
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

- ☐ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2023
- or
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$.01 Per Share	MMM	New York Stock Exchange
	MMM	Chicago Stock Exchange, Inc.
1.500% Notes due 2026	MMM26	New York Stock Exchange
1.750% Notes due 2030	MMM30	New York Stock Exchange
1.500% Notes due 2031	MMM31	New York Stock Exchange

Note: The common stock of the Registrant is also traded on the SIX 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

Class	Outstanding at June 30, 2023
Common Stock, \$0.01 par value per share	551,992,430 shares

3M COMPANY
Form 10-Q for the Quarterly Period Ended June 30, 2023

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3M COMPANY
FORM 10-Q
For the Quarterly Period Ended June 30, 2023
PART I. Financial Information

Item 1. Financial Statements.

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

(Millions, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 8,325	\$ 8,702	\$ 16,356	\$ 17,531
Operating expenses				
Cost of sales	4,606	5,093	9,219	9,919
Selling, general and administrative expenses	12,204	3,023	13,909	4,905
Research, development and related expenses	473	476	945	956
Total operating expenses	17,283	8,592	24,073	15,780
Operating income (loss)	(8,958)	110	(7,717)	1,751
Other expense (income), net	65	50	117	88
Income (loss) before income taxes	(9,023)	60	(7,834)	1,663
Provision (benefit) for income taxes	(2,184)	(23)	(1,974)	279
Income (loss) of consolidated group	(6,839)	83	(5,860)	1,384
Income (loss) from unconsolidated subsidiaries, net of taxes	3	(1)	5	1
Net income (loss) including noncontrolling interest	(6,836)	82	(5,855)	1,385
Less: Net income (loss) attributable to noncontrolling interest	5	4	10	8
Net income (loss) attributable to 3M	\$ (6,841)	\$ 78	\$ (5,865)	\$ 1,377
Weighted average 3M common shares outstanding — basic	553.9	571.0	553.3	571.6
Earnings (loss) per share attributable to 3M common shareholders — basic	\$ (12.35)	\$ 0.14	\$ (10.60)	\$ 2.41
Weighted average 3M common shares outstanding — diluted	553.9	572.7	553.3	573.8
Earnings (loss) per share attributable to 3M common shareholders — diluted	\$ (12.35)	\$ 0.14	\$ (10.60)	\$ 2.40

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

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

(Millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss) including noncontrolling interest	\$ (6,836)	\$ 82	\$ (5,855)	\$ 1,385
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	25	(705)	141	(876)
Defined benefit pension and postretirement plans adjustment	50	85	101	172
Cash flow hedging instruments	23	88	(1)	87
Total other comprehensive income (loss), net of tax	98	(532)	241	(617)
Comprehensive income (loss) including noncontrolling interest	(6,738)	(450)	(5,614)	768
Comprehensive (income) loss attributable to noncontrolling interest	(6)	—	(11)	(3)
Comprehensive income (loss) attributable to 3M	\$ (6,744)	\$ (450)	\$ (5,625)	\$ 765

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

3M Company and Subsidiaries
Consolidated Balance Sheet
(Unaudited)

(Dollars in millions, except per share amount)

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 4,258	\$ 3,655
Marketable securities — current	56	238
Accounts receivable — net of allowances of \$160 and \$174	4,947	4,532
Inventories		
Finished goods	2,526	2,497
Work in process	1,527	1,606
Raw materials and supplies	1,227	1,269
Total inventories	5,280	5,372
Prepays	674	435
Other current assets	539	456
Total current assets	15,754	14,688
Property, plant and equipment	26,459	25,998
Less: Accumulated depreciation	(17,248)	(16,820)
Property, plant and equipment — net	9,211	9,178
Operating lease right of use assets	812	829
Goodwill	12,869	12,790
Intangible assets — net	4,470	4,699
Other assets	5,764	4,271
Total assets	\$ 48,880	\$ 46,455
Liabilities		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 3,033	\$ 1,938
Accounts payable	3,231	3,183
Accrued payroll	785	692
Accrued income taxes	172	259
Operating lease liabilities — current	244	261
Other current liabilities	3,471	3,190
Total current liabilities	10,936	9,523
Long-term debt	12,954	14,001
Pension and postretirement benefits	1,912	1,966
Operating lease liabilities	570	580
Other liabilities	14,651	5,615
Total liabilities	41,023	31,685
Commitments and contingencies (Note 14)		
Equity		
3M Company shareholders' equity:		
Common stock par value, \$.01 par value; 944,033,056 shares issued	9	9
Shares outstanding - June 30, 2023: 551,992,430		
Shares outstanding - December 31, 2022: 549,245,105		
Additional paid-in capital	6,858	6,691
Retained earnings	40,290	47,950
Treasury stock, at cost:	(32,926)	(33,255)
Shares at June 30, 2023: 392,040,626		
Shares at December 31, 2022: 394,787,951		
Accumulated other comprehensive income (loss)	(6,433)	(6,673)
Total 3M Company shareholders' equity	7,798	14,722
Noncontrolling interest	59	48
Total equity	7,857	14,770
Total liabilities and equity	\$ 48,880	\$ 46,455

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)	Six months ended June 30,	
	2023	2022
Cash Flows from Operating Activities		
Net income (loss) including noncontrolling interest	\$ (5,855)	\$ 1,385
Adjustments to reconcile net income (loss) including noncontrolling interest to net cash provided by operating activities		
Depreciation and amortization	915	921
Company pension and postretirement contributions	(57)	(80)
Company pension and postretirement expense	75	83
Stock-based compensation expense	176	182
Deferred income taxes	(2,547)	(451)
Changes in assets and liabilities		
Accounts receivable	(393)	(457)
Inventories	101	(837)
Accounts payable	135	401
Accrued income taxes (current and long-term)	(409)	(9)
Other — net	10,643	1,000
Net cash provided by (used in) operating activities	2,784	2,138
Cash Flows from Investing Activities		
Purchases of property, plant and equipment (PP&E)	(852)	(808)
Proceeds from sale of PP&E and other assets	23	56
Purchases of marketable securities and investments	(775)	(518)
Proceeds from maturities and sale of marketable securities and investments	945	456
Proceeds from sale of businesses, net of cash sold	3	13
Other — net	37	(13)
Net cash provided by (used in) investing activities	(619)	(814)
Cash Flows from Financing Activities		
Change in short-term debt — net	651	344
Repayment of debt (maturities greater than 90 days)	(1,802)	(1,179)
Proceeds from debt (maturities greater than 90 days)	1,107	1
Purchases of treasury stock	(29)	(773)
Proceeds from issuance of treasury stock pursuant to stock option and benefit plans	218	227
Dividends paid to shareholders	(1,655)	(1,700)
Other — net	(9)	(22)
Net cash provided by (used in) financing activities	(1,519)	(3,102)
Effect of exchange rate changes on cash and cash equivalents	(43)	(64)
Net increase (decrease) in cash and cash equivalents	603	(1,842)
Cash and cash equivalents at beginning of year	3,655	4,564
Cash and cash equivalents at end of period	\$ 4,258	\$ 2,722

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.

In the second quarter of 2023, 3M re-consolidated the Aearo Technology and certain of its related entities (collectively, the "Aearo Entities") as a result of the court dismissal of their voluntary bankruptcy proceedings. 3M had previously deconsolidated these entities in the third quarter of 2022. The Aearo Entities have appealed the court's dismissal decision. See additional information in Note 14.

Effective in the first quarter of 2023, 3M made changes in the measure of segment operating performance and segment composition used by 3M's chief operating decision maker—impacting 3M's disclosed measure of segment profit/loss (business segment operating income (loss)). Also effective in the first quarter of 2023, 3M's Consumer business segment re-aligned from four divisions to three divisions, see additional information in Note 15. 3M's disclosed disaggregated revenue was also updated as a result of these changes, see additional information in Note 2. Information provided herein reflects the impact of these changes for all periods presented.

Earnings (Loss) Per Share

The difference in the weighted average 3M shares outstanding for calculating basic and diluted earnings per share attributable to 3M common shareholders is a result of the dilution associated with the Company's stock-based compensation plans. Certain options outstanding under these stock-based compensation plans were not included in the computation of diluted earnings (loss) per share attributable to 3M common shareholders because they would have had an anti-dilutive effect of 36.9 million and 36.5 million average options for the three and six months ended June 30, 2023, respectively, and 31.9 million and 27.5 million average options for the three and six months ended June 30, 2022, respectively. In periods of net losses, these antidilutive effects include all weighted option shares outstanding and weighted average shares is the same for the calculations of both basic and diluted loss per share. The computations for basic and diluted earnings (loss) per share follow:

Earnings (Loss) Per Share Computations

(Amounts in millions, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income (loss) attributable to 3M	\$ (6,841)	\$ 78	\$ (5,865)	\$ 1,377
Denominator:				
Denominator for weighted average 3M common shares outstanding – basic	553.9	571.0	553.3	571.6
Dilution associated with the Company's stock-based compensation plans	—	1.7	—	2.2
Denominator for weighted average 3M common shares outstanding – diluted	553.9	572.7	553.3	573.8
Earnings (loss) per share attributable to 3M common shareholders — basic	\$ (12.35)	\$ 0.14	\$ (10.60)	\$ 2.41
Earnings (loss) per share attributable to 3M common shareholders — diluted	\$ (12.35)	\$ 0.14	\$ (10.60)	\$ 2.40

Supplier Finance Program Obligations

Under supplier finance programs, 3M agrees to pay participating banks the stated amount of confirmed invoices from its designated suppliers on the original maturity dates of the invoices, generally within 90 days of the invoice date. 3M or the banks may terminate the agreements with advance notice. Separately, the banks may have arrangements with the suppliers that provide them the option to request early payment from the banks for invoices confirmed by 3M. 3M's outstanding balances of confirmed invoices in the programs as of June 30, 2023 and December 31, 2022 were approximately \$290 million and \$260 million, respectively. These amounts are included within accounts payable on 3M's consolidated balance sheet.

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements in 3M's 2022 Annual Report on Form 10-K for a discussion of applicable standards issued and not yet adopted by 3M.

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 June 30, 2023 and December 31, 2022 was \$521 million and \$538 million, respectively. Approximately \$150 million and \$350 million of the December 31, 2022 balance was recognized as revenue during the three and six months ended June 30, 2023, respectively, while approximately \$140 million and \$340 million of the December 31, 2021 balance was recognized as revenue during the three and six months ended June 30, 2022, respectively.

Operating Lease Revenue:

Net sales includes rental revenue from durable medical devices as part of operating lease arrangements (reported within the Medical Solutions Division), which was \$146 million and \$285 million during the three and six months ended June 30, 2023, respectively, and \$148 million and \$284 million during the three and six months ended June 30, 2022, respectively.

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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Abrasives	\$ 334	\$ 346	\$ 675	\$ 675
Automotive Aftermarket	305	289	617	584
Closure and Masking Systems	241	270	486	528
Electrical Markets	329	336	653	645
Industrial Adhesives and Tapes	545	586	1,089	1,207
Personal Safety	878	972	1,781	2,099
Roofing Granules	133	125	243	237
Total Safety and Industrial Business Segment	2,765	2,924	5,544	5,975
Advanced Materials	305	307	606	612
Automotive and Aerospace	477	428	939	888
Commercial Solutions	455	448	887	902
Electronics	714	863	1,386	1,786
Transportation Safety	240	222	423	420
Total Transportation and Electronics Business Segment	2,191	2,268	4,241	4,608
Food Safety	—	89	—	181
Health Information Systems	302	309	602	609
Medical Solutions	1,161	1,169	2,284	2,297
Oral Care	351	350	692	698
Separation and Purification Sciences	247	262	479	522
Other Health Care	14	—	28	—
Total Health Care Business Group	2,075	2,179	4,085	4,307
Construction and Home Improvement Markets	542	560	1,071	1,163
Home, Health and Auto Care	428	428	828	865
Stationery and Office	323	342	586	611
Total Consumer Business Group	1,293	1,330	2,485	2,639
Corporate and Unallocated	1	1	1	2
Total Company	\$ 8,325	\$ 8,702	\$ 16,356	\$ 17,531

Net Sales (Millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Americas	\$ 4,678	\$ 4,751	\$ 9,077	\$ 9,189
Asia Pacific	2,134	2,447	4,314	5,217
Europe, Middle East and Africa	1,513	1,504	2,965	3,125
Worldwide	\$ 8,325	\$ 8,702	\$ 16,356	\$ 17,531

Americas included United States net sales to customers of \$3.8 billion and \$7.4 billion for the three and six months ended June 30, 2023, respectively, and \$3.9 billion and \$7.5 billion for the three and six months ended June 30, 2022, respectively.

NOTE 3. Acquisitions and Divestitures

Refer to Note 3 to the Consolidated Financial Statements in 3M's 2022 Annual Report on Form 10-K for more information on relevant pre-2023 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.

2023 acquisitions:

There were no acquisitions that closed during the six months ended June 30, 2023.

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. As discussed in Note 15 (Business Segments), gains/losses on business divestitures are reflected in Corporate and Unallocated.

2023 divestitures and previously announced divestitures:

In May 2023, 3M entered into agreements to sell the assets associated with its dental local anesthetic business (part of the Health Care business) to Pierrel S.p.A. for \$70 million in cash, subject to closing and other adjustments. The dental local anesthetic business has annual sales of approximately \$30 million. This transaction is expected to close in the third quarter of 2023.

In July 2022, 3M announced its intention to spin off the Health Care business as a separate public company. 3M expects to initially retain an ownership position of 19.9% in the business, which 3M intends to monetize over time. The spin-off transaction is intended to be tax-free for U.S. federal income tax purposes and is subject to customary conditions, including the filing and effectiveness of a Form 10 registration statement, receipt of a private letter ruling from the Internal Revenue Service and a tax opinion from external counsel, satisfactory completion of financing, and final approval by the Company's Board of Directors, among other items. 3M continues to work towards closing the transaction by year-end 2023 or early 2024, subject to required conditions, as well as additional factors such as conditions in the equity and debt markets, other external conditions, and developments involving 3M or any of its businesses, which could delay the completion of the transaction relative to the anticipated timeline. Because the intended transaction is a spin-off, the Health Care business is not classified as held for sale.

Operating income and held-for-sale amounts:

With respect to the businesses above, operating income information of the Health Care business is included in Note 15. Further, with the respect to these businesses, there were no assets and liabilities associated with disposal groups classified as held for sale as of December 31, 2022 and there were immaterial amounts of assets and liabilities associated with disposal groups classified as held-for-sale as of June 30, 2023. Information related to other held for sale disposal groups is included in Note 13.

NOTE 4. Goodwill and Intangible Assets

Goodwill

There was no goodwill recorded from acquisitions during the first six months of 2023. 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 follows:

(Millions)	Safety and Industrial	Transportation and Electronics	Health Care	Consumer	Total Company
Balance as of December 31, 2022	\$ 4,509	\$ 1,501	\$ 6,515	\$ 265	\$ 12,790
Translation and other	12	9	56	2	79
Balance as of June 30, 2023	\$ 4,521	\$ 1,510	\$ 6,571	\$ 267	\$ 12,869

Accounting standards require that goodwill be tested for impairment annually and between annual tests in certain circumstances such as when events or conditions indicate that goodwill assigned to a reporting unit may be impaired. At 3M, reporting units correspond to a division. As described in Note 15, effective in the first quarter of 2023, 3M changed its measure of segment operating performance and the composition of reportable segments and realigned divisions within the Consumer business segment. For any 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 impacts of these changes on reported amounts were immaterial and resulted in no impairment. As of June 30, 2023, the Company's accumulated goodwill impairment loss is \$0.3 billion.

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 follow:

(Millions)	June 30, 2023	December 31, 2022
Customer related intangible assets	\$ 4,084	\$ 4,062
Patents	429	426
Other technology-based intangible assets	2,089	2,081
Definite-lived tradenames	1,167	1,166
Other amortizable intangible assets	82	84
Total gross carrying amount	7,851	7,819
Accumulated amortization — customer related	(1,872)	(1,747)
Accumulated amortization — patents	(426)	(421)
Accumulated amortization — other technology-based	(1,098)	(1,000)
Accumulated amortization — definite-lived tradenames	(543)	(509)
Accumulated amortization — other	(59)	(60)
Total accumulated amortization	(3,998)	(3,737)
Total finite-lived intangible assets — net	3,853	4,082
Non-amortizable intangible assets (primarily tradenames)	617	617
Total intangible assets — net	\$ 4,470	\$ 4,699

Certain tradenames acquired by 3M are not amortized because they have been in existence for over 60 years, have a history of leading-market share positions, have been and are intended to be continuously renewed, and the associated products of which are expected to generate cash flows for 3M for an indefinite period of time.

Amortization expense follows:

(Millions)	Three months ended June 30,		Twelve months ended December 31,	
	2023	2022	2023	2022
Amortization expense	\$ 121	\$ 129	\$ 243	\$ 260

Expected amortization expense for acquired amortizable intangible assets recorded as of June 30, 2023 follows:

(Millions)	Remainder of 2023	2024	2025	2026	2027	2028	After 2028
Amortization expense	\$ 236	\$ 453	\$ 423	\$ 418	\$ 398	\$ 379	\$ 1,546

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

2023 to 2025 Structural Reorganization Actions

In the first quarter of 2023, 3M announced it would undertake structural reorganization actions to reduce the size of the corporate center of the Company, simplify supply chain, streamline 3M's geographic footprint, reduce layers of management, further align business go-to-market models to customers, and reduce manufacturing roles to align with production volumes. During the first six months of 2023, management approved and committed to undertake associated actions impacting approximately 5,100 positions resulting in a pre-tax charge of \$52 million and \$212 million in the first and second quarters of 2023, respectively. Remaining activities related to the restructuring actions approved and committed under this initiative are expected to be largely completed through the end of 2023. 3M expects to commit to further actions under this initiative. This aggregate initiative beginning in the first quarter of 2023 and continuing through 2025 is expected to impact approximately 8,500 positions worldwide with an expected pre-tax charge of \$700 million to \$900 million over that period.

The related restructuring charges for periods presented were recorded in the income (loss) statement as follows:

(Millions)	Three months ended June 30, 2023	Six months ended June 30, 2023
Cost of sales	\$ 47	\$ 63
Selling, general and administrative expenses	146	178
Research, development and related expenses	19	23
Total operating income impact	\$ 212	\$ 264

The business segment operating income (loss) impact of these restructuring charges is summarized as follows:

(Millions)	Three months ended June 30, 2023			Six months ended June 30, 2023		
	Employee Related	Asset-Related and Other	Total	Employee Related	Asset-Related and Other	Total
Safety and Industrial	\$ 44	\$ —	\$ 44	\$ 54	\$ —	\$ 54
Transportation and Electronics	25	—	25	37	—	37
Health Care	10	—	10	12	—	12
Consumer	13	—	13	16	—	16
Corporate and unallocated	100	20	120	125	20	145
Total operating expense	\$ 192	\$ 20	\$ 212	\$ 244	\$ 20	\$ 264

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

(Millions)	Employee-Related	Asset-Related and Other	Total
Expense incurred in the first quarter of 2023	\$ 52	\$ —	\$ 52
Incremental expense incurred in the second quarter of 2023	192	20	212
Non-cash changes	—	(20)	(20)
Cash payments	(56)	—	(56)
Accrued restructuring action balance as of June 30, 2023	\$ 188	\$ —	\$ 188

2022 Restructuring Actions

Operational/Marketing Capability Restructuring:

As described in Note 5 in 3M's 2022 Annual Report on Form 10-K, in late 2020, 3M announced it would undertake certain actions beginning in the fourth quarter of 2020 to further enhance its operations and marketing capabilities to take advantage of certain global market trends while de-prioritizing investments in slower-growth end markets. In the first quarter of 2022, management approved and committed to undertake the remaining actions under this initiative resulting in a pre-tax charge of \$18 million. This initiative, beginning in 2020 and ending with committed first quarter 2022 actions, impacted approximately 3,100 positions worldwide with a pre-tax charge of approximately \$280 million over that period. Activities related to this restructuring were largely completed in the third quarter of 2022.

Divestiture-Related Restructuring:

As described in Note 5 in 3M's 2022 Annual Report on Form 10-K, during the third quarter of 2022, following the Food Safety Division split-off transaction and combination with Neogen completed in September 2022 (see Note 3 in 3M's 2022 Annual Report on Form 10-K) management approved and committed to undertake certain restructuring actions addressing corporate functional costs across 3M in relation to the magnitude of amounts previously allocated to the divested business.

These actions affected approximately 850 positions worldwide and resulted in a third quarter 2022 pre-tax charge of \$41 million, within Corporate and Unallocated. The associated accrued restructuring balance as of December 31, 2022 was \$10 million and remaining activities related to this divestiture-related restructuring were largely completed through the first half of 2023.

NOTE 6. Supplemental Income (Loss) Statement Information

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

(Millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Interest expense	\$ 144	\$ 128	\$ 267	\$ 241
Interest income	(48)	(11)	(88)	(19)
Pension and postretirement net periodic benefit cost (benefit)	(31)	(67)	(62)	(134)
Total	\$ 65	\$ 50	\$ 117	\$ 88

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 (Loss) Information

Cash dividends declared and paid totaled \$1.50 and \$1.49 per share for the first and second quarters of 2023 and 2022, respectively, or \$3.00 and \$2.98 per share for the first six months of 2023 and 2022, respectively.

Consolidated Changes in Equity
Three months ended June 30, 2023

(Millions)	Total	3M Company Shareholders				Non-controlling Interest
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	
Balance at March 31, 2023	\$ 15,351	\$ 6,825	\$ 47,966	\$ (32,963)	\$ (6,530)	\$ 53
Net income (loss)	(6,836)		(6,841)			5
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	25				24	1
Defined benefit pension and post-retirement plans adjustment	50				50	
Cash flow hedging instruments	23				23	
Total other comprehensive income (loss), net of tax	98					
Dividends declared	(828)		(828)			
Stock-based compensation	42	42				
Issuances pursuant to stock option and benefit plans	30		(7)	37		
Balance at June 30, 2023	\$ 7,857	\$ 6,867	\$ 40,290	\$ (32,926)	\$ (6,433)	\$ 59

Three months ended June 30, 2022

(Millions)	Total	3M Company Shareholders				Non-controlling Interest
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	
Balance at March 31, 2022	\$ 15,004	\$ 6,568	\$ 46,056	\$ (30,860)	\$ (6,834)	\$ 74
Net income	82		78			4
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(705)				(701)	(4)
Defined benefit pension and post-retirement plans adjustment	85				85	
Cash flow hedging instruments	88				88	
Total other comprehensive income (loss), net of tax	(532)					
Dividends declared	(848)		(848)			
Stock-based compensation	48	48				
Issuances pursuant to stock option and benefit plans	62		(17)	79		
Balance at June 30, 2022	\$ 13,816	\$ 6,616	\$ 45,269	\$ (30,781)	\$ (7,362)	\$ 74

Six months ended June 30, 2023

(Millions)	Total	3M Company Shareholders				
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at December 31, 2022	\$ 14,770	\$ 6,700	\$ 47,950	\$ (33,255)	\$ (6,673)	\$ 48
Net income (loss)	(5,855)		(5,865)			10
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	141				140	1
Defined benefit pension and post-retirement plans adjustment	101				101	
Cash flow hedging instruments	(1)				(1)	
Total other comprehensive income (loss), net of tax	241					
Dividends declared	(1,655)		(1,655)			
Stock-based compensation	167	167				
Reacquired stock	(29)			(29)		
Issuances pursuant to stock option and benefit plans	218		(140)	358		
Balance at June 30, 2023	\$ 7,857	\$ 6,867	\$ 40,290	\$ (32,926)	\$ (6,433)	\$ 59

Six months ended June 30, 2022

(Millions)	Total	3M Company Shareholders				
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at December 31, 2021	\$ 15,117	\$ 6,438	\$ 45,821	\$ (30,463)	\$ (6,750)	\$ 71
Net income	1,385		1,377			8
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(876)				(871)	(5)
Defined benefit pension and post-retirement plans adjustment	172				172	
Cash flow hedging instruments	87				87	
Total other comprehensive income (loss), net of tax	(617)					
Dividends declared	(1,700)		(1,700)			
Stock-based compensation	178	178				
Reacquired stock	(773)			(773)		
Issuances pursuant to stock option and benefit plans	226		(229)	455		
Balance at June 30, 2022	\$ 13,816	\$ 6,616	\$ 45,269	\$ (30,781)	\$ (7,362)	\$ 74

Changes in Accumulated Other Comprehensive Income (Loss) Attributable to 3M by Component
Three months ended June 30, 2023

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2023, net of tax:	\$ (2,712)	\$ (3,787)	\$ (31)	\$ (6,530)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	3	—	72	75
Amounts reclassified out	39	65	(40)	64
Total other comprehensive income (loss), before tax	42	65	32	139
Tax effect	(18)	(15)	(9)	(42)
Total other comprehensive income (loss), net of tax	24	50	23	97
Balance at June 30, 2023, net of tax:	\$ (2,688)	\$ (3,737)	\$ (8)	\$ (6,433)

Three months ended June 30, 2022

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2022, net of tax:	\$ (2,113)	\$ (4,666)	\$ (55)	\$ (6,834)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(664)	—	128	(536)
Amounts reclassified out	—	112	(15)	97
Total other comprehensive income (loss), before tax	(664)	112	113	(439)
Tax effect	(37)	(27)	(25)	(89)
Total other comprehensive income (loss), net of tax	(701)	85	88	(528)
Balance at June 30, 2022, net of tax:	\$ (2,814)	\$ (4,581)	\$ 33	\$ (7,362)

Six months ended June 30, 2023

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2022, net of tax:	\$ (2,828)	\$ (3,838)	\$ (7)	\$ (6,673)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	108	—	78	186
Amounts reclassified out	39	129	(81)	87
Total other comprehensive income (loss), before tax	147	129	(3)	273
Tax effect	(7)	(28)	2	(33)
Total other comprehensive income (loss), net of tax	140	101	(1)	240
Balance at June 30, 2023, net of tax:	\$ (2,688)	\$ (3,737)	\$ (8)	\$ (6,433)

Six months ended June 30, 2022

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2021, net of tax:	\$ (1,943)	\$ (4,753)	\$ (54)	\$ (6,750)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(814)	—	134	(680)
Amounts reclassified out	—	227	(22)	205
Total other comprehensive income (loss), before tax	(814)	227	112	(475)
Tax effect	(57)	(55)	(25)	(137)
Total other comprehensive income (loss), net of tax	(871)	172	87	(612)
Balance at June 30, 2022, net of tax:	\$ (2,814)	\$ (4,581)	\$ 33	\$ (7,362)

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

Reclassifications out of Accumulated Other Comprehensive Income (Loss) Attributable to 3M

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Location on Income (Loss) Statement
	Three months ended June 30,		Six months ended June 30,		
	2023	2022	2023	2022	
(Millions)					
Cumulative translation adjustment					
Reclassification adjustment associated with Russia (see Note 13)	\$ (39)	\$ —	\$ (39)	\$ —	Selling, general and administrative expenses
Total before tax	(39)	—	(39)	—	
Tax effect	—	—	—	—	
Net of tax	(39)	—	(39)	—	
Defined benefit pension and postretirement plans adjustments					
Gains (losses) associated with defined benefit pension and postretirement plans amortization					
Transition asset	\$ (1)	\$ (1)	\$ (1)	\$ (1)	Other (expense) income, net
Prior service benefit	14	15	27	28	Other (expense) income, net
Net actuarial loss	(78)	(125)	(155)	(252)	Other (expense) income, net
Curtailments/Settlements	—	(1)	—	(2)	Other (expense) income, net
Total before tax	(65)	(112)	(129)	(227)	
Tax effect	15	27	28	55	Provision for income taxes
Net of tax	(50)	(85)	(101)	(172)	
Cash flow hedging instruments gains (losses)					
Foreign currency forward/option contracts	42	17	85	26	Cost of sales
Interest rate contracts	(2)	(2)	(4)	(4)	Interest expense
Total before tax	40	15	81	22	
Tax effect	(8)	(3)	(18)	(5)	Provision for income taxes
Net of tax	32	12	63	17	
Total reclassifications for the period, net of tax	\$ (57)	\$ (73)	(77)	\$ (155)	

NOTE 8. Income Taxes

The effective tax rate for the second quarter of 2023 was 24.2 percent on a pre-tax loss, compared to (38.3) percent on pre-tax income in the prior year. The primary factor that impacted the comparison of these rates was the second quarter 2022 charge related to steps toward resolving Combat Arms Earplugs litigation (see Note 14). The effective tax rate for the first six months of 2023 was 25.2 percent, compared to 16.8 percent in the prior year. The primary factor that impacted the comparison of the six-month rates was the second quarter 2023 charge related to the proposed settlement agreement with public water systems in the United States regarding PFAS (discussed in Note 14).

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of June 30, 2023 and December 31, 2022 are \$989 million and \$965 million, respectively. 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.

At June 30, 2023, 3M's deferred tax assets, a component of other assets on the consolidated balance sheet, also included a balance of approximately \$2.4 billion as a result of the pre-tax charge related to the proposed settlement agreement announced in the second quarter of 2023 with public water systems in the United States regarding PFAS (see Note 14). As of June 30, 2023 and December 31, 2022, the Company had valuation allowances of \$128 million and \$115 million on its deferred tax assets, respectively.

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)	June 30, 2023	December 31, 2022
Commercial paper	\$ 10	\$ 213
Certificates of deposit/time deposits	42	21
U.S. municipal securities	4	4
Current marketable securities	56	238
U.S. municipal securities	23	23
Non-current marketable securities	23	23
Total marketable securities	\$ 79	\$ 261

At June 30, 2023 and December 31, 2022, gross unrealized, gross realized, and net realized gains and/or losses (pre-tax) were not material.

The balances at June 30, 2023 for marketable securities by contractual maturity are shown below. Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

(Millions)	June 30, 2023
Due in one year or less	\$ 56
Due after one year through five years	15
Due after five years through ten years	8
Total marketable securities	\$ 79

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

In February 2023, 3M repaid \$500 million aggregate principal amount of fixed-rate registered notes that matured. In March 2023, 3M repaid \$650 million aggregate principal amount of fixed-rate medium-term notes that matured. In May 2023, 3M repaid 600 million euros aggregate principal amount of fixed-rate medium-term notes that matured.

2022 issuances, maturities, and extinguishments of short- and long-term debt are described in Note 12 to the Consolidated Financial Statements in 3M's 2022 Annual Report on Form 10-K.

The Company had \$1.8 billion in commercial paper outstanding at June 30, 2023, compared to no commercial paper outstanding as of December 31, 2022.

In May 2023, 3M entered into a \$4.25 billion five-year revolving credit facility expiring in 2028; the facility was amended in July 2023. 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 \$5.25 billion. The agreement replaced the amended and restated \$3.0 billion, five-year revolving credit agreement and the \$1.25 billion 364-day credit facility that would have expired in November 2024 and November 2023, respectively. The credit facility was undrawn at June 30, 2023. Under the \$4.25 billion credit facility, 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 (based on amounts defined in the amended 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 June 30, 2023, this ratio, reflecting the July 2023 amendment, was approximately 17 to 1. Debt covenants do not restrict the payment of dividends.

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 unamortized debt issue costs such that total maturities equal the carrying value of long-term debt as of June 30, 2023. The maturities of long-term debt for the periods subsequent to June 30, 2023 are as follows (in millions):

Remainder of 2023	2024	2025	2026	2027	2028	After 2028	Total
\$ 149	\$ 1,100	\$ 1,866	\$ 1,458	\$ 846	\$ 722	\$ 8,062	\$ 14,203

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 and six months ended June 30, 2023 and 2022 follow:

Benefit Plan Information

(Millions)	Three months ended June 30,					
	Qualified and Non-qualified Pension Benefits				Postretirement Benefits	
	United States		International			
	2023	2022	2023	2022	2023	2022
Net periodic benefit cost (benefit)						
Operating expense						
Service cost	\$ 43	\$ 64	\$ 20	\$ 33	\$ 6	\$ 10
Non-operating expense						
Interest cost	165	104	54	32	23	13
Expected return on plan assets	(244)	(241)	(75)	(70)	(19)	(17)
Amortization of transition asset	—	—	1	1	—	—
Amortization of prior service benefit	(6)	(6)	—	—	(8)	(9)
Amortization of net actuarial loss	74	106	2	9	2	10
Settlements, curtailments, special termination benefits and other	—	—	—	—	—	1
Total non-operating expense (benefit)	(11)	(37)	(18)	(28)	(2)	(2)
Total net periodic benefit cost (benefit)	\$ 32	\$ 27	\$ 2	\$ 5	\$ 4	\$ 8

(Millions)	Six months ended June 30,					
	Qualified and Non-qualified Pension Benefits				Postretirement Benefits	
	United States		International			
	2023	2022	2023	2022	2023	2022
Net periodic benefit cost (benefit)						
Operating expense						
Service cost	\$ 86	\$ 128	\$ 39	\$ 68	\$ 12	\$ 21
Non-operating expense						
Interest cost	331	208	109	64	45	26
Expected return on plan assets	(488)	(482)	(150)	(142)	(38)	(35)
Amortization of transition asset	—	—	1	1	—	—
Amortization of prior service benefit	(12)	(12)	1	—	(16)	(16)
Amortization of net actuarial loss	147	212	4	20	4	20
Settlements, curtailments, special termination benefits and other	—	—	—	—	—	2
Total non-operating expense (benefit)	(22)	(74)	(35)	(57)	(5)	(3)
Total net periodic benefit cost (benefit)	\$ 64	\$ 54	\$ 4	\$ 11	\$ 7	\$ 18

For the six months ended June 30, 2023 contributions totaling \$53 million were made to the Company's U.S. and international pension plans and \$4 million to its postretirement plans. 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, and forward and option contracts to manage risks generally associated with foreign exchange rate and interest rate fluctuations. Note 14 to the Consolidated Financial Statements in 3M's 2022 Annual Report on Form 10-K explains the types of derivatives and financial instruments used by 3M, how and why 3M uses such instruments, and how such instruments are accounted for. It also contains information regarding previously initiated contracts or instruments.

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 to the Consolidated Financial Statements in 3M's 2022 Annual Report on Form 10-K.

Refer to the section below titled *Statement of Income (Loss) Location and Impact of Cash Flow and Fair Value Derivative Instruments and Derivatives Not Designated as Hedging Instruments* for details on the location within the consolidated statements of income (loss) for amounts of gains and losses related to derivative instruments designated as cash flow or fair value hedges (along with similar information relative to the hedged items) and derivatives not designated as hedging instruments. Additional information relative to cash flow hedges, fair value hedges, net investment hedges and derivatives not designated as hedging instruments is included below as applicable.

Cash Flow Hedges:

As of June 30, 2023, the Company had a balance of \$8 million associated with the after-tax net unrealized loss associated with cash flow hedging instruments recorded in accumulated other comprehensive income (loss). This includes a remaining balance of \$90 million (after-tax loss) related to forward starting interest rate swap and treasury rate lock contracts, which will be amortized over the respective lives of the underlying notes. Based on exchange rates as of June 30, 2023, of the total after-tax net unrealized balance as of June 30, 2023, 3M expects to reclassify approximately \$75 million after-tax net unrealized gain over the next 12 months (with the impact offset by earnings/losses from underlying hedged items).

The amount of pretax gain (loss) recognized in other comprehensive income (loss) related to derivative instruments designated as cash flow hedges is provided in the following table.

(Millions)	Pretax Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative			
	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Foreign currency forward/option contracts	\$ 72	\$ 128	\$ 78	\$ 134
Interest rate contracts	—	—	—	—
Total	\$ 72	\$ 128	\$ 78	\$ 134

Fair Value Hedges:

3M had a fixed-to-floating interest rate swap that was terminated in 2007 with respect to the Company's 30-year \$220 million principal amount debenture due in 2028. As this debt is still outstanding, its carrying value includes the remaining basis adjustment from this discontinued fair value hedge.

The following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for active fair value hedges, as well as remaining amounts for discontinued fair value hedges:

(Millions)	Carrying Value of the Hedged Liabilities		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Value of the Hedged Liabilities	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Location on the Consolidated Balance Sheet				
Long-term debt	\$ 907	\$ 903	\$ (96)	\$ (98)

Net Investment Hedges:

At June 30, 2023, the total notional amount of foreign exchange forward contracts designated in net investment hedges was approximately 150 million euros, along with a principal amount of long-term debt instruments designated in net investment hedges totaling 1.8 billion euros. The maturity dates of these derivative and nonderivative instruments designated in net investment hedges range from 2023 to 2031.

The amount of gain (loss) excluded from effectiveness testing recognized in income relative to instruments designated in net investment hedge relationships is not material. The amount of pretax gain (loss) recognized in other comprehensive income (loss) related to derivative and nonderivative instruments designated as net investment hedges are as follows.

(Millions)	Pretax Gain (Loss) Recognized as Cumulative Translation within Other Comprehensive Income (Loss)			
	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Foreign currency denominated debt	\$ (22)	\$ 133	\$ (65)	\$ 192
Foreign currency forward contracts	(1)	9	(3)	11
Total	\$ (23)	\$ 142	\$ (68)	\$ 203

Derivatives Not Designated as Hedging Instruments:

Derivatives not designated as hedging instruments include de-designated 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 contracts that are not designated in hedging relationships to offset, in part, the impacts of changes in value of various non-functional currency denominated items including certain intercompany financing balances. 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.

Statement of Income (Loss) Location and Impact of Cash Flow and Fair Value Derivative Instruments and Derivatives Not Designated as Hedging Instruments

The location in the consolidated statement of income (loss) and pre-tax amounts recognized in income related to derivative instruments designated in cash flow or fair value hedging relationships and for derivatives not designated as hedging instruments are as follows:

(Millions)	Location and Amount of Gain (Loss) Recognized in Income (Loss)							
	Three months ended June 30,				Six months ended June 30,			
	Cost of sales		Other expense (income), net		Cost of sales		Other expense (income), net	
	2023	2022	2023	2022	2023	2022	2023	2022
Information regarding cash flow and fair value hedging relationships:								
Total amounts of income and expense line items presented in the consolidated statement of income (loss) in which the effects of derivatives are recorded	\$ 4,606	\$ 5,093	\$ 65	\$ 50	\$ 9,219	\$ 9,919	\$ 117	\$ 88
Gain or (loss) on cash flow hedging relationships:								
Foreign currency forward/option contracts:								
Amount of gain or (loss) reclassified from accumulated other comprehensive income (loss) into income	42	17	—	—	85	26	—	—
Interest rate contracts:								
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	—	—	(2)	(2)	—	—	(4)	(4)
Gain or (loss) on fair value hedging relationships:								
Interest rate contracts:								
Hedged items	—	—	9	23	—	—	(3)	71
Derivatives designated as hedging instruments	—	—	(9)	(23)	—	—	3	(71)
Information regarding derivatives not designated as hedging instruments:								
Gain or (loss) on derivatives not designated as instruments:								
Foreign currency forward/option contracts	(13)	(46)	39	(1)	(5)	(66)	13	24

Location, Fair Value, and Gross Notional Amounts 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.

(Millions)	Gross Notional Amount		Location	Assets		Location	Liabilities	
				Fair Value Amount			Fair Value Amount	
	June 30, 2023	December 31, 2022		June 30, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Derivatives designated as hedging instruments								
Foreign currency forward/option contracts	\$ 4,188	\$ 2,368	Other current assets	\$ 104	\$ 89	Other current liabilities	\$ 28	\$ 27
Foreign currency forward/option contracts	706	835	Other assets	39	55	Other liabilities	9	9
Interest rate contracts	800	800	Other assets	—	—	Other liabilities	99	102
Total derivatives designated as hedging instruments				143	144		136	138
Derivatives not designated as hedging instruments								
Foreign currency forward/option contracts	3,089	2,816	Other current assets	12	73	Other current liabilities	15	4
Total derivatives not designated as hedging instruments				12	73		15	4
Total derivative instruments				\$ 155	\$ 217			

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, 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. 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.

Offsetting of Financial Assets under Master Netting Agreements with Derivative Counterparties

(Millions)	Gross Amounts not Offset in the Consolidated Balance Sheet that are Subject to Master Netting Agreements							
	Gross Amount of Derivative Assets Presented in the Consolidated Balance Sheet		Gross Amount of Eligible Offsetting Recognized Derivative Liabilities		Cash Collateral Received		Net Amount of Derivative Assets	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Derivatives subject to master netting agreements	\$ 155	\$ 217	\$ 46	\$ 40	\$ —	\$ —	\$ 109	\$ 177
Derivatives not subject to master netting agreements	—	—					—	—
Total	\$ 155	\$ 217					\$ 109	\$ 177

Offsetting of Financial Liabilities under Master Netting Agreements with Derivative Counterparties

(Millions)	Gross Amounts not Offset in the Consolidated Balance Sheet that are Subject to Master Netting Agreements							
	Gross Amount of Derivative Liabilities Presented in the Consolidated Balance Sheet		Gross Amount of Eligible Offsetting Recognized Derivative Assets		Cash Collateral Received		Net Amount of Derivative Liabilities	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Derivatives subject to master netting agreements	\$ 150	\$ 142	\$ 46	\$ 40	\$ —	\$ —	\$ 104	\$ 102
Derivatives not subject to master netting agreements	1	—					1	—
Total	\$ 151	\$ 142					\$ 105	\$ 102

Currency Effects

3M estimates that year-on-year foreign currency transaction effects, including hedging impacts, increased pre-tax income (loss) by approximately \$38 million and \$74 million for the three and six months ended June 30, 2023, respectively, and increased pre-tax income (loss) by approximately \$10 million and \$27 million for the three and six months ended June 30, 2022, respectively. 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.

In addition to the information above, refer to Note 15 to the Consolidated Financial Statements in 3M's 2022 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		Fair Value Measurements Using Inputs Considered as					
			Level 1		Level 2		Level 3	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Assets:								
Available-for-sale:								
Marketable securities:								
Commercial paper	\$ 10	\$ 213	\$ —	\$ —	\$ 10	\$ 213	\$ —	\$ —
Certificates of deposit/time deposits	42	21	—	—	42	21	—	—
U.S. municipal securities	27	27	—	—	—	—	27	27
Derivative instruments — assets:								
Foreign currency forward/option contracts	155	217	—	—	155	217	—	—
Liabilities:								
Derivative instruments — liabilities:								
Foreign currency forward/option contracts	52	40	—	—	52	40	—	—
Interest rate contracts	99	102	—	—	99	102	—	—

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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Beginning balance	\$ 27	\$ 30	\$ 27	\$ 30
Total gains or losses:				
Included in earnings (losses)	—	—	—	—
Included in other comprehensive income (loss)	—	—	—	—
Purchases and issuances	—	—	—	—
Sales and settlements	—	—	—	—
Transfers in and/or out of level 3	—	—	—	—
Ending balance	\$ 27	\$ 30	\$ 27	\$ 30
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 to the Consolidated Financial Statements in 3M's 2022 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. There were no material impairments of assets or adjustments to equity securities using the measurement alternative for the first six months of 2023 and 2022. As discussed in Note 15 to the Consolidated Financial Statements in 3M's 2022 Annual Report on Form 10-K, in the third quarter of 2022, management committed to a plan to exit and dispose of net assets in Russia through an intended sale of related subsidiaries and, as a result, recorded this held-for-sale disposal group at the lower of its fair value less cost to sell or carrying amount. In determining the carrying amount, the balance of cumulative translation adjustment within accumulated other comprehensive loss that would be eliminated upon sale was included and a current liability of approximately \$50 million was recorded largely representing a reserve against the balance of cumulative translation adjustment. In the second quarter of 2023, 3M closed on the sale of these subsidiaries, resulting in an immaterial gain after reversing this reserve while reclassifying the balance of cumulative translation adjustment into earnings.

Fair Value of Financial Instruments:

The Company's financial instruments include cash and cash equivalents, marketable securities, accounts receivable, certain investments, accounts payable, borrowings, and derivative contracts. The fair values of cash equivalents, accounts receivable, 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)	June 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, excluding current portion	\$ 12,954	\$ 11,471	\$ 14,001	\$ 12,484

The fair values reflected in the sections 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.

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 relate to matters including, but not limited to, products liability (involving products that the Company now or formerly manufactured and sold), intellectual property, commercial, antitrust, federal healthcare program related laws and regulations, such as the False Claims Act and anti-kickback laws, securities, and environmental laws in the United States and other jurisdictions. Unless otherwise stated, the Company is vigorously defending all such litigation and proceedings. From time to time, the Company also receives subpoenas, investigative demands or requests for information from various government agencies in the United States and foreign countries. The Company generally responds 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 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.

Process for Disclosure and Recording of Liabilities Related to Legal Proceedings

Many lawsuits and claims involve highly complex issues relating to causation, scientific evidence, and alleged actual damages, all of which are otherwise subject to substantial uncertainties. Assessments of lawsuits and claims can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The categories of legal proceedings in which the Company is involved may include multiple lawsuits and claims, may be spread across multiple jurisdictions and courts which may handle the lawsuits and claims differently, may involve numerous and different types of plaintiffs, raising claims and legal theories based on specific allegations that may not apply to other matters, and may seek substantial compensatory and, in some cases, punitive, damages. These and other factors contribute to the complexity of these lawsuits and claims and make it difficult for the Company to predict outcomes and make reasonable estimates of any resulting losses. The Company's ability to predict outcomes and make reasonable estimates of potential losses is further influenced by the fact that a resolution of one or more matters within a category of legal proceedings may impact the resolution of other matters in that category in terms of timing, amount of liability, or both.

When making determinations about recording liabilities related to legal proceedings, the Company complies with the requirements of ASC 450, Contingencies, and related guidance, and records liabilities in those instances where it can reasonably estimate the amount of the loss and when the loss is probable. Where the reasonable estimate of the probable loss is a range, the Company records as an accrual in its financial statements the most likely estimate of the loss, or the low end of the range if there is no one best estimate. The Company either discloses the amount of a possible loss or range of loss in excess of established accruals if estimable, or states that such an estimate cannot be made. The Company discloses significant legal proceedings even where liability is not probable or the amount of the liability is not estimable, or both, if the Company believes there is at least a reasonable possibility that a loss may be incurred. Based on experience and developments, the Company reexamines its estimates of probable liabilities and associated expenses and receivables each period, and whether a loss previously determined to not be reasonably estimable and/or not probable is now able to be reasonably estimated or has become probable. Where appropriate, the Company makes additions to or adjustments of its reasonably estimated losses and/or accruals. As a result, the current accruals and/or estimates of loss and the estimates of the potential impact on the Company's consolidated financial position, results of operations and cash flows for the legal proceedings and claims pending against the Company will likely change over time.

Because litigation is subject to inherent uncertainties, and unfavorable rulings or developments could occur, the Company may ultimately incur charges substantially in excess of presently recorded liabilities, including with respect to matters for which no accruals are currently recorded because losses are not currently probable and reasonably estimable. Many of the matters described herein are at varying stages, seek an indeterminate amount of damages or seek damages in amounts that the Company believes are not indicative of the ultimate losses that may be incurred. It is not uncommon for claims to be resolved over many years. As a matter progresses, the Company may receive information, through plaintiff demands, through discovery, in the form of reports of purported experts, or in the context of settlement or mediation discussions that purport to quantify an amount of alleged damages, but with which the Company may not agree. Such information may or may not lead the Company to determine that it is able to make a reasonable estimate as to a probable loss or range of loss in connection with a matter. However, even when a loss or range of loss is not probable and reasonably estimable, developments in, or the ultimate resolution of, a matter could be material to the Company and could have a material adverse effect on the Company, its consolidated financial position, results of operations and cash flows. In addition, future adverse rulings or developments, or settlements in, one or more matters could result in future changes to determinations of probable and reasonably estimable losses in other matters.

Process for Disclosure and Recording of Insurance Receivables Related to Legal Proceedings

The Company estimates insurance receivables based on an analysis of the terms of its numerous policies, including their exclusions, pertinent case law interpreting comparable policies, its experience with similar claims, and assessment of the nature of the claim and remaining coverage, and records an amount it has concluded is recognizable and expects to receive in light of the loss recovery and/or gain contingency models under ASC 450, ASC 610-30, and related guidance. For those insured legal proceedings where the Company has recorded an accrued liability in its financial statements, the Company also records receivables for the amount of insurance that it concludes as recognizable from the Company's insurance program. For those insured matters where the Company has not recorded an accrued liability because the liability is not probable or the amount of the liability is not estimable, or both, but where the Company has incurred an expense in defending itself, the Company records receivables for the amount of insurance that it concludes as recognizable for the expense incurred.

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 June 30, 2023, the Company is a named defendant, with multiple co-defendants, in numerous lawsuits in various courts that purport to represent approximately 4,066 individual claimants, compared to approximately 4,028 individual claimants with actions pending December 31, 2022.

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 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 fifteen of the sixteen 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 of approximately \$2 million and punitive damages totaling \$63 million. In August 2018, the trial court entered judgment and the Company appealed. In 2019, the Company settled a substantial majority of the then-pending 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, and the appeal was dismissed. In October 2020, 3M defended a respirator case before a jury in King County, Washington, involving a former shipyard worker who alleged 3M's 8710 respirator was defective and that 3M acted negligently in failing to protect him against asbestos fibers. The jury delivered a complete defense verdict in favor of 3M, concluding that the 8710 respirator was not defective in design or warnings and any conduct by 3M was not a cause of plaintiff's mesothelioma. The plaintiff appealed the verdict. In May 2022, the First Division intermediate appellate court in Washington affirmed in part and reversed in part 3M's trial victory, concluding that the trial court misapplied Washington law in instructing the jury about factual causation. The Washington Supreme Court declined to review the matter.

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. Since the second half of 2020, the Company has experienced an increase in the number of cases filed that allege injuries from exposures to coal mine dust; that increase represents a substantial majority of the growth in case numbers referred to above. The rate of coal mine dust-related case filings decelerated in 2022 and has continued to decelerate in 2023. 3M moved two cases involving over 400 plaintiffs to federal court based on, among others, the Class Action Fairness Act. The federal district court remanded the cases to state court. In March 2023, the Sixth Circuit Court of Appeals granted 3M's petition to review the remand order, and in April 2023 reversed the district court's remand order; accordingly, those cases will remain in federal court.

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, which seeks civil penalties of up to \$5,000 per violation under the state's Consumer Credit Protection Act relating to statements that the State contends were misleading about 3M's respirators. In the first quarter of 2023, a bench trial for the unfair trade practices claims was continued indefinitely. An expert witness retained by the State has recently estimated that 3M sold over five million respirators into the state during the relevant time period, and the State alleges that each respirator sold constitutes a separate violation under the Act. 3M disputes the expert's estimates and the State's position regarding what constitutes a separate violation of the Act. 3M has asserted various additional defenses, including that the Company's marketing did not violate the Act at any time, and that the State's claims are barred under the applicable statute of limitations. No liability has been recorded for any portion of this matter because the Company believes that liability is not probable and reasonably 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 as to key issues, 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 factfinder 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 this analysis to develop its 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, and 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 six months of 2023 for respirator mask/asbestos liabilities by \$33 million. In the first six months of 2023, the Company made payments for legal defense costs and settlements of \$49 million related to the respirator mask/asbestos litigation. As of June 30, 2023, the Company had an accrual for respirator mask/asbestos liabilities (excluding Aearo accruals) of \$588 million. This accrual represents the Company's 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 (i) the 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 fact that 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 June 30, 2023, the Company's receivable for insurance recoveries related to the respirator mask/asbestos litigation was \$4 million. In addition, 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. 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. In July 2022, Aearo Technologies and certain of its related entities (collectively, the “Aearo Entities”) voluntarily initiated chapter 11 proceedings under the U.S. Bankruptcy Code seeking court supervision to establish a trust, funded by the Company, to efficiently and equitably satisfy all claims determined to be entitled to compensation (including the Aearo respirator mask/asbestos matters). This represented a change in strategy for managing the Combat Arms Version 2 earplugs and Aearo respirator mask/asbestos alleged litigation liabilities. The U.S. Bankruptcy Court had stayed the Aearo respirator mask/asbestos litigation matters during the chapter 11 proceedings. With the June 2023 dismissal of the Aearo bankruptcy that is described in the *Product Liability Litigation* section below, the stay of respirator mask/asbestos litigation is no longer in effect. For additional information, see the discussion within the section *Product Liability Litigation* with respect to Aearo Technologies Dual-Ended Combat Arms Earplugs.

During the voluntary chapter 11 proceedings, 3M’s accrual relating to the commitments associated with funding that trust included Aearo respirator mask/asbestos matters. However, following the June 2023 dismissal of the Aearo bankruptcy, the Company, through its Aearo subsidiary, had accruals of \$44 million as of June 30, 2023 for product liabilities and defense costs related to current and future Aearo-related asbestos, silica-related and coal mine dust claims. Responsibility for legal costs, as well as for settlements and judgments, is 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 or hazardous substances, and the handling and disposal of solid and hazardous wastes enforceable by national, state, and local authorities around the world, many for which private parties in the United States and abroad have rights of action. These laws and regulations can form the basis of, under certain circumstances, claims for the investigation and remediation of contamination, for capital investment in pollution control equipment, for restoration of and/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, sometimes with other potentially responsible parties, for the costs of remediation of environmental contamination at current or former facilities and at off-site locations where hazardous substances have been released or disposed of. The Company has identified numerous locations, many of which are in the United States, at which it may have some liability for remediation of contamination. 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 sulfonic acid ("PFHxS"), perfluorobutane sulfonate ("PFBS"), hexafluoropropylene oxide dimer acid ("HFPO-DA") and other per- and polyfluoroalkyl substances (collectively, "PFAS").

As a result of a 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 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, as intended substances in products, or as byproducts in some of 3M's current manufacturing processes, products, and waste streams.

3M announced in December 2022 it will take two actions: exiting all PFAS manufacturing by the end of 2025; and working to discontinue the use of PFAS across its product portfolio by the end of 2025. 3M's decision is based on careful consideration and a thorough evaluation of the evolving external landscape, including multiple factors such as accelerating regulatory trends focused on reducing or eliminating the presence of PFAS in the environment and changing stakeholder expectations.

PFAS Regulatory and Legislative Activity

Regulatory and legislative activities concerning PFAS are accelerating in the United States, Europe and elsewhere, and before certain international bodies. These activities include gathering of exposure and use information, risk assessment activities, consideration of regulatory approaches, and increasingly strict restrictions on various uses of PFAS in products and on PFAS in manufacturing emissions, in some cases moving towards non-detectable limits for certain PFAS compounds. Regulations of PFAS in emissions and in environmental media such as soil and water (including drinking water) are increasingly being set at levels that continue to decrease. Global regulations also appear to be increasingly focused on a broader group of PFAS and may include those PFAS compounds used in current products. If such activity continues, including if regulations become final and enforceable, 3M may incur material costs to comply with new regulatory requirements or as a result of litigation or additional enforcement actions. Such regulatory changes may also have an impact on 3M's reputation and may also increase its costs and potential litigation exposure to the extent legal defenses rely on regulatory thresholds, or changes in regulation influence public perception. Given divergent and rapidly evolving regulatory drinking water and other standards, there is currently significant uncertainty about the potential costs to industry and communities associated with remediation and control technologies that may be required.

Europe

In the European Union, where 3M has PFAS manufacturing facilities in countries such as Germany and Belgium, recent regulatory activities have included both preliminary and on-going work on various restrictions of PFAS or certain PFAS compounds under the EU's Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") and the EU's Persistent Organic Pollutants ("POPs") Regulation. PFOA, PFOS and PFHxS (and their related compounds) have also been listed in the Stockholm Convention, which has been ratified by more than 180 countries and aims for global elimination of certain listed substances (with narrow exceptions). In February 2023, an EU-wide restriction on the manufacturing, use, placing on the market and import of certain perfluorocarboxylic acids (C9-C14 PFCAs), which are PFAS substances, went into effect.

In February 2023, the European Chemicals Agency published the proposal it received in January 2023 from the national authorities of Germany, Denmark, the Netherlands, Norway and Sweden to restrict PFAS under the European Union's chemicals regulation. The proposal aims to restrict the manufacture, placing on the market and use of PFAS under REACH. In March 2023, the six-month consultation phase on the PFAS Restriction Proposal started. If the proposed rule becomes enforceable prior to 3M's announced exit from PFAS manufacturing by the end of 2025, depending on the scope and obligations contained in any final rule, PFAS manufacturers and manufacturers of PFAS containing products including 3M Belgium could incur additional costs and potential exposures, including future compliance costs, possible litigation and/or enforcement actions.

Effective January 2023, the EU Food Contaminants Regulation targeting four PFAS (PFOS, PFOA, perfluorononanoic acid ("PFNA"), and, PFHxS) in foodstuff (eggs and animal derived meat) prohibits the sale in all member states of foods containing levels of these chemicals exceeding the regulatory thresholds. As member states implement the regulation, Dyneon, a 3M subsidiary that operates the Gendorf facility in Germany, in coordination with local authorities and farmers, has proposed a pilot program of food sampling to determine if any remedial action is necessary.

The EU regulates PFAS in drinking water via a Drinking Water Directive, which includes a limit of 0.1 micrograms per liter (µg/l) (or 0.1 parts per billion (ppb)) for a sum of 20 PFAS in drinking water. January 2023 was the deadline for Member States to implement the Directive in their countries.

Dyneon has a recycling process for a critical emulsifier from which small amounts of PFOA are present after recycling, as an unintended and unavoidable byproduct of certain earlier process steps. With respect to the applicability of the amendment of the EU POPs Regulation with PFOA applicable since 2021, Dyneon proactively consulted with the relevant German competent authority regarding process improvements underway. The implementation of process improvements and analytical work is ongoing. Dyneon and the predecessor operators of the Gendorf facility have commissioned a voluntary feasibility study by an independent soil consultant and shared with the competent authority the initial study including soil management concept related to the Chemical Park in which Dyneon and other companies operate their plants.

3M Belgium, a subsidiary of the Company, has been working with the Public Flemish Waste Agency ("OVAM") for several years to investigate and remediate historical PFAS contamination at and near the 3M Belgium facility in Zwijndrecht, Antwerp, Belgium. In connection with a ring road construction project (the Oosterweel Project) in Antwerp that involved extensive soil work, an investigative committee with judicial investigatory powers was formed in June 2021 by the Flemish Parliament to investigate PFAS found in the soil and groundwater near the Zwijndrecht facility. 3M Belgium testified at Flemish parliamentary committee hearings in September and December 2021 on PFAS-related matters. The Flemish Parliament, the Minister of the Environment, and regulatory authorities initiated investigations and demands for information related to the release of PFAS from the Zwijndrecht facility. The Company has cooperated with the authorities in the investigations and information requests and is working with the authorities on an ongoing basis, as they continue to maintain oversight of 3M Belgium's operations at the Zwijndrecht facility, as further discussed below. Separately, as previously disclosed, the Company is aware that certain residents of Zwijndrecht and non-governmental organizations filed a criminal complaint with an Antwerp investigatory judge against 3M Belgium, alleging it had unlawfully abandoned waste in violation of its environmental care obligations. Certain additional parties reportedly joined the complaint. 3M Belgium has not been served with any such complaint. In June 2023, the federal judicial police requested additional documents following earlier requests for documents that 3M Belgium had provided, and 3M Belgium has complied with the request for additional documents.

Safety measures – wastewater discharge. In August 2021, the Flemish Government served 3M Belgium with a safety measure requiring the capture of certain process wastewaters to prevent their entry into the site wastewater treatment plant. While 3M Belgium appealed the safety measure due to the belief it lacked adequate legal and factual foundation, 3M Belgium promptly implemented the required actions.

In October 2021, the Province of Antwerp unilaterally adopted lower discharge limits for the nine PFAS compounds specifically identified in the water discharge permit for the Zwijndrecht facility and added a special condition that essentially prohibits discharge of any PFAS chemistry without a specific limit in the permit. 3M Belgium received a new two-year permit in May 2022 which contains strict new limits for 24 different PFAS, effective July 1, 2022. 3M Belgium believes that the recently installed additional control systems will enable it to meet these limits. Subsequently, the environmental enforcement agency informed 3M Belgium that the agency believes that 3M Belgium must apply for discharge limits for certain additional “short-chain” PFAS pursuant to the special condition. Although disagreeing with the agency’s position, 3M Belgium developed an application to amend the permit to add the additional PFAS. 3M Belgium has insufficient information to predict the limits that will be set forth for additional short-chain PFAS and is therefore unable to assess whether the current or future wastewater treatment system, as currently conceived, will meet future limits imposed. In December 2022, 3M Belgium received an official infraction report from the Flemish Environmental Inspectorate regarding the discharge of certain short chain PFAS compounds in wastewater from the Zwijndrecht facility. 3M Belgium previously identified these compounds and shared the results with the Inspectorate. The compounds at issue do not have specific discharge limits in the applicable wastewater discharge permit, and the infraction report references a special condition in the permit that prohibits detectable discharge of PFAS compounds that do not have a specific discharge limit in the permit. 3M Belgium disagrees with the Inspectorate’s interpretation of the special condition and the time period permitted for compliance with it. Moreover, 3M Belgium instituted a capturing process to prevent wastewaters containing short chain PFAS identified in the infraction report from entering the treatment system or its discharge. 3M Belgium notified the Inspectorate that complying with the special condition means ceasing the legally required extraction and treatment of contaminated groundwater. The Inspectorate acknowledged this fact but insisted that 3M Belgium continue to extract and treat groundwater. Groundwater treatment continues and 3M Belgium has applied for a modification of the water discharge permit to add parameters for the short chain PFAS. 3M Belgium will continue its efforts to comply with the special condition and to minimize discharge of all PFAS, including the PFAS identified in the infraction report, but an inability to meet discharge limits for short chain PFAS could have a significant adverse impact on 3M Belgium’s normal operations and the Company’s businesses that receive products and other materials from the facility, some of which may not be available in similar quantities from other 3M facilities, which could in turn impact these businesses’ ability to fulfill supply obligations to their customers.

Safety measure – emissions. As previously disclosed, in October 2021, the Flemish environmental enforcement agency issued a new safety measure that prohibits all emissions of all forms of PFAS from the facility unless and until specifically approved on a process-by-process basis. 3M Belgium thereupon commenced an appeal process to the Council of States, seeking, among other things, urgent suspension of the safety measure during the pendency of the appeal process. At the same time, 3M Belgium complied with the safety measure by idling the affected production at the facility. The Council of States declined to grant urgent suspension of the safety measure. 3M Belgium established a regular cadence of meetings with the relevant authorities to review restart of specific PFAS-related production processes. The agency recently clarified that the safety measure applies to release of PFAS into water, and as such, reviews have been expanded as requested.

In October 2022, 3M Belgium received a report from the Flemish Inspectorate regarding certain health and safety issues noted during inspections of the Zwijndrecht facility in March 2022, alleging certain related deficiencies, some dating back to 2010. In December 2022, 3M Belgium provided the Inspectorate with responses to the allegations, including plans and timelines for compliance where applicable, and plans to continue to inform the Inspectorate on corrective actions to be taken.

As of July 2022, the authorities have approved the restart of key production processes and 3M Belgium continues to conduct required monitoring and reporting activities. Belgian government authorities continue to maintain oversight of 3M Belgium’s operations and compliance with applicable requirements at the Zwijndrecht facility. In September 2022, the environmental enforcement agency issued an infraction report alleging that 3M Belgium had misconstrued an exemption in the safety measure and thus not fully complied with the safety measure in the operation of certain production lines. Discussions are underway with the environmental enforcement agency and those production lines are now being addressed in accordance with the review and approval provisions of the safety measure. In July 2023, the Flemish Environmental Inspectorate issued an infraction report stating the actions taken are insufficient to ensure all necessary measures to reduce dust formation from the facility, and seeking a response from 3M Belgium by August 1. 3M Belgium has implemented additional control measures to address potential dust formation and is working to outline more structural actions to reduce potential dust formation.

Although the authorities have approved the restart and/or continued operation of key production processes, a negative development in their ongoing oversight review, such as the infraction reports referenced above, could impact or delay 3M Belgium’s ability to fully restart all production processes, which in turn could have a significant adverse impact on 3M Belgium’s normal operations and the Company’s businesses that receive products and other materials from the facility, some of which may not be available in similar quantities from other 3M facilities, which could impact these businesses’ ability to fulfill supply obligations to their customers.

Notice of default – environmental law compliance. Also in September 2021, the Flemish Region issued a notice of default alleging violations of environmental laws and seeking PFAS-related information, indemnity and a remediation plan for soil and water impacts due to PFAS originating from the Zwijndrecht facility. In September 2021, 3M responded to the notice of default and announced a plan to invest up to 125 million euros in the next three years in actions related to the Zwijndrecht community, including support for local commercial farmers impacted by restrictions on sale of agricultural products, and enhancements to site discharge control technologies. 3M is also committed to payment for ongoing off-site descriptive soil investigation and appropriate soil remediation. In March 2022, the Company announced an investment of 150 million euros to advance remedial actions to address legacy PFAS previously produced at the Zwijndrecht facility. An accredited third-party soil remediation expert has progressed towards a remedial action plan based on a descriptive soil investigation that would help inform 3M Belgium's remedial actions onsite and in certain surrounding areas. 3M Belgium representatives continue to have discussions with the relevant authorities regarding further soil remedial actions in connection with the Flemish Soil Decree, which requires both public authorities and private parties to remediate contaminated soil and groundwater in Flanders.

In February 2023, OVAM rejected a required descriptive soil investigation ("DSI") submitted by 3M Belgium, required that a new DSI be submitted by the end of March, and also required that 3M Belgium propose a plan to implement additional precautionary measures for individuals living in designated areas near the Zwijndrecht plant. At the end of March 2023, 3M Belgium submitted a revised DSI, along with an appeal of the rejection of the DSI. In May 2023, OVAM confirmed the main findings of the DSI for certain zones and set an October 2023 deadline to submit a remedial action plan related to these zones. 3M Belgium also submitted a proposal regarding precautionary measures that is being discussed with OVAM. 3M Belgium submitted two additional DSIs in May 2023 for areas around the Zwijndrecht plant. In July 2023, an appeal was filed by a local NGO with the Flemish government regarding the additional DSIs.

In December 2022, the Flemish Cabinet took steps to implement an executive action (the "Site Decision") designed to expand 3M's remedial obligations around the Zwijndrecht site. On March 31, 2023, the Site Decision was fully approved by the Flemish Cabinet and the Site Decision was published in April 2023. While the full impact of the Site Decision remains to be determined, it appears to establish a remediation zone within 5 kilometers of Zwijndrecht, and may create a presently undetermined amount of additional financial and remedial obligations for 3M Belgium. In June 2023, 3M Belgium submitted a petition for annulment of the Site Decision to the Belgian Council of State.

In July 2022, 3M Belgium and the Flemish Government announced an agreement in connection with the Zwijndrecht facility. Pursuant to the agreement, 3M Belgium, among other things, committed an aggregate of 571 million euros, which includes the previous commitments described above. In aggregate, the commitment includes enhancements to site discharge control technologies, support for qualifying local farmers, amounts to address certain identified priority remedial actions (which may include supporting additional actions as required under the Flemish Soil Decree), funds to be used by the Flemish Government in its sole discretion in connection with PFAS emissions from the Zwijndrecht facility, and support for the Oosterweel Project in cash and support services. The agreement contains certain provisions ending current litigation and providing certain releases of liability for 3M, while recognizing that the Flemish Government retains its authority to act in the future to protect its citizenry, as specified in the agreement. In connection with these actions, the Company recorded a pre-tax charge of approximately \$500 million in the first half of 2022, with approximately \$355 million in the second quarter of 2022.

Civil litigation - As of June 30, 2023, a total of eight actions against 3M Belgium are pending in Belgian civil courts, and 3M Belgium has received pre-litigation notices from individuals in Belgium indicating potential claims. The pending cases include claims by neighboring and other companies for alleged soil and wastewater or rainwater contamination with PFAS; and tort liability claims and an environmental injunction procedure by environmental NGOs and several hundred individuals. While most of the actions are in early stages, one of the actions, brought by a family living near the 3M Belgium plant, had a hearing in February 2023 and, in May 2023, the presiding judge awarded provisional damages in the amount of 500 euros each to four family members, and denied other damages. Another case, involving an environmental injunction procedure, was brought by environmental NGOs originally against 3M Belgium's contractors and later against 3M Belgium and seeks to accelerate the descriptive soil investigation and remediation process. In May 2023, the court denied the environmental injunction claim, subject to appeal.

In May 2023, the Netherlands government sent 3M Belgium a notice of liability stating it holds 3M Belgium liable for damages related to alleged PFAS contamination in the Netherlands. The notice purports to identify claims by the Netherlands government and references potential damages to other parties. 3M Belgium plans to meet with the Netherlands government to discuss the notice. 3M Belgium has also met with representatives of some of the private parties involved, which have indicated they may separately pursue claims.

United States: Federal Activity

In the United States, the EPA has developed human health effects documents summarizing the available data studies of various PFAS, including PFOA and PFOS. In October 2021, EPA released its “PFAS Strategic Roadmap: EPA’s Commitments to Action 2021-2024,” which presents EPA’s approach to PFAS, including investing in research to increase the understanding of PFAS, pursuing a comprehensive approach to proactively control PFAS exposures to humans and the environment, and broadening and accelerating the scope of clean-up of PFAS in the environment.

In June 2022, EPA released new final lifetime health advisory levels for PFBS (2,000 ppt) and HFPO-DA and its salts (“GenX”) (4 ppt), and new interim lifetime health advisory levels for PFOA (.004 ppt) and PFOS (.02 ppt). Lifetime health advisories are intended to provide information about concentrations of drinking water contaminants at which adverse health effects are not expected to occur over the specified exposure duration.

In March 2023, EPA published proposed national primary drinking water standards for six PFAS – PFOA, PFOS, PFBS, PFHxS, PFNA, and HFPO-DA, along with an economic analysis including purported estimated costs of the proposed rule. For PFOA and PFOS, EPA has proposed a drinking water standard of 4 ppt. For the other four PFAS, EPA is proposing to adopt for the first time a drinking water standard based on a “hazard index” approach, under which the levels of those four compounds, if detected, would be input into an EPA-provided formula to determine whether they exceed EPA’s cumulative risk threshold. 3M submitted comments on EPA’s proposal in May 2023. EPA has indicated that final rules will be published in January 2024. If the proposed drinking water standards are finalized, 3M could incur additional costs and potential exposures, including future compliance costs, possible litigation and/or enforcement actions.

In May 2021, the U.S. Agency for Toxic Substances and Disease Registry (“ATSDR”) within the Department of Health and Human Services finalized a Toxicological Profile for certain PFAS that established 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 establish a screening level and are not intended to define cleanup or action levels for ATSDR or other agencies.

In May 2022, EPA added five PFAS substances – HFPO-DA, PFOS, PFOA PFNA, and PFHxS - to its list of Regional Screening and Removal Management Levels based on the May 2021 MRLs. EPA had previously added PFBS to both lists in 2014. Regional Screening Levels are used to identify contaminated media that may require further investigation, while Regional Removal Management Levels are used by EPA to support certain actions under CERCLA.

In November 2022, EPA published its final Drinking Water Contaminant Candidates List 5 (CCL 5), which includes a broad group of PFAS that are not currently subject to national primary drinking water regulations but which EPA is considering for regulation under the Safe Drinking Water Act (“SDWA”). In December 2022, EPA issued guidance to states for incorporating PFAS requirements into the Clean Water Act National Pollution Discharge Elimination System (“NPDES”) permit program, including recommendations to require PFAS monitoring and incorporating limits for PFAS in industrial discharges.

In October 2021, EPA announced it will initiate a rulemaking to designate four PFAS compounds as hazardous constituents under the Resource Conservation and Recovery Act (“RCRA”). EPA has announced it plans to issue the proposed rule in August 2023.

In September 2022, EPA published in the Federal Register its proposal to list PFOA and PFOS, including their salts and structural isomers, as CERCLA hazardous substances. 3M submitted comments on EPA’s proposal in November 2022. In June 2023, EPA indicated that the timeline for issuance of a final rule would be extended from August 2023 to February 2024. In addition, EPA’s Advanced Notice of Proposed Rulemaking considering CERCLA hazardous substance designations for additional PFAS, including PFBS, PFHxS, PFNA, HFPO-DA, PFBA, perfluorohexanoic acid (“PFHxA”), PFDA and their precursor compounds as well as the precursor compounds of PFOS and PFOA, was published for public comment in April 2023 with comments due in August 2023.

If CERCLA or RCRA designations are finalized and become enforceable, 3M may be required to undertake additional investigative or remediation activities where 3M conducts operations or where 3M has disposed of waste. 3M may also face additional litigation from other entities that have liability under these laws for contribution to clean-up costs other entities might have.

EPA has also taken several actions to increase reporting and restrictions regarding PFAS under the Toxic Substances Control Act (“TSCA”) and the Toxics Release Inventory (“TRI”), which is a part of the Emergency Planning and Community Right-to-Know Act. EPA has added more than 170 PFAS compounds to the list of substances that must be included in TRI reports as of July 2021. In December 2022, EPA published a proposed rule to adding PFAS subject to reporting under the Emergency Planning and Community Right-to-know Act to the list of Lower Thresholds for Chemicals of Special Concern, which would require TRI reporting of de minimis uses of those PFAS. 3M submitted comments to EPA’s proposal.

In January 2023, EPA issued a test order under TSCA to manufacturers, including the Company, requiring them to conduct certain health and safety testing related to HFPO, a PFAS, and submit the results to EPA. 3M has submitted its initial response.

3M is in the process of amending its 2020 TSCA Chemical Data Reporting rule report for 3M's Cordova plant due to the discovery of relatively small amounts of HFPO formed as a commercial byproduct by the facility. This issue has been self-disclosed to EPA.

In June 2023, EPA notified 3M that it intends to issue a TSCA test order for HFPO-DAF, a PFAS, to 3M. 3M expects that test order to be issued in July or August 2023.

In April 2022, EPA released draft Aquatic Life Criteria for PFOA and PFOS. These criteria, once finalized, may be used by states in developing water quality standards for protection of aquatic life under the Clean Water Act. 3M submitted comments on the draft criteria in July 2022.

United States: State Activity

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 Minnesota, the Minnesota Department of Health ("MDH") in 2022 stated that Health Based Values ("HBVs") "are levels that the MDH considers safe for all people to consume, including sensitive populations." The current HBVs are 35 ppt for PFOA, 15 ppt for PFOS, 47 ppt for PFHxS, 7,000 ppt for PFBA, 200 ppt for PFHxA, and 100 ppt for PFBS.

The Minnesota Pollution Control Agency ("MPCA") published the final version of its PFAS Monitoring Plan in March 2022. Several 3M facilities - including Cottage Grove, Maplewood, Hutchinson, St. Paul, and Woodbury - are among the Minnesota facilities that are preliminarily scoped to be within the Monitoring Plan.

States with finalized drinking water standards for certain PFAS include California, Vermont, New Jersey, New York, New Hampshire, Michigan, Massachusetts, Pennsylvania, and Wisconsin.

Some other states have also been evaluating or have taken actions relating to PFOA, PFOS and other PFAS compounds in products such as food packaging, carpets and other products. For example, in June 2022, Colorado enacted a law which restricts the sale of certain consumer products, including carpets and furniture, fabric treatments, food packaging, and children's products that contain intentionally added PFAS.

In October 2022, California passed legislation prohibiting the manufacture, distribution or sale of textiles and cosmetics containing certain PFAS. Additionally, in 2021 and 2022, California finalized its listing of PFOS (and its salts and transformation and degradation precursors) and PFOA as carcinogens, and PFNA as a reproductive toxicant under its Proposition 65 law. California has also proposed listing PFDA, PFHxS, and PFUNDA as reproductive toxicants under Proposition 65.

In the summer of 2021, the State of Maine passed its Act To Stop Perfluoroalkyl and Polyfluoroalkyl Substances Pollution, which bans intentionally added PFAS in products effective January 1, 2030 and requires broad reporting of products containing intentionally-added PFAS effective January 1, 2023. In December 2022, 3M submitted to the Maine Department of Environmental Protection ("DEP") a list of products containing intentionally added PFAS that have been sold in the U.S. in the past two years in compliance with the law. 3M submitted an updated copy of that list to the Maine DEP in May 2023. In June 2023, Maine enacted legislation retroactive to January 1, 2023, that includes certain changes to the notification requirement in the original legislation, including an extension of the compliance date until January 2025.

In May 2023, Minnesota enacted legislation that includes a broad PFAS prohibition and reporting statute. The statute requires product notifications starting in 2025 and a general prohibition on sales of PFAS-containing products no later than 2032 for all product categories, subject to exemptions that may be adopted by rulemaking. Several other states have introduced legislation that would impose similar obligations.

In October 2020, 3M and several other parties filed notices of appeal in the appellate division of the Superior Court of New Jersey to challenge the validity of the New Jersey PFOS and PFOA regulations. In January 2021, the appellate division of the court denied the group's motion to stay the regulations. The court heard oral argument in November 2022.

In April 2021, 3M also filed a lawsuit against the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") to invalidate the drinking water standards EGLE promulgated under an accelerated timeline. In November 2022, the court granted 3M's motion for summary judgment on the merits and invalidated EGLE's rule based on its failure to properly consider relevant costs. The court stayed the effect of its decision pending appeal. EGLE appealed the decision in December 2022, and the court scheduled oral argument in the case for July 2023.

Between 2018 and 2022, seven states have enacted laws requiring written notification of firefighting personal protective equipment that contains PFAS, with most such laws providing for potential civil penalties for non-compliance. In November 2022, the Company identified it likely did not provide required notifications for some of its products, including its Scott Safety Self-Contained Breathing Apparatuses. The Company began providing written notices with those products starting November 2022. In addition, the Company continues to work to determine the extent of any potential non-compliance, has made voluntary self-disclosures to states and customers as applicable, and has expressed its willingness to work with those states to address and resolve any potential non-compliance. The Company cannot predict at this time the ultimate outcome or actions that may be taken by those states.

The Company cannot predict what additional regulatory actions in the United States, Europe and elsewhere arising from the foregoing or other proceedings and activities, if any, may be taken regarding such compounds or the consequences of any such actions to the Company, including to its manufacturing operations and its products. Given divergent and rapidly evolving regulatory standards, there is currently significant uncertainty about the potential costs to industry and communities associated with remediation and control technologies that may be required.

Litigation Related to Historical PFAS Manufacturing Operations in Alabama

As previously reported, 3M has resolved numerous claims relating to alleged PFAS contamination of properties and water supplies by 3M's Decatur, Alabama manufacturing facility. In April 2019, 3M settled a lawsuit brought by the West Morgan-East Lawrence Water & Sewer Authority for \$35 million, which will fund a new water filtration system, with 3M indemnifying the Water Authority from liability resulting from the resolution of certain lawsuits against the Water Authority alleging liability or damages related to 3M PFAS. In October 2021, 3M settled a class action brought by plaintiffs who were supplied drinking water by the Water Authority (the "Lindsey" case) for an immaterial amount. The court issued a final order approving the class settlement and dismissing the action in March 2022. In October 2021, 3M also reached agreements in principle to resolve litigation with several other parties, including previously disclosed Tennessee Riverkeeper organization, the St. John plaintiff class, and plaintiffs in the Stover, Owens, and Chandler matters. A court granted final approval of the St. John class settlement in April 2022, and plaintiffs in the Stover, Owens, and Chandler matters filed dismissals thereafter. In June 2022, the court dismissed the Tennessee Riverkeeper case with prejudice. In November 2021, 3M and the City of Decatur, Decatur Utilities and Morgan County executed a collaborative agreement under which the Company agreed to contribute approximately \$99 million and also to continue to address certain PFAS-related matters in the area. The contribution relates to initiatives to improve the quality of life and overall environment in Decatur, including community redevelopment and recreation projects by the City, County and Decatur Utilities. It also includes addressing certain PFAS matters at the Morgan County landfill and reimbursement of costs previously incurred related to PFAS remediation. 3M will continue to address PFAS at certain other closed municipal sites at which the Company historically disposed waste and continue environmental characterization in the area. This work will complement the Interim Consent Order that 3M entered with the Alabama Department of Environmental Management ("ADEM") in 2020 and includes sampling of environmental media, such as ground water, regarding the potential presence of PFAS at the 3M Decatur facility and legacy disposal sites, as well as supporting the execution of appropriate remedial actions. In March 2022, 3M reached a settlement agreement with plaintiffs in the Billings matter, resulting in dismissal of the case in August 2022. In August 2022, 3M reached an agreement to settle personal injury claims brought by 37 individual plaintiffs in the King matter. 3M continues to negotiate with individual property owners regarding claims relating to former 3M disposal sites and has resolved several such claims for an immaterial amount.

In September 2020, the City of Guin Water Works and Sewer Board ("Guin WWSB") brought a lawsuit against 3M in Alabama state court alleging that PFAS contamination in the Guin water system stems from manufacturing operations at 3M's Guin facility and disposal activity at a nearby landfill. Guin WWSB dismissed its lawsuit without prejudice in order to work with 3M to further investigate the presence of chemicals in the area; and in December 2021, the parties reached a settlement under which 3M agreed to contribute \$30 million that will be used on a new treatment system for Guin's drinking water and a new wastewater treatment facility.

In August 2022, Colbert County, Alabama, which opted out of the St. John settlement, filed a lawsuit against 3M and several co-defendants alleging that discharge from operations in Decatur, Alabama has contaminated the Tennessee River, from which the County withdraws its drinking water. Defendants' joint motion to dismiss was denied in December 2022, and defendants have filed a petition for mandamus with the Supreme Court of Alabama, which remains pending. The case is in early stages of discovery.

In February 2023, the City of Muscle Shoals, Alabama filed a lawsuit against 3M and several co-defendants alleging that discharge from operations in Decatur, Alabama has contaminated the Tennessee River, from which the City withdraws its drinking water. Defendants filed a joint motion to dismiss in March 2023. Also in February 2023, two individuals who opted out of the St. John class settlement filed suit in Alabama state court against 3M, alleging PFAS contamination of their property resulting from 3M's operations in Decatur. 3M removed the case to federal court and answered the complaint in March 2023. The case is in early stages of discovery.

State Attorneys General Litigation related to PFAS

As previously reported, several state attorneys general have filed lawsuits against 3M and other defendants that are now pending in a federal Multi-District Litigation ("MDL") court in South Carolina regarding Aqueous Film Forming Foam (AFFF), described further below. The lawsuits generally seek, on a state-wide basis: injunctive relief, investigative and remedial work, compensatory damages, natural resource damages, attorneys' fees, and, where available, punitive damages related to the states' response to PFAS contamination. Currently in the AFFF MDL, state attorneys general lawsuits have been brought against 3M on behalf of the people of the states of Alaska, California, Florida, Illinois, Maine, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Vermont, and Wisconsin, as well as on behalf of the people of the territories of Guam, Puerto Rico, and the Northern Mariana Islands. Since March 2023, attorneys general have also brought suit against 3M on behalf of the people of Arizona, Arkansas, the District of Columbia, Kentucky, Maine (a second case, a purported "non-AFFF" case), Maryland (both AFFF and purported "non-AFFF" cases), New Mexico, Oregon, Rhode Island, Tennessee, Texas, and Washington.

There are also multiple state attorneys general lawsuits that are proceeding outside the AFFF MDL, as described below.

New Jersey. In March 2019, the New Jersey Attorney General filed two actions against 3M, E.I. DuPont de Nemours and Co. ("DuPont"), and Chemours Co. ("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 June 2020, the court consolidated the two actions, along with two others brought by the NJDEP relating to the DuPont facilities, for case management and pretrial purposes. The parties are conducting discovery. As of March 2023, the actions are stayed pending the parties' participation in court-mandated mediation.

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. As described above, one lawsuit was transferred to the AFFF MDL. The Company recently removed the other case to federal court and attempted to transfer it to the AFFF MDL, which was denied at this juncture in the litigation. In March 2023, the federal judge granted the state's motion to remand the case back to state court. 3M has appealed that decision.

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. As described above, one lawsuit was transferred to the AFFF MDL. The other suit asserts PFAS contamination from non-AFFF sources and names 3M and several entities related to DuPont and Chemours as defendants. In late 2022, the complaint was amended to add claims related to PFBS and GenX and to add a claim under Vermont's Waste Management Act, which had been amended to add manufacturers as liable parties for the release or threatened release of hazardous materials (which in Vermont includes certain PFAS compounds). This suit is proceeding in state court, where the parties are engaging in discovery and the court has set a trial-ready date in October 2024.

Illinois. In March 2022, the Illinois Attorney General filed a lawsuit in Illinois state court against 3M alleging contamination of the state's natural resources by PFAS compounds disposed of by, or discharged, or emitted from 3M's Cordova plant. The complaint requests monetary damages, injunctive relief, civil penalties, a testing program, and a public outreach and information sharing program. The case was removed to federal court and 3M moved to transfer it to the AFFF MDL, which was denied at this stage in the litigation. The state has moved to remand the case back to state court, which remains pending. In January 2023, the Illinois Attorney General filed a new lawsuit against 3M and other defendants in Illinois state court, alleging contamination of a number of drinking water systems and natural resource damages at several sites statewide, and seeking to recover monetary damages, injunctive relief for remediation, civil penalties and other relief. The complaint states that the Attorney General is not seeking damages for AFFF by this lawsuit. The case has been removed to federal court and, in June 2023, the U.S. Judicial Panel on Multidistrict Litigation ("JPML") transferred the case to the AFFF MDL. In April 2023, the Illinois Attorney General filed a lawsuit against 3M and other defendants alleging PFAS contamination of state natural resources from AFFF.

California. The Company removed the previously-disclosed lawsuit filed by the California Attorney General to federal court and sought to have it transferred to the AFFF MDL.

Maine. In March 2023, Maine's Attorney General filed two lawsuits in state court against 3M and other defendants that contain allegations related to PFAS contamination of state natural resources from AFFF and non-AFFF products, respectively. As described above, the AFFF lawsuit was removed to federal court and transferred to the AFFF MDL. 3M has removed the other lawsuit to federal court, where it has moved to transfer the case to the AFFF MDL, and the State has filed a motion for remand.

Maryland. In May 2023, Maryland's Attorney General filed two lawsuits in state court against 3M and other defendants that contain allegations related to PFAS contamination of state natural resources from AFFF and non-AFFF products, respectively.

In addition to the above state attorneys general actions, several other states and the District of Columbia, through their attorneys general, have announced selection processes to retain outside law firms to bring PFAS-related lawsuits against certain manufacturers including the Company. In addition, the Company is in discussions with several state attorneys general and agencies, responding to information and other requests relating to PFAS matters and exploring potential resolution of some of the matters raised.

Aqueous Film Forming Foam (AFFF) Environmental Litigation

3M manufactured and marketed AFFF containing certain PFAS for use in firefighting from approximately 1963 to 2002. As of June 30, 2023, approximately 4,996 lawsuits (including approximately 46 putative class actions and 451 public water system cases) alleging injuries or damages from PFAS contamination or exposure allegedly caused by AFFF use have been filed against 3M (along with other defendants) in various state and federal courts. As further described below, a vast majority of these pending cases are in a federal MDL court in South Carolina. Additional AFFF cases continue to be filed in or transferred to the MDL. Claims in the MDL are asserted by individuals, public water systems, putative class members, state and territorial sovereigns, and other entities. Plaintiffs seek a variety of relief in cases in the MDL, including, where applicable, damages for personal injury, property damage, water treatment costs, medical monitoring, natural resource damages, and punitive damages. The Company also continues to defend certain AFFF cases that remain in state court and is in discussions with pre-suit claimants for possible resolutions where appropriate.

AFFF MDL and Water System Cases

In December 2018, the 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. Over the past four years, the parties in the MDL have conducted substantial discovery, including ongoing master discovery and several rounds of discovery involving potential water supplier bellwether cases.

In the MDL, there are cases filed by approximately 451 public water systems ("PWS"). These include community water systems, which are public water systems that provide water for human use and consumption to a set population, and non-community water systems, which are public water systems that supply water to a varied population (for example, campgrounds or schools). There are approximately 50,000 community water systems in the United States. The MDL cases focus on AFFF, but the MDL also contains a number of cases with allegations related to the broader category of PFAS products. 3M and other defendants also face cases filed by approximately 55 public water systems outside of the MDL. Public water system cases include a variety of claims, including for product liability, negligence, and public nuisance. The cases seek damages for, among other things, remediation costs to remove PFAS from drinking water provided to communities, as well as punitive damages. The MDL court has repeatedly encouraged the parties in the MDL to negotiate to resolve cases, including these PWS cases. In October 2022, the court appointed a retired federal judge as mediator.

On June 22, 2023, 3M entered into a proposed class-action settlement to resolve a wide range of drinking water claims by public water systems in the United States ("PWS Settlement"), subject to court approval. Eligible class members are United States public water systems as defined in the PWS Settlement. Subject to court approval, the PWS Settlement would resolve the portion of the MDL that involves PWS drinking water claims in the United States by providing funding for treatment technologies to PWS that have tested positive for PFAS, funding for future testing, and funding for systems that test positive in the future.

Under the PWS Settlement, class members would agree to release 3M from any claim arising out of, relating to, or involving (i) PFAS that has entered or may enter drinking water or the class member's water system; (ii) the development, manufacture, formulation, distribution, sale, transportation, storage, loading, mixing, application, or use of PFAS or any product (including AFFF) manufactured with or containing PFAS; (iii) the transport, disposal, or arrangement for disposal of PFAS-containing waste or PFAS-containing wastewater, or a class member's use of PFAS-containing water for irrigation or manufacturing; or (iv) representations about PFAS or any product (including AFFF) manufactured with or containing PFAS. The PWS Settlement would also require class members to release punitive- or exemplary-damages claims that arise out of conduct occurring at least in part before the PWS Settlement's effective date and that relate to PFAS or any product (including AFFF) manufactured with or containing PFAS.

If the court approves the PWS Settlement and all conditions in the PWS Settlement are met, 3M will pay \$10.5 billion to \$12.5 billion in total to resolve the claims released by the PWS Settlement. 3M recorded a pre-tax charge of \$10.3 billion in the second quarter of 2023. The charge reflects the present value (discounted at an estimated 5.2% interest rate at time of proposed settlement) of the expected \$12.5 billion nominal value of 3M's payments under the PWS Settlement. The PWS Settlement calls for 3M to make payments annually from 2024 through 2036. The actual amounts that 3M will pay will be determined in part by which, if any, class members that do not have a positive test result for the presence of PFAS in their drinking water (as defined by the PWS Settlement) as of the date of the PWS Settlement receive such a test result by the end of 2025.

The PWS Settlement gives 3M the option to terminate the PWS Settlement if the numbers of eligible class members opting out of the Settlement exceed specified levels. The PWS Settlement provides that 3M does not admit any liability or wrongdoing and does not waive any defenses. The Settlement remains subject to preliminary and final approval from the MDL court.

The previously disclosed case filed by the City of Stuart, Florida that was selected by the MDL court as the first bellwether trial was also settled as a part of the PWS Settlement.

The MDL court has also directed the parties to submit a proposal for an initial set of personal injury bellwether cases. The MDL court has indicated that the parties will be expected to begin discovery on a set of 28 cases to be selected as potential personal injury bellwether cases. In September 2022, the court issued an order denying defendants' MDL-wide summary judgment motions on the government contractor defense, which defense can be presented to a jury at future trials.

Outside the MDL, trial was also scheduled to occur in June 2023 in a lawsuit brought by the City of Rome, Georgia, which asserted claims against 3M and other defendants for compensatory damages, statutory damages for alleged violation of the Georgia Water Quality Control Act, punitive damages, attorneys' fees, and injunctive relief. The parties reached a settlement agreement to resolve the case and, under the terms of the PWS Settlement, associated estimated payments factor in amounts related to the City of Rome settlement. The PWS Settlement amounts discussed above therefore include the City of Rome settlement.

Other AFFF Cases

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 compounds. Two of these cases have been removed to federal court and transferred to the AFFF MDL, and one case was voluntarily dismissed. Five cases remain pending in state courts where they are stayed by agreement of the parties.

As of June 30, 2023, the Company is aware of approximately 185 other AFFF suits originally filed in various state courts in which the Company has been named a defendant. 3M anticipates that most of these cases will eventually be removed to federal court and transferred to the AFFF MDL; however, several cases are expected to remain pending in state courts.

Separately, the Company is aware of pre-suit claims or demands by other parties related to the use and disposal of AFFF, one of which purports to represent a large group of firefighters. The Company had discussions with certain potential pre-suit claimants and, as a result of such discussions, reached a negotiated resolution for an immaterial amount with the City of Bemidji in March 2021.

Other PFAS-related Product and Environmental Litigation

3M manufactured and sold various products containing 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. ("Wolverine"), Georgia-Pacific LLC, DuPont, Chemours, and various carpet manufacturers.

The cases brought on behalf of drinking water providers described below will fall under the PWS Settlement if the water providers do not opt out of the PWS Settlement.

In New York, 3M is defending 40 individual cases filed in the U.S. District Court for the Northern District of New York and five additional individual cases filed in New York state court against 3M, Saint-Gobain Performance Plastics Corp., Honeywell International Inc. and DuPont. Tonaga, Inc. (Taconic) is also a defendant in the state court actions. Plaintiffs allege that PFOA discharged from fabric coating facilities operated by non-3M entities (that allegedly had used PFOA-containing materials from 3M, among others) contaminated the drinking water in the Village of Hoosick Falls, the Town of Hoosick and Petersburg, New York. Plaintiffs in both the federal and state individual cases assert various tort claims for personal injury and property damage and in some cases request medical monitoring. A mediation involving plaintiffs from 32 of the federal and state cases and all of the defendants was held in April 2023. 3M and certain of the other defendants have agreed to settle the case with the plaintiffs involved in the mediation, subject in certain cases to court approval, and 3M's share is not considered material. These cases will continue to move forward as to certain remaining defendants, and the other remaining cases continue. Additionally, 3M is defending a case in New York state court filed by the Town of Petersburg in September 2022. Plaintiff alleges that 3M and several other manufacturers contributed to PFOA contamination in the town's public water supply. Oral argument on a motion to dismiss that was filed by 3M and the other defendants is scheduled for July 2023. 3M is also defending 22 individual cases in the U.S. District Court for the Eastern District of New York filed by various drinking water providers, including 9 new complaints filed on behalf of additional water districts during the quarter ended June 30, 2023. The plaintiffs in these cases allege that products manufactured by 3M, DuPont, and additional unnamed defendants contaminated plaintiffs' water supply sources with various PFAS compounds. 3M has filed answers in these cases and discovery is ongoing.

In Michigan, one consolidated putative class action was pending in the U.S. District Court for the Western District of Michigan against 3M and Wolverine. The action arose 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. 3M and Wolverine agreed to settle the case with the plaintiffs, and 3M's share is not considered material; the court approved the class settlement in March 2023 and 3M's final payment related to the settlement was made in June 2023.

In Alabama and Georgia, 3M, together with multiple co-defendants, is defending two state court cases brought by municipal water utilities, relating to 3M's sale of PFAS-containing products to carpet manufacturers in Georgia. In September 2022, the Company reached an agreement with the Gadsden Water Works and Sewer Board to resolve a similar matter. The plaintiffs in these two water utilities 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 Centre, Alabama and Rome, Georgia. The Centre case has been set for trial in November 2023. The City of Rome case had been scheduled for trial in June 2023, as discussed in more detail above but, the case resolved by settlement between the parties shortly before trial. Another case originally filed in Georgia state court 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. That case continues, with class certification and other motions recently briefed.

In April 2023, another case that included similar allegations was filed by Shelby County, Alabama, and Talladega County, Alabama, against 3M and other defendants. Those cases have been removed to federal court, where they are proceeding through discovery.

3M, together with co-defendants, is also defending another putative class action in federal court in Georgia, in which plaintiffs seek relief on behalf of a class of individual ratepayers in Summerville, Georgia who allege their water supply was contaminated by PFAS discharged from a textile mill. In May 2021, the City of Summerville filed a motion to intervene in the lawsuit, which was granted in March 2022. This case is now proceeding through discovery, which has been extended by the court through November 2023.

In July 2022, a putative class action was filed against 3M and other PFAS manufacturers by The Utilities Board of Tuskegee on behalf of all drinking water utilities within Alabama whose finished drinking water has contained a detectable concentration level of PFOA, PFOS, GenX, or PFBS that exceed the June 2022 health advisory levels issued by the U.S. EPA. 3M filed a motion to dismiss the complaint in October 2022, which was granted in part and denied in part in February 2023. The claims that will proceed against 3M and other defendants, including negligence, wantonness, and public nuisance, are moving into discovery.

In California, 3M, Decra Roofing and certain DuPont-related entities were named as defendants in an action brought in state court by the City of Corona and a local utility authority, alleging PFAS contamination of the plaintiffs' water sources and also referring to 3M's industrial minerals facility in Corona, California as a potential source of contamination. The court granted demurrers filed by Decra and the DuPont entities, while 3M answered the complaint in February 2022. This case has been removed to federal court and was transferred to the AFFF MDL. In October 2022, a putative class action was filed against the Company and other parties on behalf of individuals who have been drinking water from the Temescal Subbasin, from which the City of Corona gets its water, seeking injunctive relief, damages, and medical monitoring. This case has been removed to federal court and was transferred to the AFFF MDL.

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 was removed to federal court, and in September 2022, the court dismissed all but plaintiffs' negligence claim. Plaintiffs have filed a third amended complaint which 3M moved to dismiss in December 2022. This motion has been fully briefed and is pending the court decision.

In New Jersey, 3M is a defendant in an action brought in federal court by Middlesex Water Company, a publicly traded water utility serving customers in and around certain portions of Middlesex County, New Jersey, which alleges PFAS contamination of its water system. The Court denied 3M's motion for summary judgment in October 2022 and a trial date has been set for October 2, 2023. The parties are exploring potential resolution in advance of trial. In September 2020, 3M was named a defendant in a similar lawsuit brought by the Borough of Hopatcong. In January 2021, 3M was named a defendant in another similar lawsuit brought by the Pequannock Township. Fact discovery has closed in both the Hopatcong and Pequannock matters, and expert discovery is scheduled to commence in June 2023 (Hopatcong) and July 2023 (Pequannock).

3M, together with several co-defendants, is also defending 27 cases in New Jersey federal court brought by individuals with private drinking water wells near certain DuPont and Solvay facilities that were allegedly supplied with PFAS by 3M. These cases have all been coordinated for discovery, which is ongoing. 3M has agreed to settle with the plaintiffs in ten cases that sought property damages, subject in certain cases to court approval, and 3M's share is not considered material. Plaintiffs in the 17 remaining individual cases in federal court allege personal injuries to themselves or their disabled adult children. In July 2022, plaintiffs sought leave to amend their complaints in the first five cases to add claims concerning seven non-PFAS chemistries as against defendants other than 3M, which motion was denied by the court. Nine of the remaining personal injury cases were filed in state court and removed to federal court. Plaintiffs are currently seeking remand in four of these cases. In December 2022, an additional personal injury case was filed in New Jersey State court.

3M and Middlesex Water Company are also defending a putative class action filed in New Jersey federal court in November 2021 by individuals who received drinking water from Middlesex Water Company that was allegedly contaminated with PFAS. The court denied 3M's motion to dismiss, and the case is proceeding through discovery. In May 2022, Middlesex Water Company filed a third-party complaint against the Company in New Jersey state court in a putative class action of the state residents who are customers of the water company, seeking indemnity from the Company. After Middlesex Water Company removed the case to federal court in July 2022, plaintiffs filed a motion to remand the case to state court. The federal court remanded the case back to state court in April 2023 and 3M has since answered the third-party complaint. In March 2023, a personal injury lawsuit was filed against 3M by another Middlesex Water Company customer. In May 2023, 3M filed a motion to dismiss certain of the claims in that lawsuit.

In South Carolina, a putative class action lawsuit was filed in South Carolina state court against 3M, DuPont and DuPont related entities in March 2022. The lawsuit alleges property damage and personal injuries from contamination from PFAS compounds used and disposed of at the textile plant known as the Galey & Lord plant from 1966 until 2016. The complaint seeks remedies including damages, punitive damages, and medical monitoring. The case has been removed to federal court. Plaintiff filed a second amended complaint in December 2022, which 3M has moved to dismiss.

In Massachusetts, a putative class action lawsuit was filed in August 2022 in state court against 3M and several other defendants alleging PFAS contamination from waste generated by local paper manufacturing facilities. The lawsuit alleges property damage and also seeks medical monitoring on behalf of plaintiffs within the Town of Westminster. This case was removed to federal court. In February 2023, the federal court consolidated this action with a previously-filed federal case involving similar allegations and claims against 3M's co-defendants. Thereafter, plaintiffs filed a second amended complaint asserting claims against 3M. 3M filed a motion to dismiss the second amended complaint in March 2023.

In Maine, a group of landowners filed a second amended complaint in October 2022 in federal district court, adding 3M and several other alleged chemical suppliers as defendants in a case previously filed against several paper mills, alleging PFAS contamination from waste generated by the paper mills. The lawsuit seeks to recover for alleged property damage. In March 2023, plaintiffs filed a third amended complaint limiting the scope of their claims to allegations pertaining to one paper mill and three defendants that allegedly supplied PFAS-containing products to that mill, including 3M. 3M has moved to dismiss this case.

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. In March 2022, the court certified a class of “[i]ndividuals subject to the laws of Ohio, who have 0.05 [ppt] of PFOA (C-8) and at least 0.05 ppt of any other PFAS in their blood serum.” The judge ordered additional briefing to permit defendants to narrow the proposed nationwide class by “show[ing] what states do not recognize the type of claim for relief filed by” the plaintiff. In September 2022, the Sixth Circuit granted the defendants’ request to appeal the district court’s class certification order. Defendants’ appeal is now fully briefed.

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 continues 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 Illinois EPA in August 2014 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 June 2022, the Illinois EPA provided notice of the termination of the Cordova May 2000 Site Remediation Agreement. The Company continues to perform pumping of impacted site groundwater, groundwater monitoring and routine reporting of results to Illinois EPA. In addition, the Company is treating its pumped groundwater at its Cordova wastewater treatment plant.

In Minnesota, the Company continues to work with the MPCA pursuant to the terms of the previously disclosed May 2007 Settlement Agreement and Consent Order to address the presence of certain PFAS compounds 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 compounds from these sites and proposing response actions; (ii) providing treatment or alternative drinking water upon identifying any level exceeding a HBV or Health Risk Limit (“HRL”) (i.e., the amount of a chemical in drinking water determined by the MDH to be safe for human consumption over a lifetime) for certain PFAS compounds for which a HBV and/or HRL exists as a result of contamination from these sites; (iii) remediating identified sources of other PFAS compounds 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. In August 2009, the MPCA issued a decision adopting remedial options for the Company’s Cottage Grove manufacturing facility. In the spring and summer of 2010, 3M began implementing the approved remedial options at the Cottage Grove and Woodbury sites, and in late 2010, 3M commenced the approved remedial option at the Oakdale site. The Company has completed remediation work and continues with operational and maintenance activities at the Oakdale and Woodbury sites. Remediation work has been substantially completed at the Cottage Grove site, with operational and maintenance activities ongoing.

In Alabama, as previously reported, the Company entered into a voluntary remedial action agreement with the 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 substantially completed installation of a multilayer cap on the former sludge incorporation areas. Further remediation activities, including certain on-site and off-site investigations and studies, will be conducted in accordance with the July 2020 Interim Consent Order described below.

The Company operates under a 2009 consent order issued under the federal TSCA (the “2009 TSCA consent order”) for the manufacture and use of two perfluorinated materials (FBSA and FBSEE) at its Decatur, Alabama site that prohibits 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. EPA and 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 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 an NPDES permit issued by ADEM. The NPDES permit requires monthly and quarterly reporting on the quality and quantity of pollutants discharged to the Tennessee River. In June 2019, as previously reported, 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 previously reported, 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 temporarily idled certain manufacturing processes at 3M Decatur, and installed wastewater treatment controls. The Company restarted idled processes in October 2019.

As a result of the Company's discussions with ADEM to address these and other related matters in the state of Alabama, as previously reported, 3M and ADEM agreed to the terms of an interim Consent Order in July 2020 to cover all PFAS-related wastewater discharges and air emissions from the Company's Decatur facility. Under the interim Consent Order, the Company's principal obligations include commitments related to (i) future ongoing site operations such as (a) providing notices or reports and performing various analytical and characterization studies and (b) future capital improvements; and (ii) remediation activities, including on-site and off-site investigations and studies. Obligations related to ongoing future site operations under the Consent Order will involve additional operating costs and capital expenditures over multiple years. As offsite investigation activities continue, additional remediation amounts may become probable and reasonably estimable.

As previously reported, 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 and providing responsive documents with respect to this and other inquiries regarding its manufacturing facilities.

In addition, as previously reported, 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"), submitted an NPDES permit application for the PFAS in its discharge, put on-line and in operation wastewater treatment specifically designed to treat PFAS. The Company continues to work with the EPA and IEPA to address these issues from the Cordova facility. In November 2022, the Company entered into an SDWA Administrative Consent Order that requires the Company to continue to sample and survey private and public drinking water wells within the vicinity of the Cordova facility, provide treatment of private water wells within a three-mile radius of the Cordova facility, and to provide alternate treatment/supply for the Camanche, Iowa public drinking water system. The Company continues to work with EPA and the City of Camanche as it implements the SDWA Administrative Consent Order.

In April 2022, the Company received a TSCA information request from EPA seeking information related to the operation of specific PFAS-related processes, and the Company is cooperating with this inquiry and is producing documents and information. In May 2022, the Company received a notice of potential violation and opportunity to confer and a notice of intent to file a complaint from EPA alleging violations of the RCRA related to the use of emergency spill containment units associated with certain chemical processes at the Cordova facility. In July 2023, 3M received from the EPA a draft of a federal administrative order for discussion, which would require 3M to determine the nature and extent of PFAS contamination around its Cordova facility, among other items.

The Company is also reviewing operations at its other plants with similar manufacturing processes, such as the plant 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, as previously reported, 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 MPCA and the EPA. In July 2020, the Company received an information request from MPCA for documents and information related to, among other matters, the Company's compliance with the Clean Water Act at its Cottage Grove facility. The Company is cooperating with this inquiry and is producing documents and information in response to the request for information.

Separately, as previously reported, in June 2020, the Company reported to EPA and MPCA that it had not fully complied with elements of the inspection, characterization and waste stream profile verification process of the Waste and Feedstream Analysis Plan (WAP/FAP) of its RCRA permit for its Cottage Grove incinerator. The Company and MPCA resolved the issues associated with the foregoing disclosure in a May 2022 stipulation agreement, and permanently retired the Cottage Grove hazardous waste incinerator in December 2021. In connection with the now closed incinerator, the Company in December 2022 received from EPA a draft Consent Agreement and Penalty Order under the Clean Air Act, with a proposed civil penalty to resolve issues raised in a Finding of Violation issued in 2019. The Company and EPA resolved this matter in which the Company has agreed to pay an administrative civil penalty. In October 2021, the Company received information requests from MPCA seeking additional toxicological and other information related to certain PFAS compounds. The Company is cooperating with these inquiries and is producing documents and information in response to the requests. In June 2022, MPCA directed that the Company address the presence of PFAS in its stormwater discharge from the Cottage Grove facility. The Company worked with MPCA to develop a plan to address its stormwater, which is embodied in an order issued by MPCA in December 2022. MPCA issued to the Company a Notice of Violation in March 2023, alleging that the Company is discharging stormwater containing PFAS at the 3M's facility in Hutchinson, Minnesota. The Company is working with MPCA regarding the allegations in the Notice of Violation.

In February 2020, as previously reported, 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, and the Company has completed its production of responsive documents and information.

The Company continues to work with relevant federal and state agencies (including EPA, the U.S. Department of Justice, state environmental agencies and state attorneys general) as it conducts these reviews and responds to information, inspection, and other requests from the agencies. The Company cannot predict at this time the outcomes of resolving these compliance matters, what actions may be taken by the regulatory agencies or the potential consequences to the Company.

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 described below, no liability has been recorded as the Company believes liability in those matters is not probable and reasonably estimable and the Company is not able to estimate a possible loss or range of possible 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 reasonably estimable based on experience and ongoing developments in those matters, including discussions regarding negotiated resolutions. During the first six months of 2023, as a result of ongoing review and recent developments in ongoing environmental matters and litigation (including the proposed PWS Settlement), the Company increased its accrual for PFAS-related other environmental liabilities by \$10.3 billion and made related payments of \$38 million. As of June 30, 2023, the Company had recorded liabilities of \$10.9 billion for "other environmental liabilities." These amounts are reflected in the consolidated balance sheet within other current liabilities (\$0.3 billion) and other liabilities (\$10.6 billion). The accruals represent the Company's estimate of the probable loss in connection with the environmental matters and PFAS-related matters and litigation described above. The Company is not able to estimate a possible loss or range of possible loss in excess of the established accruals at this time.

As of June 30, 2023, the Company had recorded liabilities of \$32 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 possible 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 June 30, 2023, the Company’s receivable for insurance recoveries related to the environmental matters and litigation was \$8 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

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. 3M and Aearo Technologies believe the Combat Arms Earplugs were effective and safe when used properly, but nevertheless, as discussed below, face litigation from approximately 239,000 claimants. As noted in the *Respirator Mask/Asbestos Litigation — Aearo Technologies* section above, in July 2022, the Aearo Entities voluntarily initiated chapter 11 proceedings under the U.S. Bankruptcy Code seeking court supervision to establish a trust, funded by the Company, to efficiently and equitably satisfy all claims determined to be entitled to compensation associated with these matters and those described in the earlier section *Respirator Mask/Asbestos Litigation — Aearo Technologies*. 3M entered into an agreement with the Aearo Entities to fund this trust and to support the Aearo Entities as they continue to operate during the chapter 11 proceedings. 3M committed \$1.0 billion to fund this trust and committed an additional \$0.2 billion to fund projected related case expenses. Under the terms of the agreement, the Company would provide additional funding if required by the Aearo Entities. Related to these actions, which represented a change in strategy for managing the Combat Arms Version 2 earplugs and Aearo respirator mask/asbestos alleged litigation liabilities, 3M reflected a pre-tax charge of \$1.2 billion (within selling, general and administrative expenses), inclusive of fees and net of related existing accruals, in the second quarter of 2022.

As a result of the bankruptcy proceedings, 3M deconsolidated the Aearo Entities in the third quarter of 2022, resulting in a charge that was not material to 3M. Upon the filings in late July 2022 in the U.S Bankruptcy Court for the Southern District of Indiana, all litigation against Aearo Entities that filed chapter 11 cases was automatically stayed.

The Aearo Entities also requested that the Bankruptcy Court confirm that Combat Arms Earplugs litigation against the Company was also stayed or order it enjoined. In August 2022, the Bankruptcy Court denied Aearo’s motion for a preliminary injunction to stay all Combat Arms related litigation against 3M. In September 2022, the bankruptcy judge certified Aearo’s request to appeal the decision directly to the Seventh Circuit Court of Appeals and in October the Seventh Circuit accepted the appeal. In December 2022, Aearo filed its opening brief with the Seventh Circuit appealing the bankruptcy court’s decision. Oral argument took place in April 2023.

In February 2023, the plaintiffs filed with the Bankruptcy Court a motion to dismiss the bankruptcy filings of the Aearo Entities. In June 2023, the Bankruptcy Court granted the plaintiffs' motion to dismiss. As a result of this dismissal, the Court's previous stay on the Aearo Combat Arms and Aearo respirator mask/asbestos litigation was lifted. Also in June 2023, the bankruptcy judge certified a direct appeal of the motion to dismiss decision to the U.S. Court of Appeals for the Seventh Circuit. Aearo has appealed the decision.

As a result of the June 2023 bankruptcy dismissal, 3M reconsolidated the former deconsolidated Aearo Entities, in the second quarter of 2023, resulting in an immaterial income statement impact. A summary of affected material consolidated balance sheet amounts is included at the end of this Combat Arms litigation discussion.

Preceding Combat Arms Earplugs matters:

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.

In April 2019, the JPML 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 an MDL proceeding to centralize pre-trial proceedings. The plaintiffs and 3M filed preliminary summary judgment motions on the government contractor defense. In July 2020, the MDL court granted the plaintiffs' summary judgment motion and denied the defendants' summary judgment motion, ruling that plaintiffs' claims are not barred by the government contractor defense. The court denied the Company's request to immediately certify the summary judgment ruling for appeal to the U.S. Court of Appeals for the Eleventh Circuit. In December 2020, the court granted the plaintiffs' motion to consolidate three plaintiffs for the first bellwether trial, which began in March 2021.

In April 2021, 3M received an adverse jury verdict in the first bellwether trial. The jury awarded the three plaintiffs less than \$1 million in compensatory damages and \$6 million in punitive damages for a total of \$7 million. 3M appealed the verdicts, challenging, among other rulings, the MDL court's denial of 3M's motion to assert the government contractor defense. The next two bellwether trials occurred in May and June of 2021. In May 2021, 3M received a verdict in its favor in the second bellwether trial, in which a jury rejected claims that 3M knowingly sold earplugs with design defects. In June 2021, 3M received an adverse verdict in the third bellwether trial. The jury found 3M liable for strict liability failure to warn, but found 3M not liable for design defect or fraud. The jury apportioned fault 62 percent to 3M and 38 percent to the plaintiff for a total damage award of approximately \$1 million. 3M appealed the verdict. In October 2021, 3M received an adverse verdict in the fourth bellwether trial, in which a jury awarded \$8 million to the plaintiff. 3M received verdicts in its favor in the fifth and sixth bellwether trials. 3M received an adverse verdict in the seventh and eighth bellwether trials, in which the juries awarded the plaintiffs \$13 million and \$23 million, respectively. A post-trial order reduced the award in the seventh bellwether trial to \$8 million. 3M prevailed in the ninth and tenth bellwether cases but received adverse verdicts in the eleventh bellwether case in which the jury awarded each of the two plaintiffs \$15 million in compensatory and \$40 million in punitive damages. A post-trial order reduced the compensatory and punitive damages award to one of the plaintiffs from \$55 million to \$22 million. 3M received adverse verdicts in the twelfth and thirteenth bellwether cases in which the jury awarded one plaintiff with \$50 million and another with \$8 million in compensatory damages. 3M prevailed in the fourteenth bellwether trial. Plaintiff in the fourteenth bellwether trial has filed a notice of appeal. In December 2022, the plaintiff voluntarily dismissed her Eleventh Circuit appeal of a jury verdict in favor of 3M and Aearo. No other cases that resulted in a defense verdict are on appeal before the Eleventh Circuit at this time. In April 2022, a jury returned a plaintiff's verdict in the fifteenth bellwether trial, awarding \$2.2 million in compensatory damages and declining to award punitive damages. A post-trial order reduced the compensatory damages award to \$1.2 million. In May 2022, a jury returned a plaintiff's verdict in the last scheduled federal bellwether trial. The jury awarded \$5 million in compensatory damages and \$72 million in punitive damages.

The above referenced 16 bellwether trial results do not include several bellwether cases that plaintiffs' counsel dismissed with prejudice either during discovery or after being set for trial.

The Company's appeals to the Eleventh Circuit from the adverse verdicts of the first and third bellwether trials as noted above are proceeding forward. Oral argument on the two appeals occurred in May 2023 and the Company expects a decision later in 2023.

As previously disclosed, following conclusion of the bellwether trial process and unsuccessful settlement discussions, and with another 2,000 cases being prepared for trial while the Company's appeals are still pending, the Aearo Entities and the Company adopted a change in strategy for managing these alleged litigation liabilities that led to the Aearo Entities initiating the chapter 11 proceedings as discussed above.

As of June 30, 2023, the Company is a named defendant in lawsuits (including 14 putative class actions) in various state and federal courts that purport to represent approximately 151,000 individual claimants making similar allegations.

An administrative docket of approximately 88,000 unfiled and unverified claims has also been maintained at the MDL court. With respect to the administrative docket, the MDL court in August 2021 provided notice of an intent to issue forthcoming transition orders requiring all claims be moved off the administrative docket to the active docket on a rolling basis over 12 months. The orders will provide that any case not moved to the active docket will be dismissed without prejudice, and the administrative docket will then be closed. The MDL court also ordered the parties to prepare for trial 2,000 cases in four waves of 500 cases over the next 14 months. After the preparation of these cases is completed, the cases will be remanded to the federal district courts where the cases were originally filed. In October 2022, the MDL court ordered that while the successor liability issue described below is on appeal, all wave discovery would be stayed, the transition of cases from the administrative docket to the active docket would stop, and that monthly settlement conferences involving all parties (except Aeero) would occur in the MDL.

The MDL court ordered a three-day mediation in July 2022; and again in September 2022, a two-day mediation session. In January 2023, the MDL judge ordered that the MDL mediation would stop while the bankruptcy court mediation was ongoing.

In May 2023, plaintiffs in the MDL filed a motion to lift the stay on 13 cases, which motion is pending, and the MDL court issued an order identifying 31 cases that would be the first cases to be remanded for trial. In August 2022, subsequent to Aeero's chapter 11 filing, the MDL court issued an order prohibiting 3M from attempting to relitigate issues in the bankruptcy court and from financially supporting any collateral dispute regarding the MDL court's previous rulings. 3M has appealed the order to the Eleventh Circuit Court of Appeals and made a motion to stay the order pending appeal. In October 2022, the Eleventh Circuit granted 3M's motion to stay the order pending appeal. The Eleventh Circuit heard oral argument for this appeal in June 2023.

In September 2022, two MDL plaintiffs filed a lawsuit with the U.S. District Court for the Northern District of Florida, seeking to permanently enjoin 3M from transferring assets, issuing dividends or completing the announced spin-off of its Health Care business, to allegedly preserve assets for the Combat Arms claimants. The Company has filed a motion to dismiss the lawsuit and an opposition to the injunction motion. In December 2022, the court dismissed the lawsuit on jurisdictional grounds. Also in December 2022, the MDL court granted plaintiffs' motion for summary judgment that successor liability, claiming that 3M is fully and independently liable for injuries allegedly caused by the CAEv2 and certified the order for appeal to the Eleventh Circuit. In January 2023, 3M sought the Eleventh Circuit's acceptance of the appeal. Activity in the MDL is stayed pending resolution of this appeal. In June 2023, the MDL court lifted the stay as to the Aeero Entities but the MDL stay pending resolution of the Eleventh Circuit's acceptance of the appeal of the successor liability decision remains in place.

3M is also defending lawsuits brought primarily by non-military plaintiffs in state court in Hennepin County, Minnesota. 3M removed these actions to federal court, and the federal court remanded them to state court in March 2020. On appeal, the U.S. Court of Appeals for the Eighth Circuit ruled in October 2021 that the cases brought by non-military plaintiffs were properly remanded to state court, whereas the cases brought by military contractor plaintiffs who had received the Combat Arms Earplugs from the military should have remained in federal court. In November 2021, the Eighth Circuit granted 3M's unopposed motion to vacate the remand orders in the remaining appeals of military service member cases. The military service member cases are expected to be remanded to federal court and transferred to the MDL. There are approximately 40 lawsuits involving approximately 1,000 plaintiffs pending in the state court. The state court cases are subject to a bellwether case selection process. The first trial in Hennepin County is scheduled to start in August 2023.

In May 2023, the federal and state MDL courts issued orders providing that mediation would resume, and appointing additional mediators. The parties participated in multiple mediation sessions and discussions in May, June and July 2023. The substance of the ongoing mediation discussions is confidential pursuant to the courts' mediation orders. Attempts to comprehensively resolve with finality all Combat Arms earplugs claims against the Aeero Entities and 3M outside of the bankruptcy proceedings and in a litigation settlement involve significant challenges that could cause the Company to incur substantial and material costs.

Other than 3M's funding commitment of approximately \$1.0 billion relative to Combat Arms earplugs for its Aearo subsidiaries' chapter 11 proceedings as described above and associated expenses, no liability has been recorded for the Combat Arms earplugs litigation because the Company believes any such liability is not probable and reasonably estimable and the Company is not able to estimate a possible loss or range of possible loss at this time. The accrued liability for the approximate \$1.0 billion commitment is reflected within contingent liability claims and other (within other liabilities) on 3M's consolidated balance sheet. Additionally, as a result of reconsolidation in the second quarter of 2023 of the former deconsolidated Aearo Entities, the following balances on 3M's consolidated balance sheet as of December 31, 2022 do not appear on the comparative consolidated balance sheet as of June 30, 2023:

- \$0.7 billion asset balance in equity and other investments (within other assets), reflecting 3M's equity investment interest in the entities.
- \$0.6 billion net liability for former intercompany amounts due from 3M to the deconsolidated entities. The gross balances were reflected in other liabilities (\$0.9 billion) and other assets (\$0.3 billion).

As of June 30, 2023, the Company was a named defendant in approximately 5,493 lawsuits in the United States and one Canadian putative class action with a single named plaintiff, alleging that the Bair Hugger™ patient warming system caused a surgical site infections in various joint arthroplasty, cardiovascular, and other surgeries.

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 JPML consolidated all cases pending in federal courts to the U.S. District Court for the District of Minnesota to be managed in an 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 appealed that decision to the U.S. Court of Appeals for the Eighth Circuit. Plaintiffs 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. A panel of the appellate court in August 2021 reversed the district court's exclusion of the plaintiffs' causation experts and the grant of summary judgment for 3M. The Company sought further appellate en banc review by the full Eighth Circuit court. In November 2021, the Eighth Circuit court denied 3M's petition for rehearing en banc. In February 2022, the Company filed a petition for a writ of certiorari in the U.S. Supreme Court. In May 2022, the U.S. Supreme Court declined 3M's request to review the Eighth Circuit court's decision. The MDL court has not yet issued a new case management order. Separately, in August 2021, the Eighth Circuit court affirmed the 2018 jury verdict in 3M's favor in the only bellwether trial in the MDL.

In February 2022, the MDL court ordered the parties to engage in any mediation sessions that a court-appointed mediator deems appropriate. Mediation sessions took place in May and August 2022 without success in resolving the litigation. The MDL court has assigned a new mediator to facilitate discussions of the litigation and possible resolution. In April 2023, plaintiffs filed a motion to disqualify the judge and magistrate judge overseeing the MDL. The motion was denied by both the district court judge and magistrate judge. The plaintiffs appealed the denial of the motion to dismiss the magistrate judge to the district court and the parties are awaiting a ruling on the appeal.

In addition to the federal cases, there are eight state court cases relating to the Bair Hugger™ patient warming system. Three are pending in Missouri state court and combine Bair Hugger™ product liability claims with medical malpractice claims. One of the Missouri cases was tried in September and October of 2022; the jury returned a verdict in 3M's favor on all the claims. The trial court denied plaintiff's motion for a new trial, and plaintiffs have filed a notice of appeal. Another Missouri case is scheduled for trial in September 2024. There is also one case in Etowah County, Alabama that combines Bair Hugger™ product liability claims with medical malpractice claims. There have been state court cases filed in Pennsylvania and Montana that 3M has removed or will seek to remove to federal court and seek to have transferred to the MDL. 3M resolved for an immaterial amount the final state court case, which was filed in Hidalgo County, Texas.

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. The Minnesota Court of Appeals affirmed the state court orders in their entirety and the Minnesota Supreme Court denied plaintiffs' petition for review and entered the final dismissal in 2019, effectively ending the Minnesota state court cases. The Company is also a defendant in a Ramsey County, Minnesota putative class action filed in June 2023 on behalf of patients who claim to have used the Bair Hugger™ patient warming system alleging economic damages relating to representations made about the system. The Company has moved to dismiss the Ramsey County matter and anticipates a ruling later in 2023.

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 that the representative plaintiff claims were 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.

For product liability litigation matters described in this section for which a liability has been recorded, the Company is not able to estimate a possible loss or range of possible loss in excess of the established accruals at this time.

Securities and Shareholder 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 former 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, the defendants filed a motion to transfer venue to the U.S. District Court for the District of Minnesota. In August 2020, the court denied the motion to transfer venue, and in September 2020, the defendants filed a petition for writ of mandamus to the U.S. Court of Appeals for the Third Circuit. In November 2020, the federal Court of Appeals granted 3M's petition for a writ of mandamus and directed the New Jersey federal court to transfer the action to the Minnesota federal court. The defendants filed a motion to dismiss the action in January 2021, and in September 2021, the Minnesota federal court granted 3M's motion to dismiss the securities class action, which judgment is now final.

In October 2019, a stockholder 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. The Minnesota state court cases were consolidated and stayed pending a decision on the motion to dismiss in the securities class action, and the Minnesota state plaintiffs have agreed to further stay their action pending a decision on the motion to dismiss the federal derivative lawsuit discussed below. In October 2020, the derivative action pending in the U.S. District Court for the District of New Jersey was dismissed, without prejudice, for failure to serve the complaint within the required time period. In May 2023, the Minnesota court dismissed the Minnesota state derivative action.

In August 2020, a stockholder who had previously submitted a books and records demand filed an additional follow-on derivative lawsuit in the U.S. District Court for the District of New Jersey against 3M and several of its current and former executives and directors. This derivative lawsuit, having been transferred to Minnesota federal court, also relies on similar factual allegations as the putative securities class action discussed above. In February 2021, an additional stockholder derivative lawsuit was filed in the District of Minnesota, making similar factual allegations as the putative securities class action discussed above. The Minnesota federal court consolidated these federal derivative suits and stayed them pending and through any appeal of the securities class action dismissal. The Minnesota federal plaintiffs then filed an amended complaint in February 2022. The defendants moved to dismiss the consolidated federal derivative action in May 2022, and the court dismissed the case in March 2023, which judgment is now final.

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. As 3M has previously disclosed, one qui tam action (the Godecke case) was dismissed in January 2022. In the remaining action (the Hartpence case), the complaint contains 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 seeks monetary damages.

In June 2019, the district court entered summary judgment in the KCI Defendants' favor on all of the relator-plaintiff's claims. The relator-plaintiff then filed an appeal in the U.S. Court of Appeals for the Ninth Circuit. Oral argument in the Hartpence case was held in July 2020. The appellate court issued an opinion in August 2022 reversing the decision of the district court and remanding the case for further proceedings. The district court held a status conference in January 2023 where no case deadlines were set; the litigation remains in a pre-trial stage. The KCI Defendants filed a renewed motion for summary judgment in March 2023. Briefing on the motion for summary judgment is complete, but the district court granted a joint motion to vacate the hearing date to allow the parties to discuss a potential resolution of the case. The parties must provide a joint status report by the end of July 2023.

For the KCI-related 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. The Company is not able to estimate a possible loss or range of possible loss in excess of the recorded liability 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 is in discussions related to potential resolution.

NOTE 15. 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. In July 2022, 3M announced its intention to spin off the Health Care business as a separate public company (see Note 3 for additional information). 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.

3M discloses business segment operating income (loss) as its measure of segment profit/loss, reconciled to both total 3M operating income (loss) and income before taxes. Business segment operating income (loss) excludes certain expenses and income that are not allocated to business segments (as described below in "Corporate and Unallocated").

Effective in the first quarter of 2023, the measure of segment operating performance and segment composition used by 3M's chief operating decision maker (CODM) changed and, as a result, 3M's disclosed measure of segment profit/loss (business segment operating income (loss)) was updated. The change to business segment operating income (loss) aligns with the update to how the CODM assesses performance and allocates resources for the Company's business segments. The changes included the items described below. The financial information presented herein reflects the impact of these business segment reporting changes for all periods presented.

Reflecting gains/losses from sale of property, plant and equipment (PPE) and other assets within Corporate and Unallocated Change

3M updated its business segment operating performance measure to reflect all gains/losses from sales of PPE and other assets within Corporate and Unallocated. Previously, certain of these gains/losses were included in 3M's business segments' operating performance.

Movement of certain businesses between segments

The businesses associated with two groups of products (each with approximately \$25 million in sales) were realigned with one moving from the Consumer business segment to the Health Care business segment and the other moving from the Health Care business segment to the Consumer business segment.

Also effective in the first quarter of 2023, the Consumer business segment re-aligned from four divisions to the following three divisions: Home, Health and Auto Care; Construction and Home Improvement Markets; and Stationery and Office.

Business Segment Information

(Millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net Sales				
Safety and Industrial	\$ 2,765	\$ 2,924	\$ 5,544	\$ 5,975
Transportation and Electronics	2,191	2,268	4,241	4,608
Health Care	2,075	2,179	4,085	4,307
Consumer	1,293	1,330	2,485	2,639
Corporate and Unallocated	1	1	1	2
Total Company	\$ 8,325	\$ 8,702	\$ 16,356	\$ 17,531
Operating Performance	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Safety and Industrial	\$ 534	\$ (707)	\$ 1,135	\$ (80)
Transportation and Electronics	410	475	704	939
Health Care	411	492	771	937
Consumer	235	248	414	467
Total business segment operating income (loss)	1,590	508	3,024	2,263
Corporate and Unallocated				
Corporate special items:				
Net costs for significant litigation	(10,357)	(379)	(10,439)	(566)
Divestiture costs	(125)	—	(227)	—
Russia exit (charges) benefits	18	—	18	—
Total corporate special items	(10,464)	(379)	(10,648)	(566)
Other corporate expense - net	(84)	(19)	(93)	54
Total Corporate and Unallocated	(10,548)	(398)	(10,741)	(512)
Total Company operating income (loss)	(8,958)	110	(7,717)	1,751
Other expense/(income), net	65	50	117	88
Income (loss) before income taxes	\$ (9,023)	\$ 60	\$ (7,834)	\$ 1,663

Corporate and Unallocated

Corporate and Unallocated operating income (loss) includes “corporate special items” and “other corporate expense-net”. Corporate special items include net costs for significant litigation impacting operating income (loss) associated with PFAS-related other environmental and Combat Arms Earplugs matters. In addition, during the voluntary chapter 11 bankruptcy period (which began in July 2022 and ended in June 2023—see Note 14), costs associated with the Aeero portion of respirator mask/asbestos matters were also included in corporate special items. Prior to the bankruptcy, costs associated with Combat Arms Earplugs matters were not included in the Corporate net costs for significant litigation special item, instead being reflected in the Safety and Industrial business segment. Corporate special items also include divestiture costs, gain/loss on business divestitures (see Note 3), divestiture-related restructuring costs (see Note 5), and Russia exit costs/ benefits (see Note 13). Divestiture costs include costs related to separating and divesting substantially an entire business segment of 3M following public announcement of its intended divestiture. Other corporate expense-net includes items such as net costs related to limited unallocated corporate staff and centrally managed material resource centers of expertise costs, corporate philanthropic activity, gains/losses from sales of PPE and other assets, and other net costs that 3M may choose not to allocate directly to its business segments. Other corporate expense-net also includes costs and income from transition supply, manufacturing, and service arrangements with Neogen Corporation following the 2022 split-off of 3M's Food Safety business. Items classified as revenue from this activity are included in Corporate and Unallocated net sales. Because Corporate and Unallocated includes a variety of miscellaneous items, it is subject to fluctuation on a quarterly and annual basis.

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

The term "N/M" used herein references "not meaningful" for certain percent changes.

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. Effective in the first quarter of 2023, 3M made the following changes:

- Changes in measure of segment operating performance and segment composition used by 3M's chief operating decision maker—impacting 3M's disclosed measure of segment profit/loss (business segment operating income (loss))—and realignment of 3M's Consumer business segment from four divisions to three divisions. See additional information in Note 15. 3M's disclosed disaggregated revenue was also updated as a result of these changes. See additional information in Note 2.
- Changes to non-GAAP measures - certain amounts adjusted for special items. Refer to the *Certain amounts adjusted for special items - (non-GAAP measures)* section below for additional information.

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. References are made to organic sales change (which include both organic volume impacts and selling price impacts), which is defined as the change in net sales, absent the separate impacts on sales from foreign currency translation and acquisitions, net of divestitures. Acquisition and divestiture sales change impacts, if any, are measured separately for the first twelve months post-transaction. 3M believes this information is useful to investors and management in understanding ongoing operations and in analysis of ongoing operating trends.

3M has been and may continue to be impacted by the global pandemic and related effects associated with the coronavirus (COVID-19). The Overview section of Part II, Item 7 of the Company's 2022 Annual Report on Form 10-K provides a description of how COVID-19 has impacted or may impact 3M. In addition within this Form 10-Q for the quarterly period ended June 30, 2023, risk factors with respect to COVID-19 can be found in Item 1A "Risk Factors" and certain COVID-19 impacts are referenced in various discussions within this Form 10-Q, including in this Item 2.

3M is also impacted by certain special items such as costs for significant litigation and the sales and income associated with manufactured PFAS products that 3M plans to exit by the end of 2025. During the first six months of 2023, 3M's costs for significant litigation (see *Certain amounts adjusted for special items - (non-GAAP measures)* section below) totaled approximately \$10.5 billion pre-tax and included, among other things, a \$10.3 billion pre-tax charge related to the proposed settlement agreement announced in the second quarter of 2023 with public water systems in the United States regarding PFAS. See *Certain amounts adjusted for special items - (non-GAAP measures)* section below for additional discussion of these and other special items, including references therein to where further information is provided.

Additional information regarding certain items impacting pre-2023 periods that may also be relevant in 2023 can be found in the Overview section of Part II, Item 7 as well as in further sections of 3M's 2022 Annual Report on Form 10-K.

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

The following table provides the increases (decreases) in diluted earnings (loss) per share.

Earnings (loss) per diluted share	Three months ended June 30, 2023	Six months ended June 30, 2023
Same period last year	\$ 0.14	\$ 2.40
Net costs for significant litigation	2.34	2.73
Manufactured PFAS products	(0.03)	(0.05)
Total special items	2.31	2.68
Same period last year, excluding special items	\$ 2.45	\$ 5.08
Increase/(decrease) due to:		
Total organic growth/productivity and other	0.06	(0.32)
Restructuring	(0.31)	(0.36)
Raw material impact	(0.04)	(0.18)
Foreign exchange impacts	(0.02)	(0.12)
Acquisitions/divestitures	(0.03)	(0.05)
Other expense (income), net	(0.03)	(0.05)
Income tax rate	0.02	—
Shares of common stock outstanding	0.07	0.14
Current period, excluding special items	2.17	4.14
Net costs for significant litigation	(14.43)	(14.51)
Divestiture costs	(0.19)	(0.34)
Russia exit (charges) benefits	0.04	0.04
Manufactured PFAS products	0.06	0.07
Total special items	(14.52)	(14.74)
Current period	\$ (12.35)	\$ (10.60)

The Company refers to various "adjusted" 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.

A discussion related to the components of year-on-year changes in earnings (loss) per diluted share follows:

Total organic growth/productivity and other:

- For the second quarter of 2023, the following components impacted operating margins and earnings (loss) per diluted share year-on-year:
 - Declines in disposable respirator demand year-on-year negatively impacted earnings (loss) per share by \$0.09.
 - Remaining organic growth/productivity and other impacts resulted in a net year-on-year increase of \$0.15 per share which was impacted by the following:
 - Benefits from ongoing productivity actions, restructuring, strong spending discipline and higher selling prices
 - Lower sales volumes (particularly electronics/consumer retail), inflation impacts and investments in growth, productivity, and sustainability
- For the first six months of 2023, the following components impacted operating margins and earnings (loss) per diluted share year-on-year:
 - Declines in disposable respirator demand year-on-year and the 2022 exit of operations in Russia negatively impacted earnings (loss) per share by \$0.30.
 - Remaining organic growth/productivity and other impacts resulted in a net year-on-year decline of \$0.02 per share which was impacted by the following:
 - Lower sales volumes (particularly electronics/consumer retail); investments in growth, productivity, and sustainability; manufacturing/supply chain headwinds; inflation impacts; China (COVID-related); and Europe geopolitical impacts
 - Benefits from spending discipline, restructuring, higher selling prices and ongoing productivity actions

Restructuring:

- 3M recorded restructuring pre-tax charges of \$212 million and \$264 million in the second quarter and first six months of 2023, respectively, compared to no charges and \$18 million in the same periods last year, respectively, (refer to Note 5 for additional discussion).

Raw material impact:

- 3M continued to experience headwinds year-on-year from the carryover impact of higher raw material, logistics and energy cost inflation.

Foreign exchange impacts

- Foreign currency impacts (net of hedging) decreased operating income (loss) by approximately \$39 million (or a decrease of pre-tax earnings (loss) by approximately \$23 million) year-on-year for the second quarter of 2023 and decreased operating income (loss) by approximately \$115 million (or a decrease of pre-tax earnings (loss) by approximately \$99 million) year-on-year for the first six months of 2023, primarily resulting from the strength of the U.S. dollar. These estimates include: (a) the effects of year-on-year changes in exchange rates on translating current period functional currency profits into U.S. dollars and on current period non-functional currency denominated purchases or transfers of goods between 3M operations, and (b) year-on-year changes in transaction gains and losses, including derivative instruments designed to reduce foreign currency exchange rate risks.

Acquisitions/divestitures:

- Acquisition and divestiture impacts are measured separately for the first 12 months post-transaction.
- Divestiture impact includes lost income from divested businesses and remaining stranded costs (net of transition arrangement income). In the third quarter of 2022, 3M completed the split-off of the Food Safety business (discussed in Note 3).
- In the third quarter of 2022, 3M deconsolidated the Aearo Entities and, in the second quarter of 2023, reconsolidated those entities (discussed in Note 14). For each of the 12-months post-deconsolidation and post-reconsolidation, impacts are each reflected separately as divestiture and acquisition, respectively.

Other expense (income), net:

- Lower income related to non-service cost components of pension and postretirement expense increased expense year-on-year for the second quarter and first six months of 2023.
- Interest expense (net of interest income) decreased for the second quarter and first six months of 2023 compared to the same period year-on-year.

Income tax rate:

- Certain items above reflect specific income tax rates associated therewith. Overall, the effective tax rate for the second quarter of 2023 was 24.2 percent on a pre-tax loss, compared to (38.3) percent on pre-tax income in the prior year. The primary factor that impacted the comparison of these rates was the second quarter 2022 charge related to steps toward resolving Combat Arms Earplugs litigation (see Note 14). The effective tax rate for the first six months of 2023 was 25.2 percent, compared to 16.8 percent in the prior year. The primary factor that impacted the comparison of the six-month rates was the second quarter 2023 charge related to the proposed settlement agreement with public water systems in the United States regarding PFAS (discussed in Note 14).
- On an adjusted basis (as discussed below), the effective tax rate for the second quarter and first six months of 2023 was 19.1 percent and 18.5 percent, respectively, a decrease of 0.7 percentage points and a decrease of 0.1 percent, respectively, compared to the same period year-on-year.

Shares of common stock outstanding:

- Lower shares outstanding increased earnings (loss) per share year-on-year for the second quarter and first six months of 2023.

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

In addition to reporting financial results in accordance with U.S. GAAP, 3M also provides certain non-GAAP measures. These measures are not in accordance with, nor are they a substitute for GAAP measures, and may not be comparable to similarly titled measures used by other companies.

Certain measures adjust for the impacts of special items. Special items for the periods presented include the items described below. Because 3M provides certain information with respect to business segments, it is noteworthy that special items impacting operating income (loss) are reflected in Corporate and Unallocated, except as described below with respect to net costs for significant litigation and manufactured PFAS products items.

In 2023, 3M changed certain of its non-GAAP measures by adjusting for the results of manufactured PFAS products in arriving at results, adjusted for special items. In the fourth quarter of 2022, 3M recorded a charge for PFAS manufacturing exit costs and included it as an adjustment in arriving at results, adjusted for special items. The 2023 non-GAAP measure change involved expanding the extent of adjustment to include the sales and estimates of income (including exit costs) and associated activity regarding manufactured PFAS products that 3M plans to exit by the end of 2025. The information herein reflects the impacts of these changes for all periods presented.

This document contains measures for which 3M provides the reported GAAP measure and a non-GAAP measure adjusted for special items. These measures and reasons 3M believes they are useful to investors (and, as applicable, used by 3M) include:

GAAP amounts for which a measure adjusted for special items is also provided:

Reasons 3M believes the measure is useful

- Net sales (and sales change)
- Operating income (loss), segment operating income (loss) and operating income (loss) margin
- Income (loss) before taxes
- Provision for income taxes and effective tax rate
- Net income (loss)
- Earnings (loss) per share

Considered, in addition to segment operating performance, in evaluating and managing operations; useful in understanding underlying business performance, provides additional transparency to special items

Special items for the periods presented include:

Net costs for significant litigation:

- These relate to 3M's respirator mask/asbestos (which include Aearo and non-Aearo items), PFAS-related other environmental, and Combat Arms Earplugs matters (as discussed in Note 14). Net costs include the impacts of changes in accrued liabilities (including interest imputation on contractual settlement obligations), external legal fees, and insurance recoveries, along with the associated tax impacts. Net costs related to respirator mask/asbestos are reflected as special items in the Safety and Industrial business segment while those impacting operating income (loss) associated with PFAS-related other environmental and Combat Arms Earplugs matters are reflected as corporate special items in Corporate and Unallocated. In addition, during the voluntary chapter 11 bankruptcy period (which began in July 2022 and ended in June 2023—see Note 14), costs associated with the Aearo portion of respirator mask/asbestos matters were reflected in corporate special items in Corporate and Unallocated. Prior to the bankruptcy, costs associated with Combat Arms Earplugs matters were reflected as part of special items in the Safety and Industrial business segment.

Divestiture costs:

- These include costs related to separating and divesting substantially an entire business segment of 3M following public announcement of its intended divestiture.

Manufactured PFAS products:

- These amounts relate to sales and estimates of income regarding manufactured PFAS products that 3M plans to exit by the end of 2025 included within the Transportation and Electronics business segment. Estimated income does not contemplate impacts on non-operating items such as net interest income/expense and the non-service cost components portion of defined benefit plan net periodic benefit costs.

Russia exit charges/benefits:

- In the second quarter of 2023, 3M recorded a gain on final disposal of net assets in Russia. Previously, in the third quarter of 2022, 3M recorded a charge primarily related to impairment of these assets in connection with management's committed exit and disposal plan. Refer to Note 13 for further details.

	Three months ended June 30, 2022								
(Dollars in millions, except per share amounts)	Net sales	Operating income (loss)	Operating income (loss) margin	Income (loss) before taxes	Provision (benefit) for income taxes	Effective tax rate	Net income (loss) attributable to 3M	Earnings per diluted share	
Safety and Industrial									
GAAP amounts		\$ (707)	(24.2)%						
Adjustments for special items:									
Net costs for significant litigation		1,337							
Total special items		1,337							
Adjusted amounts (non-GAAP measures)		\$ 630	21.5 %						
Transportation and Electronics									
GAAP amounts	\$ 2,268	\$ 475	21.0 %						
Adjustments for special items:									
Manufactured PFAS products	(318)	(20)							
Total special items	(318)	(20)							
Adjusted amounts (non-GAAP measures)	\$ 1,950	\$ 455	23.4 %						
Total Company									
GAAP amounts	\$ 8,702	\$ 110	1.3 %	\$ 60	\$ (23)	(38.3)%	\$ 78	\$	0.14
Adjustments for special items:									
Net costs for significant litigation	—	1,716		1,716	374		1,342		2.34
Manufactured PFAS products	(318)	(20)		(20)	(6)		(14)		(0.03)
Total special items	(318)	1,696		1,696	368		1,328		2.31
Adjusted amounts (non-GAAP measures)	\$ 8,384	\$ 1,806	21.6 %	\$ 1,756	\$ 345	19.8 %	\$ 1,406	\$	2.45

Three months ended June 30, 2023										
(Dollars in millions, except per share amounts)	Net sales	Sales change	Operating income (loss)	Operating income (loss) margin	Income (loss) before taxes	Provision (benefit) for income taxes	Effective tax rate	Net income (loss) attributable to 3M	Earnings (loss) per diluted share	Earnings (loss) per diluted share percent change
Safety and Industrial										
GAAP amounts			\$ 534	19.3 %						
Adjustments for special items:										
Net costs for significant litigation			80							
Total special items			80							
Adjusted amounts (non-GAAP measures)			\$ 614	22.2 %						
Transportation and Electronics										
GAAP amounts	\$ 2,191	(3.4)%	\$ 410	18.7 %						
Adjustments for special items:										
Manufactured PFAS products	(332)		(41)							
Total special items	(332)		(41)							
Adjusted amounts (non-GAAP measures)	\$ 1,859	(4.7)%	\$ 369	19.8 %						
Total Company										
GAAP amounts	\$ 8,325	(4.3)%	\$ (8,958)	(107.6)%	\$ (9,023)	\$ (2,184)	24.2 %	\$ (6,841)	\$ (12.35)	N/M
Adjustments for special items:										
Net costs for significant litigation ¹	—		10,437		10,449	2,457		7,992	14.43	
Manufactured PFAS products	(332)		(41)		(41)	(10)		(31)	(0.06)	
Russia exit charges (benefits)	—		(18)		(18)	3		(21)	(0.04)	
Divestiture costs	—		125		125	20		105	0.19	
Total special items	(332)		10,503		10,515	2,470		8,045	14.52	
Adjusted amounts (non-GAAP measures)	\$ 7,993	(4.7)%	\$ 1,545	19.3 %	\$ 1,492	\$ 286	19.1 %	\$ 1,204	\$ 2.17	(12) %

¹For the per share amount, this includes adjusting-out the impact of this item causing weighted average shares outstanding to be the same for both basic and diluted loss per share in periods of resulting net losses.

Three months ended June 30, 2023					
Sales Change	Organic sales	Acquisitions	Divestitures	Translation	Total sales change
Total Company	(2.2)%	0.1 %	(1.3) %	(0.9) %	(4.3)%
Remove manufactured PFAS products special item impact	(0.3)	—	(0.1)	—	(0.4)
Adjusted total Company (non-GAAP measures)	(2.5)%	0.1 %	(1.4) %	(0.9) %	(4.7)%
Transportation and Electronics	(1.3)%	0.5 %	(1.3) %	(1.3) %	(3.4)%
Remove manufactured PFAS products special item impact	(1.1)	0.1	(0.2)	(0.1)	(1.3)
Adjusted Transportation and Electronics (non-GAAP measures)	(2.4)%	0.6 %	(1.5) %	(1.4) %	(4.7)%

Six months ended June 30, 2022

(Dollars in millions, except per share amounts)	Net sales	Operating income (loss)	Operating income (loss) margin	Income (loss) before taxes	Provision (benefit) for income taxes	Effective tax rate	Net income (loss) attributable to 3M	Earnings per diluted share
Safety and Industrial								
GAAP amounts		\$ (80)	(1.3) %					
Adjustments for special items:								
Net costs for significant litigation		1,400						
Total special items		1,400						
Adjusted amounts (non-GAAP measures)		\$ 1,320	22.1 %					
Transportation and Electronics								
GAAP amounts	\$ 4,608	\$ 939	20.4 %					
Adjustments for special items:								
Manufactured PFAS products	(638)	(36)						
Total special items	(638)	(36)						
Adjusted amounts (non-GAAP measures)	\$ 3,970	\$ 903	22.8 %					
Total Company								
GAAP amounts	\$ 17,531	\$ 1,751	10.0 %	\$ 1,663	\$ 279	16.8 %	\$ 1,377	\$ 2.40
Adjustments for special items:								
Net costs for significant litigation	—	1,966		1,966	399		1,567	2.73
Manufactured PFAS products	(638)	(36)		(36)	(10)		(26)	(0.05)
Total special items	(638)	1,930		1,930	389		1,541	2.68
Adjusted amounts (non-GAAP measures)	\$ 16,893	\$ 3,681	21.8 %	\$ 3,593	\$ 668	18.6 %	\$ 2,918	\$ 5.08

Six months ended June 30, 2023

(Dollars in millions, except per share amounts)	Net sales	Sales change	Operating income (loss)	Operating income (loss) margin	Income (loss) before taxes	Provision (benefit) for income taxes	Effective tax rate	Net income (loss) attributable to 3M	Earnings (loss) per diluted share	Earnings (loss) per diluted share percent change
Safety and Industrial										
GAAP amounts			\$ 1,135	20.5 %						
Adjustments for special items:										
Net costs for significant litigation			41							
Total special items			41							
Adjusted amounts (non-GAAP measures)			\$ 1,176	21.2 %						
Transportation and Electronics										
GAAP amounts	\$ 4,241	(8.0) %	\$ 704	16.6 %						
Adjustments for special items:										
Manufactured PFAS products	(677)		(51)							
Total special items	(677)		(51)							
Adjusted amounts (non-GAAP measures)	\$ 3,564	(10.2) %	\$ 653	18.3 %						
Total Company										
GAAP amounts	\$ 16,356	(6.7) %	\$ (7,717)	(47.2) %	\$ (7,834)	\$ (1,974)	25.2 %	\$ (5,865)	\$ (10.60)	N/M
Adjustments for special items:										
Net costs for significant litigation ¹	—		10,480		10,492	2,464		8,028	14.51	
Manufactured PFAS products	(677)		(51)		(51)	(13)		(38)	(0.07)	
Russia exit charges (benefits)	—		(18)		(18)	3		(21)	(0.04)	
Divestiture costs	—		227		227	40		187	0.34	
Total special items	(677)		10,638		10,650	2,494		8,156	14.74	
Adjusted amounts (non-GAAP measures)	\$ 15,679	(7.2) %	\$ 2,921	18.6 %	\$ 2,816	\$ 520	18.5 %	\$ 2,291	\$ 4.14	(19) %

¹For the per share amount, this includes adjusting-out the impact of this item causing weighted average shares outstanding to be the same for both basic and diluted loss per share in periods of resulting net losses.

Six months ended June 30, 2023

Sales Change	Organic sales	Acquisitions	Divestitures	Translation	Total sales change
Total Company	(3.6) %	0.1 %	(1.3) %	(1.9) %	(6.7) %
Remove manufactured PFAS products special item impact	(0.5)	—	(0.1)	0.1	(0.5)
Adjusted total Company (non-GAAP measures)	(4.1) %	0.1 %	(1.4) %	(1.8) %	(7.2) %
Transportation and Electronics	(4.7) %	0.2 %	(1.1) %	(2.4) %	(8.0) %
Remove manufactured PFAS products special item impact	(2.3)	0.1	(0.2)	0.2	(2.2)
Adjusted Transportation and Electronics (non-GAAP measures)	(7.0) %	0.3 %	(1.3) %	(2.2) %	(10.2) %

Sales and operating income (loss) by business segment:

The following tables contain sales and operating income (loss) results by business segment for the three and six months ended June 30, 2023 and 2022. Refer to the section entitled *Performance by Business Segment* later in MD&A for additional discussion concerning 2023 versus 2022 results, including Corporate and Unallocated. Refer to Note 15 for additional information on business segments.

(Dollars in millions)	Three months ended June 30,				% change	
	2023		2022		Net Sales	Operating Income (Loss)
	Net Sales	Operating Income (Loss)	Net Sales	Operating Income (Loss)		
Business Segments						
Safety and Industrial	\$ 2,765	\$ 534	\$ 2,924	\$ (707)	(5.5) %	(175.6) %
Transportation and Electronics	2,191	410	2,268	475	(3.4)	(13.8)
Health Care	2,075	411	2,179	492	(4.8)	(16.4)
Consumer	1,293	235	1,330	248	(2.7)	(5.1)
Corporate and Unallocated	1	(10,548)	1	(398)		
Total Company	\$ 8,325	\$ (8,958)	\$ 8,702	\$ 110	(4.3) %	N/M

(Dollars in millions)	Six months ended June 30,				% change	
	2023		2022		Net Sales	Operating Income (Loss)
	Net Sales	Operating Income (Loss)	Net Sales	Operating Income (Loss)		
Business Segments						
Safety and Industrial	\$ 5,544	\$ 1,135	\$ 5,975	\$ (80)	(7.2) %	N/M
Transportation and Electronics	4,241	704	4,608	939	(8.0)	(25.1)
Health Care	4,085	771	4,307	937	(5.2)	(17.7)
Consumer	2,485	414	2,639	467	(5.8)	(11.4)
Corporate and Unallocated	1	(10,741)	2	(512)		
Total Company	\$ 16,356	\$ (7,717)	\$ 17,531	\$ 1,751	(6.7) %	N/M

Worldwide Sales Change By Business Segment	Three months ended June 30, 2023					Total sales change
	Organic sales	Acquisitions	Divestitures	Translation		
Safety and Industrial	(4.6) %	— %	— %	(0.9) %		(5.5) %
Transportation and Electronics	(1.3)	0.5	(1.3)	(1.3)		(3.4)
Health Care	0.1	—	(4.1)	(0.8)		(4.8)
Consumer	(2.2)	—	—	(0.5)		(2.7)
Total Company	(2.2)	0.1	(1.3)	(0.9)		(4.3)

Worldwide Sales Change By Business Segment	Six months ended June 30, 2023					Total sales change
	Organic sales	Acquisitions	Divestitures	Translation		
Safety and Industrial	(5.3) %	— %	— %	(1.9) %		(7.2) %
Transportation and Electronics	(4.7)	0.2	(1.1)	(2.4)		(8.0)
Health Care	0.8	—	(4.2)	(1.8)		(5.2)
Consumer	(4.5)	—	(0.1)	(1.2)		(5.8)
Total Company	(3.6)	0.1	(1.3)	(1.9)		(6.7)

Refer to the *Certain amounts adjusted for special items - (non-GAAP measures)* section for additional details on the impact of special items on sales (and sales change) and operating income (loss) by business segment.

Sales by geographic area:

Percent change information compares the three and six months ended June 30, 2023 with the same prior year period, unless otherwise indicated. Additional discussion of business segment results is provided in the *Performance by Business Segment* section.

	Three months ended June 30, 2023				
	Americas	Asia Pacific	Europe, Middle East & Africa	Other Unallocated	Worldwide
Net sales (millions)	\$ 4,678	\$ 2,134	\$ 1,513	\$ —	\$ 8,325
% of worldwide sales	56.2 %	25.6 %	18.2 %		100.0 %
Components of net sales change:					
Organic sales	0.1	(8.1)	0.3		(2.2)
Acquisitions	0.2	—	—		0.1
Divestitures	(1.6)	(1.0)	(0.8)		(1.3)
Translation	(0.2)	(3.7)	1.1		(0.9)
Total sales change	(1.5) %	(12.8) %	0.6 %		(4.3) %

	Six months ended June 30, 2023				
	Americas	Asia Pacific	Europe, Middle East & Africa	Other Unallocated	Worldwide
Net sales (millions)	\$ 9,077	\$ 4,314	\$ 2,965	\$ —	\$ 16,356
% of worldwide sales	55.5 %	26.4 %	18.1 %		100.0 %
Components of net sales change:					
Organic sales	0.6	(11.7)	(2.2)		(3.6)
Acquisitions	0.1	—	—		0.1
Divestitures	(1.6)	(1.0)	(0.9)		(1.3)
Translation	(0.3)	(4.6)	(2.0)		(1.9)
Total sales change	(1.2) %	(17.3) %	(5.1) %		(6.7) %

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

- For the second quarter of 2023, in the Americas geographic area, U.S. total sales decreased 1 percent which included flat organic sales. Total sales in Mexico increased 9 percent which included increased organic sales of 11 percent. In Canada, total sales decreased 16 percent which included decreased organic sales of 11 percent. In Brazil, total sales decreased 2 percent which included increased organic sales of 2 percent. In the Asia Pacific geographic area, China total sales decreased 8 percent which included decreased organic sales of 4 percent. In Japan, total sales decreased 19 percent which included decreased organic sales of 13 percent.
- For the first six months of 2023, in the Americas geographic area, U.S. total sales were flat which included increased organic sales of 1 percent. Total sales in Mexico increased 7 percent which included increased organic sales of 11 percent. In Canada, total sales decreased 15 percent which included decreased organic sales of 9 percent. In Brazil, total sales increased 1 percent which included increased organic sales of 5 percent. In the Asia Pacific geographic area, China total sales decreased 16 percent which included decreased organic sales of 11 percent. In Japan, total sales decreased 20 percent which included decreased organic sales of 12 percent.

Managing currency risks:

The stronger U.S. dollar had a negative impact on sales in the second quarter and first six months of 2023 compared to the same period last year. Net of the Company's hedging strategy, foreign currency negatively impacted earnings in the second quarter and first six months of 2023 compared to the same period last year. 3M utilizes a number of tools to manage currency risk related to earnings including natural hedges such as pricing, productivity, hard currency, 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:

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 six months of 2023, the Company purchased \$29 million of its own stock, compared to \$773 million of stock purchases in the first six months of 2022. As of June 30, 2023, approximately \$4.2 billion remained available under the authorization. In February 2023, 3M's Board of Directors declared a first-quarter 2023 dividend of \$1.50 per share, an increase of 1 percent. This marked the 65th consecutive year of dividend increases for 3M. In May 2023, 3M's Board of Directors declared a second-quarter 2023 dividend of \$1.50 per share.

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 June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Cost of sales	55.3 %	58.5 %	(3.2)%	56.4 %	56.6 %	(0.2)%
Selling, general and administrative expenses (SG&A)	146.6	34.7	111.9	85.0	27.9	57.1
Research, development and related expenses (R&D)	5.7	5.5	0.2	5.8	5.5	0.3
Operating income (loss) margin	(107.6)%	1.3 %	(108.9)%	(47.2)%	10.0 %	(57.2)%

Stock compensation expense was \$41 million and \$47 million for the second quarter of 2023 and 2022, respectively, and was \$176 million and \$182 million for the six months ended June 30, 2023 and 2022, respectively, which impacts cost of sales; selling, general and administrative expenses (SG&A); and research, development and related expenses (R&D). The Company's annual stock option and restricted stock unit grant is made in February. Accounting rules require recognition of expense under a non-substantive vesting period approach, requiring compensation expense recognition when an employee is eligible to retire. 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 each year.

3M expects global defined benefit pension and postretirement service cost expense in 2023 to decrease by approximately \$160 million pre-tax when compared to 2022, which impacts cost of sales, SG&A, and R&D. The year-on-year decrease in defined benefit pension and postretirement service cost expense for the second quarter and first six months of 2023 was approximately \$38 million and \$80 million, respectively.

For total year 2022, the Company recognized consolidated defined benefit pre-tax pension and postretirement service cost expense of \$426 million and a benefit of \$248 million related to all non-service pension and postretirement net benefit costs (after settlements, curtailments, special termination benefits and other) for a total consolidated defined benefit pre-tax pension and postretirement expense of \$178 million.

For total year 2023, defined benefit pension and postretirement service cost expense is anticipated to total approximately \$270 million while non-service pension and postretirement net benefit cost is anticipated to be a benefit of approximately \$125 million, for a total consolidated defined benefit pre-tax pension and postretirement expense of approximately \$145 million, a decrease in expense of approximately \$30 million compared to 2022.

The Company is continuing the ongoing deployment of an enterprise resource planning (ERP) system on a worldwide basis, with these investments impacting cost of sales, SG&A, and R&D.

Cost of Sales:

Cost of sales, measured as a percent of sales, decreased in the second quarter and first six months of 2023 when compared to the same period last year. Decreases were primarily due to lower year-on-year net costs for significant litigation to address certain PFAS-related matters at 3M's Zwijndrecht, Belgium site, higher selling prices, spending discipline and restructuring benefits. These decreases were partially offset by higher raw materials and energy costs; manufacturing productivity headwinds; investments in growth, productivity and sustainability; and restructuring charges.

Selling, General and Administrative Expenses:

SG&A, measured as a percent of sales, increased in the second quarter and first six months of 2023 when compared to the same period last year. SG&A in 2023 was primarily impacted by a \$10.3 billion pre-tax charge related to the proposed settlement agreement announced in the second quarter of 2023 with public water systems in the United States regarding PFAS (see Note 14). SG&A was also impacted by restructuring charges, divestiture costs (related to separating and preparing the Health Care business for spin-off), continued investment in key growth initiatives and ongoing respirator mask/asbestos litigation matters. These impacts were partially offset by lower net costs for significant litigation to address Combat Arms Earplugs litigation matters (for which a pre-tax charge of approximately \$1.2 billion was reflected in the second quarter of 2022), restructuring benefits and ongoing general 3M cost management.

Research, Development and Related Expenses:

R&D, measured as a percent of sales, increased in the second quarter and first six months of 2023 when compared to the same period last year. 3M continues to invest in a range of R&D activities from application development, product and manufacturing support, product development and technology development aimed at disruptive innovations. R&D was also impacted by restructuring charges.

Other Expense (Income), Net:

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

Interest expense (net of interest income) decreased in the second quarter and first six months of 2023 compared to the same period year-on-year primarily driven by interest income generated on invested cash.

The non-service pension and postretirement net benefit decreased approximately \$36 million and \$72 million in the second quarter and first six months of 2023, respectively, compared to the same period year-on-year.

Provision (benefit) for Income Taxes:

(Percent of pre-tax income/loss)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Effective tax rate	24.2 %	(38.3)%	25.2 %	16.8 %

The primary factors that impacted the comparisons of the Company's effective tax rate for the second quarters and the first six months of 2023 and 2022 were the second quarter 2022 charge related to steps toward resolving Combat Arms Earplugs litigation and the second quarter 2023 charge related to the proposed settlement agreement with public water systems in the United States regarding PFAS (both discussed in Note 14).

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.

Income from Unconsolidated Subsidiaries, Net of Taxes:

(Millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Income (loss) from unconsolidated subsidiaries, net of taxes	\$ 3	\$ (1)	\$ 5	\$ 1

Income (loss) from unconsolidated subsidiaries, net of taxes, is attributable to the Company's accounting under the equity method for ownership interests in certain entities such as Kindeva following 3M's divestiture of the drug delivery business in 2020. In the fourth quarter of 2022, 3M sold its remaining ownership interest in Kindeva.

Net Income (Loss) Attributable to Noncontrolling Interest:

(Millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss) attributable to noncontrolling interest	\$ 5	\$ 4	\$ 10	\$ 8

Net income (loss) 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.

Significant Accounting Policies:

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

PERFORMANCE BY BUSINESS SEGMENT

Item 1, Business Segments, provides an overview of 3M's business segments. In addition, disclosures relating to 3M's business segments are provided in Note 15. Effective in the first quarter of 2023, the measure of segment operating performance and segment composition used by 3M's chief operating decision maker (CODM) changed and, as a result, 3M's disclosed measure of segment profit/loss (business segment operating income (loss)) was updated for all comparative periods presented. The change to business segment operating income (loss) aligns with the update to how the CODM assesses performance and allocates resources for the Company's business segments (see Note 15 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 15. Corporate and Unallocated operating income (loss) includes "corporate special items" and "other corporate expense-net". Corporate special items include net costs for significant litigation impacting operating income (loss) associated with PFAS-related other environmental and Combat Arms Earplugs matters. In addition, during the voluntary chapter 11 bankruptcy period (which began in July 2022 and ended in June 2023—see Note 14) costs associated with the Aeero portion of respirator mask/asbestos matters were also included in corporate special items. Prior to the bankruptcy, costs associated with Combat Arms Earplugs matters were not included in the Corporate net costs for significant litigation special item, instead being reflected in the Safety and Industrial business segment. Corporate special items also include divestiture costs, gain/loss on business divestitures (see Note 3), divestiture-related restructuring costs (see Note 5), and Russia exit costs/benefits (see Note 13). Divestiture costs include costs related to separating and divesting substantially an entire business segment of 3M following public announcement of its intended divestiture. Other corporate expense-net includes items such as net costs related to limited unallocated corporate staff and centrally managed material resource centers of expertise costs, corporate philanthropic activity, gains/losses from sales of property, plant and equipment and other assets, and other net costs that 3M may choose not to allocate directly to its business segments. Other corporate expense-net also includes costs and income from transition supply, manufacturing and service arrangements with Neogen Corporation following the 2022 split-off of 3M's Food Safety business. Items classified as revenue from this activity are included in Corporate and Unallocated net sales. Because Corporate and Unallocated includes a variety of miscellaneous items, it is subject to fluctuation on a quarterly and annual basis.

Corporate and Unallocated operating expenses increased in the second quarter and first six months of 2023, when compared to the same period last year. The subsections below provide additional information.

Corporate Special Items

Refer to the *Certain amounts adjusted for special items - (non-GAAP measures)* section for additional details on the impact of special items and to Note 15 for additional information on the components of corporate special items. Corporate special item net costs increased year-over-year primarily due to increased net costs for significant litigation as a result of the \$10.3 billion pre-tax charge related to the proposed settlement agreement announced in the second quarter of 2023 with public water systems in the United States regarding PFAS (see Note 14) and divestiture costs.

Other Corporate Expense - Net

Other corporate operating expenses, net, increased in the second quarter and first six months of 2023, when compared to the same period last year. The year-on-year increase was primarily due to higher pre-tax restructuring charges (see Note 5).

Operating Business Segments:

Information related to 3M's business segments is presented in the tables that follow with additional context in the corresponding narrative below the tables.

Refer to 3M's 2022 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sales (millions)	\$ 2,765	\$ 2,924	\$ 5,544	\$ 5,975
Sales change analysis:				
Organic sales	(4.6) %		(5.3) %	
Translation	(0.9)		(1.9)	
Total sales change	(5.5) %		(7.2) %	
Business segment operating income (loss) (millions)	\$ 534	\$ (707)	\$ 1,135	\$ (80)
Percent change	(175.6) %		N/M	
Percent of sales	19.3 %	(24.2) %	20.5 %	(1.3) %
Adjusted business segment operating income (millions) (non-GAAP measure)	\$ 614	\$ 630	\$ 1,176	\$ 1,320
Percent change	(2.4) %		(10.9) %	
Percent of sales	22.2 %	21.5 %	21.2 %	22.1 %

The preceding table also displays business segment operating income (loss) information adjusted for special items. For Safety and Industrial these adjustments include net costs related to respirator mask/asbestos (Aearo-related and non-Aearo related). During the voluntary Aearo chapter 11 bankruptcy period (which began in July 2022 and ended in June 2023 —see Note 14), net costs related to Aearo-respirator mask/asbestos matters were reflected as corporate special items in Corporate and Unallocated while those associated with non-Aearo respirator mask/asbestos matters continued to be reflected as special items in the Safety and Industrial business segment. Prior to the bankruptcy, costs associated with Combat Arms Earplugs matters were reflected in the Safety and Industrial business segment (rather than reflected in Corporate and Unallocated—see note 15 for additional information). Refer to the *Certain amounts adjusted for special items - (non-GAAP measures)* section for additional details.

Second quarter 2023 results:

Sales in Safety and Industrial were down 5.5 percent in U.S. dollars.

On an organic sales basis:

- Sales increased in roofing granules, and automotive aftermarket and decreased in closure and masking systems, personal safety, industrial adhesives and tapes, abrasives and electrical markets.
- Growth was held back by disposable respirator sales decline within personal safety (which negatively impacted year-on-year second quarter organic growth by 4.8 percentage points); declines in closure and masking systems due to slowdown in packaging and shipping activity; and declines within industrial adhesives and tapes from continued end-market softness in electronics.

Business segment operating income (loss) margins increased year-on-year primarily due to lower special item costs for significant litigation. 2022 was impacted by a pre-tax charge in the second quarter of approximately \$1.2 billion related to steps toward resolving Combat Arms Earplugs litigation (discussed in Note 14). In addition, year-on-year margins increased from productivity actions, strong spending discipline, and pricing which more than offset the decline driven by lower sales volume, restructuring costs, and inflation impacts. Adjusting for special items (non-GAAP measure), business segment operating income margins increased year-on-year as displayed above.

First six months 2023 results:

Sales in Safety and Industrial were down 7.2 percent in U.S. dollars.

On an organic sales basis:

- Sales increased in automotive aftermarket, electrical markets, roofing granules, and abrasives and decreased in personal safety, industrial adhesives and tapes, and closure and masking systems.
- Growth was held back by the disposable respirator sales decline within personal safety along with the exit of Russia (which, together, negatively impacted year-on-year organic growth by 7.3 percentage points) for the first six months of 2023; declines within industrial adhesives and tapes due to consumer electronics softness, closure and masking systems was down as consumers pulled back on discretionary spending impacting e-commerce shipments (slowing down in packaging and shipping activity).

Business segment operating income (loss) margins increased year-on-year primarily due to lower special item costs for significant litigation. 2022 was impacted by a pre-tax charge in the second quarter of approximately \$1.2 billion related to steps toward resolving Combat Arms Earplugs litigation (discussed in Note 14). Margins were also impacted by aggressive spending discipline, pricing and productivity actions which were more than offset by the lower sales volume, restructuring costs, inflation impacts, investments in the business and China COVID-related challenges. Adjusting for special item costs for significant litigation (non-GAAP measure), business segment operating income margins decreased year-on-year as displayed above.

Transportation and Electronics Business:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sales (millions)	\$ 2,191	\$ 2,268	\$ 4,241	\$ 4,608
Sales change analysis:				
Organic sales	(1.3) %		(4.7) %	
Acquisitions	0.5 %		0.2	
Divestitures	(1.3)		(1.1)	
Translation	(1.3)		(2.4)	
Total sales change	(3.4) %		(8.0) %	
Business segment operating income (millions)	\$ 410	\$ 475	\$ 704	\$ 939
Percent change	(13.8) %		(25.1) %	
Percent of sales	18.7 %	21.0 %	16.6 %	20.4 %
Adjusted sales (millions) (non-GAAP measure)	\$ 1,859	\$ 1,950	\$ 3,564	\$ 3,970
Sales change analysis:				
Organic sales	(2.4) %		(7.0) %	
Acquisitions	0.6		0.3	
Divestitures	(1.5)		(1.3)	
Translation	(1.4)		(2.2)	
Total sales change	(4.7) %		(10.2) %	
Adjusted business segment operating income (millions) (non-GAAP measure)	\$ 369	\$ 455	\$ 653	\$ 903
Percent change	(19.3) %		(27.8) %	
Percent of sales	19.8 %	23.4 %	18.3 %	22.8 %

The preceding table also displays business segment sales (and sales change) and operating income (loss) information adjusted for special items. For Transportation and Electronics these adjustments include the sales and estimates of income regarding PFAS manufactured products that 3M plans to exit by the end of 2025. Refer to the *Certain amounts adjusted for special items - (non-GAAP measures)* section for additional details.

Second quarter 2023 results:

Sales in Transportation and Electronics were down 3.4 percent in U.S. dollars. Adjusting for special item PFAS manufactured products (non-GAAP measure), sales were down 4.7 percent in U.S. dollars.

On an organic sales basis:

- Sales increased in automotive and aerospace, transportation safety, and commercial solutions, were flat in advanced materials and decreased in electronics.
- Growth continued to be held back by soft end-market demand for electronics partially offset by growth in automotive and aerospace, which outpaced global car and light truck builds.

Acquisitions/divestitures:

- Divestiture and acquisition impacts relate to lost/gained Transportation and Electronics sales year-on-year from the Aeero Entities. In the third quarter of 2022, 3M deconsolidated the Aeero Entities and, in the second quarter of 2023, reconsolidated those entities (discussed in Note 14). For each of the 12-months post-deconsolidation and post-reconsolidation, impacts are each reflected separately as divestiture and acquisition, respectively.

Business segment operating income margins decreased year-on-year from sales volume declines, restructuring costs, and inflation impacts partially offset by benefits from strong spending discipline, productivity actions, and pricing. Adjusting for special item PFAS manufactured products (non-GAAP measure), business segment operating income margins decreased year-on-year as displayed above.

First six months 2023 results:

Sales in Transportation and Electronics were down 8.0 percent in U.S. dollars. Adjusting for special item PFAS manufactured products (non-GAAP measure), sales were down 10.2 percent in U.S. dollars.

On an organic sales basis:

- Sales increased in automotive and aerospace, transportation safety, commercial solutions, and advanced materials and decreased in electronics.
- Growth continued to be held back by consumer electronics end-market weakness.

Acquisitions/divestitures:

- Divestiture and acquisition impacts relate to lost/gained Transportation and Electronics sales year-on-year from the Aeero Entities. In the third quarter of 2022, 3M deconsolidated the Aeero Entities and, in the second quarter of 2023, reconsolidated those entities (discussed in Note 14). For each of the 12-months post-deconsolidation and post-reconsolidation, impacts are each reflected separately as divestiture and acquisition, respectively.

Business segment operating income margins decreased year-on-year from lower sales volumes, inflation impacts, investments in the business, restructuring costs, manufacturing and supply chain headwinds and China COVID-related challenges partially offset by benefits from aggressive spending discipline, pricing and productivity actions. Adjusting for special item PFAS manufacturing exit costs (non-GAAP measure), business segment operating income margins decreased year-on-year as displayed above.

Health Care Business:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sales (millions)	\$ 2,075	\$ 2,179	\$ 4,085	\$ 4,307
Sales change analysis:				
Organic sales	0.1 %		0.8 %	
Divestitures	(4.1)		(4.2)	
Translation	(0.8)		(1.8)	
Total sales change	(4.8) %		(5.2) %	
Business segment operating income (millions)	\$ 411	\$ 492	\$ 771	\$ 937
Percent change	(16.4) %		(17.7) %	
Percent of sales	19.8 %	22.6 %	18.9 %	21.8 %

Second quarter 2023 results:

Sales in Health Care were down 4.8 percent in U.S. dollars.

On an organic sales basis:

- Sales increased in oral care, were flat in medical solutions, and decreased in separation and purification and health information systems.
- Growth was held back by declines in separation and purification and health information systems, which continued to be negatively impacted by lower post-COVID-related biopharma demand and ongoing stress on hospital budgets.

Divestitures:

- Divestiture impact relates to the lost sales year-on-year from the Food Safety Division split-off transaction in the third quarter of 2022.

Business segment operating income margins decreased year-on-year due to lower sales volume, restructuring costs, and inflation impacts partially offset by benefits from strong spending discipline, productivity actions, and pricing.

As discussed in Note 3, in the third quarter of 2022, 3M announced its intention to spin off the Health Care business as a separate public company. 3M expects to initially retain a 19.9% ownership position in the Health Care business. In addition, as discussed in Note 3, in the second quarter of 2023, 3M entered into agreements to sell the assets associated with its dental local anesthetic business. That transaction is expected to close in the third quarter of 2023.

First six months 2023 results:

Sales in Health Care were down 5.2 percent in U.S. dollars.

On an organic sales basis:

- Sales increased in medical solutions and oral care and decreased in separation and purification and health information systems.
- Growth was held back by declines in separation and purification due to the normalization of post-COVID-related biopharma demand, declines in health information systems from ongoing stress on hospital budgets along with overall headwinds from the exit of Russia.

Divestitures:

- Divestiture impact relates to the lost sales year-on-year from the divestiture from the Food Safety Division split-off transaction and combination with Neogen completed in the third quarter of 2022.

Business segment operating income margins decreased year-on-year due to manufacturing and supply chain headwinds, inflation impacts, investments in the business and restructuring costs partially offset by benefits from aggressive spending discipline, pricing and productivity actions.

Consumer Business:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sales (millions)	\$ 1,293	\$ 1,330	\$ 2,485	\$ 2,639
Sales change analysis:				
Organic sales	(2.2) %		(4.5) %	
Divestitures	—		(0.1)	
Translation	(0.5)		(1.2)	
Total sales change	(2.7) %		(5.8) %	
Business segment operating income (millions)	\$ 235	\$ 248	\$ 414	\$ 467
Percent change	(5.1) %		(11.4) %	
Percent of sales	18.2 %	18.6 %	16.7 %	17.7 %

Second quarter 2023 results:

Sales in Consumer were down 2.7 percent in U.S. dollars.

On an organic sales basis:

- Sales increased in home health and auto care, and decreased in stationery and office and home improvement.
- Growth was negatively impacted as discretionary spending trends on hardline categories remains soft.

Business segment operating income margins decreased year-on-year from lower sales volumes, restructuring costs, and inflation impacts, partially offset by benefits from strong spending discipline, productivity actions, and pricing.

First six months 2023 results:

Sales in Consumer were down 5.8 percent in U.S. dollars.

On an organic sales basis:

- Sales decreased in home improvement, home health and auto care, and stationery and office.
- Growth was negatively impacted as consumers have shifted their spending patterns to more non-discretionary items.

Business segment operating income margins decreased year-on-year from lower sales volumes, inflation impacts, investments, manufacturing and supply chain headwinds, and restructuring costs partially offset by benefits from aggressive spending discipline, pricing and productivity actions.

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, provide financial flexibility to deploy capital in accordance with the Company's stated priorities and meet needs associated with contractual commitments and other obligations. Investing in 3M's business to drive organic growth and deliver strong returns on invested capital remains the first priority for capital deployment. This includes research and development, capital expenditures, and commercialization capability. The Company also continues to actively manage its portfolio through acquisitions and divestitures to maximize value for shareholders. 3M expects to continue returning cash to shareholders through dividends and share repurchases. To fund cash needs in the United States, the Company relies on ongoing cash flow from U.S. operations, access to capital markets and repatriation of the earnings of its foreign affiliates that are not considered to be permanently reinvested. 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 2022 Annual Report on Form 10-K for further information on earnings considered to be reinvested indefinitely.

3M maintains a strong liquidity profile. The Company'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. The Company had \$1.8 billion in commercial paper outstanding at June 30, 2023, compared to no commercial paper outstanding as of December 31, 2022.

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 debt maturity profile is staggered to help ensure refinancing needs in any given year are reasonable in proportion to the total portfolio. As of June 2023, 3M has a credit rating of A2, negative outlook from Moody's Investors Service, and a credit rating of A-, CreditWatch negative from S&P Global Ratings.

The Company's total debt at June 30, 2023 was consistent when compared to December 31, 2022 as maturities of \$1.8 billion of fixed-rate notes were offset by issuances of commercial paper of \$1.8 billion. For discussion of repayments of and proceeds from debt refer to the following *Cash Flows from Financing Activities* section.

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. In November 2020, the ICE Benchmark Administration (IBA), LIBOR's administrator, proposed extending the publication of USD LIBOR through June 2023. Subsequently, in March of 2021, IBA ceased publication of certain LIBOR rates after December 31, 2021. USD LIBOR rates that did not cease on December 31, 2021 will continue to be published through June 30, 2023, and certain USD LIBOR rates subject to a synthetic methodology will continue to be published until September 2024. The Company anticipates its debt securities, bank facilities, and derivative instruments that previously utilized LIBOR as the reference rate will transition to the Secured Overnight Financing Rate, or SOFR, as a reference rate as necessary.

Effective February 8, 2023, 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 10, 2020. In May 2016, 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 June 30, 2023, 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). 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 in 3M's 2022 Annual Report on Form 10-K.

In May 2023, 3M entered into a \$4.25 billion five-year revolving credit facility expiring in 2028; the facility was amended in July 2023. 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 \$5.25 billion. The agreement replaced the amended and restated \$3.0 billion, five-year revolving credit agreement and the \$1.25 billion 364-day credit facility that would have expired in November 2024 and November 2023, respectively. The credit facility was undrawn at June 30, 2023. Under the \$4.25 billion credit facility, 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 (based on amounts defined in the amended 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 June 30, 2023, this ratio, reflecting the July 2023 amendment, was approximately 17 to 1. Debt covenants do not restrict the payment of dividends.

The Company also had \$315 million in stand-alone letters of credit and bank guarantees issued and outstanding at June 30, 2023. These instruments are utilized in connection with normal business activities.

Cash, cash equivalents and marketable securities:

At June 30, 2023, 3M had \$4.3 billion of cash, cash equivalents and marketable securities, of which approximately \$3.2 billion was held by the Company's foreign subsidiaries and approximately \$1.1 billion was held in the United States. These balances are invested in bank instruments and other high-quality fixed income securities. At December 31, 2022, 3M had \$3.9 billion of cash, cash equivalents and marketable securities, of which approximately \$2.7 billion was held by the Company's foreign subsidiaries and \$1.2 billion was held by the United States. The increase from December 31, 2022 primarily resulted from cash flow from operations.

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 June 30, 2023 and December 31, 2022.

(Millions)	June 30, 2023	December 31, 2022	Change
Total debt	\$ 15,987	\$ 15,939	\$ 48
Less: Cash, cash equivalents and marketable securities	4,337	3,916	421
Net debt (non-GAAP measure)	\$ 11,650	\$ 12,023	\$ (373)

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)	June 30, 2023	December 31, 2022	Change
Current assets	\$ 15,754	\$ 14,688	\$ 1,066
Less: Current liabilities	10,936	9,523	1,413
Working capital (non-GAAP measure)	\$ 4,818	\$ 5,165	\$ (347)

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 decreased \$0.3 billion compared with December 31, 2022. Balance changes in current assets increased working capital by \$1.1 billion, driven largely by increases in cash and cash equivalents and accounts receivable. Balance changes in current liabilities decreased working capital by \$1.4 billion, primarily due to increases in short-term borrowings driven by issuances of commercial paper and increases in other current liabilities.

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)	Six months ended June 30,	
	2023	2022
Net income (loss) including noncontrolling interest	\$ (5,855)	\$ 1,385
Depreciation and amortization	915	921
Company pension and postretirement contributions	(57)	(80)
Company pension and postretirement expense	75	83
Stock-based compensation expense	176	182
Income taxes (deferred and accrued income taxes)	(2,956)	(460)
Accounts receivable	(393)	(457)
Inventories	101	(837)
Accounts payable	135	401
Other — net	10,643	1,000
Net cash provided by (used in) operating activities	\$ 2,784	\$ 2,138

Cash flows from operating activities can fluctuate significantly from period to period, as working capital movements, tax timing differences and other items can significantly impact cash flows.

In the first six months of 2023, cash flows provided by operating activities increased \$646 million compared to the same period last year, primarily driven by the combination of accounts receivable, inventories and accounts payable. Cumulatively, they decreased operating cash flow by \$157 million in the first six months of 2023, compared to operating cash flow decreasing by \$893 million for these items in the first six months of 2022. The second quarter pre-tax charges of approximately \$10.3 billion in 2023 related to the proposed settlement agreement with public water systems in the United States regarding PFAS and \$1.2 billion in 2022 related to steps toward resolving Combat Arms Earplugs litigation (both discussed in Note 14) largely impacted the net income component above, with offsets in the other-net and deferred tax elements in each of those periods.

Cash Flows from Investing Activities:

(Millions)	Six months ended June 30,	
	2023	2022
Purchases of property, plant and equipment (PP&E)	\$ (852)	\$ (808)
Proceeds from sale of PP&E and other assets	23	56
Acquisitions, net of cash acquired	—	—
Purchases and proceeds from maturities and sale of marketable securities and investments, net	170	(62)
Proceeds from sale of businesses, net of cash sold	3	13
Other — net	37	(13)
Net cash provided by (used in) investing activities	\$ (619)	\$ (814)

Investments in property, plant and equipment enable growth across many diverse markets, helping to meet product demand and increasing manufacturing efficiency. The Company expects 2023 capital spending to be approximately \$1.5 billion to \$1.8 billion as 3M continues to invest in growth, productivity and sustainability.

3M records capital-related government grants earned as reductions to the cost of property, plant and equipment; and associated unpaid liabilities and grant proceeds receivable are considered non-cash changes in such balances for purposes of preparation of statement of cash flows.

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.

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)	Six months ended June 30,			
	2023		2022	
Change in short-term debt — net	\$	651	\$	344
Repayment of debt (maturities greater than 90 days)		(1,802)		(1,179)
Proceeds from debt (maturities greater than 90 days)		1,107		1
Total cash change in debt		(44)		(834)
Purchases of treasury stock		(29)		(773)
Proceeds from issuances of treasury stock pursuant to stock option and benefit plans		218		227
Dividends paid to shareholders		(1,655)		(1,700)
Other — net		(9)		(22)
Net cash provided by (used in) financing activities	\$	(1,519)	\$	(3,102)

Total debt was approximately \$16.0 billion at June 30, 2023 and \$15.9 billion at December 31, 2022. During the first six months of 2023, maturities of \$1.8 billion of fixed-rate notes were offset by issuances of commercial paper of \$1.8 billion. The Company had \$1.8 billion in commercial paper outstanding at June 30, 2023, compared to no commercial paper outstanding as of December 31, 2022. Net commercial paper issuances in addition to repayments and borrowings by international subsidiaries are largely reflected in "Proceeds from debt (maturities greater than 90 days)" in the preceding table. 3M's primary short-term liquidity needs are met through cash on hand and U.S. commercial paper issuances. 2022 issuances, maturities, and extinguishments of short-and long-term debt are described in Note 10 to the Consolidated Financial Statements in 3M's 2022 Annual Report on Form 10-K.

Repurchases of common stock are made to support the Company's stock-based employee compensation plans and for other corporate purposes. In the first six months of 2023, the Company purchased \$29 million of its own stock. 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 since 1916. In February 2023, 3M's Board of Directors declared a first-quarter 2023 dividend of \$1.50 per share, an increase of 1 percent. This is equivalent to an annual dividend of \$6.00 per share and marked the 65th consecutive year of dividend increases. In May 2023, 3M's Board of Directors declared a second-quarter 2023 dividend of \$1.50 per share.

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 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 (loss) 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 (loss) 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. Free cash flow and free cash flow conversion vary across quarters throughout the year. Below find a recap of free cash flow and free cash flow conversion.

Refer to the preceding *Cash Flows from Operating Activities* and *Cash Flows from Investing Activities* sections for discussion of items that impacted the operating cash flow and purchases of PP&E components of the calculation of free cash flow. Refer to the preceding *Results of Operations* section for discussion of items that impacted the net income (loss) attributable to 3M component of the calculation of free cash flow conversion.

(Millions)	Six months ended June 30,	
	2023	2022
Major GAAP Cash Flow Categories		
Net cash provided by (used in) operating activities	\$ 2,784	\$ 2,138
Net cash provided by (used in) investing activities	(619)	(814)
Net cash provided by (used in) financing activities	(1,519)	(3,102)
Free Cash Flow (non-GAAP measure)		
Net cash provided by (used in) operating activities	\$ 2,784	\$ 2,138
Purchases of property, plant and equipment	(852)	(808)
Free cash flow	1,932	1,330
Net income (loss) attributable to 3M	\$ (5,865)	\$ 1,377
Free cash flow conversion	(33)%	97 %

Material Cash Requirements from Known Contractual and Other Obligations:

See the Financial Condition and Liquidity - Material Cash Requirements from Known Contractual and Other Obligations section of Item 7 of 3M's 2022 Annual Report on Form 10-K. In addition, the Company expects to pay up to \$12.5 billion in the aggregate from 2024 through 2036 pursuant to the terms of a proposed settlement agreement with public water systems in the United States related to PFAS. See Note 14 and the settlement agreement that is included in the exhibit list to this filing for additional information.

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, international trade, geopolitical, capital markets and other external conditions, such as interest rates, monetary policy, financial conditions of our suppliers and customers, trade restrictions such as tariffs and retaliatory counter measures, inflation, recession, military conflicts, and natural and other disasters or climate change affecting the operations of the Company or our suppliers and customers,
- risks related to unexpected events such as the public health crises associated with the coronavirus (COVID-19) global pandemic,
- liabilities and the outcome of contingencies related to certain fluorochemicals known as “PFAS,” as well as matters related to the Company’s plans to discontinue the use of PFAS,
- risks related to the proposed class-action settlement (“Settlement”) to resolve claims by public water systems in the United States regarding PFAS, including whether court approval of the Settlement will be obtained, whether the number of plaintiffs that opt out of the Settlement will exceed current expectations or will exceed the level that would permit 3M to terminate the Settlement (and whether 3M will elect to terminate the Settlement if this occurs), whether the Settlement is appealed, the timing and amount of payments made under the Settlement, and the impact of the settlement on other PFAS-related matters,
- 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 and service development, and future performance or results of current or anticipated products and services,
- fluctuations in the costs and availability of purchased components, compounds, raw materials and energy,
- information technology systems including implementation of an enterprise resource planning (ERP) system,
- 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 and impact of organizational restructuring activities,
- future levels of indebtedness, common stock repurchases and capital spending,
- future access to credit markets and the cost of credit,
- pension and postretirement obligation assumptions and future contributions,
- asset impairments,
- tax liabilities and effects of changes in tax rates, laws or regulations,
- the proposed spin-off of the Company’s Health Care business to establish two separate public companies,
- the voluntary chapter 11 proceedings initiated by the Company’s Aearo Entities, and
- laws and regulations, as well as legal compliance risks (including third-party risks), and legal and regulatory proceedings related to the same, including with regards to environmental matters and product liability, 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 II, Item 1A, “Risk Factors,” of this document, and should be considered an integral part of Part I, Item 2, “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 2022 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 June 30, 2023. 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 the Company’s 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 the Company implements, this application, along with the internal control over financial reporting included in this process, was appropriately considered within the testing for effectiveness with respect to the implementation in these instances. The Company 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 its internal control over financial reporting.

3M COMPANY
FORM 10-Q
For the Quarterly Period Ended June 30, 2023
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.”

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 Condition and Results of Operations.”

Risks Related to the Global Economy and Public Health Crises

** The Company’s results are impacted by the effects of, and changes in, worldwide economic, political, regulatory, international trade, geopolitical, 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, and, accordingly, the Company’s operations and the execution of its business strategies and plans are subject to global competition and economic and geopolitical risks that are beyond its control, such as, among other things, disruptions in financial markets, economic downturns, military conflicts, public health emergencies such as COVID-19, political changes and trends such as protectionism, economic nationalism resulting in government actions impacting international trade agreements or imposing trade restrictions such as tariffs and retaliatory counter measures, and government deficit reduction and other austerity measures in locations or industries in which the Company operates. Further escalation of specific trade tensions, including those between the U.S. and China, or more broadly in global trade conflict, could adversely impact the Company’s business and operations around the world. The Company’s business is also impacted by social, political, and labor conditions in locations in which the Company or its suppliers or customers operate; adverse changes in the availability and cost of capital; monetary policy; interest rates; inflation; recession; commodity prices; currency volatility or exchange control; ability to expatriate earnings; and other laws and regulations in the jurisdictions in which the Company or its suppliers or customers operate. For example, changes in local economic condition or outlooks, such as lower economic growth rates in China, Europe, or other key markets, impact the demand or profitability of the Company’s products.

The global economy has been impacted by the military conflict between Russia and Ukraine. The U.S. and other governments have imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. 3M suspended operations of its subsidiaries in Russia in March 2022 and completed a sale of the related assets in June 2023. 3M also has other operations that source certain raw materials from suppliers in Russia and has experienced related supply disruption due to the conflict. These geopolitical tensions could result in, among other things, cyberattacks, further supply chain disruptions impacting downstream customers, higher energy costs, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect the Company’s business and supply chain.

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 or our suppliers or customers operate.

** Unexpected events, such as those related to the coronavirus (COVID-19) public health crisis, may increase the Company's cost of doing business and disrupt the Company's operations.*

3M, as a global company, is impacted by unexpected events, including war, acts of terrorism, public health crises (such as the COVID-19 pandemic), civil unrest, natural disasters, and severe weather in the locations in which the Company or its suppliers or customers operate, and these events have adversely affected, and could in the future adversely affect, the Company's operations and financial performance. For example, the global pandemic associated with COVID-19, including related evolving governmental responses to the pandemic, has significantly increased economic and demand uncertainty, and has impacted and will continue to impact 3M's operations, including its supply chain and its manufacturing and distribution capabilities. Although COVID-19 increased demand for certain 3M products, it also resulted in decreased demand from certain end markets, made it more difficult for 3M to serve customers, and resulted in conditions that had the potential to damage 3M's reputation, including third-party price gouging, counterfeiting, and other illegal or fraudulent activities involving 3M's products. 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. As the pandemic evolves, demand for personal protection products such as disposable respirators has experienced a decline from prior levels. 3M is not able to predict the impact of unexpected events, such as the COVID-19 pandemic, and unexpected events may have a material adverse effect on 3M's consolidated results of operations or financial condition.

** 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. For a discussion of the impact of foreign currency exchange rates on the Company, see Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Related to Legal and Regulatory Proceedings

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

As previously reported, governments in the United States and internationally have increasingly been regulating a broad group of perfluoroalkyl and polyfluoroalkyl substances produced by the Company, collectively known as "PFAS." 3M has noticed several global regulatory trends related to PFAS, including declining emission standards and limits set as to the presence of certain compounds in various media, and the inclusion of a broadening group of PFAS. Developments in these and other global regulatory trends may require additional actions by 3M, including investigation, remediation, and compliance, or may result in additional litigation and enforcement action costs.

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 certain PFAS produced by the Company.

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 substances critical to the manufacture of electronic devices such as cell phones, tablets, and semi-conductors. They are also used to help prevent contamination of medical 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, including some manufactured by 3M. As science and technology evolve and advance, and in response to evolving knowledge and the understanding that certain PFAS compounds had the potential to build up over time, 3M announced in 2000 that we would voluntarily phase out production of two PFAS substances, 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 certain coatings for food packaging, for example. The Company continues to review, control, or eliminate the presence of certain PFAS in purchased materials, as intended substances in products, or as byproducts of some of 3M's current manufacturing processes, products, and waste streams.

3M announced in December 2022 it will take two actions: exiting all PFAS manufacturing by the end of 2025; and working to discontinue the use of PFAS across its product portfolio by the end of 2025. 3M's decision is based on careful consideration and a thorough evaluation of the evolving external landscape, including multiple factors such as accelerating regulatory trends focused on reducing or eliminating the presence of PFAS in the environment and changing stakeholder expectations. The Company recognized a \$0.8 billion pre-tax charge in the fourth quarter of 2022 associated with this announcement related to asset impairments, and will incur additional expenses in connection with its exit activities. In addition, these two announced actions (the "exit") involve risks, including the actual timing, costs, and financial impact of such exit; the Company's ability to complete such exit, on the anticipated timing or at all; potential governmental or regulatory actions relating to PFAS manufacturing and production, or the Company's exit plans; the Company's ability to identify and manufacture acceptable substitutes for the discontinued products, and the possibility that such substitutes will not achieve the anticipated or desired commercial or operational results; potential litigation relating to the Company's exit plans; and the possibility that the planned exit will involve greater costs than anticipated, or otherwise have negative impacts on the Company's relationships with its customers and other counterparties.

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. 3M has seen increased public and private lawsuits being filed on behalf of states, counties, cities, and utilities alleging, among other things, harm to the general public and damages to natural resources, some of which are pending in the Aqueous Film Forming Foam (AFFF) multi-district litigation and some of which are pending in other jurisdictions. Various factors or developments in these and other disclosed actions could result in future charges that could have a material adverse effect on 3M. 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. In addition, as described in greater detail in Note 14, "Commitments and Contingencies," within the Notes to Consolidated Financial Statements, in June 2023, the Company entered into a proposed class-action settlement ("Settlement") to resolve a wide range of drinking water claims by public water systems in the United States regarding any PFAS, subject to court approval. If the court approves the Settlement and all conditions in the Settlement are met, 3M will pay \$10.5 billion to \$12.5 billion in total to resolve the claims released by the Settlement, with payments to be made annually from 2024 through 2036, in exchange for a release of certain claims, as described further in Note 14. The Settlement gives 3M the option to terminate the Settlement if the numbers of eligible class members opting out of the Settlement exceed specified levels. Unexpected events related to the Settlement, including whether court approval of the Settlement will be obtained, whether the number of plaintiffs that opt out of the Settlement will exceed current expectations or will exceed the level that would permit 3M to terminate the Settlement (and whether 3M will elect to terminate the Settlement if this occurs), whether the Settlement is appealed, and the impact of the settlement on other PFAS-related matters could have a material adverse effect on the Company's results of operations, cash flows or its consolidated financial position.

Governmental inquiries, lawsuits, or laws and regulations 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, including orders to conduct remediation, 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, requiring the installation of control technologies, suspension or shutdown of facility operations, switching costs in seeking alternative sources of supply, potential customer damage claims due to supply disruptions or otherwise, and reporting requirements or bans on PFAS and PFAS-containing products manufactured by the Company.

** The Company is subject to risks related to international, federal, state, and local treaties, laws, and regulations, as well as compliance risks related to legal or regulatory requirements, contract requirements, policies and practices, or other matters that require or encourage the Company or its suppliers, vendors, or channel partners to conduct business in a certain way. The outcome of legal and regulatory proceedings related to compliance with these treaties, laws, regulations, and requirements could have a material adverse effect on the Company's reputation, ability to execute its strategy and its results of operations.*

The Company operates globally, including in some jurisdictions that pose potentially elevated risks of fraud or corruption or increased risk of internal control issues, and is subject to risks related to international, federal, state, and local treaties, laws, and regulations, including those involving product liability; securities and corporate laws; antitrust; intellectual property; environmental, health, and safety; tax; the U.S. Foreign Corrupt Practices Act (FCPA) and other anti-bribery, anti-corruption laws; international import and export requirements and 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, and the Sunshine Act; and other matters. The Company is also subject to compliance risks related to legal or regulatory requirements, contract requirements, policies and practices, or other matters that require or encourage the Company and its suppliers, vendors, or channel parties, to conduct business in a certain way. Legal compliance risks also include third-party risks where the Company's suppliers, vendors, or channel partners have business practices that are inconsistent with 3M's Supplier Responsibility Code, 3M performance requirements, or with legal requirements.

The failure to comply with the FCPA and other anti-bribery and anti-corruption laws and regulations could result in significant civil fines and penalties or criminal sanctions against the Company, which could have a material adverse effect on our business, reputation, operating results and financial condition. These laws and regulations prohibit corrupt payments by the Company's employees, suppliers, vendors, channel partners or agents. The Company is also required to maintain accurate books and records and adequate internal controls under the FCPA's accounting provisions. From time to time, the Company receives reports internally and externally, via various reporting channels deployed by its Ethics and Compliance function or otherwise (such as shareholder communications), about business and other activities that raise compliance or other legal or litigation issues. The Company has in the past, and in the future could be, required to investigate such reports and cooperate with U.S. and foreign regulatory authorities in such investigations, audit, monitor compliance or alter its practices as part of such investigations. While the Company maintains and implements U.S. and international compliance programs, including policies and procedures, training, and internal controls designed to reduce the risk of noncompliance, the Company's employees, suppliers, vendors, channel partners or agents may violate such policies and procedures and engage in practices that contravene relevant laws and regulations.

The Company's results of operations could be adversely impacted if the costs to comply with these evolving treaties, laws, regulations, and requirements are greater than projected by the Company. In addition, the outcome of legal and regulatory proceedings related to compliance with these treaties, laws, regulations, and requirements are difficult to reliably predict, may differ from the Company's expectations, and have resulted and may in the future result in, one or more of the following: criminal or civil sanctions, including fines; limitations on the extent to which the Company can conduct business; employee and business partner terminations due to policy violations; and private rights of action that result in litigation exposure, including expenses and costs incurred in connection with settlement or court proceedings, for the Company. In addition, detecting, investigating and resolving actual or alleged violations of these acts is expensive and could consume significant time and attention of our senior management. Although the Company maintains general liability insurance to mitigate monetary exposure, 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 or its consolidated financial position. In addition, negative publicity related to the matters noted above or other matters involving the Company may negatively impact the Company's reputation. The Company also relies on patent and other intellectual property protection, and challenges to the Company's intellectual property rights, or claims that the Company's activities interfere with the intellectual property rights of a third party, could cause the Company to incur significant expenses to assert or defend against such claims, could result in reduced revenue, and could damage the Company's reputation, any of which could have an adverse effect on the Company. 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.

Risks Related to Our Products and Customer Preferences

** 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, among other things, (i) the development and timing of the introduction of competitive products; (ii) the Company's pricing strategies; (iii) changes in customer order patterns, such as changes in the levels of inventory maintained by customers, vendors, or channel partners; (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.

** 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 vulnerability with respect to materials and fluctuations in the costs and availability of purchased components, compounds, raw materials, energy, and labor due to shortages, increased demand and wages, logistics, supply chain interruptions, manufacturing site disruptions, regulatory developments, natural disasters, and other disruptive 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 supplier material shortage, climate impacts, natural and other disasters, and other disruptive events such as military conflicts, or be terminated. In addition, some of our suppliers are limited- or sole-source suppliers, and our ability to meet our obligations to customers depends on the performance, product quality, and stability of such suppliers and the Company's ability to source adequate alternatives in a cost effective manner. Any sustained interruption in the Company's receipt of adequate supplies, supply chain disruptions impacting the distribution of products, or disruption to key manufacturing sites' operations due to natural and other disasters or events, such as government actions relating to discharge or emission permits or other legal or regulatory requirements, could have a material adverse effect on the Company and its ability to fulfill supply obligations to its customers. The Company could incur contractual penalties, experience a deterioration in customer relationships, or suffer harm to its reputation if the Company is unable to fulfill its obligations to customers, any of which could have a material adverse effect on the Company. In addition, there can be no assurance that the Company's processes to minimize volatility in component and material pricing will be successful or that future price fluctuations or shortages will not have a material adverse effect on the Company.

Risks Related to Our Business

** The Company employs information technology systems to support its business and collect, store, and/or use proprietary and confidential information, including ongoing phased implementation of an enterprise resource planning (ERP) system as part of its business transformation on a worldwide basis over the next several years. Security and data breaches, cyberattacks, and other cybersecurity incidents involving the Company's information technology systems, networks and infrastructure could disrupt or interfere with the Company's operations; result in the compromise and misappropriation of proprietary and confidential information belonging to the Company or its customers, suppliers, and employees; and expose the Company to numerous expenses, liabilities, and other negative consequences, any or all of which could adversely impact the Company's business, reputation, and results of operations.*

In the ordinary course of business, the Company relies on centralized and local information technology networks and systems, some of which are provided, hosted, or managed by vendors and other 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 cybersecurity laws, regulations, and customer-imposed controls. Third parties and threat actors, including organized criminals, nation-state entities, or nation-state supported actors, regularly attempt to gain unauthorized access to the Company's information technology networks and infrastructure, data, and other information, and many such attempts are becoming increasingly sophisticated. Despite our cybersecurity and business continuity counter 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 systems, networks and infrastructure are still potentially susceptible to attack, compromise, damage, disruption, or shutdown, including as a result of the exploitation of known or unknown hardware or software vulnerabilities, or zero day attacks, in our systems or in the systems of our vendors and third-party service providers, the introduction of computer viruses, malware or ransomware, service or cloud provider disruptions or security breaches, phishing attempts, employee error or malfeasance, power outages, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. The Company's increased adoption of remote working, initially driven by the pandemic, also introduces additional threats and risk of disruptions to our information technology systems, networks and infrastructure. Despite our cybersecurity counter measures, it is possible for security vulnerabilities or a cyberattack to remain undetected for an extended time period, up to and including several years, and the prioritization of decisions with respect to security measures and remediation of known vulnerabilities that we and the vendors and other third parties upon which we rely make may prove inadequate to protect against attacks. While we and third parties we utilize have experienced, and expect to continue to experience, cyberattacks on and breaches and other disruptions of the Company's and the third parties' information technology systems and infrastructure, we do not believe that any such incidents to date have had a material impact on the Company. Any cybersecurity incident or information technology network disruption could result in numerous negative consequences, including the risk of legal claims or proceedings, investigations or enforcement actions by U.S., state, or foreign regulators; liabilities or penalties under applicable laws and regulations, including privacy laws and regulations in the U.S. and other jurisdictions; interference with the Company's operations; the incurrence of remediation costs; loss of intellectual property protection; the loss of customer, supplier, or employee relationships; and damage to the Company's reputation, any of 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 strategic events resulting from portfolio management actions and other evolving business strategies 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 and strategic alliances, future results will be affected by, as applicable, the Company's ability to integrate acquired businesses quickly and obtain the anticipated synergies and the Company's ability to operationalize and derive anticipated benefits from alliances. Divestitures may include continued involvement in the divested businesses, such as through transitional or longer-term supply or distribution arrangements, following the transaction, and may result in unexpected liabilities through indemnification or other risk-shifting mechanisms in the applicable divestiture agreement. Any of the foregoing could adversely affect the Company's future results.

** The Company's future results may be affected by its operational execution, including through organizational restructurings and scenarios where the Company generates fewer productivity improvements than planned.*

The Company's financial results depend on the successful execution of its business operating plans. The Company utilizes various tools, such as continuous improvement, to improve productivity and reduce expenses and engages in ongoing global business transformation, including restructurings from time to time, to streamline its operations, improve operational efficiency, productivity, and the speed and efficiency with which it serves customers. Workforce restructuring activities impact business groups, functions, and geographies, and the structural reorganization is expected to reduce the size of the corporate center, simplify supply chain, streamline 3M's geographic footprint, reduce layers of management, further align business go-to-market models to customers, and reduce manufacturing roles to align with production volumes, with the goal of improving the Company's longer-term outlook in overall performance. There can be no assurance that we will realize the benefits of such activities, or that such activities will not result in unexpected or negative consequences, such as a reduced ability to generate sales; a relationship impact with employees; or a reduced ability to provide the experience that our customers, suppliers, vendors, and channel partners expect from us. In addition, the ability to adapt to business model and other changes, including responding to evolving customer needs and service expectations, are important, and, if not done successfully, could negatively impact the Company's ability to win new business and enhance revenue and 3M's brand. Operational challenges, including those related to customer service, pace of change and productivity improvements, could have a material adverse effect on the Company's business, financial condition, and results of operations.

Risks Related to Financial and Capital Markets and Tax Matters

** 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. The Company's credit ratings have served to lower 3M's borrowing costs and facilitate access to a variety of lenders. As of June 2023, 3M has a credit rating of A2, negative outlook from Moody's Investors Service, and a credit rating of A-, CreditWatch negative from S&P Global Ratings. Moody's Investor Service downgraded the Company's credit rating from A1 to A2, and S&P Global Ratings downgraded the Company's credit rating from A to A- (and downgraded the Company's short-term credit rating from A-2 to A-1), in connection with the Company's announcement of the Settlement. 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 and further downgrades by the ratings agencies, would adversely affect the Company's cost of funding and could adversely affect liquidity and access to capital markets.

** Changes in tax rates, laws, or regulations could adversely impact our financial results.*

The Company's business is subject to tax-related external conditions, such as tax rates, tax laws and regulations, changing political environments in the U.S. and foreign jurisdictions that impact tax examination, and assessment and enforcement approaches. In addition, changes in tax laws including further regulatory developments arising from U.S. or international tax reform legislation could result in a tax expense or benefit recorded to the Company's Consolidated Statement of Earnings. In connection with the Base Erosion and Profit Shifting (BEPS) Integrated Framework provided by Organization for Economic Cooperation and Development (OECD), determination of multi-jurisdictional taxation rights and the rate of tax applicable to certain types of income may be subject to potential change. Due to the evolving nature of global tax laws and regulations and compliance approaches, it is currently not possible to assess the ultimate impact of these actions on our financial statements, but these actions could have an adverse impact on the Company's financial results.

Risks Related to the Voluntary Chapter 11 Proceedings Initiated by the Company's Aearo Entities

** The Company is subject to risks related to its subsidiaries' chapter 11 proceedings.*

On July 26, 2022, Aearo Technologies and certain of its related entities ("Aearo Entities"), all wholly owned subsidiaries of the Company, voluntarily initiated chapter 11 proceedings seeking bankruptcy court supervision to establish a trust – funded by the Company – to address potential liabilities related to Dual-Ended Combat Arms – Version 2 earplugs and mask/respirator products historically manufactured and sold by Aearo Entities. This represented a change in strategy for managing the Combat Arms Version 2 earplugs and Aearo respirator mask/asbestos alleged litigation liabilities. Aearo Entities were acquired by the Company in 2008 and they, along with its related subsidiaries, have operated as Company subsidiaries since that time. 3M has entered into a funding agreement with Aearo Entities and committed to fund a trust to satisfy all claims determined to be entitled to compensation, and to support Aearo Entities as they continue to operate during the chapter 11 proceedings. 3M committed \$1.0 billion to fund this trust and an additional \$0.2 billion to fund projected related case expenses. Under the terms of the funding agreement, 3M would provide additional funding if required by the Aearo Entities. As discussed in Note 14, "Commitments and Contingencies," within the Notes to Consolidated Financial Statements, in June 2023, the bankruptcy court dismissed the bankruptcy proceeding, and the judge certified a direct appeal of the dismissal to the U.S. Court of Appeals for the Seventh Circuit. Aearo has appealed the decision. Following dismissal of the bankruptcy, Combat Arms earplugs claims against the Aearo Entities will proceed in the federal and state multidistrict litigation, and will continue to proceed against 3M, which is a defendant in those litigation matters. 3M has been engaged in active confidential mediation pursuant to the orders of the federal and state MDL courts. There are a number of risks and uncertainties associated with the chapter 11 proceedings, including, among others, those related to: legal risks related to the chapter 11 proceedings; potential impacts to the Company's reputation and relationships with its customers, suppliers, federal contracting officials, employees, regulators, and other counterparties and community members; impacts to the Company's liquidity or results of operations, including risks related to the amount that will be necessary to fully and finally resolve all of the Company's obligations to make payments to resolve such claims under the terms of its funding and indemnification agreement with Aearo Entities; the costs of chapter 11 proceedings and length of time necessary to resolve the cases; and Aearo Entities' ability to reach acceptable agreements with claimants and navigate the chapter 11 proceedings to obtain approval and consummation of a plan of reorganization. In addition, due to the dismissal of the Aearo Entities bankruptcy proceeding, attempts to comprehensively resolve with finality all Combat Arms earplugs claims against the Aearo Entities and 3M outside of the bankruptcy proceeding and in a litigation settlement involve significant challenges that could cause the Company to incur substantial and material costs. Due to the inherent uncertainty of litigation, the Company cannot predict the timing, outcome, or financial impact of this matter, or any other ongoing or future related litigation.

Risks Related to the Planned Spin-off of the Company's Health Care Business

** The Company is subject to risks related to its plan to spin off its Health Care business.*

On July 26, 2022, the Company announced its intent to spin off its Health Care business, resulting in two standalone public companies, in a transaction that is intended to be tax-free for the Company's stockholders for U.S. federal income tax purposes. The spin-off will be subject to the satisfaction of a number of conditions, including the filing and effectiveness of a Form 10 registration statement, receipt of a private letter ruling from the Internal Revenue Service and a tax opinion from external counsel, satisfactory completion of financing, final approval by the Company's Board of Directors, and other customary conditions. The failure to satisfy all of the required conditions, as well as additional factors such as conditions in the equity and debt markets, other external conditions, or developments involving the Company or any of its businesses, many of which are outside of the Company's control, could delay the completion of the spin-off relative to the anticipated timeline or prevent it from occurring. Any delay in the completion of the spin-off or any change to the anticipated terms of the transaction could reduce the expected benefits of the transaction, or delay the time at which such benefits are realized. There can also be no assurance that the anticipated benefits of the transaction will be realized if the spin-off is completed, or that the costs or dis-synergies of the transaction (including costs of related restructuring transactions), will not exceed the anticipated amounts. Whether or not the spin-off is ultimately completed, the pendency of the transaction may impose challenges on the Company and its business, including potential business disruption; the diversion of management time on matters relating to the transaction; the impact on the Company's ability to retain talent; and potential impacts on the Company's relationships with its customers, employees, regulators, and other counterparties. In addition, while it is intended that the transaction would be tax-free to the Company's stockholders for U.S. federal income tax purposes, there is no assurance that the transactions will qualify for this treatment. If the spin-off was ultimately determined to be taxable, the Company, the Health Care business, or the Company's stockholders could incur income tax liabilities that could be significant. Any of these factors could negatively impact our business, financial condition, results of operations, cash flows, and the price of our common stock.

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, 2023	1,445	\$ 113.34	—	\$ 4,157
February 1 - 28, 2023	1,240	117.49	—	4,157
March 1 - 31, 2023	—	—	—	4,157
January 1 - March 31, 2023	2,685	115.25	—	—
April 1 - 30, 2023	—	—	—	4,157
May 1 - 31, 2023	—	—	—	4,157
June 1 - 30, 2023	—	—	—	4,157
April 1 - June 30, 2023	—	—	—	—
January 1 - June 30, 2023	2,685	\$ 115.25	—	—

(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.

Insider Trading Arrangements and Policies

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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 ("IP") protection efforts, 3M has obtained and maintains patents and trademarks in Iran. Periodically, 3M pays renewal fees, through IP service providers/counsel located in Germany, 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 26, 2022, the Office of Foreign Assets Control ("OFAC") granted to 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 counterterrorism authority pursuant to Executive Order 13224. As authorized by OFAC's specific license, in the quarter ended June 30, 2023, 3M paid \$67 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.

10.1	<u>Settlement Agreement, dated as of June 22, 2023, of 3M Company is incorporated by reference from our Form 8-K dated June 22, 2023.</u>
10.2	<u>Amendment No. 1, dated July 7, 2023, to the Five-Year Credit Agreement is incorporated by reference from our Form 8-K dated July 10, 2023.</u>
(31.1)	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.</u>
(31.2)	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.</u>
(32.1)	<u>Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.</u>
(32.2)	<u>Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.</u>
(95)	<u>Mine Safety Disclosures.</u>
(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: July 25, 2023

By /s/ Monish Patolawala
Monish Patolawala,

Executive Vice President and Chief Financial and Transformation Officer (Mr. Patolawala is a Principal Financial Officer and has been duly authorized to sign on behalf of the Registrant.)