)
Accounts payable	12	(3)
Accrued income taxes (current and long-term)	68	—
Other — net	(457)	(53)
Net cash provided by (used in) operating activities	1,213	1,048
<b>Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment (PP&E)	(332)	(391)
Proceeds from sale of PP&E and other assets	7	1
Acquisitions, net of cash acquired	(25)	(704)
Purchases of marketable securities and investments	(318)	(511)
Proceeds from maturities and sale of marketable securities and investments	207	369
Proceeds from sale of businesses, net of cash sold	86	6
Other — net	—	5
Net cash provided by (used in) investing activities	(375)	(1,225)
<b>Cash Flows from Financing Activities</b>		
Change in short-term debt — net	462	(428)
Repayment of debt (maturities greater than 90 days)	—	(246)
Proceeds from debt (maturities greater than 90 days)	1,745	2,265
Purchases of treasury stock	(365)	(701)
Proceeds from issuance of treasury stock pursuant to stock option and benefit plans	149	215
Dividends paid to shareholders	(847)	(830)
Other — net	(36)	(17)
Net cash provided by (used in) financing activities	1,108	258
Effect of exchange rate changes on cash and cash equivalents	(46)	4
Net increase (decrease) in cash and cash equivalents	1,900	85
Cash and cash equivalents at beginning of year	2,353	2,853
Cash and cash equivalents at end of period	\$ 4,253	\$ 2,938

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

**3M Company and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**NOTE 1. Significant Accounting Policies**

**Basis of Presentation**

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

As described in Note 16, effective in the first quarter of 2020, the Company changed its business segment reporting in its continuing effort to improve the alignment of businesses around markets and customers. Additionally, the Company consolidated the way it presents geographic area net sales by providing an aggregate Americas geographic region (combining former United States and Latin America and Canada areas). Information provided herein reflects the impact of these changes for all periods presented.

**Changes to Significant Accounting Policies**

The following significant accounting policies have been added or changed as applicable since the Company's 2019 Annual Report on Form 10-K as a result of adoption of new accounting pronouncements as described in the "New Accounting Pronouncements" section.

*Accounts receivable and allowances:* Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains allowances for bad debts, cash discounts, and various other items. The allowances for bad debts and cash discounts are based on the best estimate of the amount of expected credit losses in existing accounts receivable and anticipated cash discounts. The Company determines the allowances based on historical write-off experience by industry and regional economic data, current expectations of future credit losses, and historical cash discounts. The Company reviews the allowances monthly. The allowances for bad debts as well as the provision for credit losses, write-off activity and recoveries for the periods presented are not material. The Company does not have any significant off-balance-sheet credit exposure related to its customers. The Company has long-term receivables that typically aggregate to less than \$100 million, do not have significant credit risk, and the origination dates of which are typically not older than five years. These long-term receivables are subject to an allowance methodology similar to other receivables.

*Marketable securities:* Marketable securities include available-for-sale debt securities and are recorded at fair value. Cost of securities sold use the first in, first out (FIFO) method. The classification of marketable securities as current or non-current is based on the availability for use in current operations. 3M reviews impairments associated with its marketable securities in accordance with the measurement guidance provided by ASC 320, *Investments-Debt Securities* and ASC 326-30, *Available-for-Sale Debt Securities*, when determining whether a decline in fair value below the amortized cost basis has resulted from a credit loss or other factors. An impairment relating to credit losses is recorded through an allowance for credit losses. The allowance is limited by the amount that the fair value is less than the amortized cost basis. A change in the allowance for credit losses is recorded into earnings in the period of the change. Any impairment that has not been recorded through an allowance for credit losses is recorded through accumulated other comprehensive income as a component of shareholders' equity. The factors considered in determining whether a credit loss exists can include the extent to which fair value is less than the amortized cost basis, changes in the credit quality of the underlying loan obligors, credit ratings actions, as well as other factors. When a credit loss exists, the Company compares the present value of cash flows expected to be collected from the debt security with the amortized cost basis of the security to determine what allowance amount, if any, should be recorded. Amounts are reclassified out of accumulated other comprehensive income and into earnings upon sale or a change in the portions of impairment related to credit losses and not related to credit losses.

## Foreign Currency Translation

Local currencies generally are considered the functional currencies outside the United States with the exception of 3M's subsidiaries in Argentina, the economy of which was considered highly inflationary beginning in 2018, and accordingly the financial statements of these subsidiaries are remeasured as if their functional currency is that of their parent. 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 average monthly currency exchange rates in effect during the period. Cumulative translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in shareholders' equity.

3M had a consolidating subsidiary in Venezuela, the financial statements of which were 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 was immaterial as a percent of 3M's consolidated operating income for the periods presented. In light of circumstances, including the country's unstable environment and heightened unrest leading to sustained lack of demand, and expectation that these circumstances will continue for the foreseeable future, during May 2019, 3M concluded it no longer met the criteria of control in order to continue consolidating its Venezuelan operations. As a result, as of May 31, 2019, the Company began reflecting its interest in the Venezuelan subsidiary as an equity investment that does not have a readily determinable fair value. This resulted in a pre-tax charge of \$162 million within other expense (income) in the second quarter of 2019. The charge primarily relates to \$144 million of foreign currency translation losses associated with foreign currency movements before Venezuela was accounted for as a highly inflationary economy and pension elements previously included in accumulated other comprehensive loss along with write-down of intercompany receivable and investment balances associated with this subsidiary. Beginning May 31, 2019, 3M's consolidated balance sheets and statements of operations no longer include the Venezuelan entity's operations other than an immaterial equity investment and associated loss or income thereon largely only to the extent, if any, that 3M provides support or materials and receives funding or dividends.

## 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 the 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 have had an anti-dilutive effect (19.2 million and 5.2 million average options for the three months ended March 31, 2020 and 2019, respectively). The computations for basic and diluted earnings per share follow:

### Earnings Per Share Computations

(Amounts in millions, except per share amounts)	Three months ended March 31,	
	2020	2019
Numerator:		
Net income attributable to 3M	\$ 1,292	\$ 891
Denominator:		
Denominator for weighted average 3M common shares outstanding – basic	576.8	577.5
Dilution associated with the Company's stock-based compensation plans	4.7	11.0
Denominator for weighted average 3M common shares outstanding – diluted	581.5	588.5
Earnings per share attributable to 3M common shareholders – basic	\$ 2.24	\$ 1.54
Earnings per share attributable to 3M common shareholders – diluted	\$ 2.22	\$ 1.51



## New Accounting Pronouncements

See the Company's 2019 Annual Report on Form 10-K for a more detailed discussion of the standards in the tables that follow, except for those pronouncements issued subsequent to the most recent Form 10-K filing date for which separate, more detailed discussion is provided below as applicable.

Standards Adopted During the Current Fiscal Year			
Standard	Relevant Description	Effective Date for 3M	Impact and Other Matters
ASU No. 2016-13, <i>Measurement of Credit Losses on Financial Instruments</i> (in conjunction with ASU Nos. 2018-19, 2019-04, 2019-05, 2019-11, and 2020-03)	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.  Amends the current other-than-temporary impairment model for available-for-sale debt securities. 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.	January 1, 2020	Adopted using the modified retrospective approach. Adoption of this ASU did not have a material impact due to the nature and extent of 3M's financial instruments in scope for this ASU (primarily accounts receivable) and the historical, current and expected credit quality of its customers as of the date of adoption.  See Note 1 Significant Accounting Policies for updated applicable accounting policies.
ASU No. 2018-13, <i>Changes to the Disclosure Requirements for Fair Value Measurement</i>	Eliminates, amends, and adds disclosure requirements for fair value measurements, primarily related to Level 3 fair value measurements.	January 1, 2020	This ASU relates to disclosure only. The nature and extent of 3M's financial instruments in scope for this ASU (primarily Level 3 fair value measurements) are immaterial to 3M's consolidated results of operations and financial condition.
ASU No. 2018-15, <i>Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract</i>	Aligns the accounting for implementation costs incurred in a cloud computing arrangement that is a service arrangement (i.e. hosting arrangement) with the guidance on capitalizing costs in ASC 350-40, <i>Internal-Use Software</i>	January 1, 2020	Adopted on a prospective basis. Relevant capitalizable costs are included in prepaid expenses or other non-current asset, as applicable, prospectively beginning in 2020.

Standards Issued and Not Yet Adopted			
Standard	Relevant Description	Effective Date for 3M	Impact and Other Matters
ASU No. 2019-12, <i>Simplifying the Accounting for Income Taxes</i> (Topic 740)	Eliminates certain existing exceptions related to the general approach in ASC 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for transactions outside of business combination that result in a step-up in the tax basis of goodwill.	January 1, 2021	3M previously disclosed it does not expect this ASU to have a material impact on its consolidated results of operations and financial condition.
ASU No. 2020-01, <i>Clarifying the Interactions between Topic 321, Investments—Equity Securities, Topic 323, Investments—Equity Method and Joint Ventures, and Topic 815, Derivatives and Hedging</i>	Clarifies when accounting for certain equity securities, a Company should consider observable transactions before applying or upon discontinuing the equity method of accounting for the purposes of applying the measurement alternative.  Indicates when determining the accounting for certain derivatives, a Company should not consider if the underlying securities would be accounted for under the equity method or fair value option.	January 1, 2021	3M previously disclosed it does not expect this ASU to have a material impact on its consolidated results of operations and financial condition, but will apply such guidance, where applicable, to future circumstances.

## Relevant New Standards Issued Subsequent to Most Recent Annual Report

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as LIBOR which is being phased out in 2021, to alternate reference rates, such as SOFR. The standard was effective upon issuance and allowed application to

contract changes as early as January 1, 2020. The provisions have impact as contract modifications and other changes occur while LIBOR is phased out. The Company is in the process of evaluating the optional relief guidance provided within this ASU and is also reviewing its debt securities, bank facilities, derivative instruments and commercial contracts that utilize LIBOR as the reference rate. 3M will continue its assessment and monitor regulatory developments during the LIBOR transition period.

## NOTE 2. Revenue

### *Contract Balances:*

Deferred revenue primarily relates to revenue that is recognized over time for one-year software license contracts. Deferred revenue (current portion) as of March 31, 2020 and December 31, 2019 was \$422 million and \$430 million, respectively. Approximately \$160 million of the December 31, 2019 balance was recognized as revenue during the three months ended March 31, 2020, while approximately \$370 million of the December 31, 2018 balance was recognized as revenue during the three months ended March 31, 2019.

### *Disaggregated revenue information:*

The Company views the following disaggregated disclosures as useful to understanding the composition of revenue recognized during the respective reporting periods:

Net Sales (Millions)	Three months ended March 31,	
	2020	2019
Abrasives	\$ 330	\$ 363
Automotive Aftermarket	284	306
Closure and Masking Systems	268	278
Electrical Markets	291	311
Industrial Adhesives and Tapes	674	683
Personal Safety	990	924
Roofing Granules	95	92
Other Safety and Industrial	3	6
Total Safety and Industrial Business Segment	\$ 2,935	\$ 2,963
Advanced Materials	\$ 288	\$ 311
Automotive and Aerospace	447	508
Commercial Solutions	429	462
Electronics	863	861
Transportation Safety	211	216
Other Transportation and Electronics	—	(3)
Total Transportation and Electronics Business Segment	\$ 2,238	\$ 2,355
Drug Delivery	\$ 105	\$ 83
Food Safety	91	83
Health Information Systems	277	260
Medical Solutions	1,153	773
Oral Care	277	341
Separation and Purification Sciences	202	203
Other Health Care	(2)	(5)
Total Health Care Business Group	\$ 2,103	\$ 1,738
Consumer Health Care	\$ 99	\$ 97
Home Care	270	257
Home Improvement	576	528
Stationery and Office	273	295
Other Consumer	38	23
Total Consumer Business Group	\$ 1,256	\$ 1,200
Corporate and Unallocated	\$ 1	\$ 22
Elimination of Dual Credit	(458)	(415)
Total Company	\$ 8,075	\$ 7,863

	Three months ended March 31, 2020				
Net Sales (Millions)	Americas	Asia Pacific	Europe, Middle East and Africa	Other Unallocated	Worldwide
Safety and Industrial	\$ 1,519	\$ 719	\$ 698	\$ (1)	\$ 2,935
Transportation and Electronics	675	1,201	362	—	2,238
Health Care	1,281	356	467	(1)	2,103
Consumer	874	250	132	—	1,256
Corporate and Unallocated	1	—	—	—	1
Elimination of Dual Credit	(208)	(181)	(69)	—	(458)
Total Company	\$ 4,142	\$ 2,345	\$ 1,590	\$ (2)	\$ 8,075

	Three months ended March 31, 2019				
Net Sales (Millions)	Americas	Asia Pacific	Europe, Middle East and Africa	Other Unallocated	Worldwide
Safety and Industrial	\$ 1,486	\$ 759	\$ 719	\$ (1)	\$ 2,963
Transportation and Electronics	713	1,257	386	(1)	2,355
Health Care	922	378	438	—	1,738
Consumer	803	257	141	(1)	1,200
Corporate and Unallocated	21	2	1	(2)	22
Elimination of Dual Credit	(182)	(175)	(61)	3	(415)
Total Company	\$ 3,763	\$ 2,478	\$ 1,624	\$ (2)	\$ 7,863

Americas included United States net sales to customers of \$3.425 billion and \$3.046 billion for the three months ended March 31, 2020 and 2019, respectively.

### **NOTE3. Acquisitions and Divestitures**

Refer to Note 3 in 3M's 2019 Annual Report on Form 10-K for more information on relevant pre-2020 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. Goodwill resulting from business combinations is largely attributable to the existing workforce of the acquired businesses and synergies expected to arise after 3M's acquisition of these businesses.

##### *2020 acquisitions:*

There were no acquisitions that closed during the three months ended March 31, 2020.

##### *2019 acquisitions:*

In February 2019, 3M completed the acquisition of all of the ownership interests of the technology business of M\*Modal for \$0.7 billion of cash, net of cash acquired, and assumption of \$0.3 billion of M\*Modal's debt. The allocation of purchase consideration related to M\*Modal was completed in the fourth quarter of 2019. Net sales and operating loss (inclusive of transaction and integration costs) of this business included in 3M's consolidated results of operations for the first quarter of 2019 were approximately \$50 million and \$20 million, respectively. M\*Modal is reported within the Company's Health Care business.

In October 2019, the Company completed the acquisition of all of the ownership interests of Acelity Inc. and its KCI subsidiaries and in the first quarter of 2020 paid certain consideration previously accrued under the terms of related agreements. Adjustments in 2020 to the purchase price allocation were approximately \$18 million and related to ongoing identification and valuation of certain acquired assets. The change to provisional amounts did not result in material impacts to results of operations in 2020 or any portion related to earlier quarters in the measurement period. The allocation of purchase consideration related to Acelity is considered preliminary with provisional amounts primarily related to intangible assets, and certain tax-related and contingent liability amounts. 3M expects to finalize the allocation of purchase price within the one-year measurement-period following the acquisition. Net sales and operating loss (inclusive of transaction and integration costs) of this business included in 3M's consolidated results of operations in the fourth quarter of 2019 were approximately \$350 million and \$45 million, respectively. Acelity is reported within the Company's Health Care business.

#### **Divestitures:**

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

##### *Announced divestitures:*

In December 2019, 3M agreed to sell substantially all of its drug delivery business to an affiliate of Altaris Capital Partners, LLC. Subject to closing and other adjustments, 3M will receive approximately \$650 million in consideration including cash, an interest-bearing security, and a 17 percent noncontrolling interest in the new company. The business that is being divested has annual sales of approximately \$380 million. 3M will retain its transdermal drug delivery components business. The sale is expected to close in the second quarter of 2020, subject to customary closing conditions and regulatory approvals. 3M expects a pre-tax gain of approximately \$380 million as a result of the divestiture that will be reported within the Company's Health Care business. Following completion of the transaction, 3M will reflect its ownership interest in the divested business using the equity method of accounting.

##### *2020 divestitures:*

In January 2020, 3M completed the sale of its advanced ballistic-protection business to Avon Rubber p.l.c for \$86 million in cash and recognized certain contingent consideration from the outcome of pending tenders. Further contingent consideration of less than \$25

million may be recognized depending on outcomes in the future. The business, with annual sales of approximately \$85 million, consists of ballistic helmets, body armor, flat armor and related helmet-attachment products serving government and law enforcement. Within the Transportation and Electronics business, 3M reflected immaterial impacts in the third quarter of 2019 as a result of measuring this disposal group at the lower of its carrying amount or fair value less cost to sell and in the first quarter 2020 related to completion of the divestiture and recognition of contingent consideration.

#### 2019 divestitures:

During 2019, as described in Note 3 in 3M's 2019 Annual Report on Form 10-K, the Company divested a number of businesses including: certain oral care technology comprising a business and the gas and flame detection business. 3M also reflected an earnout on a previous divestiture.

#### Operating income and held for sale amounts:

The aggregate operating income of these businesses was approximately \$25 million and immaterial in the first three months of 2020 and 2019, respectively. The approximate amounts of major assets and liabilities associated with disposal groups classified as held-for-sale as of March 31, 2020 and December 31, 2019 included the following:

(Millions)	March 31, 2020	December 31, 2019
Inventory	\$ 60	70
Property, plant and equipment	135	150
Intangible assets	—	35

In addition, approximately \$20 million and \$30 million of goodwill was estimated to be attributable to disposal groups classified as held-for-sale as of March 31, 2020 and December 31, 2019, 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.

#### NOTE 4. Goodwill and Intangible Assets

There was no goodwill recorded from acquisitions during the first three months of 2020. The acquisition activity in the following table relates to the net impact of adjustments to the preliminary allocation of purchase price within the one year measurement period following prior acquisitions, which decreased goodwill by \$18 million during the three months ended March 31, 2020. The amounts in the "Translation and other" row in the following table primarily relate to changes in foreign currency exchange rates. The goodwill balance by business segment as of December 31, 2019 and March 31, 2020, follow:

#### Goodwill

(Millions)	Safety and Industrial	Transportation and Electronics	Health Care	Consumer	Total Company
Balance as of December 31, 2019	\$ 4,621	\$ 1,830	\$ 6,739	\$ 254	\$ 13,444
Acquisition activity	—	—	(18)	—	(18)
Divestiture activity	—	(10)	—	—	(10)
Translation and other	(64)	(10)	(29)	(1)	(104)
Balance as of March 31, 2020	\$ 4,557	\$ 1,810	\$ 6,692	\$ 253	\$ 13,312

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 correspond to a division.

As described in Note 16, effective in the first quarter of 2020, the Company changed its business segment reporting. 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, the results of which were immaterial. In conjunction with the change in segment reporting, 3M completed an assessment indicating no goodwill impairment existed as a result of this new segment structure.

## 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 March 31, 2020 and December 31, 2019, follow:

(Millions)	March 31, 2020	December 31, 2019
Customer related intangible assets	\$ 4,222	\$ 4,316
Patents	535	538
Other technology-based intangible assets	2,093	2,124
Definite-lived tradenames	1,175	1,158
Other amortizable intangible assets	123	125
Total gross carrying amount	\$ 8,148	\$ 8,261
Accumulated amortization — customer related	(1,197)	(1,180)
Accumulated amortization — patents	(500)	(499)
Accumulated amortization — other technology-based	(470)	(435)
Accumulated amortization — definite-lived tradenames	(332)	(316)
Accumulated amortization — other	(90)	(90)
Total accumulated amortization	\$ (2,589)	\$ (2,520)
Total finite-lived intangible assets — net	\$ 5,559	\$ 5,741
Non-amortizable intangible assets (primarily tradenames)	632	638
Total intangible assets — net	\$ 6,191	\$ 6,379

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. As discussed in Note 13, 3M reflected an immaterial charge related to impairment of certain indefinite-lived assets in the three months ended March 31, 2020.

Amortization expense for the three months ended March 31, 2020 and 2019 follows:

(Millions)	Three months ended March 31,	
	2020	2019
Amortization expense	\$ 134	\$ 69

Expected amortization expense for acquired amortizable intangible assets recorded as of March 31, 2020:

(Millions)	Remainder of 2020	2021	2022	2023	2024	2025	After 2025
Amortization expense	\$ 398	\$ 521	\$ 509	\$ 479	\$ 454	\$ 424	\$ 2,774

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.

**NOTE 5. Restructuring Actions and Exit Activities**
**2019 Restructuring Actions:**

As described in Note 5 in 3M's 2019 Annual Report on Form 10-K, during the second quarter of 2019, in light of slower than expected 2019 sales, management approved and committed to undertake certain restructuring actions. These actions impacted approximately 2,000 positions worldwide, including attrition. The Company recorded second quarter 2019 pre-tax charges of \$148 million. Additionally, during the fourth quarter of 2019, to realign 3M's organizational structure and operating model to improve growth and operational efficiency, management approved and committed to undertake certain restructuring actions. These actions impacted approximately 1,500 positions worldwide. The Company recorded fourth quarter 2019 pre-tax charges of \$134 million. As of December 31, 2019, the balance of accrued restructuring actions for these matters was \$140 million.

Restructuring actions, including cash and non-cash impacts, follow:

(Millions)	Employee-Related
Accrued restructuring action balances as of December 31, 2019	\$ 140
Cash payments	(12)
Adjustments	(4)
Accrued restructuring action balances as of March 31, 2020	\$ 124

Remaining activities related to this restructuring are expected to be completed largely through 2020.

**NOTE 6. Supplemental Income Statement Information**

Other expense (income), net consists of the following:

(Millions)	Three months ended March 31,	
	2020	2019
Interest expense	\$ 123	\$ 104
Interest income	(10)	(20)
Pension and postretirement net periodic benefit cost (benefit)	(17)	(36)
Total	\$ 96	\$ 48

Pension and postretirement net periodic benefit costs described in the table above include all components of defined benefit plan net periodic benefit costs except service cost, which is reported in various operating expense lines. Refer to Note 11 for additional details on the components of pension and postretirement net periodic benefit costs.

**NOTE 7. Supplemental Equity and Comprehensive Income Information**

Cash dividends declared and paid totaled \$1.47 and \$1.44 per share for the first quarter 2020 and 2019, respectively.

**Consolidated Changes in Equity**
**Three months ended March 31, 2020**

(Millions)	Total	3M Company Shareholders				Non-controlling Interest
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	
<b>Balance at December 31, 2019</b>	<b>\$ 10,126</b>	<b>\$ 5,916</b>	<b>\$ 42,135</b>	<b>\$ (29,849)</b>	<b>\$ (8,139)</b>	<b>\$ 63</b>
Net income	1,294		1,292			2
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(444)				(441)	(3)
Defined benefit pension and post-retirement plans adjustment	119				119	—
Cash flow hedging instruments	47				47	—
Total other comprehensive income (loss), net of tax	(278)					
Dividends declared	(847)		(847)			
Stock-based compensation	117	117				
Reacquired stock	(356)			(356)		
Issuances pursuant to stock option and benefit plans	153		(235)	388		
<b>Balance at March 31, 2020</b>	<b>\$ 10,209</b>	<b>\$ 6,033</b>	<b>\$ 42,345</b>	<b>\$ (29,817)</b>	<b>\$ (8,414)</b>	<b>\$ 62</b>

**Three months ended March 31, 2019**

(Millions)	Total	3M Company Shareholders				Non-controlling Interest
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	
<b>Balance at December 31, 2018</b>	<b>\$ 9,848</b>	<b>\$ 5,652</b>	<b>\$ 40,636</b>	<b>\$ (29,626)</b>	<b>\$ (6,866)</b>	<b>\$ 52</b>
Impact of adoption of ASU No. 2018-02*	—		853		(853)	
Impact of adoption of ASU No. 2016-02*	14		14			
Net income	893		891			2
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	77				77	—
Defined benefit pension and post-retirement plans adjustment	84				84	—
Cash flow hedging instruments	6				6	—
Total other comprehensive income (loss), net of tax	167					
Dividends declared	(830)		(830)			
Stock-based compensation	112	112				
Reacquired stock	(666)			(666)		
Issuances pursuant to stock option and benefit plans	219		(405)	624		
<b>Balance at March 31, 2019</b>	<b>\$ 9,757</b>	<b>\$ 5,764</b>	<b>\$ 41,159</b>	<b>\$ (29,668)</b>	<b>\$ (7,552)</b>	<b>\$ 54</b>

\*See Note 1 in 3M's 2019 Annual Report on Form 10-K.



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

## Three months ended March 31, 2020

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
<b>Balance at December 31, 2019, net of tax:</b>	\$ (1,899)	\$ (6,209)	\$ (31)	\$ (8,139)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(439)	—	77	(362)
Amounts reclassified out	—	164	(16)	148
<b>Total other comprehensive income (loss), before tax</b>	<b>(439)</b>	<b>164</b>	<b>61</b>	<b>(214)</b>
Tax effect	(2)	(45)	(14)	(61)
<b>Total other comprehensive income (loss), net of tax</b>	<b>(441)</b>	<b>119</b>	<b>47</b>	<b>(275)</b>
<b>Balance at March 31, 2020, net of tax:</b>	<b>\$ (2,340)</b>	<b>\$ (6,090)</b>	<b>\$ 16</b>	<b>\$ (8,414)</b>

## Three months ended March 31, 2019

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
<b>Balance at December 31, 2018, net of tax:</b>	\$ (2,098)	\$ (4,832)	\$ 64	\$ (6,866)
Impact of adoption of ASU No. 2018-02*	(13)	(817)	(23)	(853)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	103	—	13	116
Amounts reclassified out	—	104	(7)	97
<b>Total other comprehensive income (loss), before tax</b>	<b>103</b>	<b>104</b>	<b>6</b>	<b>213</b>
Tax effect	(26)	(20)	—	(46)
<b>Total other comprehensive income (loss), net of tax</b>	<b>77</b>	<b>84</b>	<b>6</b>	<b>167</b>
<b>Balance at March 31, 2019, net of tax:</b>	<b>\$ (2,034)</b>	<b>\$ (5,565)</b>	<b>\$ 47</b>	<b>\$ (7,552)</b>

\*See Note 1 in 3M's 2019 Annual Report on Form 10-K.

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 subsequently recorded as part of net income.

**Reclassifications out of Accumulated Other Comprehensive Income Attributable to 3M**

Details about Accumulated Other Comprehensive Income Components (Millions)	Amount Reclassified from Accumulated Other Comprehensive Income		Location on Income Statement
	Three months ended March 31,		
	2020	2019	
Defined benefit pension and postretirement plans adjustments			
Gains (losses) associated with defined benefit pension and postretirement plans amortization			
Transition asset	\$ (1)	\$ —	See Note 11
Prior service benefit	15	16	See Note 11
Net actuarial loss	(177)	(120)	See Note 11
Curtailments/Settlements	(1)	—	See Note 11
Total before tax	(164)	(104)	
Tax effect	45	20	Provision for income taxes
Net of tax	\$ (119)	\$ (84)	
Cash flow hedging instruments gains (losses)			
Foreign currency forward/option contracts	\$ 18	\$ 7	Cost of sales
Interest rate contracts	(2)	—	Interest expense
Total before tax	16	7	
Tax effect	(4)	(1)	Provision for income taxes
Net of tax	\$ 12	\$ 6	
Total reclassifications for the period, net of tax	\$ (107)	\$ (78)	

**NOTE 8. Income Taxes**

The Company is under IRS examination or appeals for the tax years 2015 through 2018. The IRS has completed its field examination of the U.S. federal income tax returns for all years through 2016, but the years have not closed as the Company is in the process of resolving issues identified during those examinations. In addition to the U.S. federal examination, there is also audit activity in several U.S. state and foreign jurisdictions. As of March 31, 2020, no taxing authority has proposed significant adjustments to the Company's tax positions for which the Company is not adequately reserved.

It is reasonably possible that the amount of unrecognized tax benefits could significantly change within the next 12 months. At this time, the Company is not able to estimate the range by which these potential events could impact 3M's unrecognized tax benefits in the next 12 months. The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of March 31, 2020 and December 31, 2019 are \$1,107 million and \$1,178 million, respectively. The decrease in unrecognized tax benefits includes a \$52 million decrease associated with the tax treatment of the 2018 agreement reached with the State of Minnesota that resolved the Natural Resources Damages (NRD) lawsuit.

As of March 31, 2020 and December 31, 2019, the Company had valuation allowances of \$158 million and \$158 million on its deferred tax assets, respectively.

The effective tax rate for the first quarter of 2020 was 17.4 percent, compared to 17.9 percent in the first quarter of 2019, a decrease of 0.5 percentage points. Primary factors that decreased the Company's effective tax rate include resolution of the tax treatment of the 2018 NRD lawsuit, increased benefit from U.S. international tax provisions, and geographical income mix. These decreases were partially offset by decreased benefit from stock options and higher prior year litigation charges.

In March 2020, in response to the impact of the COVID-19 pandemic in the US and across the globe, the United States Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. While the enactment period impacts to 3M were immaterial to income taxes, the Company continues to assess other aspects of the CARES Act.

**NOTE 9. 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)	March 31, 2020	December 31, 2019
Commercial paper	\$ 194	\$ 85
Certificates of deposit/time deposits	6	10
U.S. municipal securities	24	3
<b>Current marketable securities</b>	<b>\$ 224</b>	<b>\$ 98</b>
U.S. municipal securities	\$ 34	\$ 43
<b>Non-current marketable securities</b>	<b>\$ 34</b>	<b>\$ 43</b>
<b>Total marketable securities</b>	<b>\$ 258</b>	<b>\$ 141</b>

At March 31, 2020 and December 31, 2019, gross unrealized, gross realized, and net realized gains and/or losses (pre-tax) were not material.

The balances at March 31, 2020 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)	March 31, 2020
Due in one year or less	\$ 224
Due after one year through five years	14
Due after five years through ten years	20
Total marketable securities	\$ 258

**Held-to-Maturity Debt Securities**

In connection with the in-substance debt defeasance of the Third Lien Notes described in Note 10, the Company purchased a \$0.5 billion U.S. Treasury security in the fourth quarter of 2019 that matures in the second quarter of 2020 and transferred it to a trust with irrevocable instructions to use the proceeds from its maturity to satisfy the redemption of the Third Lien Notes in May 2020. This debt security is considered held-to-maturity due to the restrictions in satisfying and discharging the Third Lien Notes, is carried at amortized cost, and is reflected in other current assets on the Company's consolidated balance sheet. At March 31, 2020, the difference between the amortized cost of the U.S. Treasury security and its fair value was not material.

**NOTE 10. Long-Term Debt and Short-Term Borrowings**

In March 2020, 3M issued \$1.75 billion aggregate principal amount of fixed rate registered notes. These were comprised of \$500 million of 5-year notes due 2025 with a coupon rate of 2.65%, \$600 million of 10-year notes due 2030 with a coupon rate of 3.05%, and \$650 million of 30-year notes due 2050 with a coupon rate of 3.70%.

As of March 31, 2020, the Company had \$585 million commercial paper outstanding, compared to \$150 million in commercial paper outstanding as of December 31, 2019.

In September 2019, 3M entered into a credit facility expiring in July 2020 in the amount of 80 billion Japanese yen. At March 31, 2020, 69 billion Japanese yen, or approximately \$641 million at March 31, 2020 exchange rates, was drawn and outstanding.

In November 2019, 3M entered into a credit facility expiring in November 2020 in the amount of 150 million euros. At March 31, 2020, 150 million euros, or \$167 million at March 31, 2020 exchange rates, was drawn and outstanding.

In conjunction with the October 2019 acquisition of Acelity (see Note 3), 3M assumed outstanding debt of the business, of which \$445 million in principal amount of third lien senior secured notes (Third Lien Notes) maturing in 2021 with a coupon rate of 12.5% was not immediately redeemed at closing. Instead, at closing, 3M satisfied and discharged the Third Lien Notes via an in-substance defeasance, whereby 3M transferred cash equivalents and marketable securities to a trust with irrevocable instructions to redeem the Third Lien Notes on May 1, 2020. The trust assets are restricted from use in 3M's operations and may only be used for the redemption of the Third Lien Notes. These actions, however, do not represent a legal defeasance. Therefore, as of March 31, 2020, this debt is included in current portion of long-term debt and the related trust assets comprised of a held-to-maturity debt security are included in other current assets on the Company's consolidated balance sheet.

**Future Maturities of Long-term Debt**

Maturities of long-term debt in the table below reflect the impact of put provisions associated with certain debt instruments and are net of the unaccreted debt issue costs such that total maturities equal the carrying value of long-term debt as of March 31, 2020. The maturities of long-term debt for the periods subsequent to March 31, 2020 are as follows (in millions):

Remainder of 2020	2021	2022	2023	2024	2025	After 2025	Total
\$ 1,825	\$ 1,682	\$ 1,602	\$ 1,809	\$ 1,101	\$ 1,788	\$ 11,265	\$ 21,072

**NOTE 11. Pension and Postretirement Benefit Plans**

The service cost component of defined benefit net periodic benefit cost is recorded in cost of sales; selling, general and administrative expenses; and research, development and related expenses. The other components of net periodic benefit cost are reflected in other expense (income), net. Components of net periodic benefit cost and other supplemental information for the three months ended March 31, 2020 and 2019 follow:

**Benefit Plan Information**

(Millions)	Three months ended March 31,					
	Qualified and Non-qualified Pension Benefits				Postretirement Benefits	
	United States		International			
	2020	2019	2020	2019	2020	2019
<b>Net periodic benefit cost (benefit)</b>						
<b>Operating expense</b>						
Service cost	\$ 66	\$ 62	\$ 38	\$ 33	\$ 11	\$ 11
<b>Non-operating expense</b>						
Interest cost	\$ 124	\$ 155	\$ 31	\$ 39	\$ 16	\$ 21
Expected return on plan assets	(255)	(260)	(77)	(75)	(20)	(20)
Amortization of transition asset	—	—	1	—	—	—
Amortization of prior service benefit	(6)	(6)	(1)	(3)	(8)	(7)
Amortization of net actuarial loss	134	91	31	20	12	9
Settlements, curtailments, special termination benefits and other	—	—	—	—	1	—
Total non-operating expense (benefit)	(3)	(20)	(15)	(19)	1	3
Total net periodic benefit cost (benefit)	\$ 63	\$ 42	\$ 23	\$ 14	\$ 12	\$ 14

For the three months ended March 31, 2020, contributions totaling \$38 million were made to the Company's U.S. and international pension plans and \$1 million to its postretirement plans. For total year 2020, the Company expects to contribute approximately \$200 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 2020. 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.

**NOTE 12. 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 derivatives is included elsewhere as follows:

- Impact on other comprehensive income of nonderivative hedging and derivative instruments is included in Note 7.
- Fair value of derivative instruments is included in Note 13.
- Derivatives and/or hedging instruments associated with the Company's long-term debt are described in Note 12 in 3M's 2019 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 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 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 included in accumulated other comprehensive income for dedesignated hedges remains in accumulated other comprehensive income until the forecasted transaction occurs or becomes probable of not 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 swap or treasury rate lock 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 swap and treasury rate lock contracts is included in the tables below as part of the gain/(loss) recognized in income as a result of reclassification from accumulated other comprehensive income. Additional information regarding previously issued but terminated interest rate contracts, which have related balances within accumulated other comprehensive income being amortized over the underlying life of related debt, can be found in Note 14 in 3M's 2019 Annual Report on Form 10-K.

In March 2020, the Company entered into treasury rate lock contracts with a notional amount of \$500 million that were terminated concurrently with the March 2020 issuance of registered notes as discussed in Note 10. The termination resulted in an immaterial net loss within accumulated other comprehensive income that will be amortized over the respective lives of the debt.

The amortization of gains and losses on forward starting interest rate swap and treasury rate lock contracts is included in the tables below as part of the gain/(loss) reclassified from accumulated other comprehensive income into income.

As of March 31, 2020, the Company had a balance of \$16 million after-tax net unrealized gain associated with cash flow hedging instruments recorded in accumulated other comprehensive income. This includes a remaining balance of \$113 million (after-tax loss) related to the forward starting interest rate swap and treasury rate lock contracts, which will be amortized over the respective lives of the notes. Based on exchange rates as of March 31, 2020, 3M expects to reclassify approximately \$72 million, \$57 million, \$45 million of the after-tax net unrealized cash flow hedging gains to earnings over the next 12 months, over the remainder of 2020, and in 2021, respectively, in addition to reclassifying approximately \$86 million of the after-tax net unrealized cash flow hedging losses to earnings after 2021 (with the impact offset by earnings/losses from underlying hedged items).

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. Reclassifications of amounts from accumulated other comprehensive income into income include accumulated gains (losses) on dedesignated hedges at the time earnings are impacted by the forecasted transactions.

Three months ended March 31, 2020 (Millions)	Pretax Gain (Loss) Recognized in Other Comprehensive Income on Derivative	Pretax Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	
	Amount	Location	Amount
Foreign currency forward/option contracts	\$ 79	Cost of sales	\$ 18
Interest rate contracts	(2)	Interest expense	(2)
Total	\$ 77		\$ 16

  

Three months ended March 31, 2019 (Millions)	Amount	Location	Amount
Foreign currency forward/option contracts	\$ 30	Cost of sales	\$ 7
Interest rate contracts	(17)	Interest expense	—
Total	\$ 13		\$ 7

### 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. Additional information regarding designated interest rate swaps can be found in Note 14 in 3M's 2019 Annual Report on Form 10-K.

Refer to the section below titled *Statement of Income Location and Impact of Cash Flow and Fair Value Derivative Instruments* for details on the location within the consolidated statements of income for amounts of gains and losses related to derivative instruments designated as fair value hedges and similar information relative to the hedged items for the three months ended March 31, 2020 and 2019.

The following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges:

Location on the Consolidated Balance Sheet	Carrying Value of the Hedged Liabilities (in millions)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Value of the Hedged Liabilities (in millions)	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Short-term borrowings and current portion of long-term debt	\$ 500	\$ 499	\$ —	\$ —
Long-term debt	776	775	24	22
Total	\$ 1,276	\$ 1,274	\$ 24	\$ 22

### 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. Amounts excluded from the assessment of hedge effectiveness, including the time value of the forward contract at the inception of the hedge, are recognized in earnings using an amortization approach over the life of the hedging instrument on a straight-line basis. Any difference between the change in the fair value of the excluded component and the amount amortized into earnings during the period is recorded in cumulative translation within other comprehensive income. 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.

At March 31, 2020, the total notional amount of foreign exchange forward contracts designated in net investment hedges was approximately 200 million euros, along with a principal amount of long-term debt instruments designated in net investment hedges totaling 4.1 billion euros. The maturity dates of these derivative and nonderivative instruments designated in net investment hedges range from 2020 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.

	Pretax Gain (Loss) Recognized as Cumulative Translation within Other Comprehensive Income		Amount of Gain (Loss) Excluded from Effectiveness Testing Recognized in Income	
	Amount		Location	Amount
<b>Three months ended March 31, 2020 (Millions)</b>				
Foreign currency denominated debt	\$	15	Cost of sales	\$ —
Foreign currency forward contracts		1	Cost of sales	5
Total	\$	16		\$ 5
<b>Three months ended March 31, 2019 (Millions)</b>				
Foreign currency denominated debt	\$	92	Cost of sales	\$ —
Foreign currency forward contracts		15	Cost of sales	5
Total	\$	107		\$ 5

Derivatives Not Designated as Hedging Instruments:

Derivatives not designated as hedging instruments include dedesignated foreign currency forward and option contracts that formerly were designated in cash flow hedging relationships (as referenced in the Cash Flow Hedges section above). In addition, 3M enters into foreign currency forward contracts to offset, in part, the impacts of certain intercompany activities and enters into commodity price swaps to offset, in part, fluctuations in costs associated with the use of certain commodities and 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 location in the consolidated statement of income and amounts of gains and losses related to derivative instruments not designated as hedging instruments are as follows:

	Gain (Loss) on Derivative Recognized in Income	
	Location	Amount
<b>Three months ended March 31, 2020 (Millions)</b>		
Foreign currency forward/option contracts	Cost of sales	\$ 4
Foreign currency forward contracts	Interest expense	(16)
Total		\$ (12)
<b>Three months ended March 31, 2019 (Millions)</b>		
Foreign currency forward/option contracts	Cost of sales	\$ (2)
Foreign currency forward contracts	Interest expense	(8)
Total		\$ (10)



### Statement of Income Location and Impact of Cash Flow and Fair Value Derivative Instruments

The location in the consolidated statement of income and pre-tax amounts recognized in income related to derivative instruments designated in a cash flow or fair value hedging relationship are as follows:

(Millions)	Location and Amount of Gain (Loss) Recognized in Income		Location and Amount of Gain (Loss) Recognized in Income	
	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Cost of sales	Other expense (income), net	Cost of sales	Other expense (income), net
Total amounts of income and expense line items presented in the consolidated statement of income in which the effects of cash flow or fair value hedges are recorded	\$ 4,109	\$ 96	\$ 4,310	\$ 48
<b>The effects of fair value and cash flow hedging:</b>				
<b>Gain or (loss) on cash flow hedging relationships:</b>				
<b>Foreign currency forward/option contracts:</b>				
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	\$ 18	\$ —	\$ 7	\$ —
<b>Interest rate contracts:</b>				
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	—	(2)	—	—
<b>Gain or (loss) on fair value hedging relationships:</b>				
<b>Interest rate contracts:</b>				
Hedged items	\$ —	\$ (2)	\$ —	\$ (5)
Derivatives designated as hedging instruments	—	2	—	5

### Location and Fair Value Amount of Derivative Instruments

The following tables summarize the fair value of 3M's derivative instruments, excluding nonderivative instruments used as hedging instruments, and their location in the consolidated balance sheet. Notional amounts below are presented at period end foreign exchange rates, except for certain interest rate swaps, which are presented using the inception date's foreign exchange rate. Additional information with respect to the fair value of derivative instruments is included in Note 13.

	Gross	Assets		Liabilities	
March 31, 2020 (Millions)	Notional Amount	Location	Fair Value Amount	Location	Fair Value Amount
Derivatives designated as hedging instruments					
Foreign currency forward/option contracts	\$ 1,919	Other current assets	\$ 94	Other current liabilities	\$ 2
Foreign currency forward/option contracts	939	Other assets	65	Other liabilities	1
Interest rate contracts	500	Other current assets	—	Other current liabilities	—
Interest rate contracts	603	Other assets	18	Other liabilities	—
Total derivatives designated as hedging instruments			\$ 177		\$ 3
Derivatives not designated as hedging instruments					
Foreign currency forward/option contracts	\$ 2,601	Other current assets	\$ 28	Other current liabilities	\$ 19
Total derivatives not designated as hedging instruments			\$ 28		\$ 19
Total derivative instruments			\$ 205		\$ 22

	Gross	Assets		Liabilities	
December 31, 2019 (Millions)	Notional Amount	Location	Fair Value Amount	Location	Fair Value Amount
Derivatives designated as hedging instruments					
Foreign currency forward/option contracts	\$ 1,995	Other current assets	\$ 64	Other current liabilities	\$ 9
Foreign currency forward/option contracts	1,041	Other assets	50	Other liabilities	3
Interest rate contracts	500	Other current assets	—	Other current liabilities	—
Interest rate contracts	603	Other assets	17	Other liabilities	—
Total derivatives designated as hedging instruments			\$ 131	\$ 12	
Derivatives not designated as hedging instruments					
Foreign currency forward/option contracts	\$ 2,684	Other current assets	\$ 11	Other current liabilities	\$ 8
Total derivatives not designated as hedging instruments			\$ 11	\$ 8	
Total derivative instruments			\$ 142	\$ 20	

*Credit Risk and Offsetting of Assets and Liabilities of Derivative Instruments*

The Company is exposed to credit loss in the event of nonperformance by counterparties in interest rate swaps, currency swaps, commodity price swaps, and forward and option contracts. However, the Company's risk is limited to the fair value of the instruments. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits, and by selecting major international banks and financial institutions as counterparties. 3M enters into master netting arrangements with counterparties when possible to mitigate credit risk in derivative transactions. A master netting arrangement may allow each counterparty to net settle amounts owed between a 3M entity and the counterparty as a result of multiple, separate derivative transactions. As of March 31, 2020, 3M has International Swaps and Derivatives Association (ISDA) agreements with 17 applicable banks and financial institutions which contain netting provisions. In addition to a master agreement with 3M supported by a primary counterparty's parent guarantee, 3M also has associated credit support agreements in place with 16 of its primary derivative counterparties which, among other things, provide the circumstances under which either party is required to post eligible collateral (when the market value of transactions covered by these agreements exceeds specified thresholds or if a counterparty's credit rating has been downgraded to a predetermined rating). The Company does not anticipate nonperformance by any of these counterparties.

3M has elected to present the fair value of derivative assets and liabilities within the Company's consolidated balance sheet on a gross basis even when derivative transactions are subject to master netting arrangements and may otherwise qualify for net presentation. However, the following tables provide information as if the Company had elected to offset the asset and liability balances of derivative instruments, netted in accordance with various criteria in the event of default or termination as stipulated by the terms of netting arrangements with each of the counterparties. For each counterparty, if netted, the Company would offset the asset and liability balances of all derivatives at the end of the reporting period based on the 3M entity that is a party to the transactions. Derivatives not subject to master netting agreements are not eligible for net presentation. As of the applicable dates presented below, no cash collateral had been received or pledged related to these derivative instruments.

**Offsetting of Financial Assets under Master Netting Agreements with Derivative Counterparties**

	Gross Amount of Derivative Assets Presented in the Consolidated Balance Sheet	Gross Amounts not Offset in the Consolidated Balance Sheet that are Subject to Master Netting Agreements		Net Amount of Derivative Assets
		Gross Amount of Eligible Offsetting Recognized Derivative Liabilities	Cash Collateral Received	
<b>March 31, 2020 (Millions)</b>				
Derivatives subject to master netting agreements	\$ 205	\$ 12	\$ —	\$ 193
Derivatives not subject to master netting agreements	—			—
<b>Total</b>	<b>\$ 205</b>			<b>\$ 193</b>
<b>December 31, 2019 (Millions)</b>				
Derivatives subject to master netting agreements	\$ 142	\$ 14	\$ —	\$ 128
Derivatives not subject to master netting agreements	—			—
<b>Total</b>	<b>\$ 142</b>			<b>\$ 128</b>

**Offsetting of Financial Liabilities under Master Netting Agreements with Derivative Counterparties**

	Gross Amount of Derivative Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts not Offset in the Consolidated Balance Sheet that are Subject to Master Netting Agreements		Net Amount of Derivative Liabilities
		Gross Amount of Eligible Offsetting Recognized Derivative Assets	Cash Collateral Pledged	
<b>March 31, 2020 (Millions)</b>				
Derivatives subject to master netting agreements	\$ 22	\$ 12	\$ —	\$ 10
Derivatives not subject to master netting agreements	—			—
<b>Total</b>	<b>\$ 22</b>			<b>\$ 10</b>
<b>December 31, 2019 (Millions)</b>				
Derivatives subject to master netting agreements	\$ 20	\$ 14	\$ —	\$ 6
Derivatives not subject to master netting agreements	—			—
<b>Total</b>	<b>\$ 20</b>			<b>\$ 6</b>

**Currency Effects**

3M estimates that year-on-year foreign currency transaction effects, including hedging impacts, decreased pre-tax income by approximately \$1 million for the three months ended March 31, 2020. These estimates include transaction gains and losses, including derivative instruments designed to reduce foreign currency exchange rate risks.

**NOTE 13. Fair Value Measurements**

3M follows ASC 820, *Fair Value Measurements and Disclosures*, with respect to assets and liabilities that are measured at fair value on a recurring basis and nonrecurring basis. The Company adopted ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, as of January 1, 2020. This ASU primarily amended the disclosures around Level 3 investments, of which the Company had an immaterial amount for all periods presented. Refer to Note 1 for additional details.

In addition to the information above, refer to Note 15 in 3M's 2019 Annual Report on Form 10-K for a qualitative discussion of the assets and liabilities that are measured at fair value on a recurring and nonrecurring basis, a description of the valuation methodologies used by 3M, and categorization within the valuation framework of ASC 820.

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis.

Description (Millions)	Fair Value at March 31, 2020	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets:				
Available-for-sale:				
Marketable securities:				
Commercial paper	\$ 194	\$ —	\$ 194	\$ —
Certificates of deposit/time deposits	6	—	6	—
U.S. municipal securities	58	—	21	37
Investments	18	18	—	—
Derivative instruments — assets:				
Foreign currency forward/option contracts	187	—	187	—
Interest rate contracts	18	—	18	—
Liabilities:				
Derivative instruments — liabilities:				
Foreign currency forward/option contracts	22	—	22	—

Description (Millions)	Fair Value at December 31, 2019	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets:				
Available-for-sale:				
Marketable securities:				
Commercial paper	\$ 85	\$ —	\$ 85	\$ —
Certificates of deposit/time deposits	10	—	10	—
U.S. municipal securities	46	—	—	46
Investments	25	25	—	—
Derivative instruments — assets:				
Foreign currency forward/option contracts	125	—	125	—
Interest rate contracts	17	—	17	—
Liabilities:				
Derivative instruments — liabilities:				
Foreign currency forward/option contracts	20	—	20	—

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis in the table above that used significant unobservable inputs (level 3).

Marketable securities — certain U.S. municipal securities only (Millions)	Three months ended March 31,	
	2020	2019
Beginning balance	\$ 46	\$ 40
Total gains or losses:		
Included in earnings	—	—
Included in other comprehensive income	—	—
Purchases and issuances	10	9
Sales and settlements	(19)	—
Transfers in and/or out of level 3	—	—
Ending balance	\$ 37	\$ 49
Change in unrealized gains or losses for the period included in earnings for securities held at the end of the reporting period	—	—

In addition, the plan assets of 3M's pension and postretirement benefit plans are measured at fair value on a recurring basis (at least annually). Refer to Note 13 in 3M's 2019 Annual Report on Form 10-K.

*Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis:*

Disclosures are required for certain assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis in periods subsequent to initial recognition. For 3M, such measurements of fair value relate primarily to indefinite-lived and long-lived asset impairments, goodwill impairments, and adjustment in carrying value of equity securities for which the measurement alternative of cost less impairment plus or minus observable price changes is used. 3M reflected an immaterial charge related to impairment of certain indefinite-lived assets and a net charge of \$22 million related to adjustment to the carrying value of equity securities using the measurement alternative during the three months ended March 31, 2020. There were no material impairments of assets or adjustments to equity securities using the measurement alternative for the three months ended March 31, 2019.

*Fair Value of Financial Instruments:*

The Company's financial instruments include cash and cash equivalents, marketable securities, held-to-maturity debt securities, accounts receivable, certain investments, accounts payable, borrowings, and derivative contracts. The fair values of cash equivalents, accounts receivable, held-to-maturity debt securities, accounts payable, and short-term borrowings and current portion of long-term debt approximated carrying values because of the short-term nature of these instruments. Available-for-sale marketable securities, in addition to certain derivative instruments, are recorded at fair values as indicated in the preceding disclosures. To estimate fair values (classified as level 2) for its long-term debt, the Company utilized third-party quotes, which are derived all or in part from model prices, external sources, market prices, or the third-party's internal records. Information with respect to the carrying amounts and estimated fair values of these financial instruments follow:

(Millions)	March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, excluding current portion	\$ 19,247	\$ 20,226	\$ 17,518	\$ 18,475

The fair values reflected above consider the terms of the related debt absent the impacts of derivative/hedging activity. The carrying amount of long-term debt referenced above is impacted by certain fixed-to-floating interest rate swaps that are designated as fair value hedges and by the designation of certain fixed rate Eurobond securities issued by the Company as hedging instruments of the Company's net investment in its European subsidiaries. A number of 3M's fixed-rate bonds were trading at a premium at March 31, 2020 and December 31, 2019 due to lower interest rates compared to issuance levels.

#### **NOTE 14. Commitments and Contingencies**

##### *Legal Proceedings:*

The Company and some of its subsidiaries are involved in numerous claims and lawsuits, principally in the United States, and regulatory proceedings worldwide. These claims, lawsuits and proceedings include, but are not limited to, products liability (involving products that the Company now or formerly manufactured and sold), intellectual property, commercial, antitrust, federal False Claims Act, securities, and state and federal environmental laws. Unless otherwise stated, the Company is vigorously defending all such litigation and proceedings. From time to time, the Company also receives subpoenas or requests for information from various government agencies. The Company generally responds to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Company. Such subpoenas and requests can also lead to the assertion of claims or the commencement of administrative, civil or criminal legal proceedings against the Company and others, as well as to settlements. The outcomes of legal proceedings and regulatory matters are often difficult to predict. Any determination that the Company's operations or activities are not, or were not, in compliance with applicable laws or regulations could result in the imposition of fines, civil or criminal penalties, and equitable remedies, including disgorgement, suspension or debarment or injunctive relief. Additional information about the Company's process for disclosure and recording of liabilities and insurance receivables related to legal proceedings can be found in Note 16 "Commitments and Contingencies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The following sections first describe the significant legal proceedings in which the Company is involved, and then describe the liabilities and associated insurance receivables the Company has accrued relating to its significant legal proceedings.

##### Respirator Mask/Asbestos Litigation

As of March 31, 2020, the Company is a named defendant, with multiple co-defendants, in numerous lawsuits in various courts that purport to represent approximately 1,733 individual claimants, compared to approximately 1,727 individual claimants with actions pending on December 31, 2019.

The vast majority of the lawsuits and claims resolved by and currently pending against the Company allege use of some of the Company's mask and respirator products and seek damages from the Company and other defendants for alleged personal injury from workplace exposures to asbestos, silica, coal mine dust or other occupational dusts found in products manufactured by other defendants or generally in the workplace. A minority of the lawsuits and claims resolved by and currently pending against the Company generally allege personal injury from occupational exposure to asbestos from products previously manufactured by the Company, which are often unspecified, as well as products manufactured by other defendants, or occasionally at Company premises.

The Company's current volume of new and pending matters is substantially lower than it experienced at the peak of filings in 2003. The Company expects that filing of claims by unimpaired claimants in the future will continue to be at much lower levels than in the past. Accordingly, the number of claims alleging more serious injuries, including mesothelioma, other malignancies, and black lung disease, will represent a greater percentage of total claims than in the past. Over the past twenty plus years, the Company has prevailed in fourteen of the fifteen cases tried to a jury (including the lawsuits in 2018 described below). In 2018, 3M received a jury verdict in its favor in two lawsuits – one in California state court in February and the other in Massachusetts state court in December – both involving allegations that 3M respirators were defective and failed to protect the plaintiffs against asbestos fibers. In April 2018, a jury in state court in Kentucky found 3M's 8710 respirators failed to protect two coal miners from coal mine dust and awarded compensatory damages and punitive damages. In August 2018, the trial court entered judgment and the Company appealed. During March and April 2019, the Company agreed in principle to settle a substantial majority of the coal mine dust lawsuits in Kentucky and West Virginia for \$340 million, including the jury verdict in April 2018 in the Kentucky case mentioned above. That settlement was completed in 2019, and the appeal has been dismissed.

The Company has demonstrated in these past trial proceedings that its respiratory protection products are effective as claimed when used in the intended manner and in the intended circumstances. Consequently, the Company believes that claimants are unable to establish that their medical conditions, even if significant, are attributable to the Company's respiratory protection products. Nonetheless, the Company's litigation experience indicates that claims of persons alleging more serious injuries, including mesothelioma, other malignancies, and black lung disease, are costlier to resolve than the claims of unimpaired persons, and it

therefore believes the average cost of resolving pending and future claims on a per-claim basis will continue to be higher than it experienced in prior periods when the vast majority of claims were asserted by medically unimpaired claimants.

As previously reported, the State of West Virginia, through its Attorney General, filed a complaint in 2003 against the Company and two other manufacturers of respiratory protection products in the Circuit Court of Lincoln County, West Virginia, and amended its complaint in 2005. The amended complaint seeks substantial, but unspecified, compensatory damages primarily for reimbursement of the costs allegedly incurred by the State for worker's compensation and healthcare benefits provided to all workers with occupational pneumoconiosis and unspecified punitive damages. In October 2019, the court granted the State's motion to sever its unfair trade practices claim. In January 2020, the manufacturers filed a petition with the West Virginia Supreme Court, challenging the trial court's rulings. No liability has been recorded for this matter because the Company believes that liability is not probable and estimable at this time. In addition, the Company is not able to estimate a possible loss or range of loss given the lack of any meaningful discovery responses by the State of West Virginia, the otherwise minimal activity in this case, and the assertions of claims against two other manufacturers where a defendant's share of liability may turn on the law of joint and several liability and by the amount of fault, if any, a jury may allocate to each defendant if the case were ultimately tried.

#### *Respirator Mask/Asbestos Liabilities and Insurance Receivables*

The Company regularly conducts a comprehensive legal review of its respirator mask/asbestos liabilities. The Company reviews recent and historical claims data, including without limitation, (i) the number of pending claims filed against the Company, (ii) the nature and mix of those claims (i.e., the proportion of claims asserting usage of the Company's mask or respirator products and alleging exposure to each of asbestos, silica, coal or other occupational dusts, and claims pleading use of asbestos-containing products allegedly manufactured by the Company), (iii) the costs to defend and resolve pending claims, and (iv) trends in filing rates and in costs to defend and resolve claims, (collectively, the "Claims Data"). As part of its comprehensive legal review, the Company regularly provides the Claims Data to a third party with expertise in determining the impact of Claims Data on future filing trends and costs. The third party assists the Company in estimating the costs to defend and resolve pending and future claims. The Company uses these estimates to develop its best estimate of probable liability.

Developments may occur that could affect the Company's estimate of its liabilities. These developments include, but are not limited to, significant changes in (i) the key assumptions underlying the Company's accrual, including, the number of future claims, the nature and mix of those claims, the average cost of defending and resolving claims, and in maintaining trial readiness (ii) trial and appellate outcomes, (iii) the law and procedure applicable to these claims, and (iv) the financial viability of other co-defendants and insurers.

As a result of its review of its respirator mask/asbestos liabilities, of pending and expected lawsuits and of the cost of resolving claims of persons who claim more serious injuries, including mesothelioma, other malignancies, and black lung disease, the Company increased its accruals in the first three months of 2020 for respirator mask/asbestos liabilities by \$8 million. In the first three months of 2020, the Company made payments for legal defense costs and settlements of \$27 million related to the respirator mask/asbestos litigation. During the first quarter of 2019, the Company recorded a pre-tax charge of \$313 million in conjunction with an increase in the accrual as a result of the March and April 2019 settlements-in-principle of the coal mine dust lawsuits mentioned above and the Company's assessment of other current and expected coal mine dust lawsuits (including the costs to resolve all current and expected coal mine dust lawsuits in Kentucky and West Virginia). As of March 31, 2020, the Company had an accrual for respirator mask/asbestos liabilities (excluding Aearo accruals) of \$589 million. This accrual represents the Company's best estimate of probable loss and reflects an estimation period for future claims that may be filed against the Company approaching the year 2050. The Company cannot estimate the amount or upper end of the range of amounts by which the liability may exceed the accrual the Company has established because of the (i) inherent difficulty in projecting the number of claims that have not yet been asserted or the time period in which future claims may be asserted, (ii) the complaints nearly always assert claims against multiple defendants where the damages alleged are typically not attributed to individual defendants so that a defendant's share of liability may turn on the law of joint and several liability, which can vary by state, (iii) the multiple factors described above that the Company considers in estimating its liabilities, and (iv) the several possible developments described above that may occur that could affect the Company's estimate of liabilities.

As of March 31, 2020, the Company's receivable for insurance recoveries related to the respirator mask/asbestos litigation was \$4 million. The Company continues to seek coverage under the policies of certain insolvent and other insurers. Once those claims for coverage are resolved, the Company will have collected substantially all of its remaining insurance coverage for respirator mask/asbestos claims.

#### Respirator Mask/Asbestos Litigation — Aearo Technologies

On April 1, 2008, a subsidiary of the Company acquired the stock of Aearo Holding Corp., the parent of Aearo Technologies (“Aearo”). Aearo manufactured and sold various products, including personal protection equipment, such as eye, ear, head, face, fall and certain respiratory protection products.

As of March 31, 2020, Aearo and/or other companies that previously owned and operated Aearo’s respirator business (American Optical Corporation, Warner-Lambert LLC, AO Corp. and Cabot Corporation (“Cabot”)) are named defendants, with multiple co-defendants, including the Company, in numerous lawsuits in various courts in which plaintiffs allege use of mask and respirator products and seek damages from Aearo and other defendants for alleged personal injury from workplace exposures to asbestos, silica-related, coal mine dust, or other occupational dusts found in products manufactured by other defendants or generally in the workplace.

As of March 31, 2020, the Company, through its Aearo subsidiary, had accruals of \$58 million for product liabilities and defense costs related to current and future Aearo-related asbestos and silica-related claims. This accrual represents the Company’s best estimate of Aearo’s probable loss and reflects an estimation period for future claims that may be filed against Aearo approaching the year 2050. The accrual was increased by \$9 million during the three months ended March 31, 2020, reflecting the Company’s assessment of pending and expected lawsuits, its review of its respirator mask/asbestos liabilities, and the cost of resolving claims of persons who claim more serious injuries. Responsibility for legal costs, as well as for settlements and judgments, is currently shared in an informal arrangement among Aearo, Cabot, American Optical Corporation and a subsidiary of Warner Lambert and their respective insurers (the “Payor Group”). Liability is allocated among the parties based on the number of years each company sold respiratory products under the “AO Safety” brand and/or owned the AO Safety Division of American Optical Corporation and the alleged years of exposure of the individual plaintiff. Aearo’s share of the contingent liability is further limited by an agreement entered into between Aearo and Cabot on July 11, 1995. This agreement provides that, so long as Aearo pays to Cabot a quarterly fee of \$100,000, Cabot will retain responsibility and liability for, and indemnify Aearo against, any product liability claims involving exposure to asbestos, silica, or silica products for respirators sold prior to July 11, 1995. Because of the difficulty in determining how long a particular respirator remains in the stream of commerce after being sold, Aearo and Cabot have applied the agreement to claims arising out of the alleged use of respirators involving exposure to asbestos, silica or silica products prior to January 1, 1997. With these arrangements in place, Aearo’s potential liability is limited to exposures alleged to have arisen from the use of respirators involving exposure to asbestos, silica, or silica products on or after January 1, 1997. To date, Aearo has elected to pay the quarterly fee. Aearo could potentially be exposed to additional claims for some part of the pre-July 11, 1995 period covered by its agreement with Cabot if Aearo elects to discontinue its participation in this arrangement, or if Cabot is no longer able to meet its obligations in these matters.

Developments may occur that could affect the estimate of Aearo’s liabilities. These developments include, but are not limited to: (i) significant changes in the number of future claims, (ii) significant changes in the average cost of resolving claims, (iii) significant changes in the legal costs of defending these claims, (iv) significant changes in the mix and nature of claims received, (v) trial and appellate outcomes, (vi) significant changes in the law and procedure applicable to these claims, (vii) significant changes in the liability allocation among the co-defendants, (viii) the financial viability of members of the Payor Group including exhaustion of available insurance coverage limits, and/or (ix) a determination that the interpretation of the contractual obligations on which Aearo has estimated its share of liability is inaccurate. The Company cannot determine the impact of these potential developments on its current estimate of Aearo’s share of liability for these existing and future claims. If any of the developments described above were to occur, the actual amount of these liabilities for existing and future claims could be significantly larger than the amount accrued.

Because of the inherent difficulty in projecting the number of claims that have not yet been asserted, the complexity of allocating responsibility for future claims among the Payor Group, and the several possible developments that may occur that could affect the estimate of Aearo’s liabilities, the Company cannot estimate the amount or range of amounts by which Aearo’s liability may exceed the accrual the Company has established.

#### Environmental Matters and Litigation

The Company’s operations are subject to environmental laws and regulations including those pertaining to air emissions, wastewater discharges, toxic substances, and the handling and disposal of solid and hazardous wastes enforceable by national, state, and local authorities around the world, and private parties in the United States and abroad. These laws and regulations provide, under certain circumstances, a basis for the remediation of contamination, for capital investment in pollution control equipment, for restoration of or



compensation for damages to natural resources, and for personal injury and property damage claims. The Company has incurred, and will continue to incur, costs and capital expenditures in complying with these laws and regulations, defending personal injury and property damage claims, and modifying its business operations in light of its environmental responsibilities. In its effort to satisfy its environmental responsibilities and comply with environmental laws and regulations, the Company has established, and periodically updates, policies relating to environmental standards of performance for its operations worldwide.

Under certain environmental laws, including the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and similar state laws, the Company may be jointly and severally liable, typically with other companies, for the costs of remediation of environmental contamination at current or former facilities and at off-site locations. The Company has identified numerous locations, most of which are in the United States, at which it may have some liability. Please refer to the section entitled “*Environmental Liabilities and Insurance Receivables*” that follows for information on the amount of the accrual for such liabilities.

#### *Environmental Matters*

As previously reported, the Company has been voluntarily cooperating with ongoing reviews by local, state, federal (primarily the U.S. Environmental Protection Agency (EPA)), and international agencies of possible environmental and health effects of various perfluorinated compounds, including perfluorooctanoate (“PFOA”), perfluorooctane sulfonate (“PFOS”), perfluorohexane sulfonate (“PFHxS”), or other per- and polyfluoroalkyl substances (collectively “PFAS”). As a result of its phase-out decision in May 2000, the Company no longer manufactures certain PFAS compounds including PFOA, PFOS, PFHxS, and their pre-cursor compounds. The Company ceased manufacturing and using the vast majority of these compounds within approximately two years of the phase-out announcement and ceased all manufacturing and the last significant use of this chemistry by the end of 2008. The Company continues to manufacture a variety of shorter chain length PFAS compounds, including, but not limited to, pre-cursor compounds to perfluorobutane sulfonate (“PFBS”). These compounds are used as input materials to a variety of products, including engineered fluorinated fluids, fluoropolymers and fluorelastomers, as well as surfactants, additives, and coatings. Through its ongoing life cycle management and its raw material composition identification processes associated with the Company’s policies covering the use of all persistent and bio-accumulative materials, the Company continues to review, control or eliminate the presence of certain PFAS in purchased materials or as byproducts in some of 3M’s current fluorochemical manufacturing processes, products, and waste streams.

Regulatory activities concerning PFAS continue in the United States, Europe and elsewhere, and before certain international bodies. These activities include gathering of exposure and use information, risk assessment, and consideration of regulatory approaches. As the database of studies of both PFOA and PFOS has expanded, the EPA has developed human health effects documents summarizing the available data from these studies. In February 2014, the EPA initiated external peer review of its draft human health effects documents for PFOA and PFOS. The peer review panel met in August 2014. In May 2016, the EPA announced lifetime health advisory levels for PFOA and PFOS at 70 parts per trillion (ppt) (superseding the provisional levels established by the EPA in 2009 of 400 ppt for PFOA and 200 ppt for PFOS). Where PFOA and PFOS are found together, EPA recommends that the concentrations be added together, and the lifetime health advisory for PFOA and PFOS combined is also 70 ppt. Lifetime health advisories, which are non-enforceable and non-regulatory, provide information about concentrations of drinking water contaminants at which adverse health effects are not expected to occur over the specified exposure duration. To collect exposure information under the Safe Drinking Water Act, the EPA published on May 2, 2012 a list of unregulated substances, including six PFAS chemicals, required to be monitored during the period 2013-2015 by public water system suppliers to determine the extent of their occurrence. Through January 2017, the EPA reported results for 4,920 public water supplies nationwide. Based on the 2016 lifetime health advisory, 13 public water supplies exceed the level for PFOA and 46 exceed the level for PFOS (unchanged from the July 2016 EPA summary). A technical advisory issued by EPA in September 2016 on laboratory analysis of drinking water samples stated that 65 public water supplies had exceeded the combined level for PFOA and PFOS. These results are based on one or more samples collected during the period 2012-2015 and do not necessarily reflect current conditions of these public water supplies. EPA reporting does not identify the sources of the PFOA and PFOS in the public water supplies.

The Company is continuing to make progress in its work, under the supervision of state regulators, to remediate historic disposal of PFAS-containing waste associated with manufacturing operations at its Decatur, Alabama; Cottage Grove, Minnesota; and Cordova, Illinois plants. As previously reported, the Company entered into a voluntary remedial action agreement with the Alabama Department of Environmental Management (ADEM) to remediate the presence of PFAS in the soil and groundwater at the Company’s manufacturing facility in Decatur, Alabama associated with the historic (1978-1998) incorporation of wastewater treatment plant

sludge. With ADEM's agreement, 3M is installing a multilayer cap on the former sludge incorporation areas and implementing groundwater migration controls and treatment.

The Company continues to work with the Minnesota Pollution Control Agency (MPCA) pursuant to the terms of the previously disclosed May 2007 Settlement Agreement and Consent Order to address the presence of certain PFAS in the soil and groundwater at former disposal sites in Washington County, Minnesota (Oakdale and Woodbury) and at the Company's manufacturing facility at Cottage Grove, Minnesota. Under this agreement, the Company's principal obligations include (i) evaluating releases of certain PFAS from these sites and proposing response actions; (ii) providing treatment or alternative drinking water upon identifying any level exceeding a Health Based Value ("HBV") or Health Risk Limit ("HRL") (i.e., the amount of a chemical in drinking water determined by the Minnesota Department of Health (MDH) to be safe for human consumption over a lifetime) for certain PFAS for which a HBV and/or HRL exists as a result of contamination from these sites; (iii) remediating identified sources of other PFAS at these sites that are not controlled by actions to remediate PFOA and PFOS; and (iv) sharing information with the MPCA about certain perfluorinated compounds. During 2008, the MPCA issued formal decisions adopting remedial options for the former disposal sites in Washington County, Minnesota (Oakdale and Woodbury). In August 2009, the MPCA issued a formal decision adopting remedial options for the Company's Cottage Grove manufacturing facility. During the spring and summer of 2010, 3M began implementing the agreed upon remedial options at the Cottage Grove and Woodbury sites. 3M commenced the remedial option at the Oakdale site in late 2010. At each location the remedial options were recommended by the Company and approved by the MPCA. Remediation work has been completed at the Oakdale and Woodbury sites, and they are in an operational maintenance mode. Remediation work has been substantially completed at the Cottage Grove site, with operational and maintenance activities ongoing.

In August 2014, the Illinois EPA approved a request by the Company to establish a groundwater management zone at its manufacturing facility in Cordova, Illinois, which includes ongoing pumping of impacted site groundwater, groundwater monitoring and routine reporting of results.

In May 2017, the MDH issued new HBVs for PFOS and PFOA. The new HBVs are 35 ppt for PFOA and 27 ppt for PFOS. In connection with its announcement the MDH stated that "Drinking water with PFOA and PFOS, even at the levels above the updated values, does not represent an immediate health risk. These values are designed to reduce long-term health risks across the population and are based on multiple safety factors to protect the most vulnerable citizens, which makes them overprotective for most of the residents in our state." In December 2017, the MDH issued a new HBV for perfluorobutane sulfonate (PFBS) of 2 parts per billion (ppb). In February 2018, the MDH published reports finding no unusual rates of certain cancers or adverse birth outcomes (low birth rates or premature births) among residents of Washington and Dakota Counties in Minnesota. In April 2019, the MDH issued a new HBV for PFOS of 15 ppt and a new HBV for PFHxS of 47 ppt.

In May 2018, the EPA announced a four-step PFAS action plan, which includes evaluating the need to set Safe Drinking Water Act maximum contaminant levels (MCLs) for PFOA and PFOS and beginning the steps necessary to designate PFOA and PFOS as "hazardous substances" under CERCLA. In November 2018, the EPA asked for public comment on draft toxicity assessments for two PFAS compounds, including PFBS. In February 2019, the EPA issued a PFAS Action Plan that outlines short- and long-term actions the EPA is taking to address PFAS – actions that include developing a national drinking water determination for PFOA and PFOS, strengthening enforcement authorities and evaluating cleanup approaches, nationwide drinking water monitoring for PFAS, expanding scientific knowledge for understanding and managing risk from PFAS, and developing consistent risk communication tools for communicating with other agencies and the public. With respect to groundwater contaminated with PFOA and PFOS, the EPA issued interim recommendations in December 2019, providing guidance for screening levels and preliminary remediation goals for groundwater that is a current or potential drinking water source, to inform final clean-up levels of contaminated sites. In February 2020, the EPA provided notice and requested public comment on certain preliminary determinations to regulate PFOA and PFOS under the Safe Drinking Water Act (SDWA).

The U.S. Agency for Toxic Substances and Disease Registry (ATSDR) within the Department of Health and Human Services released a draft Toxicological Profile for PFAS for public review and comment in June 2018. In the draft report, ATSDR proposed draft minimal risk levels (MRLs) for PFOS, PFOA and several other PFAS. An MRL is an estimate of the daily human exposure to a hazardous substance that is likely to be without appreciable risk of adverse non-cancer health effects over a specified duration of exposure. MRLs are not intended to define cleanup or action levels for ATSDR or other agencies. In August 2018, 3M submitted comments on the ATSDR proposal, noting that there are major shortcomings with the current draft, especially with the MRLs, and that the ATSDR's profile must reflect the best science and full weight of evidence known about these chemicals.

Several state legislatures and state agencies have been evaluating or have taken actions related to cleanup standards, groundwater values or drinking water values for PFOS, PFOA, and other PFAS, and 3M has submitted various responsive comments. In September 2019, 3M and several other parties filed a lawsuit in New Hampshire state court to enjoin new PFAS regulations in New Hampshire. In November 2019, the court issued a preliminary injunction preventing the regulations from being enforced. In April 2020, the New Hampshire supreme court agreed to review several issues related to the preliminary injunctive order.

The Company cannot predict what additional regulatory actions arising from the foregoing or other proceedings and activities, if any, may be taken regarding such compounds or the consequences of any such actions.

*Litigation Related to Historical PFAS Manufacturing Operations in Alabama*

As previously reported, a former employee filed a putative class action lawsuit against 3M, BFI Waste Management Systems of Alabama, and others in the Circuit Court of Morgan County, Alabama (the “St. John” case), seeking property damage from exposure to certain perfluorochemicals at or near the Company’s Decatur, Alabama, manufacturing facility. The parties have agreed to continue to stay the St. John case through April 2020, pending ongoing mediation between the parties involved in this case and another case discussed below. Two additional putative class actions filed in the same court by certain residents in the vicinity of the Decatur plant seeking relief on similar grounds (the Chandler case and the Stover case, respectively) are stayed pending the resolution of class certification issues in the St. John case.

In October 2015, West Morgan-East Lawrence Water & Sewer Authority (Water Authority) filed an individual complaint against 3M Company, Dyneon, LLC, and Daikin America, Inc., in the U.S. District Court for the Northern District of Alabama. The complaint also includes representative plaintiffs who brought the complaint on behalf of themselves, and a class of all owners and possessors of property who use water provided by the Water Authority and five local water works to which the Water Authority supplies water (collectively, the “Water Utilities”). The complaint seeks compensatory and punitive damages and injunctive relief based on allegations that the defendants’ chemicals, including PFOA and PFOS from their manufacturing processes in Decatur, have contaminated the water in the Tennessee River at the water intake, and that the chemicals cannot be removed by the water treatment processes utilized by the Water Authority. In April 2019, 3M and the Water Authority settled the lawsuit for \$35 million, which will fund a new water filtration system, with 3M indemnifying the Water Authority from liability resulting from the resolution of the currently pending and future lawsuits against the Water Authority alleging liability or damages related to 3M PFAS. The putative class claims brought by the representative plaintiffs who were supplied drinking water by the Water Authority (the “Lindsey” case) remain, with a trial set for October 2020. 3M has filed its opposition to class certification and a motion for summary judgment. Discovery is ongoing.

In June 2016, the Tennessee Riverkeeper, Inc. (Riverkeeper), a non-profit corporation, filed a lawsuit in the U.S. District Court for the Northern District of Alabama against 3M; BFI Waste Systems of Alabama; the City of Decatur, Alabama; and the Municipal Utilities Board of Decatur, Morgan County, Alabama. The complaint alleges that the defendants violated the Resource Conservation and Recovery Act in connection with the disposal of certain PFAS through their ownership and operation of their respective sites. The complaint further alleges such practices may present an imminent and substantial endangerment to health and/or the environment and that Riverkeeper has suffered and will continue to suffer irreparable harm caused by defendants’ failure to abate the endangerment unless the court grants the requested relief, including declaratory and injunctive relief. This case has been stayed through April 2020, pending ongoing mediation between the parties in conjunction with the St. John case.

In August 2016, a group of over 200 plaintiffs filed a putative class action against West Morgan-East Lawrence Water and Sewer Authority (Water Authority), 3M, Dyneon, Daikin, BFI, and the City of Decatur in state court in Lawrence County, Alabama (the “Billings” case). Plaintiffs are residents of Lawrence, Morgan and other counties who are or have been customers of the Water Authority. They contend defendants have released PFAS that contaminate the Tennessee River and, in turn, their drinking water, causing damage to their health and properties. In January 2017, the court in the St. John case, discussed above, stayed this litigation pending resolution of the St. John case.

In January 2017, several hundred plaintiffs sued 3M, its subsidiary Dyneon, and Daikin America in Lawrence and Morgan Counties, Alabama (the “Owens” case). The plaintiffs are owners of property, residents, and holders of property interests who receive their water from the West Morgan-East Lawrence Water and Sewer Authority (Water Authority). They assert common law claims for negligence, nuisance, trespass, wantonness, and battery, and they seek injunctive relief and punitive damages. The plaintiffs contend that the defendants own and operate manufacturing and disposal facilities in Decatur that have released and continue to release PFOA,

PFOS and related chemicals into the groundwater and surface water of their sites, resulting in discharges into the Tennessee River. The plaintiffs contend that, as a result of the alleged discharges, the water supplied by the Water Authority to the plaintiffs was, and is, contaminated with PFOA, PFOS, and related chemicals at a level dangerous to humans. The court denied a motion by co-defendant Daikin to stay this case pending resolution of the St. John case, and the case is progressing through discovery.

In November 2017, a putative class action (the “King” case) was filed against 3M, its subsidiary Dyneon, Daikin America, and the West Morgan-East Lawrence Water and Sewer Authority (Water Authority) in the U.S. District Court for the Northern District of Alabama. The plaintiffs are residents of Lawrence and Morgan County, Alabama who receive their water from the Water Authority and seek injunctive relief, attorneys’ fees, compensatory and punitive damages for their alleged personal injuries. The plaintiffs contend that the defendants own and operate manufacturing and disposal facilities in Decatur that have released and continue to release PFOA, PFOS and related chemicals into the groundwater and surface water of their sites, resulting in discharges into the Tennessee River. The plaintiffs contend that, as a result of the alleged discharges, the water supplied by the Water Authority to the plaintiffs was, and is, contaminated with PFOA, PFOS, and related chemicals at a level dangerous to humans. In November 2019, the King plaintiffs amended their complaint to withdraw all class allegations, dismiss the Water Authority as a defendant, and add 24 new individual plaintiffs (for a total of 59 plaintiffs).

In July 2019, 3M announced that it had initiated an investigation into the possible presence of PFAS in three closed municipal landfills in Decatur that accepted waste from 3M’s Decatur plant and other companies in the 1960s through the 1980s. 3M is working with local and state entities as it conducts its investigation and will report the results and recommended remedial action, if any, to those entities and the public. 3M is also defending or has received notice of potential lawsuits in state and federal court brought by individual property owners who claim damages related to historical PFAS disposal at former area landfills near their properties.

#### *Litigation Related to Historical PFAS Manufacturing Operations in Minnesota*

In July 2016, the City of Lake Elmo filed a lawsuit in the U.S. District Court for the District of Minnesota against 3M alleging that the City suffered damages from drinking water supplies contaminated with PFAS, including costs to construct alternative sources of drinking water. In April 2019, 3M and the City of Lake Elmo agreed to settle the lawsuit for less than \$5 million.

#### *State Attorneys General Litigation related to PFAS*

Minnesota. In December 2010, the State of Minnesota, by its Attorney General, filed a lawsuit in Hennepin County District Court against 3M seeking damages and injunctive relief with respect to the presence of PFAS in the groundwater, surface water, fish or other aquatic life, and sediments in the state of Minnesota (the “NRD Lawsuit”). In February 2018, 3M and the State of Minnesota reached a resolution of the NRD Lawsuit. Under the terms of the settlement, 3M agreed to provide an \$850 million grant to the State for a special “3M Water Quality and Sustainability Fund.” This Fund, which is administered by the State, will enable projects that support water sustainability in the Twin Cities East Metro region, such as continued delivery of water to residents and enhancing groundwater recharge to support sustainable growth. The projects will also result in habitat and recreation improvements, such as fishing piers, trails, and open space preservation. 3M recorded a pre-tax charge of \$897 million, inclusive of legal fees and other related obligations, in the first quarter of 2018 associated with the resolution of this matter.

New York. The State of New York, by its Attorney General, has filed four lawsuits (in June 2018, February 2019, July 2019, and November 2019) against 3M and other defendants seeking to recover the costs incurred in responding to PFAS contamination allegedly caused by Aqueous Film Forming Foam (AFFF) manufactured by 3M and others. Each of the four suits was filed in Albany County Supreme Court before being removed to federal court, and each has been transferred to the multi-district litigation (MDL) proceeding for AFFF cases, which is discussed further below. The state is seeking compensatory and punitive damages, and injunctive and equitable relief in the form of a monetary fund for the State’s reasonably expected future damages, and/or requiring defendants to perform investigative and remedial work.

Ohio. In December 2018, the State of Ohio, by its Attorney General, filed a lawsuit in the Common Pleas Court of Lucas County, Ohio against 3M, Tyco Fire Products LP, Chemguard, Inc., Buckeye Fire Equipment Co., National Foam, Inc., and Angus Fire Armour Corp., seeking injunctive relief and compensatory and punitive damages for remediation costs and alleged injury to Ohio natural resources from AFFF manufacturers. This case was removed to federal court and transferred to the MDL.

*New Jersey.* In March 2019, the New Jersey Attorney General filed two actions against 3M, DuPont, and Chemours on behalf of the New Jersey Department of Environmental Protection (NJDEP), the NJDEP's commissioner, and the New Jersey Spill Compensation Fund regarding alleged discharges at two DuPont facilities in Pennsville, New Jersey (Salem County) and Parlin, New Jersey (Middlesex County). 3M is included as a defendant in both cases because it allegedly supplied PFOA to DuPont for use at the facilities at issue. Both cases expressly seek to have the defendants pay all costs necessary to investigate, remediate, assess, and restore the affected natural resources of New Jersey. DuPont removed these cases to federal court. In August 2019, the court stayed all proceedings in these actions pending a ruling on NJDEP's motions to remand the cases to state court.

In May 2019, the New Jersey Attorney General and NJDEP filed a lawsuit against 3M, DuPont, and six other companies, alleging natural resource damages from AFFF products and seeking damages, including punitive damages, and associated fees. This case was removed to federal court and transferred to the AFFF MDL.

*New Hampshire.* In May 2019, the New Hampshire Attorney General filed two lawsuits alleging contamination of the state's drinking water supplies and other natural resources by PFAS chemicals. The first lawsuit was filed against 3M and seven co-defendants, alleging PFAS contamination resulting from the use of AFFF products at several sites around the state. This case was removed to federal court and transferred to the AFFF MDL. The second suit asserts PFAS contamination from non-AFFF sources and names 3M, DuPont, and Chemours as defendants. This suit remains in state court in early stages of litigation; 3M's motion to dismiss remains pending.

*Vermont.* In June 2019, the Vermont Attorney General filed two lawsuits alleging contamination of the state's drinking water supplies and other natural resources by PFAS chemicals. The first lawsuit was filed against 3M and ten co-defendants, alleging PFAS contamination resulting from the use of AFFF products at several sites around the state. This case was removed to federal court and transferred to the AFFF MDL. The second suit asserts PFAS contamination from non-AFFF sources and names 3M and several entities related to DuPont and Chemours as defendants. This suit remains in state court in early stages of litigation. 3M's motion to dismiss remains pending.

*Michigan.* In May 2019, the Michigan Attorney General issued a request for proposal seeking outside legal expertise in pursuing claims against manufacturers, distributors, and other parties related to PFAS. In January 2020, the Michigan Attorney General filed a lawsuit in state court against 3M, Dyneon, DuPont, Chemours and others seeking injunctive and equitable relief and damages for alleged injury to Michigan public natural resources and its residents relating to PFAS.

*Guam.* In September 2019, the Attorney General of Guam filed a lawsuit against 3M and other defendants relating to contamination of the territory's drinking water supplies and other natural resources by PFAS, allegedly resulting from the use of AFFF products at several sites around the island. This lawsuit has been removed to federal court and transferred to the AFFF MDL.

*Commonwealth of Northern Mariana Islands.* In December 2019, the Attorney General of the Commonwealth of Northern Mariana Islands, a U.S. territory, filed a lawsuit against 3M and other defendants relating to contamination of the territory's drinking water supplies and other natural resources by PFAS, allegedly resulting from the use of AFFF products. This lawsuit has been removed to federal court and transferred to the AFFF MDL.

In addition to the above state attorneys general actions, the Company is in discussions with several other state attorneys general and agencies and responding to information and other requests relating to PFAS matters.

#### *Aqueous Film Forming Foam (AFFF) Environmental Litigation*

3M manufactured and marketed AFFF for use in firefighting at airports and military bases from approximately 1963 to 2002. As of March 31, 2020, 576 lawsuits (including 25 putative class actions) have been filed against 3M (along with other defendants) in various state and federal courts where current or former airports, military bases, or fire training facilities are or were located. As previously noted, some of these cases have been brought by state or territory attorneys general. In most of these cases, plaintiffs typically allege that certain PFAS used in AFFF contaminated the soil and groundwater where AFFF was used and seek damages for loss of use and enjoyment of properties, diminished property values, investigation costs, remediation costs, and in some cases, personal injury and funds for medical monitoring. 131 cases filed since October 2019 have been brought by current or former firefighters who claim to have suffered personal injury as a result of exposure to AFFF while using the product. The United States, the U.S. Department of

Defense and several companies have been sued along with 3M, including but not limited to Ansul Co. (acquired by Tyco, Inc.), Angus Fire, Buckeye Fire Protection Co., Chemguard, Chemours, DuPont, National Foam, Inc., and United Technologies Corp.

In December 2018, the U.S. Judicial Panel on Multidistrict Litigation (JPML) granted motions to transfer and consolidate all AFFF cases pending in federal courts to the U.S. District Court for the District of South Carolina to be managed in an MDL proceeding to centralize pre-trial proceedings. Additional AFFF cases continue to be transferred into the MDL as they are filed or removed to federal court. As of March 31, 2020, there were 576 cases in the MDL, 568 of which name 3M as a defendant. The parties in the MDL are currently in the process of conducting discovery.

In June 2019, several subsidiaries of Valero Energy Corporation, an independent petroleum refiner, filed eight AFFF cases against 3M and other defendants, including DuPont/Chemours, National Foam, Buckeye Fire Equipment, and Kidde-Fenwal, in various state courts. Plaintiffs seek damages that allegedly have been or will be incurred in investigating and remediating PFAS contamination at their properties and replacing or disposing of AFFF products containing long-chain PFAS. Two of these cases have been removed to federal court and transferred to the AFFF MDL. Five cases remain pending in state courts where they are in early stages of litigation, after Valero dismissed its Ohio state court action without prejudice in October 2019. The parties in the state court cases have agreed to stay all five cases through August 2020.

In September 2019, an individual plaintiff filed an AFFF lawsuit against 3M, together with the State of Alaska, Chemguard, Tyco Fire Equipment Co., DuPont, Chemours and other co-defendants, in state court in Alaska. Plaintiff in this case seeks property damages and medical monitoring on behalf of a putative class. Also in September 2019, 3M was named a defendant, together with Tyco Fire Products, Chemguard, Buckeye Fire Protection and other co-defendants, in an AFFF action filed by individual plaintiffs in state court of New York. Plaintiffs in the New York case seek damages for alleged property damage and personal injuries, as well as injunctive relief in the form of medical monitoring and property testing and remediation. In March 2020, the Kalispel Tribe of Indians and certain tribal corporations filed a lawsuit in the U.S. District Court for the Eastern District of Washington against the United States, 3M, and other AFFF manufacturers, seeking damages for business and property losses allegedly resulting from the contamination of their water by PFAS from AFFF use at a nearby Air Force base.

#### *Other PFAS-related Product and Environmental Litigation*

3M manufactured and sold products containing various PFOA and PFOS, including Scotchgard, for several decades. Starting in 2017, 3M has been served with individual and putative class action complaints in various state and federal courts alleging, among other things, that 3M's customers' improper disposal of PFOA and PFOS resulted in the contamination of groundwater or surface water. The plaintiffs in these cases generally allege that 3M failed to warn its customers about the hazards of improper disposal of the product. They also generally allege that contaminated groundwater has caused various injuries, including personal injury, loss of use and enjoyment of their properties, diminished property values, investigation costs, and remediation costs. Several companies have been sued along with 3M, including Saint-Gobain Performance Plastics Corp., Honeywell International Inc. f/k/a Allied-Signal Inc. and/or AlliedSignal Laminate Systems, Inc., Wolverine World Wide Inc., Georgia-Pacific LLC, E.I. DuPont de Nemours and Co., Chemours Co., and various carpet manufacturers.

In New York, 3M is defending 42 individual cases and one putative class action filed in the U.S. District Court for the Northern District of New York and four additional cases filed in New York state court against 3M, Saint-Gobain Performance Plastics Corp. (Saint-Gobain), Honeywell International Inc. and E.I. DuPont de Nemours and Co. (DuPont). The plaintiffs allege that 3M manufactured and sold PFOA that was used for manufacturing purposes at Saint-Gobain's and Honeywell's facilities located in the Village of Hoosick Falls and the Town of Hoosick. The plaintiffs claim that the drinking water around Hoosick Falls became contaminated with unsafe levels of PFOA due to the activities of the defendants and allege that they suffered bodily injury due to the ingestion and inhalation of PFOA. The plaintiffs seek unstated compensatory, consequential, and punitive damages, as well as attorneys' fees and costs. 3M has answered the complaints in these cases, which are now proceeding through discovery. 3M is also defending eight additional cases in New York filed by Nassau County drinking water providers in the U.S. District Court for the Eastern District of New York. The plaintiffs in these cases allege that 3M, DuPont, and additional unnamed defendants are responsible for the contamination of plaintiffs' water supply sources with various PFAS compounds. DuPont's motion to transfer these cases to the AFFF MDL was denied in March 2020. These cases are in the preliminary stages of litigation.

In Michigan, one consolidated putative class action is pending in the U.S. District Court for the Western District of Michigan against 3M and Wolverine World Wide (Wolverine) and other defendants. The action arises from Wolverine's allegedly improper disposal of



materials and wastes, including 3M Scotchgard, related to Wolverine's shoe manufacturing operations. Plaintiffs allege Wolverine used 3M Scotchgard in its manufacturing process and that chemicals from 3M's product contaminated the environment and drinking water sources after disposal. In addition to the consolidated federal court putative class action, as of March 31, 2020, 3M has been named as a defendant in approximately 262 private individual actions in Michigan state court based on similar allegations. These cases are coordinated for pre-trial purposes. Four of these cases were selected for bellwether trials in 2020. In January 2020, the court issued the first round of dispositive motion rulings related to the first two bellwether cases, including dismissing the second bellwether case entirely and dismissing certain plaintiffs' medical monitoring, risk of future disease, and granting summary judgment to the defendants on one plaintiff's cholesterol injury claims. An agreement to resolve the first bellwether case was reached in February 2020, subject to court approval. The next bellwether trials are currently set to begin in October 2020.

Wolverine also filed a third-party complaint against 3M in a suit by the State of Michigan and intervenor townships that seeks to compel Wolverine to investigate and address contamination associated with its historic disposal activity. 3M filed an answer and counterclaims to Wolverine's third-party complaint in June 2019. In September and October 2019, the parties (including 3M as third-party defendant) engaged in mediation. In December 2019, the State of Michigan, the intervening townships, and Wolverine announced that they had tentatively resolved the State and townships' claims against Wolverine in exchange for a \$70 million payment and certain future remediation measures by Wolverine. In February 2020, the court approved a Consent Decree that memorializes Wolverine's ongoing remediation obligations and the State's and intervening townships' covenants not to bring further lawsuits as to the remediated area. 3M has been formally designated as a "Contributing Party," and as such, the State's and townships' covenants will also apply to 3M. In February 2020, 3M and Wolverine executed an agreement to resolve the legal claims between the two companies. Pursuant to the agreement, 3M made a one-time financial contribution of \$55 million in March 2020 to support Wolverine's past and ongoing efforts to address PFAS remediation under Wolverine's Consent Decree with the State and the townships. This amount was part of 3M's charge taken in the fourth quarter of 2019 as discussed below in the "Environmental Liabilities and Insurance Receivables" section.

3M is also a defendant, together with Georgia-Pacific as co-defendant, in a putative class action in federal court in Michigan brought by residents of Parchment, who allege that the municipal drinking water is contaminated from waste generated by a paper mill owned by Georgia-Pacific's corporate predecessor. Defendants have moved to dismiss certain claims in the complaint, and the parties have begun discovery on the remaining claims.

In Alabama and Georgia, 3M is defending four state court cases, including three brought by municipal water utilities, relating to 3M's sale of PFAS-containing products to carpet manufacturers in Georgia. The plaintiffs in these cases allege that the carpet manufacturers improperly discharged PFAS into the surface water and groundwater, contaminating drinking water supplies of cities located downstream along the Coosa River, including Rome, Georgia and Centre and Gadsden, Alabama. The three water utility cases remain in the early stages of litigation. One state court case was brought by individuals asserting PFAS contamination by the Georgia carpet manufacturers and seeking economic damages and injunctive relief on behalf of a putative class of Rome and Floyd County water subscribers. This case has been removed to federal court where it remains in the early stages of litigation.

In Delaware, 3M is defending one putative class action brought by individuals alleging PFAS contamination of their water supply resulting from the operations of local metal plating facilities. Plaintiffs allege that 3M supplied PFAS to the metal plating facilities. DuPont, Chemours, and the metal platers have also been named as defendants. This case has been removed from state court to federal court, and plaintiffs have withdrawn its motion to remand to state court and filed an amended complaint. 3M has filed a motion to dismiss the amended complaint.

In New Jersey, 3M is defending an action brought in federal court by Middlesex Water Company, alleging PFAS contamination of its water wells. 3M's motion to transfer the case to the AFFF MDL was denied. 3M has moved to dismiss the complaint, and the case is currently in the early stages of discovery. In addition, 3M is defending a case brought in state court by multiple individuals with private drinking water wells near Dupont and Solvay facilities that were allegedly supplied with PFAS by 3M. Plaintiffs seek medical monitoring and damages. This case has been removed to federal court, where it remains in early stages. On a separate matter, 3M was dismissed without prejudice from a class action that was previously pending in federal court in New Jersey, relating to the DuPont Chambers Works plant.

In October 2018, 3M and other defendants, including DuPont and Chemours, were named in a putative class action in the U.S. District Court for the Southern District of Ohio brought by the named plaintiff, a firefighter allegedly exposed to PFAS chemicals through his use of firefighting foam, purporting to represent a putative class of all U.S. individuals with detectable levels of PFAS in their blood.

The plaintiff brings claims for negligence, battery, and conspiracy and seeks injunctive relief, including an order “establishing an independent panel of scientists” to evaluate PFAS. 3M and other entities jointly filed a motion to dismiss in February 2019. In September 2019, the court denied the defendants’ motion to dismiss. In February 2020, the court denied 3M’s motion to transfer the case to the AFFF MDL.

*Other PFAS-related Matters*

In July 2019, the Company received a written request from the Subcommittee on Environment of the Committee on Oversight and Reform, U.S. House of Representatives, seeking certain documents and information relating to the Company’s manufacturing and distribution of PFAS products. In September 2019, a 3M representative testified before and responded to questions from the Subcommittee on Environment with respect to PFAS and the Company’s environmental stewardship initiatives. The Company continues to cooperate with the Subcommittee.

The Company operates under a 2009 consent order issued under the federal Toxic Substances Control Act (TSCA) (the “2009 TSCA consent order”) for the manufacture and use of two perfluorinated materials (FBSA and FBSEE) at its Decatur, Alabama site that does not permit release of these materials into “the waters of the United States.” In March 2019, the Company halted the manufacture, processing, and use of these materials at the site upon learning that these materials may have been released from certain specified processes at the Decatur site into the Tennessee River. In April 2019, the Company voluntarily disclosed the releases to the U.S. Environmental Protection Agency (EPA) and the Alabama Department of Environmental Management (ADEM). During June and July 2019, the Company took steps to fully control the aforementioned processes by capturing all wastewater produced by the processes and by treating all air emissions. These processes have been back on-line and in operation since July 2019. The Company continues to cooperate with the EPA and ADEM in their investigations and will work with the regulatory authorities to demonstrate compliance with the release restrictions.

The Company is authorized to discharge wastewater from its Decatur plant pursuant to the terms of a Clean Water Act National Pollutant Discharge Elimination System (NPDES) permit issued by ADEM. The NPDES permit requires the Company to report on a monthly and quarterly basis the quality and quantity of pollutants discharged to the Tennessee River. In June 2019, the Company voluntarily disclosed to the EPA and ADEM that it had included incorrect values in certain of its monthly and quarterly reports. The Company has submitted the corrected values to both the EPA and ADEM.

As part of ongoing work with the EPA and ADEM to address compliance matters at the Decatur facility, the Company discovered it had not fully characterized its PFAS discharge in its NPDES permit. In September 2019, the Company disclosed the matter to the EPA and ADEM and announced that it had elected to temporarily idle certain other manufacturing processes at 3M Decatur. The Company is reviewing its operations at the plant, has installed wastewater treatment controls and has restarted idled processes.

The Company is currently in negotiations with ADEM to address these and other related matters in the state of Alabama.

In December 2019, the Company received a grand jury subpoena from the U.S. Attorney’s Office for the Northern District of Alabama for documents related to, among other matters, the Company’s compliance with the 2009 TSCA consent order and unpermitted discharges to the Tennessee River. The Company is cooperating with this inquiry and is producing documents in response to the subpoena.

In addition, as part of its ongoing evaluation of regulatory compliance at its Cordova, Illinois facility, the Company discovered it had not fully characterized its PFAS discharge in its NPDES permit for the Cordova facility. In November 2019, the Company disclosed this matter to the EPA, and in January 2020 disclosed this matter to the Illinois Environmental Protection Agency (IEPA). The Company continues to work with the EPA and IEPA to address the discharge from the Cordova facility.

The Company is also reviewing operations at its other plants with similar manufacturing processes, such as those in Cottage Grove, Minnesota, to ensure those operations are in compliance with applicable environmental regulatory requirements and Company policies and procedures. As a result of these reviews, the Company discovered it had not fully characterized its PFAS discharge in its NPDES permit for the Cottage Grove facility. In March 2020, the Company disclosed this matter to the Minnesota Pollution Control Agency (MPCA) and the EPA. The Company continues to work with the MPCA and EPA to address the discharge from the Cottage Grove facility.



In February 2020, the Company received an information request from EPA for documents and information related to, among other matters, the Company's compliance with the Clean Water Act at its facilities that manufacture, process and use PFAS, including the Decatur, Cordova and Cottage Grove facilities. The Company is cooperating with this inquiry and will produce documents and information in response to the request for information.

The Company will continue to work with relevant state and federal agencies as it conducts these reviews.

The Company cannot predict at this time the outcomes of resolving these compliance matters or what potential actions may be taken by the regulatory agencies.

#### *Other Environmental Litigation*

In July 2018, the Company, along with more than 120 other companies, was served with a complaint seeking cost recovery and contribution towards the cleaning up of approximately eight miles of the Lower Passaic River in New Jersey. The plaintiff, Occidental Chemical Corporation, alleges that it agreed to design and pay the estimated \$165 million cost to remove and cap sediment containing eight chemicals of concern, including PCBs and dioxins. The complaint seeks to spread those costs among the defendants, including the Company. The Company's involvement in the case relates to its past use of two commercial drum conditioning facilities in New Jersey. Whether, and to what extent, the Company may be required to contribute to the costs at issue in the case remains to be determined.

For environmental matters and litigation described above, unless otherwise stated, no liability has been recorded as the Company believes liability in those matters is not probable and estimable and the Company is not able to estimate a possible loss or range of loss at this time. The Company's environmental liabilities and insurance receivables are described below.

#### *Environmental Liabilities and Insurance Receivables*

The Company periodically examines whether the contingent liabilities related to the environmental matters and litigation described above are probable and estimable based on experience and developments in those matters. During the three months ended March 31, 2020, the Company increased its accrual for PFAS-related other environmental liabilities by \$25 million and made related payments of \$63 million. During the first quarter of 2019, the EPA issued its PFAS Action Plan and the Company settled the litigation with the Water Authority (both matters are described in more detail above). The Company completed a comprehensive review with the assistance of environmental consultants and other experts regarding environmental matters and litigation related to historical PFAS manufacturing operations in Minnesota, Alabama, Gendorf Germany, and at four former landfills in Alabama. As a result of these developments and of that review, the Company increased its accrual for "other environmental liabilities" by \$235 million pre-tax (including the settlement with the Water Authority) in the first quarter of 2019. During the fourth quarter of 2019, 3M updated its evaluation of certain customer-related litigation based on continued, productive settlement discussions with multiple parties. As previously disclosed, 3M has been engaged in mediation and resolution negotiations in multiple cases. In addition, during the fourth quarter, the Company updated its assessment of environmental matters and litigation related to its historical PFAS manufacturing operations and expanded its evaluation of other 3M sites that may have used certain PFAS-containing materials and locations at which they were disposed. As a result of these actions during the fourth quarter the Company recorded a pre-tax charge of \$214 million. As of March 31, 2020, the Company had recorded liabilities of \$407 million for "other environmental liabilities." The accruals represent the Company's best estimate of the probable loss. The Company is not able to estimate a possible loss or range of loss in excess of the established accruals at this time.

As of March 31, 2020, the Company had recorded liabilities of \$21 million for estimated non-PFAS related "environmental remediation" costs to clean up, treat, or remove hazardous substances at current or former 3M manufacturing or third-party sites. The Company evaluates available facts with respect to each individual site each quarter and records liabilities for remediation costs on an undiscounted basis when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or the Company's commitment to a plan of action. Liabilities for estimated costs of environmental remediation, depending on the site, are based primarily upon internal or third-party environmental studies, and estimates as to the number, participation level and financial viability of any other potentially responsible parties, the extent of the contamination and the nature of required remedial actions. The Company adjusts recorded liabilities as further information develops or circumstances change. The Company expects that it will pay the amounts recorded over the periods of remediation for the applicable sites, currently ranging up to 20 years.

It is difficult to estimate the cost of environmental compliance and remediation given the uncertainties regarding the interpretation and enforcement of applicable environmental laws and regulations, the extent of environmental contamination and the existence of alternative cleanup methods. Developments may occur that could affect the Company's current assessment, including, but not limited to: (i) changes in the information available regarding the environmental impact of the Company's operations and products; (ii) changes in environmental regulations, changes in permissible levels of specific compounds in drinking water sources, or changes in enforcement theories and policies, including efforts to recover natural resource damages; (iii) new and evolving analytical and remediation techniques; (iv) success in allocating liability to other potentially responsible parties; and (v) the financial viability of other potentially responsible parties and third-party indemnitors. For sites included in both "environmental remediation liabilities" and "other environmental liabilities," at which remediation activity is largely complete and remaining activity relates primarily to operation and maintenance of the remedy, including required post-remediation monitoring, the Company believes the exposure to loss in excess of the amount accrued would not be material to the Company's consolidated results of operations or financial condition. However, for locations at which remediation activity is largely ongoing, the Company cannot estimate a possible loss or range of loss in excess of the associated established accruals for the reasons described above.

The Company has both pre-1986 general and product liability occurrence coverage and post-1985 occurrence reported product liability and other environmental coverage for environmental matters and litigation. As of March 31, 2020, the Company's receivable for insurance recoveries related to the environmental matters and litigation was \$35 million. Various factors could affect the timing and amount of recovery of this and future expected increases in the receivable, including (i) delays in or avoidance of payment by insurers; (ii) the extent to which insurers may become insolvent in the future, (iii) the outcome of negotiations with insurers, and (iv) the scope of the insurers' purported defenses and exclusions to avoid coverage.

#### Product Liability Litigation

As of March 31, 2020, the Company was a named defendant in 18 lawsuits in the United States involving 21 plaintiffs and one Canadian punitive class action with a single named plaintiff, alleging that the Bair Hugger™ patient warming system caused a surgical site infection.

As previously disclosed, 3M had been a named defendant in lawsuits in federal courts involving over 5,000 plaintiffs. The plaintiffs claim they underwent various joint arthroplasty, cardiovascular, and other surgeries and later developed surgical site infections due to the use of the Bair Hugger™ patient warming system. The plaintiffs seek damages and other relief based on theories of strict liability, negligence, breach of express and implied warranties, failure to warn, design and manufacturing defect, fraudulent and/or negligent misrepresentation/concealment, unjust enrichment, and violations of various state consumer fraud, deceptive or unlawful trade practices and/or false advertising acts.

The U.S. Judicial Panel on Multidistrict Litigation (JPML) consolidated all cases pending in federal courts to the U.S. District Court for the District of Minnesota to be managed in a multi-district litigation (MDL) proceeding. In July 2019, the court excluded several of the plaintiffs' causation experts, and granted summary judgment for 3M in all cases pending at that time in the MDL. Plaintiffs have appealed that decision to the U.S. Court of Appeals for the Eighth Circuit. Plaintiffs have also appealed a 2018 jury verdict in favor of 3M in the first bellwether trial in the MDL and appealed the dismissal of another bellwether case.

Among the 18 remaining lawsuits in the United States, 15 are in the MDL court and three are in state court. The MDL court is considering whether to remand one case to Oklahoma state court and has stayed 14 remaining lawsuits pending the appeal of the summary judgment decision. In February 2020, the MDL court remanded two cases to state court in Jackson County, Missouri that combined Bair Hugger product liability claims with medical malpractice claims. There is also one case in Hidalgo County, Texas that combines Bair Hugger product liability claims with medical malpractice claims. In August 2019, the MDL court enjoined the individual plaintiff from pursuing his claims in Texas state court because he had previously filed and dismissed a claim in the MDL. That plaintiff has appealed the order to the U.S. Court of Appeals for the Eighth Circuit. The Texas state court has stayed the entire case while the appeal is pending.

As previously disclosed, 3M had been named a defendant in 61 cases in Minnesota state court. In January 2018, the Minnesota state court excluded plaintiffs' experts and granted 3M's motion for summary judgment on general causation. Plaintiffs appealed that ruling and the state court's punitive damages ruling. The Minnesota Court of Appeals affirmed the Minnesota state court orders in their entirety and the Minnesota Supreme Court denied plaintiffs' petition for review. Final dismissal was entered in April 2019, effectively ending the Minnesota state court cases.

In June 2016, the Company was served with a putative class action filed in the Ontario Superior Court of Justice for all Canadian residents who underwent various joint arthroplasty, cardiovascular, and other surgeries and later developed surgical site infections due to the use of the Bair Hugger™ patient warming system. The representative plaintiff seeks relief (including punitive damages) under Canadian law based on theories similar to those asserted in the MDL.

No liability has been recorded for the Bair Hugger™ litigation because the Company believes that any such liability is not probable and estimable at this time.

Aearo Technologies sold Dual-Ended Combat Arms – Version 2 earplugs starting in about 2003. 3M acquired Aearo Technologies in 2008 and sold these earplugs from 2008 through 2015, when the product was discontinued. In December 2018, a military veteran filed an individual lawsuit against 3M in the San Bernardino Superior Court in California alleging that he sustained personal injuries while serving in the military caused by 3M's Dual-Ended Combat Arms earplugs – Version 2. The plaintiff asserts claims of product liability and fraudulent misrepresentation and concealment. The plaintiff seeks various damages, including medical and related expenses, loss of income, and punitive damages. As of March 31, 2020, the Company is a named defendant in approximately 2,787 lawsuits (including 14 putative class actions) in various state and federal courts that purport to represent approximately 11,582 individual claimants making similar allegations. In April 2019, the U.S. Judicial Panel on Multidistrict Litigation granted motions to transfer and consolidate all cases pending in federal courts to the U.S. District Court for the Northern District of Florida to be managed in a multi-district litigation (MDL) proceeding to centralize pre-trial proceedings. Discovery is underway. The plaintiffs and 3M have filed preliminary summary judgment motions. No liability has been recorded for these matters because the Company believes that any such liability is not probable and estimable at this time.

For product liability litigation matters described in this section for which a liability has been recorded, the amount recorded is not material to the Company's consolidated results of operations or financial condition. In addition, the Company is not able to estimate a possible loss or range of loss in excess of the established accruals at this time.

#### Securities Litigation

In July 2019, Heavy & General Laborers' Locals 472 & 172 Welfare Fund filed a putative securities class action against 3M Company, its former Chairman and CEO, current Chairman and CEO, and current CFO in the U.S. District Court for the District of New Jersey. In August 2019, an individual plaintiff filed a similar putative securities class action in the same district. Plaintiffs allege that defendants made false and misleading statements regarding 3M's exposure to liability associated with PFAS, and bring claims for damages under Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 against all defendants, and under Section 20(a) of the Securities and Exchange Act of 1934 against the individual defendants. In October 2019, the court consolidated the securities class actions and appointed a group of lead plaintiffs. In January 2020, defendants filed a motion to transfer venue to the U.S. District Court for the District of Minnesota. The suit is in the early stages of litigation.

In October 2019, a follow-on derivative lawsuit was filed in the U.S. District Court for the District of New Jersey against 3M and several of its current and former executives and directors. In November and December 2019, two additional derivative lawsuits were filed in a Minnesota state court. The derivative lawsuits rely on similar factual allegations as the putative securities class action discussed above. Plaintiffs have agreed to stay these cases pending a ruling on a motion to dismiss the securities class action.

#### Federal False Claims Act / Qui Tam Litigation

In October 2019, 3M acquired Acelity, Inc. and its KCI subsidiaries, including Kinetic Concepts, Inc. and KCI USA, Inc. As previously disclosed in the SEC filings by the KCI entities, in 2009, Kinetic Concepts, Inc. received a subpoena from the U.S. Department of Health and Human Services Office of Inspector General. In 2011, following the completion of the government's review and its decision declining to intervene in two qui tam actions described further below, the qui tam relator-plaintiffs' pleadings were unsealed.

The government inquiry followed two qui tam actions filed in 2008 by two former employees against Kinetic Concepts, Inc. and KCI USA, Inc. (collectively, the "KCI defendants") under seal in the U.S. District Court for the Central District of California. The complaints contain allegations that the KCI Defendants violated the federal False Claims Act by submitting false or fraudulent claims to federal healthcare programs by billing for V.A.C.® Therapy in a manner that was not consistent with the Local Coverage

Determinations issued by the Durable Medical Equipment Medicare Administrative Contractors and seek monetary damages. One complaint (the “Godecke case”) also contains allegations that the KCI Defendants retaliated against the relator-plaintiff for alleged whistle-blowing behavior.

In October 2016, the KCI Defendants filed counterclaims in the Godecke case, asserting breach of contract and conversion. In August 2017, the fraud claim of the Godecke case was dismissed in favor of the KCI defendants. In January 2018, the district court stayed the retaliation claim and the KCI Defendants' counterclaims pending the relator-plaintiff's appeal. In September 2019, the U.S. Court of Appeals for the Ninth Circuit reversed and remanded the case to the district court for further proceedings. The district court has ordered a stay of the proceedings pending a status conference in June 2020. Separately, in June 2019, following discovery, the district court in the second case (the “Hartpence case”) entered summary judgment in the KCI Defendants' favor on all of the relator-plaintiff's claims. The plaintiff then filed an appeal in the U.S. Court of Appeals for the Ninth Circuit, which is pending. Oral argument in the Hartpence case is scheduled for July 2020. No liability has been recorded for these matters because the Company believes that any such liability is not probable and estimable at this time.

#### Compliance Matter

The Company, through its internal processes, discovered certain travel activities and related funding and record keeping issues raising concerns, arising from marketing efforts by certain business groups based in China. The Company initiated an internal investigation to determine whether the expenditures may have violated the U.S. Foreign Corrupt Practices Act (FCPA) or other potentially applicable anti-corruption laws. The Company has retained outside counsel and a forensic accounting firm to assist with the investigation. In July 2019, the Company voluntarily disclosed this investigation to both the Department of Justice and Securities and Exchange Commission and is cooperating with both agencies. The Company cannot predict at this time the outcome of its investigation or what potential actions may be taken by the Department of Justice or Securities and Exchange Commission.

# **NOTE 15. Stock-Based Compensation**

The 3M 2016 Long-Term Incentive Plan provides for the issuance or delivery of up to 123,965,000 shares of 3M common stock pursuant to awards granted under the plan. Awards may be issued in the form of incentive stock options, nonqualified stock options, progressive stock options, stock appreciation rights, restricted stock, restricted stock units, other stock awards, and performance units and performance shares. As of March 31, 2020, the remaining shares available for grant under the LTIP Program are 15.7 million.

The Company's annual stock option and restricted stock unit grant is made in February to provide a strong and immediate link between the performance of individuals during the preceding year and the size of their annual stock compensation grants. The grant to eligible employees uses the closing stock price on the grant date. Accounting rules require recognition of expense under a non-substantive vesting period approach, requiring compensation expense recognition when an employee is eligible to retire. Employees are considered eligible to retire at age 55 and after having completed ten years of service. This retiree-eligible population represents 35 percent of the annual grant stock-based compensation expense; therefore, higher stock-based compensation expense is recognized in the first quarter.

In addition to the annual grants, the Company makes other minor grants of stock options, restricted stock units and other stock-based grants. The Company issues cash settled restricted stock units and stock appreciation rights in certain countries. These grants do not result in the issuance of common stock and are considered immaterial by the Company.

Amounts recognized in the financial statements with respect to stock-based compensation programs, which include stock options, restricted stock, restricted stock units, performance shares and the General Employees' Stock Purchase Plan (GESPP), are provided in the following table. Capitalized stock-based compensation amounts were not material for the three months ended March 31, 2020 and 2019.

## **Stock-Based Compensation Expense**

(Millions)	Three months ended March 31,	
	2020	2019
Cost of sales	\$ 22	\$ 22
Selling, general and administrative expenses	73	82
Research, development and related expenses	25	26
Stock-based compensation expenses	\$ 120	\$ 130
Income tax benefits	(39)	(80)
Stock-based compensation expenses (benefits), net of tax	\$ 81	\$ 50

## Stock Option Program

The following table summarizes stock option activity during the three months ended March 31, 2020:

(Options in thousands)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (months)	Aggregate Intrinsic Value (millions)
Under option —				
January 1	33,675	\$ 151.15		
Granted:				
Annual	4,741	157.26		
Exercised	(1,159)	87.25		
Forfeited	(41)	193.77		
March 31	37,216	\$ 153.87	70	\$ 359
Options exercisable				
March 31	29,173	\$ 146.86	58	\$ 359

Stock options vest over a period from one year to three years with the expiration date at 10 years from date of grant. As of March 31, 2020, there was \$107 million of compensation expense that has yet to be recognized related to non-vested stock option based awards. This expense is expected to be recognized over the remaining weighted-average vesting period of 25 months. The total intrinsic values of stock options exercised were \$98 million and \$235 million during the three months ended March 31, 2020 and 2019, respectively. Cash received from options exercised was \$100 million and \$162 million for the three months ended March 31, 2020 and 2019, respectively. The Company's actual tax benefits realized for the tax deductions related to the exercise of employee stock options were \$20 million and \$49 million for the three months ended March 31, 2020 and 2019, respectively.

For the primary 2020 annual stock option grant, the weighted average fair value at the date of grant was calculated using the Black-Scholes option-pricing model and the assumptions that follow.

### Stock Option Assumptions

	Annual 2020
Exercise price	\$ 157.24
Risk-free interest rate	1.5 %
Dividend yield	2.7 %
Expected volatility	19.7 %
Expected life (months)	78
Black-Scholes fair value	\$ 21.58

Expected volatility is a statistical measure of the amount by which a stock price is expected to fluctuate during a period. For the 2020 annual grant date, the Company estimated the expected volatility based upon the following three volatilities of 3M stock: the median of the term of the expected life rolling volatility; the median of the most recent term of the expected life volatility; and the implied volatility on the grant date. The expected term assumption is based on the weighted average of historical grants.

## Restricted Stock and Restricted Stock Units

The following table summarizes restricted stock and restricted stock unit activity during the three months ended March 31, 2020:

<b>(Shares in thousands)</b>	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested balance —		
As of January 1	1,573	\$ 201.11
Granted		
Annual	733	157.29
Other	10	175.81
Vested	(553)	176.16
Forfeited	(16)	193.91
As of March 31	1,747	\$ 190.55

As of March 31, 2020, there was \$132 million of compensation expense that has yet to be recognized related to non-vested restricted stock and restricted stock units. This expense is expected to be recognized over the remaining weighted-average vesting period of 27 months. The total fair value of restricted stock and restricted stock units that vested during the three months ended March 31, 2020 and 2019 was \$88 million and \$133 million, respectively. The Company's actual tax benefits realized for the tax deductions related to the vesting of restricted stock and restricted stock units was \$16 million and \$26 million for the three months ended March 31, 2020 and 2019, respectively.

Restricted stock units granted generally vest three years following the grant date assuming continued employment. Dividend equivalents equal to the dividends payable on the same number of shares of 3M common stock accrue on these restricted stock units during the vesting period, although no dividend equivalents are paid on any of these restricted stock units that are forfeited prior to the vesting date. Dividends are paid out in cash at the vest date on restricted stock units. Since the rights to dividends are forfeitable, there is no impact on basic earnings per share calculations. Weighted average restricted stock unit shares outstanding are included in the computation of diluted earnings per share.

## Performance Shares

Instead of restricted stock units, the Company makes annual grants of performance shares to members of its executive management. The 2020 performance criteria for these performance shares (organic volume growth, return on invested capital, free cash flow conversion, and earnings per share growth) were selected because the Company believes that they are important drivers of long-term stockholder value. The number of shares of 3M common stock that could actually be delivered at the end of the three-year performance period may be anywhere from 0% to 200% of each performance share granted, depending on the performance of the Company during such performance period. When granted, these performance shares are awarded at 100% of the estimated number of shares at the end of the three-year performance period and are reflected under "Granted" in the table below. Non-substantive vesting requires that expense for the performance shares be recognized over one or three years depending on when each individual became a 3M executive. The performance share grants accrue dividends; therefore, the grant date fair value is equal to the closing stock price on the date of grant. Since the rights to dividends are forfeitable, there is no impact on basic earnings per share calculations. Weighted average performance shares whose performance period is complete are included in computation of diluted earnings per share.

The following table summarizes performance share activity during the three months ended March 31, 2020:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Undistributed balance —		
As of January 1	444	\$ 205.58
Granted	191	153.02
Distributed	(206)	190.84
Performance change	10	116.06
Forfeited	(0)	231.34
As of March 31	439	\$ 187.50

As of March 31, 2020, there was \$40 million of compensation expense that has yet to be recognized related to performance shares. This expense is expected to be recognized over the remaining weighted-average earnings period of 23 months. The total fair value of performance shares that were distributed were \$35 million and \$45 million for the three months ended March 31, 2020 and 2019, respectively. The Company's actual tax benefits realized for the tax deductions related to the distribution of performance shares were \$7 million and \$9 million for the three months ended March 31, 2020 and 2019, respectively.

#### NOTE 16. Business Segments

3M's businesses are organized, managed and internally grouped into segments based on differences in markets, products, technologies and services. 3M manages its operations in four business segments: Safety and Industrial; Transportation and Electronics; Health Care; and Consumer. 3M's four business segments bring together common or related 3M technologies, enhancing the development of innovative products and services and providing for efficient sharing of business resources. Transactions among reportable segments are recorded at cost. 3M is an integrated enterprise characterized by substantial intersegment cooperation, cost allocations and inventory transfers. Therefore, management does not represent that these segments, if operated independently, would report the operating income information shown. The difference between operating income and pre-tax income relates to other expense (income), which is not allocated to business segments. Further information about which is included in Note 6.

Effective in the first quarter of 2020, in a continuing effort to improve the alignment of its businesses around customers and markets, the Company made the following changes:

##### *Continued alignment of customer account activity*

- As part of 3M's regular customer-focus initiatives, the Company realigned certain customer account activity ("sales district") to correlate with the primary divisional product offerings in various countries and reduce complexity for customers when interacting with multiple 3M businesses. This largely impacted the amount of dual credit certain business segments receive as a result of sales district attribution. 3M business segment reporting measures include dual credit to business segments for certain sales and operating income. This dual credit is based on which business segment provides customer account activity with respect to a particular product sold in a specific country. As a result, previously reported aggregate business segment net sales and operating income for the total year 2019 decreased \$42 million and \$10 million, respectively, offset by corresponding decreases in the "Elimination of Dual Credit" net sales and operating income amounts.

##### *Additional actions impacting product line alignments*

- The remaining retail auto care product lines formerly in the Automotive Aftermarket Division (within the Safety and Industrial business segment), were realigned to the Construction and Home Improvement Division (within the Consumer business segment). This change resulted in a decrease of previously reported net sales and operating income for total year 2019 of \$35 million and \$11 million, respectively, in the Safety and Industrial business segment, offset by a corresponding increase in net sales and operating income within the Consumer business segment.
- In addition, certain product lines were realigned within business segments. The transdermal drug delivery components business, formerly included in the Drug Delivery Systems Division, was realigned to the Medical Solutions Division (both of which are within the Health Care business segment) and the paint protection film business, formerly included in the



Automotive and Aerospace Division, was realigned to the Commercial Solutions Division (both of which are within the Transportation and Electronics business segment).

The financial information presented herein reflects the impact of the preceding changes for all periods presented.

### Business Segment Information

(Millions)	Three months ended March 31,	
	2020	2019
<b>Net Sales</b>		
Safety and Industrial	\$ 2,935	\$ 2,963
Transportation and Electronics	2,238	2,355
Health Care	2,103	1,738
Consumer	1,256	1,200
Corporate and Unallocated	1	22
Elimination of Dual Credit	(458)	(415)
Total Company	\$ 8,075	\$ 7,863
<b>Operating Income</b>		
Safety and Industrial	\$ 726	\$ 637
Transportation and Electronics	484	522
Health Care	456	464
Consumer	269	235
Corporate and Unallocated	(156)	(625)
Elimination of Dual Credit	(116)	(97)
Total Company	\$ 1,663	\$ 1,136

Corporate and unallocated operating income includes a variety of miscellaneous items, such as corporate investment gains and losses, certain derivative gains and losses, certain insurance-related gains and losses, certain litigation and environmental expenses, corporate restructuring charges and certain under- or over-absorbed costs (e.g. pension, stock-based compensation) that the Company may choose not to allocate directly to its business segments. Corporate and Unallocated also includes sales, costs, and income from contract manufacturing, transition services and other arrangements with the acquirer of the Communication Markets Division following its 2018 divestiture through 2019. Because this category includes a variety of miscellaneous items, it is subject to fluctuation on a quarterly and annual basis.

3M business segment reporting measures include dual credit to business segments for certain sales and related operating income. Management evaluates each of its four business segments based on net sales and operating income performance, including dual credit reporting to further incentivize sales growth. As a result, 3M reflects additional (“dual”) credit to another business segment when the customer account activity (“sales district”) with respect to the particular product sold to the external customer is provided by a different business segment. This additional dual credit is largely reflected at the division level. For example, privacy screen protection products are primarily sold by the Display Materials and Systems Division within the Transportation and Electronics business segment; however, certain sales districts within the Consumer business segment provide the customer account activity for sales of the product to particular customers. In this example, the non-primary selling segment (Consumer) would also receive credit for the associated net sales initiated through its sales district and the related approximate operating income. The assigned operating income related to dual credit activity may differ from operating income that would result from actual costs associated with such sales. The offset to the dual credit business segment reporting is reflected as a reconciling item entitled “Elimination of Dual Credit,” such that sales and operating income in total are unchanged.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of 3M's financial statements with a narrative from the perspective of management. 3M's MD&A is presented in the following sections:

- Overview
- Results of Operations
- Performance by Business Segment
- Financial Condition and Liquidity
- Cautionary Note Concerning Factors That May Affect Future Results

Forward-looking statements in Part I, Item 2 may involve risks and uncertainties that could cause results to differ materially from those projected (refer to the section entitled "Cautionary Note Concerning Factors That May Affect Future Results" in Part I, Item 2 and the risk factors provided in Part II, Item 1A for discussion of these risks and uncertainties).

### **OVERVIEW**

3M is a diversified global manufacturer, technology innovator and marketer of a wide variety of products and services. As described in Note 16, effective in the first quarter of 2020, the Company changed its business segment reporting in its continuing effort to improve the alignment of businesses around markets and customers. Additionally, the Company consolidated the way it presents geographic area net sales by providing an aggregate Americas geographic region (combining former United States and Latin America and Canada areas). Information provided herein reflects the impact of these changes for all periods presented.

3M manages its operations in four operating business segments: Safety and Industrial; Transportation and Electronics; Health Care; and Consumer. From a geographic perspective, any references to EMEA refer to Europe, Middle East and Africa on a combined basis.

### ***Consideration of COVID-19:***

3M is impacted by the global pandemic and related effects associated with the coronavirus (COVID-19). As a result, the Company has updated its risk factors, which can be found in Item 1A "Risk Factors" in this document.

Public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working, have impacted 3M's operations. 3M is working to protect its employees and the public, maintain business continuity and sustain its operations, including ensuring the safety and protection of people who work in its plants and distribution centers across the world, many of whom support the manufacturing and delivery of products that are critical in response to the global pandemic. COVID-19 has impacted 3M's supply chains relative to global demand for products like respirators, surgical masks and commercial cleaning solutions. COVID-19 has also affected the ability of suppliers and vendors to provide products and services to 3M. The Company has also taken steps to help employees lead safe and productive lives during the outbreak including remote working; escalated procedures in factories related to personal safety, cleaning and medical screening measures; and pandemic leave policies. 3M is closely monitoring how the spread of COVID-19 is affecting employees and business operations and has developed preparedness plans to help protect the safety of employees around the world while safely continuing business. Some of these factors have increased the demand for 3M products, while others have decreased demand or made it more difficult for 3M to serve customers.

3M's total sales increased 2.7% year over year in the first quarter of 2020. Organic local-currency sales increased 0.3%. Given the diversity of 3M's businesses, the impact of COVID-19 varied across the Company in the first quarter of 2020. 3M experienced strong sales growth in personal safety, as well as in other areas such as home improvement, general cleaning, food safety and biopharma filtration. COVID-related respirator sales are estimated to have impacted year over year organic local-currency sales growth by just over 1 percent. At the same time, 3M saw weak demand in several end markets, with the biggest year over year organic local-currency sales decreases in oral care, automotive OEM and aftermarket, general industrial, commercial solutions and stationery and office.

As this situation continues, 3M is also closely monitoring and responding to potential impacts to the Company's broader supply chain associated with other products. As a result, while critical sites are fully operational, the Company has implemented targeted plant and/or line shutdowns due to weak customer demand or government mandates. Serving 3M customers is a priority and teams are working to communicate with individual customers about potential disruptions.

3M considered if COVID-19 and other related market implications could indicate it is more likely than not the carrying amount of various applicable assets may be impaired and assessed whether certain investments without readily determinable fair values may have been impacted. As a result, as discussed in the “Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis” section of Note 13, 3M reflected a net pre-tax charge of \$22 million related to equity securities that use the measurement alternative described therein in addition to an immaterial pre-tax charge related to impairment of certain indefinite lived tradenames in the first quarter of 2020.

In light of the circumstances, 3M has taken a number of actions to ensure sources of cash may remain strong, including the March 2020 issuance of \$1.75 billion of registered notes, suspending share-repurchases, and lowering its 2020 estimated capital spending to approximately \$1.3 billion versus a previous range of \$1.6 billion to \$1.8 billion. While estimated capital spending has decreased, it includes additional expansion of respirator production capacity. 3M continues to have access to its commercial paper program and undrawn committed credit facility. Refer to the Financial Condition and Liquidity section below for more information on the Company’s liquidity position.

3M is also taking actions in the second quarter of 2020 that are expected to provide second quarter net cost savings while also committing to health and stewardship at large. These include aggressive cost reductions, instituted paid and unpaid leave policies where possible, hiring freezes, maintaining only essential contract workers, and targeted paid short-term furloughs in businesses most negatively impacted by COVID-19. While taking these actions, the Company also committed financial support to frontline healthcare workers, vulnerable populations disproportionately affected by the virus, and medical research initiatives.

The Company also is evaluating various government-sponsored COVID-response stimulus, relief, and production initiatives around the world, such as under the Defense Production Act and recent Coronavirus Aid, Relief and Economic Security (CARES) Act in the United States. In April 2020, under the DPA, the U.S. Department of Defense initiated a technology investment agreement with 3M involving \$76 million of anticipated funding of assets to expand capacity to supply N-95 respirators to the U.S. government. The nature of the agreement provides a program of expedited partial funding to begin expansion while final terms are completed.

Due to the speed with which the situation is developing and the uncertainty of its duration and the timing of recovery, 3M is not able at this time to predict the extent to which the COVID-19 pandemic may have a material effect on its consolidated results of operations or financial condition.

***Earnings per share attributable to 3M common shareholders – diluted:***

The following table provides the increase (decrease) in diluted earnings per share for the three months ended March 31, 2020.

<b>(Earnings per diluted share)</b>	<b>Three months ended</b>	
	<b>March 31, 2020</b>	
Same period last year	\$	1.51
Significant litigation-related charges/benefits		0.72
(Gain)/loss on sale of businesses		(0.01)
Same period last year, excluding special items	\$	2.22
Increase/(decrease) in earnings per share - diluted, due to:		
Organic growth/productivity and other		0.07
Acquisitions/divestitures		(0.05)
Foreign exchange impacts		(0.08)
Income tax rate		(0.03)
Shares of common stock outstanding		0.03
Current period, excluding special items	\$	2.16
Significant litigation-related charges/benefits		0.06
(Gain)/loss on sale of businesses		—
Current period	\$	2.22

For the first quarter of 2020, net income attributable to 3M was \$1,292 million, or \$2.22 per diluted share compared to \$891 million or \$1.51 per diluted share in the same period last year, an increase of 47.0 percent on a per diluted share basis.

The Company refers to various amounts or measures on an “adjusted basis”. These exclude special items. These non-GAAP measures are further described and reconciled to the most directly comparable GAAP financial measures in the *Certain amounts adjusted for special items - (non-GAAP measures)* section below.

On an adjusted basis, net income attributable to 3M was \$1.254 billion, or \$2.16 per diluted share for the first three months of 2020 versus \$1.308 billion, or \$2.22 per diluted share for the first three months of 2019, which was a decrease of 2.7 percent on a per diluted share basis.

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

*Organic growth/productivity and other:*

- Higher organic local-currency sales growth, in addition to benefits recognized in the first quarter of 2020 related to the restructuring and other actions taken in 2019, increased earnings per diluted share. Partially offsetting this increase were charges related to COVID-impacted asset write-downs.
- On a combined basis, higher defined benefit pension and postretirement service cost increased expense year-on-year.
- Lower income related to non-service cost components of pension and postretirement expense, increased expense year-on-year.
- Interest expense (net of interest income) increased year-on-year for the first quarter of 2020, as a result of higher U.S. average debt balances and lower year-on-year interest income driven by lower average cash balances.

*Acquisitions/divestitures:*

- Acquisition impacts, which are measured for the first twelve months post-transaction, relate to the acquisitions of M\*Modal (first quarter 2019), and Acelity (fourth quarter 2019). These items collectively decreased earnings per diluted share by 5 cents year-on-year for the first three months of 2020. The net impacts related to these acquisitions included income from operations, more than offset by transaction and integration costs. Interest expense related to financing costs of these acquisitions is also included.
- Divestiture impacts include the lost operating income from divested businesses, which had an immaterial impact to earnings per diluted share for the first three months of 2020.

*Foreign exchange impacts:*

- Foreign currency impacts (net of hedging) decreased pre-tax earnings year-on-year by approximately \$58 million, or the equivalent of 8 cents per diluted share for the first three months of 2020, excluding the impact of foreign currency changes on tax rates.

*Income tax rate:*

- As disclosed above, certain items above reflect specific income tax rates associated with those items. Overall, the effective tax rate for the first quarter of 2020 was 17.4 percent, a decrease of 0.5 percentage points versus 2019. Excluding the special items (as discussed below), the effective tax rate increased 1.1 percentage points year-on-year for the first three months of 2020, which decreased earnings per diluted share by 3 cents.
- Factors that decreased the effective tax rate for the first quarter include the resolution of the tax treatment of the 2018 NRD lawsuit, increased benefit from U.S. international tax provisions, and geographical income mix. These decreases were partially offset by the decreased benefit from stock options and higher prior year litigation charges.

*Shares of common stock outstanding:*

- Lower shares outstanding increased earnings per share year-on-year by 3 cents per diluted share for the first three months of 2020. Weighted-average diluted shares outstanding in the first three months of 2020 declined 1.2 percent year-on-year, which benefited earnings per share. The decrease in the outstanding weighted-average diluted shares relates to the Company's purchase of \$365 million of its own stock in the first three months of 2020.

***Certain amounts adjusted for special items - (non-GAAP measures):***

In addition to reporting financial results in accordance with U.S. GAAP, the Company also provides non-GAAP measures that adjust for the impacts of special items. For the periods presented, special items include the items described below. Beginning in 2020, the Company includes gain/loss on sale of businesses and divestiture-related restructuring actions as special items due to their potential distortion of underlying operating results. Information provided herein reflects the impact of this change for all periods presented. Operating income (measure of segment operating performance), income before taxes, net income, earnings per share, and the effective tax rate are all measures for which 3M provides the reported GAAP measure and a measure adjusted for special items. The adjusted measures are not in accordance with, nor are they a substitute for, GAAP measures. The Company considers these non-GAAP measures in evaluating and managing the Company's operations. The Company believes that discussion of results adjusted for these items is meaningful to investors as it provides a useful analysis of ongoing underlying operating trends. The determination of these items may not be comparable to similarly titled measures used by other companies. Special items include:

*Gain/loss from sale of businesses:*

- In the first quarter of 2020, 3M recorded a pre-tax gain of \$2 million (\$1 million loss after tax) related to the sale of its advanced ballistic-protection business and recognition of certain contingent consideration. Refer to Note 3 for further details.
- In the first quarter of 2019, 3M recorded a gain related to the sale of certain oral care technology comprising a business in addition to reflecting an earnout on a previous divestiture, which together resulted in a net gain of \$8 million (\$7 million after tax).

*Significant litigation-related charges/benefits:*

- In the first quarter of 2020, 3M recorded a net pre-tax charge of \$17 million (\$13 million after tax) related to PFAS (certain perfluorinated compounds) matters. The charge was more than offset by a reduction in tax expense of \$52 million related to resolution of tax treatment with authorities regarding the previously disclosed 2018 agreement reached with the State of Minnesota that resolved the Natural Resources Damages (NRD) lawsuit. These items, in aggregate, resulted in a \$39 million after tax benefit.
- In the first quarter of 2019, 3M recorded significant litigation-related charges of \$548 million (\$424 million after tax) related to historical PFAS manufacturing operations and coal mine dust respirator mask lawsuits as further discussed in Note 14. These were reflected in cost of sales (\$223 million) and selling, general and administrative expense (\$325 million).

(Dollars in millions, except per share amounts)	Operating Income	Operating Income Margin	Income Before Taxes	Provision for Income Taxes	Effective Tax Rate	Net Income Attributable to 3M	Earnings Per Diluted Share	Earnings per diluted share percent change
Three months ended March 31, 2019 GAAP	\$ 1,136	14.4 %	\$ 1,088	\$ 195	17.9 %	\$ 891	\$ 1.51	
Adjustments for special items:								
Significant litigation-related charges/benefits	548		548	124		424	0.72	
(Gain)/loss on sale of businesses	(8)		(8)	(1)		(7)	(0.01)	
Three months ended March 31, 2019 adjusted amounts (non-GAAP measures)	<u>\$ 1,676</u>	<u>21.3 %</u>	<u>\$ 1,628</u>	<u>\$ 318</u>	<u>19.5 %</u>	<u>\$ 1,308</u>	<u>\$ 2.22</u>	
Three months ended March 31, 2020 GAAP	\$ 1,663	20.6 %	\$ 1,567	\$ 273	17.4 %	\$ 1,292	\$ 2.22	47.0 %
Adjustments for special items:								
Significant litigation-related charges/benefits	17		17	56		(39)	(0.06)	
(Gain)/loss on sale of businesses	(2)		(2)	(3)		1	—	
Three months ended March 31, 2020 adjusted amounts (non-GAAP measures)	<u>\$ 1,678</u>	<u>20.8 %</u>	<u>\$ 1,582</u>	<u>\$ 326</u>	<u>20.6 %</u>	<u>\$ 1,254</u>	<u>\$ 2.16</u>	<u>(2.7)%</u>
Three months ended March 31, 2020 (dollars in millions)	Safety and Industrial	Transportation and Electronics	Health Care	Consumer	Corporate and Unallocated	Elimination of Dual Credit	Total Company	
Operating income (measure of segment operating performance)	\$ 726	\$ 484	\$ 456	\$ 269	\$ (156)	\$ (116)	\$ 1,663	
Operating income margin	24.7 %	21.6 %	21.7 %	21.4 %			20.6 %	
Adjustments for special items:								
Significant litigation-related charges/benefits					\$ 17		\$ 17	
(Gain)/loss on sale of businesses		\$ (2)					(2)	
Adjusted operating income (non-GAAP measures)	<u>\$ 726</u>	<u>\$ 482</u>	<u>\$ 456</u>	<u>\$ 269</u>	<u>\$ (139)</u>	<u>\$ (116)</u>	<u>\$ 1,678</u>	
Adjusted operating income margin (non-GAAP measures)	24.7 %	21.5 %	21.7 %	21.4 %			20.8 %	
Three months ended March 31, 2019 (dollars in millions)	Safety and Industrial	Transportation and Electronics	Health Care	Consumer	Corporate and Unallocated	Elimination of Dual Credit	Total Company	
Operating income (measure of segment operating performance)	\$ 637	\$ 522	\$ 464	\$ 235	\$ (625)	\$ (97)	\$ 1,136	
Operating income margin	21.5 %	22.2 %	26.7 %	19.6 %			14.4 %	
Adjustments for special items:								
Significant litigation-related charges/benefits					\$ 548		\$ 548	
(Gain)/loss on sale of businesses		\$ (3)	\$ (5)				(8)	
Adjusted operating income (non-GAAP measures)	<u>\$ 637</u>	<u>\$ 519</u>	<u>\$ 459</u>	<u>\$ 235</u>	<u>\$ (77)</u>	<u>\$ (97)</u>	<u>\$ 1,676</u>	
Adjusted operating income margin (non-GAAP measures)	21.5 %	22.1 %	26.4 %	19.6 %			21.3 %	

**Sales and operating income by business segment:**

The following tables contain sales and operating income results by business segment for the three months ended March 31, 2020 and 2019. Refer to the section entitled “Performance by Business Segment” later in MD&A for additional discussion concerning 2020 versus 2019 results, including Corporate and Unallocated. Refer to Note 16 for additional information on business segments, including Elimination of Dual Credit.

(Dollars in millions)	Three months ended March 31,				% change	
	2020		2019		Net Sales	Oper. Income
	Net Sales	Oper. Income	Net Sales	Oper. Income		
<b>Business Segments</b>						
Safety and Industrial	\$ 2,935	\$ 726	\$ 2,963	\$ 637	(1.0)%	14.0 %
Transportation and Electronics	2,238	484	2,355	522	(5.0)	(7.3)
Health Care	2,103	456	1,738	464	21.0	(1.7)
Consumer	1,256	269	1,200	235	4.6	14.5
Corporate and Unallocated	1	(156)	22	(625)	—	—
Elimination of Dual Credit	(458)	(116)	(415)	(97)	—	—
<b>Total Company</b>	<b>\$ 8,075</b>	<b>\$ 1,663</b>	<b>\$ 7,863</b>	<b>\$ 1,136</b>	<b>2.7 %</b>	<b>46.4 %</b>

Worldwide Sales Change By Business Segment	Three months ended March 31, 2020				Total sales change
	Organic local-currency sales	Acquisitions	Divestitures	Translation	
Safety and Industrial	2.2 %	— %	(1.0)%	(2.2)%	(1.0)%
Transportation and Electronics	(3.0)	—	(0.7)	(1.3)	(5.0)
Health Care	1.2	21.6	—	(1.8)	21.0
Consumer	6.1	—	—	(1.5)	4.6
<b>Total Company</b>	<b>0.3 %</b>	<b>4.8 %</b>	<b>(0.6)%</b>	<b>(1.8)%</b>	<b>2.7 %</b>

### ***Sales by geographic area:***

Percent change information compares the first three months of 2020 with the same period last year, unless otherwise indicated. From a geographic perspective, any references to EMEA refer to Europe, Middle East and Africa on a combined basis.

	Three months ended March 31, 2020				
	Americas	Asia Pacific	Europe, Middle East & Africa	Other Unallocated	Worldwide
Net sales (millions)	\$ 4,142	\$ 2,345	\$ 1,590	\$ (2)	\$ 8,075
% of worldwide sales	51.3 %	29.0 %	19.7 %	—	100.0 %
Components of net sales change:					
Volume — organic	3.5 %	(3.9)%	(2.8)%	—	(0.1)%
Price	0.7	(0.5)	1.1	—	0.4
Organic local-currency sales	4.2	(4.4)	(1.7)	—	0.3
Acquisitions	7.9	0.9	3.6	—	4.8
Divestitures	(0.7)	(0.1)	(1.2)	—	(0.6)
Translation	(1.3)	(1.8)	(2.8)	—	(1.8)
Total sales change	10.1 %	(5.4)%	(2.1)%	—	2.7 %
Total sales change:					
Safety and Industrial	2.2 %	(5.3)%	(2.9)%	—	(1.0)%
Transportation and Electronics	(5.2)%	(4.4)%	(6.3)%	—	(5.0)%
Health Care	38.9 %	(5.9)%	6.7 %	—	21.0 %
Consumer	8.8 %	(2.7)%	(6.1)%	—	4.6 %
Organic local-currency sales change:					
Safety and Industrial	4.3 %	(2.3)%	2.8 %	—	2.2 %
Transportation and Electronics	(1.9)%	(3.3)%	(3.5)%	—	(3.0)%
Health Care	7.8 %	(9.3)%	(3.9)%	—	1.2 %
Consumer	9.9 %	(0.8)%	(3.2)%	—	6.1 %

Additional information beyond what is included in the preceding table is as follows:

- In the Americas geographic area, U.S. total sales increased 12 percent and organic-local currency sales increased 4 percent. Total sales in Mexico increased 4 percent and organic local-currency sales increased 5 percent. In Canada, total sales increased 12 percent and organic local-currency sales increased 8 percent. In Brazil, total sales decreased 9 percent while organic local-currency sales increased 7 percent, as foreign currency translation impacts more than offset organic local-currency sales growth.
- In the Asia Pacific geographic area, China/Hong Kong total sales decreased 13 percent and organic local-currency sales decreased 11 percent. In Japan, total sales increased 5 percent and organic local-currency sales increased 2 percent.

### ***Managing currency risks:***

The stronger U.S. dollar had a negative impact on sales in the first three months of 2020 compared to the same period last year. Net of the Company's hedging strategy, foreign currency negatively impacted earnings in the first quarter of 2020 compared to the same period last year. 3M utilizes a number of tools to hedge currency risk related to earnings. 3M uses natural hedges such as pricing, productivity, hard currency and hard currency-indexed billings, and localizing source of supply. 3M also uses financial hedges to mitigate currency risk. In the case of more liquid currencies, 3M hedges a portion of its aggregate exposure, using a 12, 24 or 36 month horizon, depending on the currency in question. For less liquid currencies, financial hedging is frequently more expensive with more limitations on tenor. Thus, this risk is largely managed via local operational actions using natural hedging tools as discussed above. In either case, 3M's hedging approach is designed to mitigate a portion of foreign currency risk and reduce volatility, ultimately allowing time for 3M's businesses to respond to changes in the marketplace.



### ***Financial condition:***

3M generated \$1.213 billion of operating cash flows in the first three months of 2020, an increase of \$165 million when compared to the first three months of 2019, with this increase primarily due to the lower year-on-year significant litigation-related charges and the timing of associated payments that impacted both the first quarter of 2020 and first quarter of 2019. Refer to the section entitled “Financial Condition and Liquidity” later in MD&A for a discussion of items impacting cash flows.

In November 2018, 3M’s Board of Directors replaced the Company’s February 2016 repurchase program with a new repurchase program. This new program authorizes the repurchase of up to \$10 billion of 3M’s outstanding common stock, with no pre-established end date. In the first three months of 2020, the Company purchased \$365 million of its own stock, compared to \$701 million of stock purchases in the first three months of 2019. As of March 31, 2020, approximately \$7.8 billion remained available under the authorization. In the first quarter of 2020, the Company suspended its stock repurchase program in the face of uncertainty arising from the COVID-19 pandemic. In February 2020, 3M’s Board of Directors declared a first-quarter 2020 dividend of \$1.47 per share, an increase of 2 percent. This marked the 62<sup>nd</sup> consecutive year of dividend increases for 3M.

3M currently has an A1 credit rating with a negative outlook from Moody’s Investors Service and has an A+ credit rating with Standard & Poor’s with a negative outlook. The Company generates significant ongoing cash flow and has proven access to capital markets funding throughout business cycles.

3M expects to contribute approximately \$200 million of cash to its global defined benefit pension and postretirement plans in 2020. The Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2020.

## **RESULTS OF OPERATIONS**

### ***Net Sales:***

Refer to the preceding “Overview” section and the “Performance by Business Segment” section later in MD&A for additional discussion of sales change.

### ***Operating Expenses:***

(Percent of net sales)	Three months ended March 31,		
	2020	2019	Change
Cost of sales	50.9 %	54.8 %	(3.9)%
Selling, general and administrative expenses	21.9	24.8	(2.9)
Research, development and related expenses	6.6	6.1	0.5
Gain on sale of businesses	—	(0.1)	0.1
Operating income margin	20.6 %	14.4 %	6.2 %

3M expects global defined benefit pension and postretirement service cost expense in 2020 to increase by approximately \$34 million pre-tax when compared to 2019, which impacts cost of sales; selling, general and administrative expenses (SG&A); and research, development and related expenses (R&D). The year-on-year increase in defined benefit pension and postretirement service cost expense for the first three months of 2020 was approximately \$9 million.

The Company is investing in an initiative called business transformation, with these investments impacting cost of sales, SG&A, and R&D. Business transformation encompasses the ongoing multi-year phased implementation of an enterprise resource planning (ERP) system on a worldwide basis, as well as changes in processes and internal/external service delivery across 3M.

### ***Cost of Sales:***

Cost of sales includes manufacturing, engineering and freight costs.

Cost of sales, measured as a percent of sales, decreased in first three months of 2020. Decreases in the first three months of 2020 included lower significant litigation-related charges taken in the first quarter of 2020 (as discussed earlier in the *Certain amounts*

*adjusted special items - (non-GAAP measures)* section) compared to the same period in 2019. In addition, selling price increased net sales year-on-year by 0.4 percent and lower raw material costs reduced cost of sales as a percentage of net sales.

***Selling, General and Administrative Expenses:***

SG&A in dollars decreased 9.3 percent in the first three months of 2020, when compared to the same period last year. The decrease in the first three months of 2020 primarily relate to indirect cost reductions and lower year-on-year impact related to significant litigation-related charges (as discussed earlier in the *Certain amounts adjusted for special items - (non-GAAP measures)* section) and benefits recognized in the first quarter of 2020 related to restructuring and other actions taken in 2019.

***Research, Development and Related Expenses:***

R&D in dollars increased \$60 million in the first three months of 2020, when compared to the same period last year. R&D, measured as a percent of sales, increased in the first three months of 2020, as 3M continued to invest in its key initiatives, including R&D aimed at disruptive innovation programs with the potential to create entirely new markets and disrupt existing markets. The increase is primarily driven by additional R&D spending related to the Company's acquisition of Acelity.

***Gain on Sale of Businesses:***

During the first quarter of 2020, the Company recorded a pre-tax gain of \$2 million (\$1 million loss after tax) related to the sale of its advanced ballistic-protection business and recognition of certain contingent consideration. During the first quarter of 2019, the Company sold certain oral care technology comprising a business and reflected an earnout on a previous divestiture resulting in a pre-tax gain of \$8 million (\$7 million gain after tax). Refer to Note 3 for additional details on divestitures.

***Operating Income:***

3M uses operating income as one of its primary business segment performance measurement tools. Refer to the table below for a reconciliation of operating income margins for the three months ended March 31, 2020 versus 2019.

(Percent of net sales)	Three months ended
	March 31, 2020
Same period last year	14.4 %
Significant litigation-related charges/benefits	7.0
(Gain)/loss on sale of businesses	(0.1)
Same period last year, excluding special items	21.3 %
Increase/(decrease) in operating income margin, due to:	
Organic volume/productivity and other	0.4
Acquisitions/divestitures	(0.9)
Selling price and raw material impact	0.4
Foreign exchange impacts	(0.4)
Current period, excluding special items	20.8 %
Significant litigation-related charges/benefits	(0.2)
(Gain)/loss on sale of businesses	—
Current period	20.6 %

Operating income margins increased 6.2 percentage points in the first three months of 2020 when compared to the first three months of 2019. Excluding the impact on operating income from special items as described in the *Certain amounts adjusted for special items - (non-GAAP measures)* section above, operating margins decreased 0.5 percentage points to 20.8 percent in the first three months of 2020 when compared to the first three months of 2019.

Additional discussion related to the components of the year-on-year change in operating income margins follows:

*Organic volume/productivity and other:*

- Higher organic local-currency sales growth, in addition to benefits recognized in the first quarter of 2020 related to the restructuring and other actions taken in 2019, increased earnings per diluted share. Partially offsetting this increase were charges taken in response to the Company's review of certain assets in light of COVID-19 and other related market implications.
- Operating income margins decreased year-on-year due to higher defined benefit pension and postretirement service cost expense.

*Acquisitions/divestitures:*

- Acquisition-related impacts relate to the on-going integration of M\*Modal and Acelity, which decreased operating income margins year-on-year.
- Divestiture impacts, which is comprised of lost operating income from divested businesses, increased operating income margins year-on-year.

*Selling price and raw material impact:*

- Higher selling prices in addition to lower raw material cost impacts benefited operating income margins year-on-year for the first three months of 2020.

*Foreign exchange impacts:*

- Foreign currency effects (net of hedge gains) decreased operating income margins year-on-year.

*Significant litigation-related charges:*

- Operating income margins for the first three months of 2020 and 2019 included the \$17 million and \$548 million impact, respectively, of significant litigation-related charges (as discussed earlier in the *Certain amounts adjusted for special items - (non-GAAP measures)* section).

*Gain/loss from sale of businesses:*

- Operating income margins for the first three months of 2020 and 2019 included a gain of \$2 million and \$8 million, respectively, of gains/losses from sale of businesses (as discussed earlier in the *Certain amounts adjusted for special items - (non-GAAP measures)* section).

***Other Expense (Income), Net:***

See Note 6 for a detailed breakout of this line item.

Interest expense (net of interest income) increased in the first three months of 2020 compared to the same period in 2019 due to higher U.S. average debt balances and year-on-year decrease in interest income driven by lower average balances in cash, cash equivalents and marketable securities.

***Provision for Income Taxes:***

(Percent of pre-tax income)	Three months ended March 31,	
	2020	2019
Effective tax rate	17.4 %	17.9 %

The effective tax rate for the first three months of 2020 was 17.4 percent, compared to 17.9 percent in the first three months 2019, a decrease of 0.5 percentage points. The changes in the tax rates between years were impacted by many factors, including resolution of the tax treatment of the 2018 NRD lawsuit, increased benefit from U.S. international tax provisions, and geographical income mix. These decreases were partially offset by decreased benefit from stock options and higher prior year litigation charges. Additional factors that impacted the tax rates between years are further discussed in Note 8.

Due to uncertainty around the ultimate impact from the COVID-19 pandemic, 3M is not providing an estimated range of its 2020 effective tax rate at this time. The Company will continue to assess the situation and provide quarterly updates throughout the year.

The tax rate can vary from quarter to quarter due to discrete items, such as the settlement of income tax audits, changes in tax laws, and employee share-based payment accounting; as well as recurring factors, such as the geographic mix of income before taxes.

Refer to Note 8 for further discussion of income taxes.

***Net Income Attributable to Noncontrolling Interest:***

(Millions)	Three months ended March 31,	
	2020	2019
Net income attributable to noncontrolling interest	\$ 2	\$ 2

Net income attributable to noncontrolling interest represents the elimination of the income or loss attributable to non-3M ownership interests in 3M consolidated entities. The primary noncontrolling interest relates to 3M India Limited, of which 3M's effective ownership is 75 percent.

***Currency Effects:***

3M estimates that year-on-year currency effects, including hedging impacts, decreased pre-tax income by approximately \$58 million for the three months ended March 31, 2020. This estimate includes the effect of translating profits from local currencies into U.S. dollars; the impact of currency fluctuations on the transfer of goods between 3M operations in the United States and abroad; and transaction gains and losses, including derivative instruments designed to reduce foreign currency exchange rate risks. 3M estimates that year-on-year foreign currency transaction effects, including hedging impacts, decreased pre-tax income by approximately \$1 million for the three months ended March 31, 2020. These estimates include transaction gains and losses, including derivative instruments designed to reduce foreign currency exchange rate risks.

***Significant Accounting Policies:***

Information regarding new accounting standards is included in Note 1 to the Consolidated Financial Statements.

**PERFORMANCE BY BUSINESS SEGMENT**

Disclosures relating to 3M's business segments are provided in Note 16. Effective in the first quarter of 2020, the Company changed its business segment reporting (see Note 16 for additional details). Information provided herein reflects the impact of these changes for all periods presented. 3M manages its operations in four business segments. The reportable segments are Safety and Industrial; Transportation and Electronics; Health Care; and Consumer.

***Corporate and Unallocated:***

In addition to these four business segments, 3M assigns certain costs to "Corporate and Unallocated," which is presented separately in the preceding business segments table and in Note 16. Corporate and Unallocated includes a variety of miscellaneous items, such as corporate investment gains and losses, certain derivative gains and losses, certain insurance-related gains and losses, certain litigation and environmental expenses, corporate restructuring charges and certain under- or over-absorbed costs (e.g. pension, stock-based compensation) that the Company determines not to allocate directly to its business segments. Corporate and Unallocated also includes sales, costs, and income from contract manufacturing, transition services and other arrangements with the acquirer of the Communication Markets Division following its 2018 divestiture through 2019. Because this category includes a variety of miscellaneous items, it is subject to fluctuation on a quarterly and annual basis.

Corporate and Unallocated operating expenses decreased in the first three months of 2020, when compared to the same period last year. In the first quarter of 2019 and 2020, significant litigation-related charges of \$548 million and \$17 million, respectively, were reflected in Corporate and Unallocated. In addition, 3M's defined benefit pension and postretirement service-cost expense allocation to Corporate and Unallocated increased year-on-year.

### ***Operating Business Segments:***

Information related to 3M's business segments for the first three months of 2020 and 2019 are presented in the tables that follow. Organic local-currency sales include both organic volume impacts plus selling price impacts. Acquisition impacts, if any, are measured separately for the first twelve months post-transaction. The divestiture impacts, if any, foreign currency translation impacts and total sales change are also provided for each business segment. Any references to EMEA relate to Europe, Middle East and Africa on a combined basis.

Refer to the preceding "Sales and operating income by geographic area" section for organic local-currency sales growth by business segment within major geographic areas.

Refer to 3M's 2019 Annual Report on Form 10-K, Item 1, Business, for discussion of 3M products that are included in each business segment.

### ***Safety and Industrial Business:***

	Three months ended March 31,			
	2020		2019	
Sales (millions)	\$	2,935	\$	2,963
Sales change analysis:				
Organic local-currency		2.2 %		(2.3)%
Divestitures		(1.0)		(2.7)
Translation		(2.2)		(3.8)
Total sales change		(1.0)%		(8.8)%
Operating income (millions)	\$	726	\$	637
Percent change		14.0 %		(16.8)%
Percent of sales		24.7 %		21.5 %

### ***First quarter 2020 results:***

Sales in Safety and Industrial totaled \$2.9 billion, down 1.0 percent in U.S. dollars. Organic local-currency sales increased 2.2 percent, divestitures decreased sales by 1.0 percent, and foreign currency translation decreased sales by 2.2 percent.

On an organic local-currency sales basis:

- Sales increased in personal safety, roofing granules, and industrial adhesives and tapes, while closure and masking systems, electrical markets, automotive aftermarket, and abrasives sales declined year-on-year.
- Strong growth related to unprecedented demand for respirators as a result of the COVID-19 pandemic was partially offset by softness and channel inventory reductions that impacted sales growth across most of the Company's general industrial-related portfolio.

Divestitures:

- 2018 divestitures that impacted 2019 results relate to the sale of certain personal safety product offerings primarily focused on noise, environmental, and heat stress monitoring (first quarter 2018), and its abrasives glass products business (second quarter of 2018).
- Also in 2018, 3M completed the sale of substantially all of its Communication Markets Division and recorded a pre-tax gain of approximately \$509 million.
- In August 2019, 3M completed the sale of its gas and flame detection business.

Operating income:

- Operating income margins increased 3.2 percentage points, primarily related to sales increases along with improvements in productivity.

**Transportation and Electronics Business:**

	Three months ended March 31,	
	2020	2019
Sales (millions)	\$ 2,238	\$ 2,355
Sales change analysis:		
Organic local-currency	(3.0)%	(3.6)%
Divestitures	(0.7)	—
Translation	(1.3)	(3.0)
Total sales change	(5.0)%	(6.6)%
Operating income (millions)	\$ 484	\$ 522
Percent change	(7.3)%	(20.4)%
Percent of sales	21.6 %	22.2 %

**First quarter 2020 results:**

Sales in Transportation and Electronics totaled \$2.2 billion, down 5.0 percent in U.S. dollars. Organic local-currency sales decreased 3.0 percent, divestitures decreased sales by 0.7 percent, and foreign currency translation decreased sales by 1.3 percent.

Total sales were flat within the electronics-related businesses and decreased 4 percent within Asia Pacific.

On an organic local-currency sales basis:

- Sales remained flat in advanced materials and transportation safety, while sales declined in commercial solutions and automotive and aerospace solutions.
- Automotive and aerospace was primarily impacted by the decline in global car and light truck builds.
- Sales increased 1 percent in 3M's electronics-related businesses, with an increase in electronics material solutions and a decrease in display materials and systems. Electronics-related growth was led by demand for fluids and semiconductor end-market, partially offset by soft consumer electronics and factory automation end markets in addition to channel inventory adjustments.
- Sales decreased 3 percent in Asia Pacific, where 3M's electronics business is concentrated.

Divestitures:

- In January 2020, 3M completed the sale of its advanced ballistic-protection business. Refer to Note 3 for details.

Operating income:

- Operating income margins decreased 0.6 percentage points, primarily related to lower sales and reduced productivity in key end-markets.
- Excluding the impact on operating income from special items as described in the *Certain amounts adjusted for special items - (non-GAAP measures)* section above, operating income was \$482 million and \$519 million for the three months ended March 31, 2020 and 2019, respectively, an operating income margin decrease of 0.6 percentage points year-on-year.

**Health Care Business:**

	Three months ended March 31,			
	2020		2019	
Sales (millions)	\$	2,103	\$	1,738
Sales change analysis:				
Organic local-currency		1.2 %		0.7 %
Acquisitions		21.6		2.8
Divestitures		—		(0.2)
Translation		(1.8)		(3.7)
Total sales change		21.0 %		(0.4)%
Operating income (millions)	\$	456	\$	464
Percent change		(1.7)%		(6.9)%
Percent of sales		21.7 %		26.7 %

**First quarter 2020 results:**

Sales in Health Care totaled \$2.1 billion, up 21.0 percent in U.S. dollars. Organic local-currency sales increased 1.2 percent, acquisitions increased sales by 21.6 percent, and foreign currency translation decreased sales by 1.8 percent.

On an organic local-currency sales basis:

- Sales increased in drug delivery, food safety, medical solutions and separation and purification sciences, while sales were flat in health information systems.
- Oral care declined year on year primarily due to dental and orthodontia offices being closed as a result of the COVID-19 pandemic.

Acquisitions:

- In February 2019, 3M acquired M\*Modal, a leading healthcare technology provider of cloud-based, conversational artificial intelligence-powered systems that help physicians efficiently capture and improve the patient narrative.
- In October 2019, 3M completed the acquisition of Acelity Inc. and its KCI subsidiaries, a leading global medical technology company focused on advanced wound care and specialty surgical applications.

Divestitures:

- 2018 divestitures that impacted 2019 results relate to the sale of its polymer additives compounding business (first quarter 2018).
- In the first quarter of 2019, the Company sold certain oral care technology comprising a business.

Operating income:

- Operating income margins decreased 5.0 percentage points year-on-year, driven by a 4.6 percentage point impact related to the the M\*Modal and Acelity acquisitions.
- Excluding the impact on operating income from special items as described in the *Certain amounts adjusted for special items - (non-GAAP measures)* section above, operating income was \$456 million and \$459 million for the three months ended March 31, 2020 and 2019, respectively, an operating income margin decrease of 4.7 percentage points year-on-year.

In December 2019, 3M agreed to sell substantially all of its drug delivery business to an affiliate of Altaris Capital Partners, LLC. Subject to closing and other adjustments, 3M will receive approximately \$650 million in consideration. The sale is expected to close in the second quarter of 2020. See Note 3 for additional details.

**Consumer Business:**

	Three months ended March 31,			
	2020		2019	
Sales (millions)	\$	1,256	\$	1,200
Sales change analysis:				
Organic local-currency		6.1 %		1.9 %
Translation		(1.5)		(2.6)
Total sales change		4.6 %		(0.7)%
Operating income (millions)	\$	269	\$	235
Percent change		14.5 %		0.7 %
Percent of sales		21.4 %		19.6 %

**First quarter 2020 results:**

Sales in Consumer totaled \$1.3 billion, an increase of 4.6 percent in U.S. dollars. Organic local-currency sales increased 6.1 percent and foreign currency translation decreased sales by 1.5 percent.

On an organic local-currency sales basis:

- Sales grew in home improvement, home care, and consumer health care, while stationery and office declined.
- Sales showed continued strength in the Company's Filtrete™, Scotch Blue™, Scotch Brite™, and Nexcare™ brands.

Operating income:

- Operating income margins increased 1.8 percentage points year-on-year as a result of improvements related portfolio and footprint actions taken.

**FINANCIAL CONDITION AND LIQUIDITY**

The strength and stability of 3M's business model and strong free cash flow capability, together with proven capital markets access, position the Company to withstand an economic downturn. Investing in 3M's business to drive organic growth and deliver strong return on invested capital remains the first priority for capital deployment. This includes research and development, capital expenditures, and commercialization capability. Organic investments will be supplemented by complementary acquisitions. The company also continues to actively manage its portfolio to maximize value for shareholders. Given uncertainty arising from COVID-19, the Company suspended its share repurchase program effective March 2020. 3M will continue to return cash to shareholders through dividends and will consider whether to resume share repurchases once the COVID-19 impacts are better known. 3M maintains strong liquidity and further added to its liquidity position through issuance of \$1.75B in registered notes in March 2020. Sources for cash availability in the United States, such as ongoing cash flow from operations and access to capital markets, have historically been sufficient to fund dividend payments to shareholders, as well as funding U.S. acquisitions and other items as needed. The TCJA creates additional repatriation opportunities for 3M to access international cash positions on a continual and on-going basis and will help support U.S. capital deployments needs. For those international earnings still considered to be reinvested indefinitely, the Company currently has no plans or intentions to repatriate these funds for U.S. operations. See Note 10 in 3M's 2019 Annual Report on Form 10-K for further information on earnings considered to be reinvested indefinitely.

3M's primary short-term liquidity needs are met through cash on hand and U.S. commercial paper issuances. 3M believes it will have continuous access to the commercial paper market. 3M's commercial paper program permits the Company to have a maximum of \$5 billion outstanding with a maximum maturity of 397 days from date of issuance. At March 31, 2020, there was \$585 million commercial paper issued and outstanding, compared to \$150 million outstanding at December 31, 2019.

**Total debt:**

The strength of 3M's credit profile and significant ongoing cash flows provide 3M proven access to capital markets. Additionally, the Company's maturity profile is staggered to help ensure refinancing needs in any given year are reasonable in proportion to the total



portfolio. 3M currently has an A1 credit rating with a negative outlook from Moody's Investors Service and has an A+ credit rating with Standard & Poor's with a negative outlook.

The Company's total debt was \$2.2 billion higher at March 31, 2020 when compared to December 31, 2019. Increases in debt related to the March 2020 issuance of \$1.75 billion of registered notes in addition to a higher commercial paper balance. For discussion of repayments of and proceeds from debt refer to the following "Cash Flows from Financing Activities" section.

In conjunction with the October 2019 acquisition of Acelity Inc. of the debt assumed, 3M did not immediately settle at close \$0.5 billion of notes and, instead, satisfied and discharged those notes via an in-substance defeasance. Refer to Note 10 for additional information.

In July 2017, the United Kingdom's Financial Conduct Authority announced that it would no longer require banks to submit rates for the London InterBank Offered Rate ("LIBOR") after 2021. The Company is in the process of reviewing its debt securities, bank facilities, derivative instruments and commercial contracts that utilize LIBOR as the reference rate. 3M will continue its impact assessment and monitor regulatory developments during the transition period.

Effective February 10, 2020, the Company updated its "well-known seasoned issuer" (WKSI) shelf registration statement, which registers an indeterminate amount of debt or equity securities for future issuance and sale. This replaced 3M's previous shelf registration dated February 24, 2017. In May 2016, in connection with the WKSI shelf, 3M entered into an amended and restated distribution agreement relating to the future issuance and sale (from time to time) of the Company's medium-term notes program (Series F), up to the aggregate principal amount of \$18 billion, which was an increase from the previous aggregate principal amount up to \$9 billion of the same Series.

As of March 31, 2020, the total amount of debt issued as part of the medium-term notes program (Series F), inclusive of debt issued in February 2019 and prior years is approximately \$17.6 billion (utilizing the foreign exchange rates applicable at the time of issuance for the Euro denominated debt). Additionally, the August 2019 and March 2020 debt was issued under the WKSI shelf registration, but not as part of the medium-term notes program (Series F). Information with respect to long-term debt issuances and maturities for the periods presented is included in Note 10 of this Form 10-Q and Note 12 of 3M's 2019 Annual Report on Form 10-K.

The Company has a \$3.0 billion five-year revolving credit facility expiring in November 2024. The revolving credit agreement includes a provision under which 3M may request an increase of up to \$1.0 billion (at lender's discretion), bringing the total facility up to \$4.0 billion. In addition, 3M entered into a \$1.25 billion 364-day credit facility expiring in November 2020. The 364-day credit agreement includes a provision under which 3M may convert any advances outstanding on the maturity date into term loans with a maturity date one year later. These credit facilities were undrawn at March 31, 2020. Under both the \$3.0 billion and \$1.25 billion credit agreements, the Company is required to maintain its EBITDA to Interest Ratio as of the end of each fiscal quarter at not less than 3.0 to 1. This is calculated (as defined in the agreement) as the ratio of consolidated total EBITDA for the four consecutive quarters then ended to total interest expense on all funded debt for the same period. At March 31, 2020, this ratio was approximately 18 to 1. Debt covenants do not restrict the payment of dividends.

Apart from the committed credit facilities described above, in September 2019, 3M entered into a credit facility expiring in July 2020 in the amount of 80 billion Japanese Yen. At March 31, 2020, 69 billion Japanese Yen, or approximately \$641 million at March 31, 2020 exchange rates, was drawn and outstanding. In November 2019, 3M entered into a credit facility expiring in November 2020 in the amount of 150 million Euros. At March 31, 2020, 150 million Euros, or \$167 million at March 31, 2020 exchange rates, was drawn and outstanding. The Company also had an additional \$278 million in stand-alone letters of credit and bank guarantees were also issued and outstanding at March 31, 2020. These instruments are utilized in connection with normal business activities

***Cash, cash equivalents and marketable securities:***

At March 31, 2020, 3M had \$4.5 billion of cash, cash equivalents and marketable securities, of which approximately \$2.4 billion was held by the Company's foreign subsidiaries and approximately \$2.1 billion was held by the United States. These balances are invested in bank instruments and other high-quality fixed income securities. At December 31, 2019, cash, cash equivalents and marketable securities held by the Company's foreign subsidiaries and by the United States totaled approximately \$2.4 billion and \$100 million, respectively. The increase from December 31, 2019 primarily resulted from \$1.75 billion of debt the Company issued in March 2020 in light of the uncertain impact of the COVID-19 pandemic.

**Net Debt (non-GAAP measure):**

Net debt is not defined under U.S. GAAP and may not be computed the same as similarly titled measures used by other companies. The Company defines net debt as total debt less the total of cash, cash equivalents and current and long-term marketable securities. 3M believes net debt is meaningful to investors as 3M considers net debt and its components to be important indicators of liquidity and financial position. The following table provides net debt as of March 31, 2020 and December 31, 2019.

(Millions)	March 31, 2020	December 31, 2019	Change
Total debt	\$ 22,495	\$ 20,313	\$ 2,182
Less: Cash, cash equivalents and marketable securities	4,511	2,494	2,017
Net debt (non-GAAP measure)	\$ 17,984	\$ 17,819	\$ 165

Refer to the preceding “Total Debt” and “Cash, Cash Equivalents and Marketable Securities” sections for additional details.

**Balance Sheet:**

3M’s strong balance sheet and liquidity provide the Company with significant flexibility to fund its numerous opportunities going forward. The Company will continue to invest in its operations to drive growth, including continual review of acquisition opportunities.

The Company uses working capital measures that place emphasis and focus on certain working capital assets, such as accounts receivable and inventory activity.

**Working capital (non-GAAP measure):**

(Millions)	March 31, 2020	December 31, 2019	Change
Current assets	\$ 15,090	\$ 12,971	\$ 2,119
Less: Current liabilities	9,134	9,222	(88)
Working capital (non-GAAP measure)	\$ 5,956	\$ 3,749	\$ 2,207

Various assets and liabilities, including cash and short-term debt, can fluctuate significantly from month to month depending on short-term liquidity needs. Working capital is not defined under U.S. generally accepted accounting principles and may not be computed the same as similarly titled measures used by other companies. The Company defines working capital as current assets minus current liabilities. 3M believes working capital is meaningful to investors as a measure of operational efficiency and short-term financial health.

Working capital increased \$2,207 million compared with December 31, 2019. Balance changes in current assets increased working capital by \$2,119 million, driven by increases to cash and cash equivalents. Balance changes in current liabilities increased working capital by \$88 million, primarily due to decreases in accrued payroll and other current liabilities, partially offset by increases in short-term debt.

Accounts receivable increased \$30 million from to December 31, 2019, primarily due to higher sales in March 2020 compared to December 2019, partially offset by impacts from foreign exchange rates. Inventory increased \$83 million from December 31, 2019 as a result of slowing growth conditions in several key end markets and channel inventory adjustments by customers, partially offset by impacts from foreign exchange rates.

### **Cash Flows:**

Cash flows from operating, investing and financing activities are provided in the tables that follow. Individual amounts in the Consolidated Statement of Cash Flows exclude the effects of acquisitions, divestitures and exchange rate impacts on cash and cash equivalents, which are presented separately in the cash flows. Thus, the amounts presented in the following operating, investing and financing activities tables reflect changes in balances from period to period adjusted for these effects.

#### **Cash Flows from Operating Activities:**

(Millions)	Three months ended March 31,	
	2020	2019
Net income including noncontrolling interest	\$ 1,294	\$ 893
Depreciation and amortization	440	375
Company pension and postretirement contributions	(39)	(47)
Company pension and postretirement expense	98	70
Stock-based compensation expense	120	130
Gain on sale of businesses	(2)	(5)
Income taxes (deferred and accrued income taxes)	97	(56)
Accounts receivable	(143)	(78)
Inventories	(207)	(178)
Accounts payable	12	(3)
Other — net	(457)	(53)
Net cash provided by (used in) operating activities	\$ 1,213	\$ 1,048

Cash flows from operating activities can fluctuate significantly from period to period, as pension funding decisions, tax timing differences and other items can significantly impact cash flows.

In the first three months of 2020, cash flows provided by operating activities increased \$165 million compared to the same period last year, with this increase primarily due to lower year-on-year significant litigation-related charges and the timing of associated payments. Factors that decreased operating cash flows included increases in accounts receivable and inventory. The combination of accounts receivable, inventories and accounts payable increased working capital by \$338 million in the first three months of 2020, compared to the working capital increases of \$259 million in the first three months of 2019. Additional discussion on working capital changes is provided earlier in the “Financial Condition and Liquidity” section.

#### **Cash Flows from Investing Activities:**

(Millions)	Three months ended March 31,	
	2020	2019
Purchases of property, plant and equipment (PP&E)	\$ (332)	\$ (391)
Proceeds from sale of PP&E and other assets	7	1
Acquisitions, net of cash acquired	(25)	(704)
Purchases and proceeds from maturities and sale of marketable securities and investments, net	(111)	(142)
Proceeds from sale of businesses, net of cash sold	86	6
Other — net	—	5
Net cash provided by (used in) investing activities	\$ (375)	\$ (1,225)

Investments in property, plant and equipment enable growth across many diverse markets, helping to meet product demand and increasing manufacturing efficiency. The Company expects full-year 2020 capital spending to be approximately \$1.3 billion (versus previous guidance of \$1.6 billion to \$1.8 billion) as 3M reduces overall spending in light of uncertainty regarding COVID-19, but continues to invest in expanding the Company’s ability to increase production of respiratory products to meet worldwide demand.

3M invests in renewal and maintenance programs, which pertain to cost reduction, cycle time, maintaining and renewing current capacity, eliminating pollution, and compliance. Costs related to maintenance, ordinary repairs, and certain other items are expensed. 3M also invests in growth, which adds to capacity, driven by new products, both through expansion of current facilities and new facilities. Finally, 3M also invests in other initiatives, such as information technology (IT), laboratory facilities, and a continued focus on investments in sustainability.

Refer to Note 3 for information on acquisitions and divestitures. The Company is actively considering additional acquisitions, investments and strategic alliances, and from time to time may also divest certain businesses. Acquisitions, net of cash acquired, in the first three months of 2019 primarily includes the purchase of M\*Modal. Acquisitions, net of cash acquired, in the first three months of 2020 primarily relate to the payment made for contingent consideration in regards to the Acelity acquisition. Proceeds from sale of businesses in 2019 primarily relate to the sale of certain oral care technology comprising a business. Proceeds from sale of businesses in 2020 primarily relate to the sale of the Company's advanced ballistic-protection business.

Purchases of marketable securities and investments and proceeds from maturities and sale of marketable securities and investments are primarily attributable to certificates of deposit/time deposits, commercial paper, and other securities, which are classified as available-for-sale. Refer to Note 9 for more details about 3M's diversified marketable securities portfolio. Purchases of investments include additional survivor benefit insurance, plus investments in equity securities.

### ***Cash Flows from Financing Activities:***

(Millions)	Three months ended March 31,	
	2020	2019
Change in short-term debt — net	\$ 462	\$ (428)
Repayment of debt (maturities greater than 90 days)	—	(246)
Proceeds from debt (maturities greater than 90 days)	1,745	2,265
Total cash change in debt	\$ 2,207	\$ 1,591
Purchases of treasury stock	(365)	(701)
Proceeds from issuances of treasury stock pursuant to stock option and benefit plans	149	215
Dividends paid to shareholders	(847)	(830)
Other — net	(36)	(17)
Net cash provided by (used in) financing activities	\$ 1,108	\$ 258

Total debt was approximately \$22.5 billion at March 31, 2020 and \$20.3 billion at December 31, 2019. Increases in debt related to the March 2020 issuance of \$1.75 billion in registered notes in addition to increases in commercial paper balances. Outstanding commercial paper was \$585 million at March 31, 2020, as compared to \$150 million at December 31, 2019. Net commercial paper issuances in addition to repayments and borrowings by international subsidiaries are largely reflected in "Change in short-term debt – net" in the preceding table. 3M's primary short-term liquidity needs are met through cash on hand and U.S. commercial paper issuances.

Repurchases of common stock are made to support the Company's stock-based employee compensation plans and for other corporate purposes. In November 2018, 3M's Board of Directors replaced the Company's February 2016 repurchase program with a new repurchase program. This new program authorizes the repurchase of up to \$10 billion of 3M's outstanding common stock, with no pre-established end date. In the first three months of 2020, the Company purchased \$365 million of its own stock prior to 3M's suspension of its share repurchase program in late March. For more information, refer to the table titled "Issuer Purchases of Equity Securities" in Part II, Item 2. The Company does not utilize derivative instruments linked to the Company's stock.

3M has paid dividends each year since 1916. In February 2020, 3M's Board of Directors declared a first-quarter 2020 dividend of \$1.47 per share, an increase of 2 percent. This is equivalent to an annual dividend of \$5.88 per share and marked the 62<sup>nd</sup> consecutive year of dividend increases.

Other cash flows from financing activities may include various other items, such as cash paid associated with certain derivative instruments, distributions to or sales of noncontrolling interests, changes in cash overdraft balances, and principal payments for finance leases.

***Free Cash Flow (non-GAAP measure):***

Free cash flow and free cash flow conversion are not defined under U.S. generally accepted accounting principles (GAAP). Therefore, they should not be considered a substitute for income or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to similarly titled measures used by other companies. The Company defines free cash flow as net cash provided by operating activities less purchases of property, plant and equipment. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. The Company defines free cash flow conversion as free cash flow divided by net income attributable to 3M. The Company believes free cash flow and free cash flow conversion are meaningful to investors as they are useful measures of performance and the Company uses these measures as an indication of the strength of the company and its ability to generate cash. The first quarter of each year is typically 3M's seasonal low for free cash flow and free cash flow conversion. In the table below details the components of free cash flow for the three months ended March 31, 2020 and 2019.

In the first three months of 2019 and 2020, free cash flow conversion was impacted by significant litigation-related charges and timing of associated payments. Refer to the preceding "Cash Flows from Operating Activities" section for discussion of additional items that impacted operating cash flow. Refer to the proceeding "Cash Flows from Investing Activities" section for discussion on capital spending for property, plant and equipment.

(Millions)	Three months ended March 31,	
	2020	2019
<b>Major GAAP Cash Flow Categories</b>		
Net cash provided by (used in) operating activities	\$ 1,213	\$ 1,048
Net cash provided by (used in) investing activities	(375)	(1,225)
Net cash provided by (used in) financing activities	1,108	258
<b>Free Cash Flow (non-GAAP measure)</b>		
Net cash provided by (used in) operating activities	\$ 1,213	\$ 1,048
Purchases of property, plant and equipment (PP&E)	(332)	(391)
Free cash flow	\$ 881	\$ 657
Net income attributable to 3M	\$ 1,292	\$ 891
Free cash flow conversion	68 %	74 %

## CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company may also make forward-looking statements in other reports filed with the Securities and Exchange Commission, in materials delivered to shareholders and in press releases. In addition, the Company’s representatives may from time to time make oral forward-looking statements.

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

- worldwide economic, political, regulatory, capital markets and other external conditions, such as interest rates, foreign currency exchange rates, financial conditions of our suppliers and customers, trade restrictions such as tariffs in addition to retaliatory counter measures, and natural and other disasters or climate change affecting the operations of the Company or our suppliers and customers,
- risks related to public health crises such as the global pandemic associated with the coronavirus (COVID-19),
- liabilities related to certain fluorochemicals and the outcome of contingencies, such as legal and regulatory proceedings,
- the Company’s strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position,
- competitive conditions and customer preferences,
- foreign currency exchange rates and fluctuations in those rates,
- new business opportunities, product development, and future performance or results of current or anticipated products,
- fluctuations in the costs and availability of purchased components, compounds, raw materials and energy,
- Information technology systems including ERP system roll-out and implementations,
- Security breaches and other disruptions to information technology infrastructure,
- the scope, nature or impact of acquisition, strategic alliance and divestiture activities,
- Operational execution, including inability to generate productivity improvements as estimated,
- future levels of indebtedness, common stock repurchases and capital spending,
- future availability of and access to credit markets,
- pension and postretirement obligation assumptions and future contributions,
- asset impairments,
- tax liabilities, and
- the effects of changes in tax (including the Tax Cuts and Jobs Act), environmental and other laws and regulations in the United States and other countries in which we operate.

The Company assumes no obligation to update or revise any forward-looking statements.

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

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

In the context of Item 3, 3M is exposed to market risk due to the risk of loss arising from adverse changes in foreign currency exchange rates, interest rates and commodity prices. Changes in those factors could impact the Company's results of operations and financial condition. For a discussion of sensitivity analysis related to these types of market risks, refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in 3M's 2019 Annual Report on Form 10-K. There have been no material changes in information that would have been provided in the context of Item 3 from the end of the preceding year until March 31, 2020. However, the Company does provide risk management discussion in various places in this Quarterly Report on Form 10-Q, primarily in the Derivatives note.

**Item 4. Controls and Procedures.**

a. The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

b. There was no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company is implementing an enterprise resource planning ("ERP") system on a worldwide basis, which is expected to improve the efficiency of certain financial and related transaction processes. The gradual implementation is expected to occur in phases over the next several years. The implementation of a worldwide ERP system will likely affect the processes that constitute our internal control over financial reporting and will require testing for effectiveness.

The Company completed implementation with respect to various processes/sub-processes in certain subsidiaries/locations, including aspects relative to the United States, and will continue to roll out the ERP system over the next several years. As with any new information technology application we implement, this application, along with the internal controls over financial reporting included in this process, was appropriately considered within the testing for effectiveness with respect to the implementation in these instances. We concluded, as part of its evaluation described in the above paragraphs, that the implementation of the ERP system in these circumstances has not materially affected our internal control over financial reporting.

**3M COMPANY**  
**FORM 10-Q**  
**For the Quarterly Period Ended March 31, 2020**  
**PART II. Other Information**

**Item 1. Legal Proceedings.**

Discussion of legal matters is incorporated by reference from Part I, Item 1, Note 14, “Commitments and Contingencies” of this document, and should be considered an integral part of Part II, Item 1, “Legal Proceedings.”

*Other Environmental Matter*

The following matter is disclosed solely pursuant to the requirement to disclose certain environmental proceedings involving potential monetary sanctions that would be in excess of \$100,000: 3M’s manufacturing facility in Detroit, Michigan has an outstanding Notice of Violation (NOV) from the U.S. EPA, Region V (EPA), related to air emissions from the facility. 3M has contested the alleged violations and is negotiating with EPA on its proposed Consent Agreement and Final Order to resolve the NOV. The resolution of this matter may result in a potential monetary sanction in excess of \$100,000.

**Item 1A. Risk Factors.**

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

*\* Results are impacted by the effects of, and changes in, worldwide economic, political, regulatory, capital markets and other external conditions.* The Company operates in more than 70 countries and derives approximately 60 percent of its revenues from outside the United States. The Company’s business is subject to global competition and geopolitical risks and has been and will in the future be adversely affected by factors in the United States and other countries that are beyond its control, such as slower economic growth, disruptions in financial markets, economic downturns in the form of either contained or widespread recessionary conditions, inflation, elevated unemployment levels, sluggish or uneven recovery, government actions impacting international trade agreements, imposing trade restrictions such as tariffs, and retaliatory counter measures, government deficit reduction and other austerity measures in specific countries or regions, or in the various industries in which the Company operates; social, political or labor conditions in specific countries or regions; natural and other disasters, including public health crises, such as pandemics and epidemics, affecting the operations of the Company or its customers and suppliers; or adverse changes in the availability and cost of capital, interest rates, tax rates, tax laws, or exchange control, ability to expatriate earnings and other regulations in the jurisdictions in which the Company operates. Natural occurrences and human activities are increasingly releasing greenhouse gases into the atmosphere, contributing to changes in the earth’s climate. Climate change, as well as related environmental and social regulations, may negatively impact the Company or its customers and suppliers, in terms of availability and cost of natural resources, sources and supply of energy, product demand and manufacturing, and the health and well-being of individuals and communities in which we operate.

*\* The Company is subject to risks related to public health crises such as the global pandemic associated with the coronavirus (COVID-19).* 3M, as a global company, is impacted by public health crises such as the global pandemic associated with COVID-19. The outbreak has significantly increased economic and demand uncertainty. In addition, public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working, have impacted 3M’s operations. In these challenging and dynamic circumstances, 3M is working to protect its employees and the public, maintain business continuity and sustain its operations, including ensuring the safety and protection of about 50,000 people who work in our plants and distribution centers across the world, many of whom support the manufacturing and delivery of products that are critical in response to the global pandemic. COVID-19 has impacted 3M’s supply chains relative to global demand for products like respirators, surgical masks and commercial cleaning solutions. Even with 3M’s accelerated production combined with capacity from other manufacturers, the industry-wide challenge is that global demand for N95 respirators far exceeds the industries’ ability to deliver. Within individual regions and countries around the world, 3M is working with governments, distributors and others to prioritize supplies to the most critical customer and public health needs. 3M’s manufacturing, supply chain and distribution protocols have, for example, been impacted by the need to prioritize rated orders issued by the Federal Emergency Management Agency pursuant to the U.S. Defense Production Act. In addition, trade barriers, export restrictions and other



similar measures imposed by national governments also negatively impact the supplies of personal protection equipment including those made by 3M going into the most needed areas. COVID-19 has also affected the ability of suppliers and vendors to provide products and services to 3M. Some of these factors could increase the demand for 3M products, while others could decrease demand or make it more difficult for 3M to serve customers. 3M has received reports of price gouging, counterfeiting and other illegal or fraudulent activities involving its N95 respirators, has taken legal action in several states and continues to work with state, federal and international law enforcement to protect the public and 3M against those who seek to exploit 3M's brand and reputation and defraud others. Furthermore, COVID-19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates. For example, COVID-19 has led to disruption and volatility in the global capital markets, which increases the cost of capital and could adversely impact access to capital. Due to the speed with which the situation is developing and the uncertainty of its duration and the timing of recovery, 3M is not able at this time to predict the extent to which the COVID-19 pandemic may have a material effect on its consolidated results of operations or financial condition.

*\* The Company faces liabilities related to certain fluorochemicals, which could adversely impact our results.*

As previously reported, the Company has been voluntarily cooperating with various local, state, federal (primarily the U.S. Environmental Protection Agency (EPA)), and international agencies in their review of the environmental and health effects of a broad group of perfluoroalkyl and polyfluoroalkyl substances produced by the Company, collectively known as "PFAS." The PFAS group contains several categories and classes of durable chemicals and materials with properties that include oil, water, temperature, chemical and fire resistance, as well as electrical insulating properties. The strength of the carbon-fluorine bond also means that these compounds do not easily degrade. These characteristics have made PFAS critical to the manufacture of electronic devices such as cell phones, tablets and semi-conductors. They are also used to help prevent infections in products like surgical gowns and drapes. Commercial aircraft and low-emissions vehicles also rely on PFAS technology. PFAS compounds are manufactured by various companies, including 3M, and are used in everyday products. As science and technology evolve and advance, and in response to evolving knowledge and the understanding that PFAS compounds had the potential to build up over time, 3M announced in 2000 that we would voluntarily phase out production of perfluorooctanoate (PFOA) and perfluorooctane sulfonate (PFOS) globally as a precautionary measure. We phased out of materials used to produce certain repellants and surfactant products, with most of these activities in the U.S. completed by the end of 2002. Phased out products included Aqueous Film Forming Foam (AFFF) and coatings for food packaging, for example. 3M currently is defending lawsuits concerning various PFAS-related products and chemistries, and is subject to unasserted and asserted claims and governmental regulatory proceedings and inquiries related to the production and use of PFAS in a variety of jurisdictions, as discussed in Note 14, "Commitments and Contingencies," within the Notes to Consolidated Financial Statements. An adverse outcome in any one or more of these matters could be material to our financial results. For example, we recorded a pre-tax charge of \$897 million, inclusive of legal fees and other related obligations, in the first quarter of 2018 with respect to the settlement of a matter brought by the State of Minnesota involving the presence of PFAS in the groundwater, surface water, fish or other aquatic life, and sediments in the state. Governmental inquiries or lawsuits involving PFAS could lead to our incurring liability for damages or other costs, civil or criminal proceedings, the imposition of fines and penalties, or other remedies, as well as restrictions on or added costs for our business operations going forward, including in the form of restrictions on discharges at our manufacturing facilities or otherwise.

*\* The Company's future results may be affected by various asserted and unasserted legal and regulatory proceedings and legal compliance risks, including those involving product liability, antitrust, intellectual property, environmental, the U.S. Foreign Corrupt Practices Act and other anti-bribery laws, U.S. trade sanctions compliance, regulations of the U.S. Food and Drug Administration (FDA) and similar foreign agencies, U.S. federal healthcare program-related laws and regulations including the False Claims Act, anti-kickback laws, the Sunshine Act, or other matters.* The outcome of these legal proceedings may differ from the Company's expectations because the outcomes of litigation, including regulatory matters, are often difficult to reliably predict. Although the Company maintains general liability insurance, the amount of liability that may result from certain of these risks may not always be covered by, or could exceed, the applicable insurance coverage. Various factors or developments can lead the Company to change current estimates of liabilities and related insurance receivables where applicable, or make such estimates for matters previously not susceptible of reasonable estimates, such as a significant judicial ruling or judgment, a significant settlement, significant regulatory developments or changes in applicable law. A future adverse ruling, settlement or unfavorable development could result in future charges that could have a material adverse effect on the Company's results of operations or cash flows in any particular period. In addition, negative publicity related to product liability, environmental, health and safety matters involving the Company may negatively impact the Company's reputation. For a more detailed discussion of the legal proceedings involving the Company and the associated accounting estimates, see the discussion in Note 14, "Commitments and Contingencies," within the Notes to Consolidated Financial Statements.

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

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

*\* The Company's growth objectives are largely dependent on the timing and market acceptance of its new product offerings, including its ability to continually renew its pipeline of new products and to bring those products to market.* This ability is subject to difficulties or delays in product development, such as the inability to identify viable new products, obtain adequate intellectual property protection, or gain market acceptance of new products. There are no guarantees that new products will prove to be commercially successful.

*\* The Company's future results are subject to fluctuations in the costs and availability of purchased components, compounds, raw materials and energy, including oil and natural gas and their derivatives, due to shortages, increased demand, supply interruptions, currency exchange risks, natural disasters and other factors.* The Company depends on various components, compounds, raw materials, and energy (including oil and natural gas and their derivatives) supplied by others for the manufacturing of its products. Supplier relationships have been and could be interrupted in the future due to natural and other disasters and other events, or be terminated. Any sustained interruption in the Company's receipt of adequate supplies could have a material adverse effect on the Company. In addition, while the Company has a process to minimize volatility in component and material pricing, no assurance can be given that the Company will be able to successfully manage price fluctuations or that future price fluctuations or shortages will not have a material adverse effect on the Company.

*\* The Company employs information technology systems to support its business, including ongoing phased implementation of an ERP system as part of business transformation on a worldwide basis over the next several years. Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations, compromise information belonging to the Company or its customers, suppliers, and employees, exposing the Company to liability which could adversely impact the Company's business and reputation.* In the ordinary course of business, the Company relies on centralized and local information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of businesses. Additionally, the Company collects and stores certain data, including proprietary business information, and has access to confidential or personal information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, patching, maintenance, and backup of systems and data), the Company's information technology networks and infrastructure are still potentially vulnerable to damage, disruptions or shutdowns due to attacks by hackers, breaches, employee error or malfeasance, power outages, computer viruses, ransomware, telecommunication or utility failures, systems failures, service or cloud provider breaches, natural disasters or other catastrophic events. For example, the Company has experienced and continues to experience heightened levels of such attacks during the period of the global pandemic associated with COVID-19. The Company's adoption of remote working, among other pandemic-related actions, may also introduce additional vulnerabilities to our information technology networks and infrastructure. It is possible for these and other vulnerabilities to remain undetected for an extended period, up to and including several years. While we have experienced, and expect to continue to experience, these types of vulnerabilities to the Company's information technology networks and infrastructure, none of them to date has had a material impact to the Company. There may be other challenges and risks as the Company upgrades and standardizes its ERP system on a worldwide basis. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruptions or shutdowns, and damage to the Company's reputation, which could adversely affect the Company's business.

Although the Company maintains insurance coverage for various cybersecurity and business continuity risks, there can be no guarantee that all costs or losses incurred will be fully insured.

*\* Acquisitions, strategic alliances, divestitures, and other unusual events resulting from portfolio management actions and other evolving business strategies, and possible organizational restructuring could affect future results.* The Company monitors its business portfolio and organizational structure and has made and may continue to make acquisitions, strategic alliances, divestitures and changes to its organizational structure. With respect to acquisitions, including, for example, the recently completed acquisition of Acelity, Inc. and its KCI subsidiaries (a leading global medical technology company), future results will be affected by the Company's ability to integrate acquired businesses quickly and obtain the anticipated synergies. The Company realigned from five to four business segments, effective in April of 2019, to better serve its global customers and markets. Successful execution of the realignment and the associated adjustments of our portfolio and business operating model, as well as other organizational changes, will be important to the Company's future results.

*\* The Company's future results may be affected by its operational execution, including scenarios where the Company generates fewer productivity improvements than estimated.* The Company's financial results depend on the successful execution of its business operating plans. The Company utilizes various tools, such as Lean Six Sigma, and engages in ongoing global business transformation. Business transformation is defined as changes in processes and internal/external service delivery across 3M to move to more efficient business models to improve operational efficiency and productivity, while allowing 3M to serve customers with greater speed and efficiency. This is enabled by the ongoing multi-year phased implementation of an enterprise resource planning (ERP) system. There can be no assurance that all of the projected productivity improvements will be realized. Operational challenges, including those related to productivity improvements, could have a material adverse effect on the Company's business, financial conditions and results of operations.

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

*\* Change in the Company's credit ratings could increase cost of funding.* The Company's credit ratings are important to 3M's cost of capital. The major rating agencies routinely evaluate the Company's credit profile and assign debt ratings to 3M. This evaluation is based on a number of factors, which include financial strength, business and financial risk, as well as transparency with rating agencies and timeliness of financial reporting. 3M currently has an A1 credit rating with a negative outlook from Moody's Investors Service and has an A+ credit rating with Standard & Poor's with a negative outlook. The Company's credit ratings have served to lower 3M's borrowing costs and facilitate access to a variety of lenders. The addition of further leverage to the Company's capital structure could impact 3M's credit ratings in the future. Failure to maintain strong investment grade ratings would adversely affect the Company's cost of funding and could adversely affect liquidity and access to capital markets.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

### **Issuer Purchases of Equity Securities**

Repurchases of 3M common stock are made to support the Company's stock-based employee compensation plans and for other corporate purposes. In November 2018, 3M's Board of Directors replaced the Company's February 2016 repurchase program with a new repurchase program. This new program authorizes the repurchase of up to \$10 billion of 3M's outstanding common stock, with no pre-established end date.

**Issuer Purchases of Equity Securities (registered pursuant to Section 12 of the Exchange Act)**

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (Millions)
January 1-31, 2020	567,358	\$ 175.01	567,162	\$ 7,973
February 1-29, 2020	752,388	\$ 157.29	750,262	\$ 7,855
March 1-31, 2020	723,676	\$ 140.55	723,676	\$ 7,753
Total January 1-March 31, 2020	2,043,422	\$ 156.28	2,041,100	\$ 7,753

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

**Item 3. Defaults Upon Senior Securities.** — No matters require disclosure.

**Item 4. Mine Safety Disclosures.** Pursuant to Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), the Company is required to disclose, in connection with the mines it operates, information concerning mine safety violations or other regulatory matters in its periodic reports filed with the SEC. The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Act is included in Exhibit 95 to this quarterly report.

**Item 5. Other Information.**

*Disclosure Under Iran Threat Reduction and Syria Human Rights Act of 2012*

The Company is making the following disclosure under Section 13(r) of the Exchange Act:

*Protection of Intellectual Property Rights in Iran Pursuant to Specific License*

As part of its intellectual property protection efforts, 3M has obtained and maintains patents and trademarks in Iran. Periodically, 3M pays renewal fees, through local counsel located in Dubai and Iran, to the Iran Intellectual Property Office ("IIPO") for these patents and trademarks and has sought to prosecute and defend such trademarks. On January 15, 2020, OFAC granted 3M a specific license to make payments to IIPO at its account in Bank Melli, which was designated on November 5, 2018 by OFAC under its counter terrorism authority pursuant to Executive Order 13224. As authorized by OFAC's specific license, in the quarter ended March 31, 2020, 3M paid \$109 to IIPO as part of its intellectual property protection efforts in Iran. 3M plans to continue these activities, as authorized under the specific license.

**Item 6. Exhibits.**

- (31.1) [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.](#)
- (31.2) [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.](#)
- (32.1) [Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.](#)
- (32.2) [Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.](#)
- (95) [Mine Safety Disclosures.](#)
- (101.INS) Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
- (101.SCH) Inline XBRL Taxonomy Extension Schema Document
- (101.CAL) Inline XBRL Taxonomy Extension Calculation Linkbase Document
- (101.DEF) Inline XBRL Taxonomy Extension Definition Linkbase Document
- (101.LAB) Inline XBRL Taxonomy Extension Label Linkbase Document
- (101.PRE) Inline XBRL Taxonomy Extension Presentation Linkbase Document
- (104) Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

3M COMPANY  
(Registrant)

Date: April 28, 2020

By /s/ Nicholas C. Gangestad  
Nicholas C. Gangestad,

Senior Vice President and Chief Financial Officer  
(Mr. Gangestad is the Principal Financial Officer and has  
been duly authorized to sign on behalf of the Registrant.)