

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

Commission file number: 1-3285

3M COMPANY

(Exact name of registrant as specified in its charter)

<p style="text-align: center;">Delaware (State or other jurisdiction of incorporation)</p> <p style="text-align: center;">3M Center, St. Paul, Minnesota (Address of Principal Executive Offices)</p>	<p style="text-align: center;">41-0417775 (IRS Employer Identification No.)</p> <p style="text-align: center;">55144-1000 (Zip Code)</p>
---	--

(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
0.375% Notes due 2022	MMM22A	New York Stock Exchange
0.950% Notes due 2023	MMM23	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 SWX Swiss Exchange.

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

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

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

Large accelerated filer	<input checked="" 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 September 30, 2021
Common Stock, \$0.01 par value per share	576,252,803 shares

3M COMPANY
Form 10-Q for the Quarterly Period Ended September 30, 2021

TABLE OF CONTENTS

	<u>BEGINNING PAGE</u>
<u>PART I</u> <u>FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u> <u>Financial Statements</u>	3
Index to Financial Statements:	
<u>Consolidated Statement of Income</u>	3
<u>Consolidated Statement of Comprehensive Income</u>	4
<u>Consolidated Balance Sheet</u>	5
<u>Consolidated Statement of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<u>Note 1. Significant Accounting Policies</u>	7
<u>Note 2. Revenue</u>	10
<u>Note 3. Acquisitions and Divestitures</u>	13
<u>Note 4. Goodwill and Intangible Assets</u>	13
<u>Note 5. Restructuring Actions</u>	15
<u>Note 6. Supplemental Income Statement Information</u>	16
<u>Note 7. Supplemental Equity and Comprehensive Income Information</u>	17
<u>Note 8. Income Taxes</u>	20
<u>Note 9. Marketable Securities</u>	21
<u>Note 10. Long-Term Debt and Short-Term Borrowings</u>	21
<u>Note 11. Pension and Postretirement Benefit Plans</u>	22
<u>Note 12. Derivatives</u>	23
<u>Note 13. Fair Value Measurements</u>	27
<u>Note 14. Commitments and Contingencies</u>	30
<u>Note 15. Stock-Based Compensation</u>	48
<u>Note 16. Business Segments</u>	51
<u>ITEM 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	53
Index to Management’s Discussion and Analysis:	
<u>Overview</u>	53
<u>Results of Operations</u>	62
<u>Performance by Business Segment</u>	64
<u>Financial Condition and Liquidity</u>	69
<u>Cautionary Note Concerning Factors That May Affect Future Results</u>	74
<u>ITEM 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	75
<u>ITEM 4.</u> <u>Controls and Procedures</u>	75
<u>PART II</u> <u>OTHER INFORMATION</u>	
<u>ITEM 1.</u> <u>Legal Proceedings</u>	77
<u>ITEM 1A.</u> <u>Risk Factors</u>	77
<u>ITEM 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	81
<u>ITEM 3.</u> <u>Defaults Upon Senior Securities</u>	81
<u>ITEM 4.</u> <u>Mine Safety Disclosures</u>	82
<u>ITEM 5.</u> <u>Other Information</u>	82
<u>ITEM 6.</u> <u>Exhibits</u>	82

3M COMPANY
FORM 10-Q
For the Quarterly Period Ended September 30, 2021
PART I. Financial Information

Item 1. Financial Statements.

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

(Millions, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net sales	\$ 8,942	\$ 8,350	\$ 26,743	\$ 23,601
Operating expenses				
Cost of sales	4,853	4,303	14,097	12,217
Selling, general and administrative expenses	1,819	1,677	5,373	5,039
Research, development and related expenses	482	461	1,520	1,422
Gain on sale of businesses	—	—	—	(389)
Total operating expenses	7,154	6,441	20,990	18,289
Operating income	1,788	1,909	5,753	5,312
Other expense (income), net	31	83	113	248
Income before income taxes	1,757	1,826	5,640	5,064
Provision for income taxes	324	391	1,058	1,016
Income of consolidated group	1,433	1,435	4,582	4,048
Income (loss) from unconsolidated subsidiaries, net of taxes	4	(1)	7	(1)
Net income including noncontrolling interest	1,437	1,434	4,589	4,047
Less: Net income (loss) attributable to noncontrolling interest	3	4	7	3
Net income attributable to 3M	\$ 1,434	\$ 1,430	\$ 4,582	\$ 4,044
Weighted average 3M common shares outstanding — basic	579.6	577.8	580.3	577.2
Earnings per share attributable to 3M common shareholders — basic	\$ 2.47	\$ 2.47	\$ 7.90	\$ 7.01
Weighted average 3M common shares outstanding — diluted	586.3	582.4	587.1	581.6
Earnings per share attributable to 3M common shareholders — diluted	\$ 2.45	\$ 2.45	\$ 7.81	\$ 6.95

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

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

(Millions)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income including noncontrolling interest	\$ 1,437	\$ 1,434	\$ 4,589	\$ 4,047
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	(302)	271	(354)	(67)
Defined benefit pension and postretirement plans adjustment	119	116	359	271
Cash flow hedging instruments	48	(71)	95	(60)
Total other comprehensive income (loss), net of tax	(135)	316	100	144
Comprehensive income (loss) including noncontrolling interest	1,302	1,750	4,689	4,191
Comprehensive (income) loss attributable to noncontrolling interest	(2)	(5)	(6)	(1)
Comprehensive income (loss) attributable to 3M	\$ 1,300	\$ 1,745	\$ 4,683	\$ 4,190

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

3M Company and Subsidiaries
Consolidated Balance Sheet
(Unaudited)

(Dollars in millions, except per share amount)	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 4,878	\$ 4,634
Marketable securities — current	855	404
Accounts receivable — net of allowances of \$212 and \$233	4,916	4,705
Inventories		
Finished goods	2,324	2,081
Work in process	1,436	1,226
Raw materials and supplies	1,190	932
Total inventories	4,950	4,239
Prepays	501	675
Other current assets	326	325
Total current assets	16,426	14,982
Property, plant and equipment	27,211	26,650
Less: Accumulated depreciation	(17,888)	(17,229)
Property, plant and equipment — net	9,323	9,421
Operating lease right of use assets	840	864
Goodwill	13,597	13,802
Intangible assets — net	5,426	5,835
Other assets	2,666	2,440
Total assets	\$ 48,278	\$ 47,344
Liabilities		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 1,972	\$ 806
Accounts payable	2,862	2,561
Accrued payroll	1,019	747
Accrued income taxes	278	300
Operating lease liabilities — current	262	256
Other current liabilities	3,242	3,278
Total current liabilities	9,635	7,948
Long-term debt	16,193	17,989
Pension and postretirement benefits	3,987	4,405
Operating lease liabilities	580	609
Other liabilities	3,353	3,462
Total liabilities	33,748	34,413
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 - September 30, 2021: 576,252,803		
Shares outstanding - December 31, 2020: 577,749,638		
Additional paid-in capital	6,383	6,162
Retained earnings	45,361	43,821
Treasury stock, at cost:	(29,673)	(29,404)
Shares at September 30, 2021: 367,780,253		
Shares at December 31, 2020: 366,283,418		
Accumulated other comprehensive income (loss)	(7,620)	(7,721)
Total 3M Company shareholders' equity	14,460	12,867
Noncontrolling interest	70	64
Total equity	14,530	12,931
Total liabilities and equity	\$ 48,278	\$ 47,344

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

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

(Millions)	Nine months ended September 30,	
	2021	2020
Cash Flows from Operating Activities		
Net income including noncontrolling interest	\$ 4,589	\$ 4,047
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities		
Depreciation and amortization	1,408	1,413
Company pension and postretirement contributions	(121)	(122)
Company pension and postretirement expense	137	232
Stock-based compensation expense	227	216
Gain on sale of businesses	—	(389)
Deferred income taxes	(155)	(57)
Changes in assets and liabilities		
Accounts receivable	(324)	113
Inventories	(823)	43
Accounts payable	340	(48)
Accrued income taxes (current and long-term)	(41)	146
Other — net	212	4
Net cash provided by (used in) operating activities	5,449	5,598
Cash Flows from Investing Activities		
Purchases of property, plant and equipment (PP&E)	(1,047)	(1,079)
Proceeds from sale of PP&E and other assets	44	29
Acquisitions, net of cash acquired	—	(25)
Purchases of marketable securities and investments	(1,810)	(1,069)
Proceeds from maturities and sale of marketable securities and investments	1,363	1,239
Proceeds from sale of businesses, net of cash sold	—	576
Other — net	18	8
Net cash provided by (used in) investing activities	(1,432)	(321)
Cash Flows from Financing Activities		
Change in short-term debt — net	4	(138)
Repayment of debt (maturities greater than 90 days)	(450)	(2,477)
Proceeds from debt (maturities greater than 90 days)	1	1,745
Purchases of treasury stock	(1,261)	(366)
Proceeds from issuance of treasury stock pursuant to stock option and benefit plans	566	325
Dividends paid to shareholders	(2,572)	(2,540)
Other — net	(21)	(47)
Net cash provided by (used in) financing activities	(3,733)	(3,498)
Effect of exchange rate changes on cash and cash equivalents	(40)	(11)
Net increase (decrease) in cash and cash equivalents	244	1,768
Cash and cash equivalents at beginning of year	4,634	2,353
Cash and cash equivalents at end of period	\$ 4,878	\$ 4,121

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.

Effective in the first quarter of 2021, 3M made the following changes. Information provided herein reflects the impact of these changes for all periods presented.

- Change in accounting principle for net periodic pension and postretirement plan cost. See below for additional information.
- Change in measure of segment operating performance used by 3M's chief operating decision maker—impacting 3M's disclosed measure of segment profit/loss (business segment operating income). See additional information in Note 16.
- Change in alignment of certain products within 3M's Consumer business segment—creating the Consumer Health and Safety Division. See additional information in Note 16.

Change in Accounting Principle for Determining Net Periodic Pension and Postretirement Plan Cost

In the first quarter of 2021, 3M changed the method it uses to calculate the market-related value of fixed income securities included in its pension and other postretirement plan assets. The market-related value is used to determine the expected return on plan assets and the amortization of net unamortized actuarial gains or losses expense components of net periodic benefit cost. The Company previously used the calculated value approach for all plan assets, deferring over three years the impact on these amounts of asset gains or losses that differed from expected returns. 3M changed to the fair value approach for calculating market-related value for the fixed income class of plan assets, which does not involve deferring the impact of excess plan asset gains or losses in the determination of these two components of net periodic benefit cost. 3M considers the use of the fair value approach preferable to the calculated value approach as it results in a more current reflection of impacts of changes in value of these plan assets in the determination of net periodic benefit cost. Additionally, given the plans' liability-driven investment strategy whereby the changes in value of the fixed income plan assets should offset changes in the value of the plans' liabilities, this approach more closely aligns the expected return on plan assets expense component with the value reflected in the plans' funded status. This change was applied retrospectively to all periods presented within 3M's financial statements. The change did not impact consolidated operating income or net cash provided by operating activities but did impact the previously reported portion of pension and postretirement net periodic benefit cost (benefit) that was included within non-operating other expense (income) along with related consolidated income items such as net income and earnings per share. Other impacts included related changes to previously reported consolidated other comprehensive income, retained earnings, accumulated other comprehensive income (loss), and associated line items within the determination of net cash provided by operating activities. For classes of plan assets other than fixed income investments, the Company continues to use the calculated value approach to determine their market-related value.

The adoption of this change impacted previously reported amounts included herein as indicated in the tables below.

Consolidated Statement of Income

(Millions, except per share amounts)	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	Under Prior Method	As Adjusted	Under Prior Method	As Adjusted
Other expense (income), net	\$ 104	\$ 83	\$ 311	\$ 248
Income before income taxes	1,805	1,826	5,001	5,064
Provision for income taxes	387	391	1,002	1,016
Income of consolidated group	1,418	1,435	3,999	4,048
Net income including noncontrolling interest	1,417	1,434	3,998	4,047
Net income attributable to 3M	1,413	1,430	3,995	4,044
Earnings per share attributable to 3M common shareholders — basic	\$ 2.45	\$ 2.47	\$ 6.92	\$ 7.01
Earnings per share attributable to 3M common shareholders — diluted	\$ 2.43	\$ 2.45	\$ 6.87	\$ 6.95

Consolidated Statement of Comprehensive Income

(Millions)	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	Under Prior Method	As Adjusted	Under Prior Method	As Adjusted
Net income including noncontrolling interest	\$ 1,417	\$ 1,434	\$ 3,998	\$ 4,047
Other comprehensive income (loss), net of tax:				
Defined benefit pension and postretirement plans adjustment	127	116	304	271
Total other comprehensive income (loss), net of tax	327	316	177	144
Comprehensive income (loss) including noncontrolling interest	1,744	1,750	4,175	4,191
Comprehensive income (loss) attributable to 3M	1,739	1,745	4,174	4,190

Consolidated Balance Sheet

(Millions)	As of December 31, 2020	
	Under Prior Method	As Adjusted
Retained earnings	\$ 43,761	\$ 43,821
Accumulated other comprehensive income (loss)	(7,661)	(7,721)

Consolidated Statement of Cash Flows

(Millions)	Nine months ended September 30, 2020	
	Under Prior Method	As Adjusted
Net income including noncontrolling interest	\$ 3,998	\$ 4,047
Company pension and postretirement expense	295	232
Other — net	(10)	4

The cumulative adjustment as of January 1, 2020, the beginning of the earliest period presented in the consolidated financial statements included herein, was a \$5 million reduction to each of retained earnings and accumulated other comprehensive loss.

Earnings Per Share

The difference in the weighted average 3M shares outstanding for calculating basic and diluted earnings per share attributable to 3M common shareholders is a result of the dilution associated with the Company's stock-based compensation plans. Certain options outstanding under these stock-based compensation plans were not included in the computation of diluted earnings per share attributable to 3M common shareholders because they would have had an anti-dilutive effect of 7.9 million average options for the three months ended September 30, 2021; 7.7 million average options for the nine months ended September 30, 2021; 18.8 million average options for the three months ended September 30, 2020; 19.6 million average options for the nine months ended September 30, 2020). The computations for basic and diluted earnings per share follow:

Earnings Per Share Computations

(Amounts in millions, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to 3M	\$ 1,434	\$ 1,430	\$ 4,582	\$ 4,044
Denominator:				
Denominator for weighted average 3M common shares outstanding – basic	579.6	577.8	580.3	577.2
Dilution associated with the Company's stock-based compensation plans	6.7	4.6	6.8	4.4
Denominator for weighted average 3M common shares outstanding – diluted	586.3	582.4	587.1	581.6
Earnings per share attributable to 3M common shareholders – basic	\$ 2.47	\$ 2.47	\$ 7.90	\$ 7.01
Earnings per share attributable to 3M common shareholders – diluted	\$ 2.45	\$ 2.45	\$ 7.81	\$ 6.95

New Accounting Pronouncements

Refer to Note 1 in 3M’s 2020 Annual Report on Form 10-K for a more detailed discussion of the standards in the tables that follow, except for those pronouncements issued subsequent to the most recent Form 10-K filing date for which separate, more detailed discussion is provided below as applicable.

Standards Adopted During the Current Fiscal Year			
Standard	Relevant Description	Effective Date for 3M	Impact and Other Matters
ASU No. 2019-12, <i>Simplifying the Accounting for Income Taxes (Topic 740)</i>	Eliminates certain existing exceptions related to the general approach in ASC 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for transactions outside of business combination that result in a step-up in the tax basis of goodwill.	January 1, 2021	Adoption of this ASU did not have a material impact on 3M’s consolidated results of operations and financial condition.
ASU No. 2020-01, <i>Clarifying the Interactions between Topic 321, Investments—Equity Securities, Topic 323, Investments—Equity Method and Joint Ventures, and Topic 815, Derivatives and Hedging</i>	Clarifies when accounting for certain equity securities, a Company should consider observable transactions before applying or upon discontinuing the equity method of accounting for the purposes of applying the measurement alternative. Indicates when determining the accounting for certain derivatives, a Company should not consider if the underlying securities would be accounted for under the equity method or fair value option.	January 1, 2021	Adoption of this ASU did not have a material impact on 3M’s consolidated results of operations and financial condition.
ASU No. 2020-04, <i>Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i> and ASU No. 2021-01, <i>Reference Rate Reform (Topic 848): Scope</i>	Provides temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as LIBOR which is being phased out beginning at the end of 2021, to alternate reference rates, such as SOFR.	Effective upon ASU issuances in 2020 & 2021	With the beginning of the phase out of LIBOR at the end of 2021, 3M continues to evaluate commercial contracts that may utilize LIBOR and will continue to monitor developments during the LIBOR transition period.

NOTE 2. Revenue

Contract Balances:

Deferred revenue primarily relates to revenue that is recognized over time for one-year software license contracts. Deferred revenue (current portion) as of September 30, 2021 and December 31, 2020 was \$467 million and \$498 million, respectively. Approximately \$90 million and \$410 million of the December 31, 2020 balance was recognized as revenue during the three and nine months ended September 30, 2021, respectively, while approximately \$100 million and \$370 million of the December 31, 2019 balance was recognized as revenue during the three and nine months ended September 30, 2020, 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 \$148 million and \$153 million during the three months ended September 30, 2021 and 2020, respectively, and \$433 million and \$428 million during the nine months ended September 30, 2021 and 2020.

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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Abrasives	\$ 362	\$ 289	\$ 1,067	\$ 861
Automotive Aftermarket	314	308	939	794
Closure and Masking Systems	264	242	761	745
Electrical Markets	322	285	948	824
Industrial Adhesives and Tapes	760	643	2,289	1,859
Personal Safety	1,105	1,136	3,475	3,220
Roofing Granules	109	113	338	294
Other Safety and Industrial	(1)	1	(1)	4
Total Safety and Industrial Business Segment	3,235	3,017	9,816	8,601
Advanced Materials	305	247	925	771
Automotive and Aerospace	439	410	1,424	1,126
Commercial Solutions	457	391	1,349	1,148
Electronics	1,000	1,025	3,040	2,772
Transportation Safety	250	245	727	678
Other Transportation and Electronics	(1)	(2)	(2)	(3)
Total Transportation and Electronics Business Segment	2,450	2,316	7,463	6,492
Drug Delivery	—	—	—	146
Food Safety	96	83	279	252
Health Information Systems	309	280	897	833
Medical Solutions	1,241	1,251	3,783	3,471
Oral Care	359	320	1,086	741
Separation and Purification Sciences	244	221	733	639
Other Health Care	—	5	(3)	5
Total Health Care Business Group	2,249	2,160	6,775	6,087
Consumer Health and Safety	152	139	465	431
Home Care	278	268	829	796
Home Improvement	699	644	1,988	1,711
Stationery and Office	355	318	992	843
Other Consumer	41	43	106	112
Total Consumer Business Group	1,525	1,412	4,380	3,893
Corporate and Unallocated	3	(2)	2	(1)
Elimination of Dual Credit	(520)	(553)	(1,693)	(1,471)
Total Company	\$ 8,942	\$ 8,350	\$ 26,743	\$ 23,601

Three months ended September 30, 2021					
Net Sales (Millions)	Americas	Asia Pacific	Europe, Middle East and Africa	Other Unallocated	Worldwide
Safety and Industrial	\$ 1,710	\$ 828	\$ 698	\$ (1)	\$ 3,235
Transportation and Electronics	728	1,367	355	—	2,450
Health Care	1,357	425	467	—	2,249
Consumer	1,135	241	149	—	1,525
Corporate and Unallocated	1	—	1	1	3
Elimination of Dual Credit	(239)	(219)	(62)	—	(520)
Total Company	\$ 4,692	\$ 2,642	\$ 1,608	\$ —	\$ 8,942

Nine months ended September 30, 2021					
Net Sales (Millions)	Americas	Asia Pacific	Europe, Middle East and Africa	Other Unallocated	Worldwide
Safety and Industrial	\$ 5,077	\$ 2,465	\$ 2,275	\$ (1)	\$ 9,816
Transportation and Electronics	2,096	4,239	1,129	(1)	7,463
Health Care	4,001	1,263	1,512	(1)	6,775
Consumer	3,165	765	450	—	4,380
Corporate and Unallocated	1	—	1	—	2
Elimination of Dual Credit	(738)	(666)	(290)	1	(1,693)
Total Company	\$ 13,602	\$ 8,066	\$ 5,077	\$ (2)	\$ 26,743

Three months ended September 30, 2020					
Net Sales (Millions)	Americas	Asia Pacific	Europe, Middle East and Africa	Other Unallocated	Worldwide
Safety and Industrial	\$ 1,618	\$ 702	\$ 696	\$ 1	\$ 3,017
Transportation and Electronics	641	1,358	317	—	2,316
Health Care	1,335	377	447	1	2,160
Consumer	1,032	231	148	1	1,412
Corporate and Unallocated	—	—	—	(2)	(2)
Elimination of Dual Credit	(279)	(194)	(80)	—	(553)
Total Company	\$ 4,347	\$ 2,474	\$ 1,528	\$ 1	\$ 8,350

Nine months ended September 30, 2020					
Net Sales (Millions)	Americas	Asia Pacific	Europe, Middle East and Africa	Other Unallocated	Worldwide
Safety and Industrial	\$ 4,500	\$ 2,063	\$ 2,038	\$ —	\$ 8,601
Transportation and Electronics	1,848	3,711	933	—	6,492
Health Care	3,690	1,091	1,306	—	6,087
Consumer	2,801	697	395	—	3,893
Corporate and Unallocated	(1)	—	—	—	(1)
Elimination of Dual Credit	(716)	(533)	(222)	—	(1,471)
Total Company	\$ 12,122	\$ 7,029	\$ 4,450	\$ —	\$ 23,601

Americas included United States net sales to customers of \$3.9 billion and \$3.7 billion for the three months ended September 30, 2021 and 2020, respectively, and \$11.3 billion and \$10.2 billion for the nine months ended September 30, 2021 and 2020, respectively.

NOTE 3. Acquisitions and Divestitures

Refer to Note 3 in 3M’s 2020 Annual Report on Form 10-K for more information on relevant pre-2021 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.

2021 acquisitions:

There were no acquisitions that closed during the nine months ended September 30, 2021.

2020 acquisitions:

There were no acquisitions that closed during the year ended December 31, 2020.

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.

2021 divestitures:

There were no divestitures that closed during the nine months ended September 30, 2021.

2020 divestitures:

During 2020, as described in Note 3 in 3M’s 2020 Annual Report on Form 10-K, the Company divested its advanced ballistic-protection business, substantially all of its drug delivery business, and a small dermatology products business.

Operating income and held for sale amounts:

The aggregate operating income of applicable businesses held for sale with respect to the first nine months of 2020 was \$40 million.

NOTE 4. Goodwill and Intangible Assets

There was no goodwill recorded from acquisitions during the first nine months of 2021. The amounts in the “Translation and other” row in the following table primarily relate to changes in foreign currency exchange rates. The goodwill balance by business segment as of December 31, 2020 and September 30, 2021, follow:

Goodwill

(Millions)	Safety and Industrial	Transportation and Electronics	Health Care	Consumer	Total Company
Balance as of December 31, 2020	\$ 4,687	\$ 1,858	\$ 6,992	\$ 265	\$ 13,802
Translation and other	(43)	(21)	(133)	(8)	(205)
Balance as of September 30, 2021	\$ 4,644	\$ 1,837	\$ 6,859	\$ 257	\$ 13,597

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

As described in Note 16, effective in the first quarter of 2021, the Company changed its business segment reporting. For any product changes that resulted in reporting unit changes, the Company applied the relative fair value method to determine the impact on goodwill of the associated reporting units, the results of which were immaterial.

Acquired Intangible Assets

The carrying amount and accumulated amortization of acquired finite-lived intangible assets, in addition to the balance of non-amortizable intangible assets, as of September 30, 2021, and December 31, 2020, follow:

(Millions)	September 30, 2021	December 31, 2020
Customer related intangible assets	\$ 4,229	\$ 4,280
Patents	516	537
Other technology-based intangible assets	2,112	2,114
Definite-lived tradenames	1,172	1,178
Other amortizable intangible assets	104	104
Total gross carrying amount	8,133	8,213
Accumulated amortization — customer related	(1,563)	(1,422)
Accumulated amortization — patents	(500)	(512)
Accumulated amortization — other technology-based	(789)	(638)
Accumulated amortization — definite-lived tradenames	(431)	(385)
Accumulated amortization — other	(79)	(79)
Total accumulated amortization	(3,362)	(3,036)
Total finite-lived intangible assets — net	4,771	5,177
Non-amortizable intangible assets (primarily tradenames)	655	658
Total intangible assets — net	\$ 5,426	\$ 5,835

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. As discussed in Note 13, 3M reflected an immaterial charge related to impairment of certain indefinite-lived assets in the first quarter of 2020.

Amortization expense for the three and nine months ended September 30, 2021 and 2020 follows:

(Millions)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Amortization expense	\$ 131	\$ 137	\$ 398	\$ 405

Expected amortization expense for acquired amortizable intangible assets recorded as of September 30, 2021:

(Millions)	Remainder of 2021	2022	2023	2024	2025	2026	After 2026
Amortization expense	\$ 131	\$ 514	\$ 486	\$ 458	\$ 428	\$ 420	\$ 2,334

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

2021 and 2020 Restructuring Actions:

Operational/Marketing Capability Restructuring:

As described in Note 5 in 3M’s 2020 Annual Report on Form 10-K, in late 2020, 3M announced it would undertake certain actions 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. During the fourth quarter of 2020, management approved and committed to undertake associated restructuring actions impacting approximately 2,100 positions resulting in a pre-tax charge of \$137 million. In the first nine months of 2021, management approved and committed to undertake additional actions under this initiative resulting in pre-tax charges of \$14 million, \$43 million, and \$50 million in the first, second, and third quarters of 2021, respectively. Remaining activities related to the restructuring actions approved and committed under this initiative are expected to be largely completed through the first quarter of 2022. 3M expects further actions under this initiative through early 2022. This aggregate initiative, begun in 2020 and continuing through early 2022, is expected to impact approximately 3,100 positions worldwide with an expected pre-tax charge of \$300 million to \$325 million over that period. The related first nine months of 2021 restructuring charges were recorded in the income statement as follows:

(Millions)	First Nine Months of 2021
Cost of sales	\$ 18
Selling, general and administrative expenses	74
Research, development and related expenses	15
Total operating income impact	\$ 107

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

(Millions)	First Nine Months of 2021 Employee-Related
Safety and Industrial	\$ 28
Transportation and Electronics	23
Health Care	18
Consumer	6
Corporate and Unallocated	32
Total Operating Expense	\$ 107

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

(Millions)	Employee-Related
Accrued restructuring action balance as of December 31, 2020	\$ 101
Incremental expense incurred in the first quarter of 2021	14
Incremental expense incurred in the second quarter of 2021	43
Incremental expense incurred in the third quarter of 2021	50
Cash payments	(94)
Adjustments	(8)
Accrued restructuring action balances as of September 30, 2021	\$ 106

Divestiture-Related Restructuring

As described in Note 5 in 3M’s 2020 Annual Report on Form 10-K, during the second quarter of 2020, following the divestiture of substantially all of the drug delivery business, management approved and committed to undertake certain restructuring actions addressing corporate functional costs and manufacturing footprint across 3M in relation to the magnitude of amounts previously allocated/burdened to the divested business. These actions affected approximately 1,300 positions worldwide and resulted in a second quarter 2020 pre-tax charge of \$55 million, within Corporate and Unallocated.

Divestiture-related restructuring actions, including cash and non-cash impacts, follow:

(Millions)	Employee-Related	Asset-Related and Other	Total
Accrued divestiture-related restructuring action balances as of December 31, 2020	\$ 15	\$ 9	\$ 24
Cash payments	(5)	—	(5)
Adjustments	(1)	—	(1)
Accrued divestiture-related restructuring action balances as of June 30, 2021	\$ 9	\$ 9	\$ 18

Remaining activities related to this divestiture-related restructuring were largely completed in the third quarter of 2021.

Other Restructuring

As described in Note 5 in 3M’s 2020 Annual Report on Form 10-K, in the second quarter of 2020, management approved and committed to undertake certain restructuring actions addressing structural enterprise costs and operations in certain end markets as a result of the COVID-19 pandemic and related economic impacts. These actions affected approximately 400 positions worldwide and resulted in a second quarter 2020 pre-tax charge of \$58 million.

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

(Millions)	Employee-Related
Accrued restructuring action balances as of December 31, 2020	\$ 24
Cash payments	(4)
Adjustments	(9)
Accrued restructuring action balances as of March 31, 2021	\$ 11

Remaining activities related to this restructuring were largely completed in the second quarter of 2021.

NOTE 6. Supplemental Income Statement Information

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

(Millions)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest expense	\$ 117	\$ 128	\$ 370	\$ 388
Interest income	(6)	(5)	(18)	(24)
Pension and postretirement net periodic benefit cost (benefit)	(80)	(40)	(239)	(116)
Total	\$ 31	\$ 83	\$ 113	\$ 248

Interest expense includes an early debt extinguishment pre-tax charge of approximately \$11 million in the first quarter of 2021.

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

NOTE 7. Supplemental Equity and Comprehensive Income Information

Cash dividends declared and paid totaled \$1.48 and \$1.47 per share for the first, second, and third quarters of 2021 and 2020, respectively, or \$4.44 and \$4.41 per share for the first nine months of 2021 and 2020, respectively.

Consolidated Changes in Equity
Three months ended September 30, 2021

(Millions)	Total	3M Company Shareholders			Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock		
Balance at June 30, 2021	\$ 14,516	\$ 6,346	\$ 44,824	\$ (29,236)	\$ (7,486)	\$ 68
Net income	1,437		1,434			3
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(302)				(301)	(1)
Defined benefit pension and post-retirement plans adjustment	119				119	—
Cash flow hedging instruments	48				48	—
Total other comprehensive income (loss), net of tax	(135)					
Dividends declared	(856)		(856)			
Stock-based compensation	46	46				
Reacquired stock	(563)			(563)		
Issuances pursuant to stock option and benefit plans	85		(41)	126		
Balance at September 30, 2021	\$ 14,530	\$ 6,392	\$ 45,361	\$ (29,673)	\$ (7,620)	\$ 70

Nine months ended September 30, 2021

(Millions)	Total	3M Company Shareholders			Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
		Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock		
Balance at December 31, 2020	\$ 12,931	\$ 6,171	\$ 43,821	\$ (29,404)	\$ (7,721)	\$ 64
Net income	4,589		4,582			7
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(354)				(353)	(1)
Defined benefit pension and post-retirement plans adjustment	359				359	—
Cash flow hedging instruments	95				95	—
Total other comprehensive income (loss), net of tax	100					
Dividends declared	(2,572)		(2,572)			
Stock-based compensation	221	221				
Reacquired stock	(1,305)			(1,305)		
Issuances pursuant to stock option and benefit plans	566		(470)	1,036		
Balance at September 30, 2021	\$ 14,530	\$ 6,392	\$ 45,361	\$ (29,673)	\$ (7,620)	\$ 70

Three months ended September 30, 2020

(Millions)	3M Company Shareholders					
	Total	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at June 30, 2020	\$ 10,925	\$ 6,083	\$ 42,786	\$ (29,699)	\$ (8,303)	\$ 58
Net income	1,434		1,430			4
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	271				270	1
Defined benefit pension and post-retirement plans adjustment	116				116	—
Cash flow hedging instruments	(71)				(71)	—
Total other comprehensive income (loss), net of tax	316					
Dividends declared	(847)		(847)			
Stock-based compensation	42	42				
Reacquired stock	(1)			(1)		
Issuances pursuant to stock option and benefit plans	90		(40)	130		
Balance at September 30, 2020	\$ 11,959	\$ 6,125	\$ 43,329	\$ (29,570)	\$ (7,988)	\$ 63

Nine months ended September 30, 2020

(Millions)	3M Company Shareholders					
	Total	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance at December 31, 2019	\$ 10,126	\$ 5,916	\$ 42,130	\$ (29,849)	\$ (8,134)	\$ 63
Net income	4,047		4,044			3
Other comprehensive income (loss), net of tax:						
Cumulative translation adjustment	(67)				(65)	(2)
Defined benefit pension and post-retirement plans adjustment	271				271	—
Cash flow hedging instruments	(60)				(60)	—
Total other comprehensive income (loss), net of tax	144					
Dividends declared	(2,540)		(2,540)			
Purchase of subsidiary shares	(1)					(1)
Stock-based compensation	209	209				
Reacquired stock	(357)			(357)		
Issuances pursuant to stock option and benefit plans	331		(305)	636		
Balance at September 30, 2020	\$ 11,959	\$ 6,125	\$ 43,329	\$ (29,570)	\$ (7,988)	\$ 63

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

Three months ended September 30, 2021

(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 June 30, 2021, net of tax:	\$ (1,502)	\$ (5,858)	\$ (126)	\$ (7,486)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(286)	—	44	(242)
Amounts reclassified out	—	158	18	176
Total other comprehensive income (loss), before tax	(286)	158	62	(66)
Tax effect	(15)	(39)	(14)	(68)
Total other comprehensive income (loss), net of tax	(301)	119	48	(134)
Balance at September 30, 2021, net of tax:	\$ (1,803)	\$ (5,739)	\$ (78)	\$ (7,620)

Nine months ended September 30, 2021

(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, 2020, net of tax:	\$ (1,450)	\$ (6,098)	\$ (173)	\$ (7,721)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(303)	—	84	(219)
Amounts reclassified out	—	477	39	516
Total other comprehensive income (loss), before tax	(303)	477	123	297
Tax effect	(50)	(118)	(28)	(196)
Total other comprehensive income (loss), net of tax	(353)	359	95	101
Balance at September 30, 2021, net of tax:	\$ (1,803)	\$ (5,739)	\$ (78)	\$ (7,620)

Three months ended September 30, 2020

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2020, net of tax:	\$ (2,234)	\$ (6,049)	\$ (20)	\$ (8,303)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	237	—	(72)	165
Amounts reclassified out	—	149	(21)	128
Total other comprehensive income (loss), before tax	237	149	(93)	293
Tax effect	33	(33)	22	22
Total other comprehensive income (loss), net of tax	270	116	(71)	315
Balance at September 30, 2020, net of tax:	\$ (1,964)	\$ (5,933)	\$ (91)	\$ (7,988)

Nine months ended September 30, 2020

(Millions)	Cumulative Translation Adjustment	Defined Benefit Pension and Postretirement Plans Adjustment	Cash Flow Hedging Instruments, Unrealized Gain (Loss)	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2019, net of tax:	\$ (1,899)	\$ (6,204)	\$ (31)	\$ (8,134)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(98)	(80)	(10)	(188)
Amounts reclassified out	—	446	(68)	378
Total other comprehensive income (loss), before tax	(98)	366	(78)	190
Tax effect	33	(95)	18	(44)
Total other comprehensive income (loss), net of tax	(65)	271	(60)	146
Balance at September 30, 2020, net of tax	\$ (1,964)	\$ (5,933)	\$ (91)	\$ (7,988)

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 items that are subsequently recorded as part of net income.

Reclassifications out of Accumulated Other Comprehensive Income Attributable to 3M

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income				Location on Income Statement
	Three months ended September 30,		Nine months ended September 30,		
	2021	2020	2021	2020	
Defined benefit pension and postretirement plans adjustments					
Gains (losses) associated with defined benefit pension and postretirement plans amortization					
Transition asset	\$ (1)	\$ (1)	\$ (2)	\$ (2)	See Note 11
Prior service benefit	15	15	45	46	See Note 11
Net actuarial loss	(172)	(162)	(518)	(487)	See Note 11
Curtailments/Settlements	—	(1)	(2)	(3)	See Note 11
Total before tax	(158)	(149)	(477)	(446)	
Tax effect	39	33	118	108	Provision for income taxes
Net of tax	(119)	(116)	(359)	(338)	
Cash flow hedging instruments gains (losses)					
Foreign currency forward/option contracts	(15)	23	(32)	74	Cost of sales
Interest rate contracts	(3)	(2)	(7)	(6)	Interest expense
Total before tax	(18)	21	(39)	68	
Tax effect	4	(5)	9	(16)	Provision for income taxes
Net of tax	(14)	16	(30)	52	
Total reclassifications for the period, net of tax	\$ (133)	\$ (100)	\$ (389)	\$ (286)	

NOTE 8. Income Taxes

The effective tax rate for the third quarter of 2021 was 18.4 percent, compared to 21.5 percent in the third quarter of 2020, a decrease of 3.1 percentage points. The effective tax rate for the first nine months of 2021 was 18.8 percent compared to 20.1 percent in the first nine months of 2020, a decrease of 1.3 percentage points. The primary factor that decreased the Company's effective tax rate was favorable adjustments in 2021 related to impacts of U.S. international tax provisions.

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of September 30, 2021 and December 31, 2020 are \$1,105 million and \$1,145 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.

As of September 30, 2021 and December 31, 2020, the Company had valuation allowances of \$158 million and \$135 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)	September 30, 2021	December 31, 2020
Corporate debt securities	\$ —	\$ 7
Commercial paper	501	237
Certificates of deposit/time deposits	45	31
U.S. treasury securities	305	125
U.S. municipal securities	4	4
Current marketable securities	855	404
U.S. municipal securities	30	30
Non-current marketable securities	30	30
Total marketable securities	\$ 885	\$ 434

At September 30, 2021 and December 31, 2020, gross unrealized, gross realized, and net realized gains and/or losses (pre-tax) were not material.

The balances at September 30, 2021 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)	September 30, 2021
Due in one year or less	\$ 855
Due after one year through five years	15
Due after five years through ten years	15
Total marketable securities	\$ 885

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

In March 2021, 3M, via a make-whole call offer, redeemed \$450 million principal amount of 2.75% notes due 2022. The Company recorded an early debt extinguishment pre-tax charge of approximately \$11 million within interest expense. This charge reflected the differential between the carrying value and the amount paid to reacquire the notes and related expenses.

During the second and third quarters of 2021, 3M entered into interest rate swaps with an aggregate notional amount of \$800 million. These swaps converted \$500 million and \$300 million of 3M's \$1.0 billion and \$650 million principal amount of fixed rate notes due 2049 and 2050, respectively, into floating rate debt for the portion of their terms through mid-2028 with an interest rate based on a three-month LIBOR index.

2020 issuances, maturities, and extinguishments of short- and long-term debt are described in Note 5 in 3M's 2020 Annual Report on Form 10-K.

The Company had no commercial paper outstanding at September 30, 2021 and December 31, 2020.

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 September 30, 2021. The maturities of long-term debt for the periods subsequent to September 30, 2021 are as follows (in millions):

Remainder of 2021	2022	2023	2024	2025	2026	After 2026	Total
\$ 754	\$ 1,253	\$ 1,942	\$ 1,100	\$ 1,792	\$ 1,511	\$ 9,797	\$ 18,149

NOTE 11. Pension and Postretirement Benefit Plans

As discussed in Note 1, effective in the first quarter of 2021, 3M made a change in accounting principle for net periodic pension and postretirement plan cost. This impacted the expected return on plan assets and the amortization of net unamortized actuarial gains or losses expense components of net periodic benefit cost. This change was applied retrospectively to all periods presented within 3M's financial statements.

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 nine months ended September 30, 2021 and 2020 follow:

Benefit Plan Information

(Millions)	Three months ended September 30,					
	Qualified and Non-qualified Pension Benefits				Postretirement Benefits	
	United States		International		2021	2020
	2021	2020	2021	2020		
Net periodic benefit cost (benefit)						
Operating expense						
Service cost	\$ 72	\$ 66	\$ 41	\$ 39	\$ 12	\$ 11
Non-operating expense						
Interest cost	90	124	25	31	11	16
Expected return on plan assets	(264)	(263)	(81)	(77)	(19)	(20)
Amortization of transition asset	—	—	1	1	—	—
Amortization of prior service benefit	(6)	(6)	—	(1)	(9)	(8)
Amortization of net actuarial loss	132	123	26	28	14	11
Settlements, curtailments, special termination benefits and other	—	—	—	—	—	1
Total non-operating expense (benefit)	(48)	(22)	(29)	(18)	(3)	—
Total net periodic benefit cost (benefit)	\$ 24	\$ 44	\$ 12	\$ 21	\$ 9	\$ 11

(Millions)	Nine months ended September 30,					
	Qualified and Non-qualified Pension Benefits				Postretirement Benefits	
	United States		International			
	2021	2020	2021	2020	2021	2020
Net periodic benefit cost (benefit)						
Operating expense						
Service cost	\$ 216	\$ 197	\$ 125	\$ 115	\$ 35	\$ 33
Non-operating expense						
Interest cost	270	373	75	95	33	48
Expected return on plan assets	(792)	(786)	(244)	(232)	(58)	(60)
Amortization of transition asset	—	—	2	2	—	—
Amortization of prior service benefit	(18)	(18)	(2)	(4)	(25)	(24)
Amortization of net actuarial loss	396	368	80	85	42	34
Settlements, curtailments, special termination benefits and other	—	—	—	—	2	3
Total non-operating expense (benefit)	(144)	(63)	(89)	(54)	(6)	1
Total net periodic benefit cost (benefit)	\$ 72	\$ 134	\$ 36	\$ 61	\$ 29	\$ 34

For the nine months ended September 30, 2021 contributions totaling \$118 million were made to the Company's U.S. and international pension plans and \$3 million to its postretirement plans. For total year 2021, the Company expects to contribute approximately \$200 million of cash to its global defined benefit pension and postretirement plans. The Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2021. 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, interest rate and commodity price fluctuations. Note 14 in 3M's 2020 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 in 3M's 2020 Annual Report on Form 10-K.

Refer to the section below titled *Statement of Income Location and Impact of Cash Flow and Fair Value Derivative Instruments and Derivatives Not Designated as Hedging Instruments* for details on the location within the consolidated statements of income 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 September 30, 2021, the Company had a balance of \$78 million associated with the after-tax net unrealized loss associated with cash flow hedging instruments recorded in accumulated other comprehensive income. This includes a remaining balance of \$102 million (after-tax loss) related to the forward starting interest rate swap and treasury rate lock contracts, which will be amortized over the respective lives of the notes. Based on exchange rates as of September 30, 2021, of the total after-tax net unrealized balance as of September 30, 2021, 3M expects to reclassify approximately \$4 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 related to derivative instruments designated as cash flow hedges is provided in the following table.

(Millions)	Pretax Gain (Loss) Recognized in Other Comprehensive Income on Derivative			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Foreign currency forward/option contracts	\$ 44	\$ (72)	\$ 84	\$ (8)
Interest rate contracts	—	—	—	(2)
Total	\$ 44	\$ (72)	\$ 84	\$ (10)

Fair Value Hedges:

During the second and third quarters of 2021, 3M entered into interest rate swaps with an aggregate notional amount of \$800 million. These swaps converted \$500 million and \$300 million of 3M's \$1.0 billion and \$650 million principal amount of fixed rate notes due 2049 and 2050, respectively, into floating rate debt for the portion of their terms through mid-2028 with an interest rate based on a three-month LIBOR index as a hedge of its exposure to changes in fair value that are attributable to interest rate risk.

The following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for 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	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	Location on the Consolidated Balance Sheet			
Short-term borrowings and current portion of long-term debt	\$ 353	\$ 373	\$ 1	\$ 5
Long-term debt	1,008	225	8	6
Total	\$ 1,361	\$ 598	\$ 9	\$ 11

Net Investment Hedges:

At September 30, 2021, 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 3.5 billion euros. The maturity dates of these derivative and nonderivative instruments designated in net investment hedges range from 2021 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 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			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Foreign currency denominated debt	\$ 83	\$ (154)	\$ 195	\$ (150)
Foreign currency forward contracts	3	(3)	4	2
Total	\$ 86	\$ (157)	\$ 199	\$ (148)

Statement of Income 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 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							
	Three months ended September 30,				Nine months ended September 30,			
	Cost of sales		Other expense (income), net		Cost of sales		Other expense (income), net	
	2021	2020	2021	2020	2021	2020	2021	2020
Information regarding cash flow and fair value hedging relationships:								
Total amounts of income and expense line items presented in the consolidated statement of income in which the effects of derivatives are recorded	\$ 4,853	\$ 4,303	\$ 31	\$ 83	\$ 14,097	\$ 12,217	\$ 113	\$ 248
Gain or (loss) on cash flow hedging relationships:								
Foreign currency forward/option contracts:								
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	(15)	23	—	—	(32)	74	—	—
Interest rate contracts:								
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	—	—	(3)	(2)	—	—	(7)	(6)
Gain or (loss) on fair value hedging relationships:								
Interest rate contracts:								
Hedged items	—	—	1	3	—	—	3	3
Derivatives designated as hedging instruments	—	—	(1)	(3)	—	—	(3)	(3)
Information regarding derivatives not designated as hedging instruments:								
Gain or (loss) on derivatives not designated as instruments:								
Foreign currency forward/option contracts	—	1	(35)	29	—	3	(7)	2

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.

September 30, 2021 (Millions)	Gross Notional Amount	Assets		Liabilities	
		Location	Fair Value Amount	Location	Fair Value Amount
Derivatives designated as hedging instruments					
Foreign currency forward/option contracts	1,796	Other current assets	\$ 41	Other current liabilities	\$ 17
Foreign currency forward/option contracts	792	Other assets	31	Other liabilities	3
Interest rate contracts	403	Other current assets	1	Other current liabilities	—
Interest rate contracts	800	Other assets	3	Other liabilities	—
Total derivatives designated as hedging instruments			76		20
Derivatives not designated as hedging instruments					
Foreign currency forward/option contracts	5,269	Other current assets	8	Other current liabilities	20
Total derivatives not designated as hedging instruments			8		20
Total derivative instruments			\$ 84		\$ 40

December 31, 2020 (Millions)	Gross Notional Amount	Assets		Liabilities	
		Location	Fair Value Amount	Location	Fair Value Amount
Derivatives designated as hedging instruments					
Foreign currency forward/option contracts	1,630	Other current assets	\$ 14	Other current liabilities	\$ 67
Foreign currency forward/option contracts	669	Other assets	10	Other liabilities	25
Interest rate contracts	403	Other current assets	7	Other current liabilities	—
Total derivatives designated as hedging instruments			31		92
Derivatives not designated as hedging instruments					
Foreign currency forward/option contracts	3,166	Other current assets	13	Other current liabilities	14
Total derivatives not designated as hedging instruments			13		14
Total derivative instruments			\$ 44		\$ 106

Credit Risk and Offsetting of Assets and Liabilities of Derivative Instruments

3M enters into master netting arrangements with counterparties when possible to mitigate credit risk in derivative transactions. These arrangements may allow each counterparty to net settle amounts owed between a 3M entity and the counterparty as a result of multiple, separate derivative transactions. 3M also has associated credit support agreements in place with its primary derivative counterparties which, among other things, provide the circumstances under which either party is required to post eligible collateral (when the market value of transactions covered by these agreements exceeds specified thresholds or if a counterparty's credit rating has been downgraded to a predetermined rating). The Company does not anticipate nonperformance by any of these counterparties.

3M has elected to present the fair value of derivative assets and liabilities within the Company's consolidated balance sheet on a gross basis even when derivative transactions are subject to master netting arrangements and may otherwise qualify for net presentation. However, the following tables provide information as if the Company had elected to offset the asset and liability balances of derivative instruments, netted in accordance with various criteria in the event of default or termination as stipulated by the terms of netting arrangements with each of the counterparties. For each counterparty, if netted, the Company would offset the asset and liability balances of all derivatives at the end of the reporting period based on the 3M entity that is a party to the transactions. Derivatives not subject to master netting agreements are not eligible for net presentation.

Offsetting of Financial Assets under Master Netting Agreements with Derivative Counterparties

	Gross Amount of Derivative Assets Presented in the Consolidated Balance Sheet	Gross Amounts not Offset in the Consolidated Balance Sheet that are Subject to Master Netting Agreements		
		Gross Amount of Eligible Offsetting Recognized Derivative Liabilities	Cash Collateral Received	Net Amount of Derivative Assets
September 30, 2021 (Millions)				
Derivatives subject to master netting agreements	\$ 84	\$ 20	\$ —	\$ 64
Derivatives not subject to master netting agreements	—			—
Total	\$ 84			\$ 64
December 31, 2020 (Millions)				
Derivatives subject to master netting agreements	\$ 44	\$ 11	\$ —	\$ 33
Derivatives not subject to master netting agreements	—			—
Total	\$ 44			\$ 33

Offsetting of Financial Liabilities under Master Netting Agreements with Derivative Counterparties

	Gross Amount of Derivative Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts not Offset in the Consolidated Balance Sheet that are Subject to Master Netting Agreements		
		Gross Amount of Eligible Offsetting Recognized Derivative Assets	Cash Collateral Pledged	Net Amount of Derivative Liabilities
September 30, 2021 (Millions)				
Derivatives subject to master netting agreements	\$ 40	\$ 20	\$ —	\$ 20
Derivatives not subject to master netting agreements	—			—
Total	\$ 40			\$ 20
December 31, 2020 (Millions)				
Derivatives subject to master netting agreements	\$ 106	\$ 11	\$ —	\$ 95
Derivatives not subject to master netting agreements	—			—
Total	\$ 106			\$ 95

Currency Effects

3M estimates that year-on-year foreign currency transaction effects, including hedging impacts, decreased pre-tax income by approximately \$36 million and \$94 million for the three and nine months ended September 30, 2021, 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 in 3M's 2020 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.

[Table of Contents](#)

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 September 30, 2021	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets:				
Available-for-sale:				
Marketable securities:				
Corporate debt securities	\$ —	\$ —	\$ —	\$ —
Commercial paper	501	—	501	—
Certificates of deposit/time deposits	45	—	45	—
U.S. treasury securities	305	305	—	—
U.S. municipal securities	34	—	—	34
Derivative instruments — assets:				
Foreign currency forward/option contracts	80	—	80	—
Interest rate contracts	4	—	4	—
Liabilities:				
Derivative instruments — liabilities:				
Foreign currency forward/option contracts	40	—	40	—

Description (Millions)	Fair Value at December 31, 2020	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets:				
Available-for-sale:				
Marketable securities:				
Corporate debt securities	\$ 7	\$ —	\$ 7	\$ —
Commercial paper	237	—	237	—
Certificates of deposit/time deposits	31	—	31	—
U.S. treasury securities	125	125	—	—
U.S. municipal securities	34	—	—	34
Derivative instruments — assets:				
Foreign currency forward/option contracts	37	—	37	—
Interest rate contracts	7	—	7	—
Liabilities:				
Derivative instruments — liabilities:				
Foreign currency forward/option contracts	106	—	106	—

[Table of Contents](#)

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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Beginning balance	\$ 34	\$ 37	\$ 34	\$ 46
Total gains or losses:				
Included in earnings	—	—	—	—
Included in other comprehensive income	—	—	—	—
Purchases and issuances	—	—	—	10
Sales and settlements	—	—	—	(19)
Transfers in and/or out of level 3	—	—	—	—
Ending balance	\$ 34	\$ 37	\$ 34	\$ 37
Change in unrealized gains or losses for the period included in earnings for securities held at the end of the reporting period	—	—	—	—

In addition, the plan assets of 3M's pension and postretirement benefit plans are measured at fair value on a recurring basis (at least annually). Refer to Note 13 in 3M's 2020 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 three and nine months ended September 30, 2021. 3M reflected an immaterial charge related to impairment of certain indefinite-lived assets and a net charge of \$22 million related to adjustment to the carrying value of equity securities using the measurement alternative during the first quarter of 2020. There were no material impairments of assets or adjustments to equity securities using the measurement alternative for the three months ended September 30, 2020.

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)	September 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, excluding current portion	\$ 16,193	\$ 17,836	\$ 17,989	\$ 20,496

The fair values reflected above consider the terms of the related debt absent the impacts of derivative/hedging activity. The carrying amount of long-term debt referenced above is impacted by certain fixed-to-floating interest rate swaps that are designated as fair value hedges and by the designation of certain fixed rate Eurobond securities issued by the Company as hedging instruments of the Company's net investment in its European subsidiaries. A number of 3M's fixed-rate bonds were trading at a premium at September 30, 2021 and December 31, 2020 due to the lower interest rates and tighter credit spreads compared to issuance levels.

NOTE 14. Commitments and Contingencies

Legal Proceedings:

The Company and some of its subsidiaries are involved in numerous claims and lawsuits, principally in the United States, and regulatory proceedings worldwide. These claims, lawsuits and proceedings include, but are not limited to, products liability (involving products that the Company now or formerly manufactured and sold), intellectual property, commercial, antitrust, federal False Claims Act, securities, and 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 or requests for information from various government agencies. The Company generally responds to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Company. Such subpoenas and requests can also lead to the assertion of claims or the commencement of administrative, civil or criminal legal proceedings against the Company and others, as well as to settlements. The outcomes of legal proceedings and regulatory matters are often difficult to predict. Any determination that the Company's operations or activities are not, or were not, in compliance with applicable laws or regulations could result in the imposition of fines, civil or criminal penalties, and equitable remedies, including disgorgement, suspension or debarment or injunctive relief. Additional information about the Company's process for disclosure and recording of liabilities and insurance receivables related to legal proceedings can be found in Note 16 "Commitments and Contingencies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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 September 30, 2021, the Company is a named defendant, with multiple co-defendants, in numerous lawsuits in various courts that purport to represent approximately 3,096 individual claimants, compared to approximately 2,075 individual claimants with actions pending December 31, 2020.

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

The Company's current volume of new and pending matters is substantially lower than it experienced at the peak of filings in 2003. The Company expects that filing of claims by unimpaired claimants in the future will continue to be at much lower levels than in the past. Accordingly, the number of claims alleging more serious injuries, including mesothelioma, other malignancies, and black lung disease, will represent a greater percentage of total claims than in the past. Over the past twenty plus years, the Company has prevailed in 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. During March and April 2019, the Company agreed in principle to settle 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. That settlement was completed in 2019, and the appeal has been 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's appeal is pending.

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. In addition, during the second half of 2020 and through September 30, 2021, the Company has experienced an increase in the number of cases filed that allege injuries from exposures to coal mine dust.

As previously reported, the State of West Virginia, through its Attorney General, filed a complaint in 2003 against the Company and two other manufacturers of respiratory protection products in the Circuit Court of Lincoln County, West Virginia, and amended its complaint in 2005. The amended complaint seeks substantial, but unspecified, compensatory damages primarily for reimbursement of the costs allegedly incurred by the State for worker's compensation and healthcare benefits provided to all workers with occupational pneumoconiosis and unspecified punitive damages. In October 2019, the court granted the State's motion to sever its unfair trade practices claim. In January 2020, the manufacturers filed a petition with the West Virginia Supreme Court, challenging the trial court's rulings; that petition was denied in November 2020. No liability has been recorded for 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, the otherwise minimal activity in this case, and the assertions of claims against two other manufacturers where a defendant's share of liability may turn on the law of joint and several liability and by the amount of fault, if any, a jury may allocate to each defendant if the case were ultimately tried.

Respirator Mask/Asbestos Liabilities and Insurance Receivables

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

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

As a result of its review of its respirator mask/asbestos liabilities, of pending and expected lawsuits and of the cost of resolving claims of persons who claim more serious injuries, including mesothelioma, other malignancies, and black lung disease, the Company increased its accruals in the first nine months of 2021 for respirator mask/asbestos liabilities by \$80 million. In the first nine months of 2021, the Company made payments for legal defense costs and settlements of \$87 million related to the respirator mask/asbestos litigation. As previously disclosed, during the first quarter of 2019, the Company recorded a pre-tax charge of \$313 million in conjunction with an increase in the accrual as a result of the March and April 2019 settlements-in-principle of the coal mine dust lawsuits mentioned above and the Company's assessment of other then current and expected coal mine dust lawsuits (including the costs to resolve all then current and expected coal mine dust lawsuits in Kentucky and West Virginia at the time of the charge). As of September 30, 2021, the Company had an accrual for respirator mask/asbestos liabilities (excluding Aearo accruals) of \$655 million. This accrual represents the Company's best estimate of probable loss and reflects an estimation period for future claims that may be filed against the Company approaching the year 2050. The Company cannot estimate the amount or upper end of the range of amounts by which the liability may exceed the accrual the Company has established because of the (i) inherent difficulty in projecting the number of claims that have not yet been asserted or the time period in which future claims may be asserted, (ii) the complaints nearly always assert claims against multiple defendants where the damages alleged are typically not attributed to individual defendants so that a defendant's share of liability may turn on the law of joint and several liability, which can vary by state, (iii) the multiple factors described above that the Company considers in estimating its liabilities, and (iv) the several possible developments described above that may occur that could affect the Company's estimate of liabilities.

As of September 30, 2021, the Company's receivable for insurance recoveries related to the respirator mask/asbestos litigation was \$4 million. The Company continues to seek coverage under the policies of certain insolvent and other insurers. Once those claims for coverage are resolved, the Company will have collected substantially all of its remaining insurance coverage for respirator mask/asbestos claims.

Respirator Mask/Asbestos Litigation — Aearo Technologies

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

As of September 30, 2021, Aearo and/or other companies that previously owned and operated Aearo's respirator business (American Optical Corporation, Warner-Lambert LLC, AO Corp. and Cabot Corporation ("Cabot")) are named defendants, with multiple co-defendants, including the Company, in numerous lawsuits in various courts in which plaintiffs allege use of mask and respirator products and seek damages from Aearo and other defendants for alleged personal injury from workplace exposures to asbestos, silica-related, coal mine dust, or other occupational dusts found in products manufactured by other defendants or generally in the workplace.

As of September 30, 2021, the Company, through its Aearo subsidiary, had accruals of \$29 million for product liabilities and defense costs related to current and future Aearo-related asbestos, silica-related and coal mine dust claims. This accrual represents the Company's best estimate of Aearo's probable loss and reflects an estimation period for future claims that may be filed against Aearo approaching the year 2050. The accrual was reduced by \$37 million during the second quarter of 2020 after paying Aearo's share of certain settlements under the informal arrangement described below. The accrual reflects the Company's assessment of pending and expected lawsuits, its review of its respirator mask/asbestos liabilities, and the cost of resolving claims of persons who claim more serious injuries. Responsibility for legal costs, as well as for settlements and judgments, is currently shared in an informal arrangement among Aearo, Cabot, American Optical Corporation and a subsidiary of Warner Lambert and their respective insurers (the "Payor Group"). Liability is allocated among the parties based on the number of years each company sold respiratory products under the "AO Safety" brand and/or owned the AO Safety Division of American Optical Corporation and the alleged years of exposure of the individual plaintiff.

Aearo's share of the contingent liability is further limited by an agreement entered into between Aearo and Cabot on July 11, 1995. This agreement provides that, so long as Aearo pays to Cabot a quarterly fee of \$100,000, Cabot will retain responsibility and liability for, and indemnify Aearo against, any product liability claims involving exposure to asbestos, silica, or silica products for respirators sold prior to July 11, 1995. Because of the difficulty in determining how long a particular respirator remains in the stream of commerce after being sold, Aearo and Cabot have applied the agreement to claims arising out of the alleged use of respirators involving exposure to asbestos, silica or silica products prior to January 1, 1997. With these arrangements in place, Aearo's potential liability is limited to exposures alleged to have arisen from the use of respirators involving exposure to asbestos, silica, or silica products on or after January 1, 1997. To date, Aearo has elected to pay the quarterly fee. Aearo could potentially be exposed to additional claims for some part of the pre-July 11, 1995 period covered by its agreement with Cabot if Aearo elects to discontinue its participation in this arrangement, or if Cabot is no longer able to meet its obligations in these matters.

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

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

Environmental Matters and Litigation

The Company's operations are subject to environmental laws and regulations including those pertaining to air emissions, wastewater discharges, toxic substances, and the handling and disposal of solid and hazardous wastes enforceable by national, state, and local authorities around the world, and private parties in the United States and abroad. These laws and regulations provide, under certain circumstances, a basis for the remediation of contamination, for capital investment in pollution control equipment, for restoration of or compensation for damages to natural resources, and for personal injury and property damage claims. The Company has incurred, and will continue to incur, costs and capital expenditures in complying with these laws and regulations, defending personal injury and property damage claims, and modifying its business operations in light of its environmental responsibilities. In its effort to satisfy its environmental responsibilities and comply with environmental laws and regulations, the Company has established, and periodically updates, policies relating to environmental standards of performance for its operations worldwide.

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

Environmental Matters

As previously reported, the Company has been voluntarily cooperating with ongoing reviews by local, state, federal (primarily the U.S. Environmental Protection Agency (EPA)), and international agencies of possible environmental and health effects of various perfluorinated compounds, including perfluorooctanoate (PFOA), perfluorooctane sulfonate (PFOS), perfluorohexane sulfonate (PFHxS), or other per- and polyfluoroalkyl substances (collectively PFAS). As a result of its phase-out decision in May 2000, the Company no longer manufactures certain PFAS compounds including PFOA, PFOS, PFHxS, and their precursor 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, precursor compounds to perfluorobutane sulfonate (PFBS). These compounds are used as input materials to a variety of products, including engineered fluorinated fluids, fluoropolymers and fluorelastomers, as well as surfactants, additives, and coatings. Through its ongoing life cycle management and its raw material composition identification processes associated with the Company's policies covering the use of all persistent and bio-accumulative materials, the Company continues to review, control or eliminate the presence of certain PFAS in purchased materials or as byproducts in some of 3M's current fluorochemical manufacturing processes, products, and waste streams.

PFAS Regulatory Activity

Regulatory activities concerning PFAS continue in the United States, Europe and elsewhere, and before certain international bodies. These activities include gathering of exposure and use information, risk assessment, and consideration of regulatory approaches. In the European Union, where 3M has manufacturing facilities in countries such as Germany and Belgium, recent regulatory activities have included both preliminary and on-going work on various restrictions under the Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), including the restriction of PFAS in certain usages and a broader restriction of PFAS as a class. As of the second half of 2020, PFOA is subject to broad restrictions under the EU's Persistent Organic Pollutants (POPs) Regulation. Dyneon, a 3M subsidiary that operates a facility at Gendorf, Germany, 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. The recycling process removes and concentrates the PFOA for incineration in accordance with applicable waste law. With respect to the applicability of the recently enacted POPs, Dyneon proactively consulted with the relevant German regulatory authority regarding process improvements underway that are designed to ensure compliance with the PFOA limits in the recycled material. In October 2021, Dyneon also discussed with the authority technical complexities it had recently discovered in achieving PFOA reductions. The engagement is ongoing.

In addition, as previously disclosed, 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 PFOA contaminations at and near its facility in Zwijndrecht, Antwerp, Belgium. In connection with a ring road construction project (the Oosterweel Project) in Antwerp that has 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 3M's Zwijndrecht facility. The Company testified at Flemish parliamentary committee hearings in June and September 2021 on PFAS-related matters. The Flemish Parliament, the Minister of the Environment, and regulatory authorities have initiated investigations and demands for

information related to the release of PFAS from the Zwijndrecht facility. The Company is cooperating with the authorities in the investigations and information requests. Separately, as previously disclosed, the Company is aware that certain residents of Zwijndrecht have 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. 3M Belgium has not been served with any such complaint.

In August 2021, the Flemish Government served 3M Belgium with a notice of intent to impose a safety measure (wastewater discharge stoppage) and issued an infraction report alleging permit and/or legal violations in connection with the discharge of certain specific PFAS compounds for alleged lack of specific authorization. Following discussions with the government officials, 3M Belgium implemented a focused safety measure that would allow continued production activities and plans to contest through appeal the underlying legal and factual basis for the safety measure. Separately, the permitting authority has initiated a process to tighten the wastewater discharge limits immediately, and a hearing was held on the limits and discharge permit. An adverse permit action, and an unsuccessful appeal thereof, could adversely impact the facility's normal operations. In September 2021, the Flemish Government served 3M Belgium with a notice of intent to impose an administrative measure related to the removal and potential remediation of soil piles on 3M's Zwijndrecht site. 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 an ongoing off-site descriptive soil investigation and appropriate soil remediation, support for local commercial farmers impacted by restrictions on sale of agricultural products, and enhancements to site discharge control technologies.

In the United States, the EPA has developed human health effects documents summarizing the available data studies of both PFOA and PFOS. In May 2016, the EPA announced lifetime health advisory levels for PFOA and PFOS at 70 parts per trillion (ppt) (superseding the provisional levels established by the EPA in 2009 of 400 ppt for PFOA and 200 ppt for PFOS). Where PFOA and PFOS are found together, EPA's lifetime health advisory for PFOA and PFOS combined is also 70 ppt. Lifetime health advisories, which are non-enforceable and non-regulatory, provide information about concentrations of drinking water contaminants at which adverse health effects are not expected to occur over the specified exposure duration.

The U.S. Agency for Toxic Substances and Disease Registry (ATSDR) within the Department of Health and Human Services released a draft Toxicological Profile for PFAS for public review and comment in June 2018. In the draft report, ATSDR proposed draft minimal risk levels (MRLs) for PFOS, PFOA and several other PFAS. An MRL is an estimate of the daily human exposure to a hazardous substance that is likely to be without appreciable risk of adverse non-cancer health effects over a specified duration of exposure. MRLs establish a screening level and are not intended to define cleanup or action levels for ATSDR or other agencies. In May 2021, ATSDR released a final toxicological profile for certain PFAS that preserved the draft MRLs. Earlier, in April 2021, EPA released a final toxicity assessment for PFBS.

As periodically required under the Safe Drinking Water Act (SDWA), the EPA published in May 2012 a list of unregulated substances, including six PFAS chemicals, required to be monitored during the period 2013-2015 by public water system suppliers to determine the extent of their occurrence. Through January 2017, the EPA reported results for 4,920 public water supplies nationwide. Based on the 2016 lifetime health advisory, 13 public water supplies exceeded the level for PFOA and 46 exceeded the level for PFOS (unchanged from the July 2016 EPA summary). These results are based on one or more samples collected during the period 2012-2015 and do not necessarily reflect current conditions of these public water supplies. EPA reporting does not identify the sources of the PFOA and PFOS in the public water supplies. In March 2021, EPA proposed including 29 PFAS in the fifth version of the unregulated contaminant monitoring rule. If finalized, monitoring for these additional substances will occur between 2023 and 2025.

In February 2019, the EPA issued a PFAS Action Plan that outlines short- and long-term actions the EPA plans to take to address PFAS – actions that include developing a national drinking water determination for PFOA and PFOS, strengthening enforcement authorities and evaluating cleanup approaches, nationwide drinking water monitoring for PFAS, expanding scientific knowledge for understanding and managing risk from PFAS, and developing consistent risk communication tools for communicating with other agencies and the public. With respect to PFOA and PFOS in groundwater, EPA issued interim recommendations in December 2019, providing guidance for screening levels and preliminary remediation goals for groundwater that is a current or potential drinking water source, to inform final clean-up levels of contaminated sites.

EPA has taken a number of actions to advance its PFAS Action Plan and regulatory agenda and to comply with mandatory actions required by Congress in the National Defense Authorization Act for Fiscal Year 2020. EPA announced in its Spring 2020 Regulatory Agenda, released in June 2020, that it intended to publish a notice of proposed rulemaking to designate PFOA

and PFOS as hazardous substances under CERCLA in August 2020. In November 2020, EPA announced it was developing a new analytical method to test for PFAS in wastewater and other environmental media. In December 2020, EPA released for public comment interim guidance on destroying and disposing of certain PFAS and PFAS-containing materials. The Company submitted comments on that draft guidance document.

In March 2021, EPA published its intention to initiate a process to develop a national primary drinking water regulation for PFOA and PFOS; the process is expected to take several years and will include further analyses, scientific review and opportunities for public comment. EPA also issued an Advance Notice of Proposed Rulemaking (ANPR) in March 2021 to collect information regarding manufacturers of PFAS and the presence and treatment of PFAS in discharges from these manufacturing facilities. The Company responded to that ANPR in May 2021. 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 to the list of substances that must be included in TRI reports as of July 2021. In June 2021, EPA published a proposed rule under TSCA that, if adopted, would require certain persons that manufacture (including import) or have manufactured PFAS in any year since 2011 to report information regarding PFAS uses, production volumes, disposal, exposures, and hazards. The Company submitted comments on the proposed rule during the public comment period, which ended in September 2021.

In October 2021, EPA released its "PFAS Strategic Roadmap: EPA's Commitments to Action 2021-2024," which presents EPA's integrated approach to PFAS, including investing in research to increase an 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. The 2021-2024 Roadmap sets timelines by which EPA plans to take specific actions, including, among other items, publishing a national PFAS testing strategy, proposing to designate PFOA and PFOS as CERCLA hazardous substances, restricting PFAS discharges from industrial sources through Effluent Limitations Guidelines, publishing the final toxicity assessment for five additional PFAS, requiring water systems to test for 29 PFAS under the Safe Drinking Water Act, and publishing improved analytical methods in eight different environmental matrices to monitor 40 PFAS present in wastewater and stormwater discharges.

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. Those states include the following:

- Minnesota Department of Health in May 2017 stated that HBVs “are designed to reduce long-term health risks across the population and are based on multiple safety factors to protect the most vulnerable citizens, which makes them overprotective for most of the residents in our state.” As of 2021, the current HBVs are 35 ppt for PFOA, 15 ppt for PFOS, 47 ppt for PFHxS and 2 ppb for PFBS. In February 2018, the MDH published reports finding no unusual rates of certain cancers or adverse birth outcomes (low birth rates or premature births) among residents of Washington and Dakota Counties in Minnesota.
- California finalized drinking water standards for PFOA and PFOS in February 2020.
- Vermont finalized drinking water standards for a combination of PFOA, PFOS and three other PFAS in March 2020.
- New Jersey finalized drinking water standards and designated PFOA and PFOS as hazardous substances in June 2020.
- New York established drinking water standards for PFOA and PFOS in July 2020.
- New Hampshire established drinking water standards by legislation for certain PFAS, including PFOS and PFOA, in July 2020.
- Michigan implemented final drinking water standards for certain PFAS, including PFOS and PFOA, in August 2020.
- Massachusetts published final regulations establishing a drinking water standard relating to six combined PFAS in October 2020.

Some other states have also been evaluating or have taken actions relating to PFOA, PFOS and other PFAS in products such as food packaging, carpets and other products. For example, in October 2021, two bills were signed into law in California that prohibit the use of PFAS in children’s products and in food packaging. Additionally, in March 2021, California proposed listing PFOA and PFOS as carcinogens, and PFDA, PFHXS, PFNA, and PFUNDA as reproductive toxicants under its Proposition 65 law.

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 parties completed briefing on the merits in October 2021. In March 2021, 3M filed a lawsuit against the New York State Department of Health, on the grounds that drinking water levels set by the agency for PFOS and PFOA should be vacated because they are arbitrary and did not comply with statutorily required processes. The court has scheduled oral argument on the merits for November 2021. 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. EGLE moved to dismiss that lawsuit. In September 2021, the court denied EGLE's motion in part, and the parties are proceeding to litigation on the merits of the remaining claims.

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.

Litigation Related to Historical PFAS Manufacturing Operations in Alabama

As previously reported, a former employee filed a putative class action lawsuit against 3M, BFI Waste Management Systems of Alabama, and others in the Circuit Court of Morgan County, Alabama (the "St. John" case), seeking property damage from exposure to certain perfluorochemicals at or near the Company's Decatur, Alabama, manufacturing facility. The parties have agreed to continue to stay the St. John case, pending ongoing mediation between the parties involved in this case and another case discussed below. Two additional putative class actions filed in the same court by certain residents in the vicinity of the Decatur plant seeking relief on similar grounds (the Chandler case and the Stover case, respectively) are stayed pending the resolution of class certification issues in the St. John case. The Company is in discussions for negotiated resolutions with multiple parties regarding filed claims and pre-litigation disputes related to historical PFAS manufacturing operations in Alabama.

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

In October 2021, 3M reached agreements in principle to resolve litigation with the Tennessee Riverkeeper organization, as well as the plaintiffs in the *St. John* (including *Stover*, *Owens*, and *Chandler*) matters. The agreements, if finalized and approved by the court, will complement the Interim Consent Order that 3M entered with ADEM in 2020. Key provisions of these agreements include 3M's continued environmental characterization, including sampling of environmental media, such as soil, ground water, and sediment, 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. The estimate of committed actions and other costs are reflected in the Company's balance of accruals for PFAS-related "other environmental liabilities."

In October 2015, West Morgan-East Lawrence Water & Sewer Authority (Water Authority) filed an individual complaint against 3M Company, Dyneon, L.L.C, and Daikin America, Inc., in the U.S. District Court for the Northern District of Alabama. The complaint also includes representative plaintiffs who brought the complaint on behalf of themselves, and a class of all owners and possessors of property who use water provided by the Water Authority and five local water works to which the Water Authority supplies water. The complaint seeks compensatory and punitive damages and injunctive relief based on allegations that the defendants' chemicals, including PFOA and PFOS from their manufacturing processes in Decatur, have contaminated the water in the Tennessee River at the water intake, and that the chemicals cannot be removed by the water treatment processes utilized by the Water Authority. In April 2019, 3M and the Water Authority settled the lawsuit for \$35 million, which will fund a new water filtration system, with 3M indemnifying the Water Authority from liability resulting from the resolution of the currently pending and future lawsuits against the Water Authority alleging liability or damages related to 3M PFAS. In October 2021, with respect to the putative class claims brought by the representative plaintiffs who were supplied drinking water by the Water Authority (the "Lindsey" case), the parties reached an agreement in principle, subject to court approval, to resolve the claims for an immaterial amount.

In August 2016, a group of over 200 plaintiffs filed a putative class action against West Morgan-East Lawrence Water and Sewer Authority (Water Authority), 3M, Dyneon, Daikin, BFI, and the City of Decatur in state court in Lawrence County, Alabama (the "Billings" case). Plaintiffs are residents of Lawrence, Morgan and other counties who are or have been customers of the Water Authority. They contend defendants have released PFAS that contaminate the Tennessee River and, in turn, their drinking water, causing damage to their health and properties. In January 2017, the court in the St. John case, discussed above, stayed this litigation pending resolution of the St. John case. Plaintiffs in the Billings case have amended their complaint numerous times to add additional plaintiffs. There are now approximately 4,000 named plaintiffs.

In January 2017, several hundred plaintiffs sued 3M, Dyneon and Daikin America in Lawrence and Morgan Counties, Alabama (the “Owens” case). The plaintiffs are owners of property, residents, and holders of property interests who receive their water from the West Morgan-East Lawrence Water and Sewer Authority (Water Authority). They assert common law claims for negligence, nuisance, trespass, wantonness and battery, and they seek injunctive relief and punitive damages. The plaintiffs contend that the defendants own and operate manufacturing and disposal facilities in Decatur that have released and continue to release PFOA, PFOS and related chemicals into the groundwater and surface water of their sites, resulting in discharges into the Tennessee River. The plaintiffs contend that, as a result of the alleged discharges, the water supplied by the Water Authority to the plaintiffs was, and is, contaminated with PFOA, PFOS and related chemicals at a level dangerous to humans. The court denied a motion by co-defendant Daikin to stay this case pending resolution of the St. John case, and the case is progressing through discovery. The parties have engaged in negotiations to resolve the litigation.

In November 2017, a putative class action (the “King” case) was filed against 3M, Dyneon, Daikin America and the West Morgan-East Lawrence Water and Sewer Authority (Water Authority) in the U.S. District Court for the Northern District of Alabama. The plaintiffs are residents of Lawrence and Morgan County, Alabama who receive their water from the Water Authority and seek injunctive relief, attorneys’ fees, compensatory and punitive damages for their alleged personal injuries. The plaintiffs contend that the defendants own and operate manufacturing and disposal facilities in Decatur, Alabama that have released and continue to release PFOA, PFOS and related chemicals into the groundwater and surface water of their sites, resulting in discharges into the Tennessee River. The plaintiffs contend that, as a result of the alleged discharges, the water supplied by the Water Authority to the plaintiffs was, and is, contaminated with PFOA, PFOS and related chemicals at a level dangerous to humans. In November 2019, the King plaintiffs amended their complaint to withdraw all class allegations. Since then, the plaintiffs have added 37 new individual plaintiffs and voluntarily dismissed five plaintiffs (for a total of 55 plaintiffs). The case is scheduled for trial in July 2023. Discovery in this case is proceeding.

In July 2019, 3M announced that it had initiated an investigation into the possible presence of PFAS in three closed municipal landfills in Decatur that accepted waste from 3M’s Decatur plant and other companies in the 1960s through the 1980s. 3M has worked with the City of Decatur and other local and state entities such as Morgan County and Decatur Utilities as it conducted its investigation. In October 2021, 3M reached a collaborative agreement with the City of Decatur, Decatur Utilities and Morgan County, subject to their final approval, under which the Company will contribute approximately \$99 million and also 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 PFAS matters at the Morgan County landfill and reimbursement of costs previously incurred related to PFAS remediation. In addition to the contribution, 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 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 any appropriate remedial actions. The contribution and estimate of committed actions are reflected in the Company’s balance of accruals for PFAS-related “other environmental liabilities.”

3M is also defending or has received notice of potential lawsuits in state and federal court brought by individual property owners who claim damages related to historical PFAS disposal at former area landfills near their properties. 3M continues to negotiate with property owners and has resolved for an immaterial amount some of the claims brought by them.

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. In this same month, Guin WWSB dismissed its lawsuit without prejudice and has been working with 3M to further investigate the presence of chemicals in the area. The parties, including the City of Guin are in discussions for a negotiated resolution.

Litigation Related to Historical PFAS Manufacturing Operations in Minnesota

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

State Attorneys General Litigation related to PFAS

Minnesota. In December 2010, the State of Minnesota, by its Attorney General, filed a lawsuit in Hennepin County District Court against 3M seeking damages and injunctive relief with respect to the presence of PFAS in the groundwater, surface water, fish or other aquatic life, and sediments in the state of Minnesota (the “NRD Lawsuit”). In February 2018, 3M and the State of Minnesota reached a resolution of the NRD Lawsuit. Under the terms of the settlement, 3M agreed to provide an \$850

million grant to the State for a special “3M Water Quality and Sustainability Fund.” This Fund, which is administered by the State, will enable projects that support water sustainability in the Twin Cities East Metro region, such as continued delivery of water to residents and enhancing groundwater recharge to support sustainable growth. Other purposes of the grant include habitat and recreation improvements, such as fishing piers, trails, and open space preservation. 3M recorded a pre-tax charge of \$897 million, inclusive of legal fees and other related obligations, in the first quarter of 2018 associated with the resolution of this matter.

In connection with the above referenced settlement, the Minnesota Pollution Control Agency and the Department of Natural Resources, as co-trustees of the Fund, released in September 2020 a conceptual drinking water supply plan for the communities in the East Metro area, seeking public comment on three recommended options for utilizing the Fund. In December 2020, 3M submitted preliminary comments on the co-trustees’ draft conceptual drinking water supply plan to address legal and technical aspects of the draft plan. The Company and the State continue to discuss those aspects of the draft plan.

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

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

New Jersey. In March 2019, the New Jersey Attorney General filed two actions against 3M, DuPont, and Chemours on behalf of the New Jersey Department of Environmental Protection (NJDEP), the NJDEP’s commissioner, and the New Jersey Spill Compensation Fund regarding alleged discharges at two DuPont facilities in Pennsville, New Jersey (Salem County) and Parlin, New Jersey (Middlesex County). 3M is included as a defendant in both cases because it allegedly supplied PFOA to DuPont for use at the facilities at issue. Both cases expressly seek to have the defendants pay all costs necessary to investigate, remediate, assess, and restore the affected natural resources of New Jersey. DuPont removed these cases to federal court. In 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. In August 2020, the NJDEP filed second amended complaints. 3M has moved to dismiss those complaints. Discovery is proceeding in these cases.

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

New Hampshire. In May 2019, the New Hampshire Attorney General filed two lawsuits alleging contamination of the state’s drinking water supplies and other natural resources by PFAS chemicals. The first lawsuit was filed against 3M and seven co-defendants, alleging PFAS contamination resulting from the use of AFFF products at several sites around the state. This case was removed to federal court and transferred to the AFFF MDL. The second suit asserts PFAS contamination from non-AFFF sources and names 3M, DuPont, and Chemours as defendants. In its June 2020 ruling on defendants’ motions to dismiss, the court dismissed the state’s trespass claim, but allowed several claims to proceed. In October 2020, the state amended its complaint to add a state commission as plaintiff and make a claim related to the state’s drinking water and groundwater trust fund statute. In July 2021, the court granted defendants’ motions to dismiss these amendments. In September 2021 the state filed its second amended complaint; the case remains in early stages of litigation.

Vermont. In June 2019, the Vermont Attorney General filed two lawsuits alleging contamination of the state’s drinking water supplies and other natural resources by PFAS chemicals. The first lawsuit was filed against 3M and ten co-defendants, alleging PFAS contamination resulting from the use of AFFF products at several sites around the state. This case was removed to federal court and transferred to the AFFF MDL. The second suit asserts PFAS contamination from non-AFFF sources and names 3M and several entities related to DuPont and Chemours as defendants. This suit is proceeding in state court. In May 2020, the court denied the defendants’ motion to dismiss, but dismissed the state’s trespass claim as to property the state does not own. The parties are now engaged in discovery and have filed a joint motion to extend discovery schedule into 2023 and the court has set a trial-ready date in October 2023.

Michigan. In January 2020, the Michigan Attorney General filed a lawsuit in state court against 3M, Dyneon, DuPont, Chemours and others seeking injunctive and equitable relief and damages for alleged injury to Michigan public natural resources and its residents related to PFAS, excluding AFFF. The case was removed to federal court in March 2021 and subsequently transferred to the AFFF MDL. The state has filed a motion to remand the case to state court. In addition, in August 2020, the Michigan Attorney General filed two lawsuits against numerous AFFF manufacturers and distributors, and suppliers of PFAS to AFFF manufacturers. 3M is named a defendant in one of the lawsuits, filed in federal court, and the case has been transferred to the AFFF MDL, where it remains in early stages of litigation.

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

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

Mississippi. In December 2020, the Mississippi Attorney General filed an AFFF-related PFAS lawsuit against 3M and other defendants directly with the AFFF MDL court in South Carolina. The lawsuit alleges injuries to the State's property and natural resources purportedly caused by PFAS contamination from AFFF use and seeks both compensatory and punitive damages.

Alaska. In April 2021, the State of Alaska filed a lawsuit against 3M and other defendants, alleging damages from the release of PFAS into the environment from a variety of products, including AFFF. This lawsuit was removed to federal court and transferred to the AFFF MDL in August 2021.

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 PFSA-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 for use in firefighting at airports and military bases from approximately 1963 to 2002. As of September 30, 2021, 1,762 lawsuits (including 27 putative class actions) alleging injuries or damages 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 Multi-District Litigation (MDL) court in South Carolina. Additional AFFF cases continue to be filed in or transferred to the MDL. The Company also continues to defend certain AFFF cases that remain in state court and be in discussions with pre-suit claimants for possible resolutions where appropriate.

In December 2018, the U.S. Judicial Panel on Multidistrict Litigation (JPML) granted motions to transfer and consolidate all AFFF cases pending in federal courts to the U.S. District Court for the District of South Carolina to be managed in an MDL proceeding to centralize pre-trial proceedings. The parties in the MDL are currently in the process of conducting discovery. An initial pool of ten water supplier cases was selected in February 2021 for case-specific fact discovery as potential bellwether cases. In October 2021, the parties and the MDL court selected three of these cases for additional fact and expert discovery and for potential trial as bellwether cases. The MDL court in August 2021 issued a scheduling order and set the first bellwether cases to begin trial on or after January 1, 2023.

In June 2019, several subsidiaries of Valero Energy Corporation, an independent petroleum refiner, filed eight AFFF cases against 3M and other defendants, including DuPont/Chemours, National Foam, Buckeye Fire Equipment, and Kidde-Fenwal, in various state courts. Plaintiffs seek damages that allegedly have been or will be incurred in investigating and remediating PFAS contamination at their properties and replacing or disposing of AFFF products containing long-chain PFAS. Two of these cases have been removed to federal court and transferred to the AFFF MDL. Five cases remain pending in state courts where they are in early stages of litigation, after Valero dismissed its Ohio state court action without prejudice in October 2019. The parties in the state court cases have agreed to stay all five cases until March 2022.

As of September 30, 2021, the Company is aware of six other AFFF suits outside the MDL in which the Company has been named a defendant. Three of these cases are pending in federal court.

Two subsidiaries of Husky Energy filed suit in April 2020 against 3M and other AFFF manufacturers in Wisconsin state court relating to alleged PFAS contamination from AFFF use at Husky facilities in Superior, Wisconsin and Lima, Ohio. The parties have entered into a tolling agreement deferring further action on the plaintiffs' claims. The plaintiffs filed a notice of dismissal without prejudice in September 2020.

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., Georgia-Pacific LLC, E.I. DuPont De Nemours and Co., Chemours Co., and various carpet manufacturers.

In New York, 3M is defending 40 individual cases and one putative class action filed in the U.S. District Court for the Northern District of New York and four additional individual cases filed in New York state court against 3M, Saint-Gobain Performance Plastics Corp. (Saint-Gobain), Honeywell International Inc. and E.I. DuPont De Nemours and Co. (DuPont). 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. They assert various tort claims for personal injury and property damage and in some cases request medical monitoring. 3M has answered the complaints in these individual cases, which are now proceeding through discovery. In the federal court individual cases, the parties selected 24 claimants in May 2021 for a pool from which eight plaintiffs will be chosen for expert discovery and dispositive motions. At the conclusion of these motions, the court will determine which case(s) will continue toward trial. In the putative class action, certain parties, including 3M, reached an agreement to resolve litigation among the settling parties. The settlement agreement received preliminary approval from the district court in July 2021. Under the agreement, 3M, Saint-Gobain and Honeywell will collectively contribute to a fixed total amount of approximately \$65 million to resolve the plaintiffs' claims and those of the proposed classes. 3M's contribution is not considered material. 3M is also defending 12 individual cases in the U.S. District Court for the Eastern District of New York filed by Nassau and Suffolk County drinking water providers. 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. DuPont's motion to transfer these cases to the AFFF MDL was denied in March 2020. 3M has filed answers in these cases and discovery is ongoing.

In Michigan, one consolidated putative class action is pending in the U.S. District Court for the Western District of Michigan against 3M and Wolverine World Wide (Wolverine). The action arises from Wolverine's allegedly improper disposal of materials and wastes, including 3M Scotchgard, related to Wolverine's shoe manufacturing operations. Plaintiffs allege Wolverine used 3M Scotchgard in its manufacturing process and that chemicals from 3M's product contaminated the environment and drinking water sources after disposal. In June 2021, the court partially denied the defendants' motions to dismiss, by granting the motions to dismiss the negligence claim only insofar as the plaintiffs seek damages for personal injuries, as opposed to property damage. In September 2021, the plaintiffs filed a motion to amend the complaint, including to add four new named plaintiffs and putative class representatives. 3M and Wolverine filed a motion to strike the plaintiffs' motion for class certification and opposed plaintiffs' motion to amend the complaint. The court has set a trial date in April 2022. In addition to the consolidated federal court putative class action, as of September 30, 2021, 3M is a defendant in approximately 280 private individual actions in Michigan state court based on similar allegations. These cases are coordinated for pre-trial purposes. Five of these cases were selected over time for bellwether trials. In January 2020, the court issued the first round of dispositive motion rulings related to the first two bellwether cases, including dismissing the second bellwether case entirely and dismissing certain plaintiffs' medical monitoring and risk of future disease claims, and granting summary judgment to the defendants on one plaintiff's cholesterol injury claims. The parties settled the first bellwether case in early 2020 for an immaterial amount. In June 2020, the court denied the plaintiffs' motion to reconsider the dismissal of the second bellwether case, and the plaintiffs have appealed the decision to the state appellate court. In January 2021, the court granted

summary judgment in favor of the defendants in one of three remaining bellwether cases. The plaintiffs in this dismissed bellwether case have also appealed the dismissal to the state appellate court. The Company has settled both remaining bellwether cases for an immaterial amount. An additional eight cases have been identified as a pool from which future bellwether cases will be selected. The parties have engaged in mediation efforts in the putative class action and are in discussions in certain state court mass action cases for negotiated resolutions.

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

3M was also a defendant, together with Georgia-Pacific as co-defendant, in a putative class action in federal court in Michigan brought by residents of Parchment, who allege that the municipal drinking water was contaminated from waste generated by a paper mill owned by Georgia-Pacific's corporate predecessor. The defendants' motion to dismiss certain claims in the complaint was denied in January 2021. The parties engaged in mediation and in April 2021 reached a preliminary settlement agreement, subject to court approval, under which 3M and Georgia-Pacific would jointly pay an amount and be released from plaintiffs' putative class action claims. 3M's portion is not considered material. The court approved the settlement in September 2021. Separately, as a result of discussions among Georgia-Pacific, 3M and municipalities near Parchment, Georgia-Pacific and 3M contributed to a fund in November 2020 to provide expanded municipal water service in the area. These municipalities released 3M from claims relating to or arising out of the extension of municipal water or the alleged PFAS contamination in the area of that extension. 3M's portion relative to the preliminary agreement and contribution above was not material.

In Alabama and Georgia, 3M, together with multiple co-defendants, is defending three state court cases brought by municipal water utilities, relating to 3M's sale of PFAS-containing products to carpet manufacturers in Georgia. The plaintiffs in these cases allege that the carpet manufacturers improperly discharged PFAS into the surface water and groundwater, contaminating drinking water supplies of cities located downstream along the Coosa River, including Rome, Georgia and Centre and Gadsden, Alabama. The three water utility cases are proceeding through discovery. 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. This case has been removed to federal court, where 3M filed a motion to dismiss a series of amended complaints, resulting in the dismissal of plaintiffs' negligence claim against 3M. This case is proceeding through discovery. 3M, together with co-defendants, is also defending two putative class actions in federal court, where the 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 remains pending. 3M has moved to dismiss this case. This case remains in early stages of litigation.

In California, 3M and other defendants were named as defendants in an action brought in federal court by Golden State Water Company, alleging PFAS contamination of certain wells located in its water systems. 3M filed a motion to dismiss in November 2020 and in January 2021, the court granted defendants' motion to dismiss the case for lack of personal jurisdiction. In February 2021, the plaintiffs voluntarily dismissed their action without prejudice and filed a new case in the AFFF MDL court. Separately, in December 2020, the Orange County Water District and ten additional local water providers sued 3M, Decra Roofing and certain DuPont-related entities in California state court, 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 plaintiffs filed an amended complaint, and 3M filed a demurrer to the amended complaint in March 2021. In April 2021, the court denied 3M's demurrer, and the case remains in early stages of litigation. In May 2021, the Orange County plaintiffs filed a second amended complaint. In June 2021, the case was removed to the U.S. District Court for the Central District of California where the plaintiffs moved to remand the case back to state court. The court granted plaintiffs' motion to remand. 3M has appealed the remand decision to the U.S. Court of Appeals for the Ninth Circuit, which is hearing the appeal on an expedited basis, with briefing scheduled to be completed in December 2021. Pending that appeal, in September 2021, the state court ordered that discovery can proceed against 3M. In February 2021, the City of Corona and a local utility authority filed a lawsuit in California state court against 3M and other defendants, alleging PFAS contamination from 3M products generally as well as from 3M's Corona facility and roofing granules products. Plaintiffs filed an amended complaint in June 2021. In July

2021, the case was removed to the U.S. District Court for the Central District of California. The federal court granted plaintiffs' motion to remand the action to state court. In October 2021, 3M filed a demurrer to the amended complaint in state court.

In Delaware, 3M, together with several co-defendants, is defending one putative class action brought by individuals alleging PFAS contamination of their water supply resulting from the operations of local metal plating facilities. Plaintiffs allege that 3M supplied PFAS to the metal plating facilities. DuPont, Chemours, and the metal platers have also been named as defendants. This case has been removed from state court to federal court, and plaintiffs have withdrawn its motion to remand to state court and filed an amended complaint. 3M has filed a motion to dismiss the amended complaint. In February 2021, the court raised the question whether subject matter jurisdiction under the Class Action Fairness Act was proper, issued an order requiring the parties to brief the issue and denied defendants' motions to dismiss with leave to renew pending the court's ruling on jurisdiction. Briefing on the jurisdictional question is complete, and oral argument was held in September 2021.

In New Jersey, 3M is a defendant in an action brought in federal court by Middlesex Water Company, alleging PFAS contamination of its water wells. 3M's motion to transfer the case to the AFFF MDL was denied. 3M has moved to dismiss the complaint, and discovery closed in September 2021. The parties expect to engage in mediation. In September 2020, 3M was named a defendant in a similar lawsuit brought by the Borough of Hopatcong. In December 2020, 3M filed a motion to dismiss the Hopatcong matter. In January 2021, 3M was named a defendant in another similar lawsuit brought by the Pequannock Township. In March 2021, 3M filed a motion to dismiss the Pequannock matter. 3M, together with several co-defendants, is also defending twelve 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. Plaintiffs in seven of these cases seek medical monitoring and damages, while plaintiffs in the remaining cases seek damages for alleged personal injuries to themselves or their disabled adult children. 3M's motion to dismiss the earliest filed case, which seeks medical monitoring, was largely denied in February 2021. 3M has filed answers in these cases, which remain in early stages of litigation and have been coordinated for discovery purposes. A similar case was filed in federal court in August 2021, but that case has not yet been coordinated with the others for discovery, and 3M has not yet answered the complaint.

In October 2018, 3M and other defendants, including DuPont and Chemours, were named in a putative class action in the U.S. District Court for the Southern District of Ohio brought by the named plaintiff, a firefighter allegedly exposed to PFAS chemicals through his use of firefighting foam, purporting to represent a putative class of all U.S. individuals with detectable levels of PFAS in their blood. The plaintiff brings claims for negligence, battery, and conspiracy and seeks injunctive relief, including an order "establishing an independent panel of scientists" to evaluate PFAS. 3M and other entities jointly filed a motion to dismiss in February 2019. In September 2019, the court denied the defendants' motion to dismiss. In February 2020, the court denied 3M's motion to transfer the case to the AFFF MDL. Briefing on plaintiff's class certification motion is complete, and the court's ruling on class certification is pending.

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 Minnesota, the Company continues to work with the Minnesota Pollution Control Agency (MPCA) pursuant to the terms of the previously disclosed May 2007 Settlement Agreement and Consent Order to address the presence of certain PFAS in the soil and groundwater at former disposal sites in Washington County, Minnesota (Oakdale and Woodbury) and at the Company's manufacturing facility at Cottage Grove, Minnesota. Under this agreement, the Company's principal obligations include (i) evaluating releases of certain PFAS from these sites and proposing response actions; (ii) providing treatment or alternative drinking water upon identifying any level exceeding a Health Based Value (HBV) or Health Risk Limit (HRL) (i.e., the amount of a chemical in drinking water determined by the Minnesota Department of Health (MDH) to be safe for human consumption over a lifetime) for certain PFAS for which a HBV and/or HRL exists as a result of contamination from these sites; (iii) remediating identified sources of other PFAS at these sites that are not controlled by actions to remediate PFOA and PFOS; and (iv) sharing information with the MPCA about certain perfluorinated compounds. During 2008, the MPCA issued

formal decisions adopting remedial options for the former disposal sites in Washington County, Minnesota (Oakdale and Woodbury). In August 2009, the MPCA issued a formal decision adopting remedial options for the Company's Cottage Grove manufacturing facility. During the spring and summer of 2010, 3M began implementing the agreed upon remedial options at the Cottage Grove and Woodbury sites. 3M commenced the remedial option at the Oakdale site in late 2010. At each location the remedial options were recommended by the Company and approved by the MPCA. 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 Alabama Department of Environmental Management (ADEM) to remediate the presence of PFAS in the soil and groundwater at the Company's manufacturing facility in Decatur, Alabama associated with the historic (1978-1998) incorporation of wastewater treatment plant sludge. With ADEM's agreement, 3M 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 Toxic Substances Control Act (TSCA) (the "2009 TSCA consent order") for the manufacture and use of two perfluorinated materials (FBSA and FBSEE) at its Decatur, Alabama site that does not permit release of these materials into "the waters of the United States." In March 2019, the Company halted the manufacture, processing, and use of these materials at the site upon learning that these materials may have been released from certain specified processes at the Decatur site into the Tennessee River. In April 2019, the Company voluntarily disclosed the releases to the U.S. Environmental Protection Agency (EPA) and the Alabama Department of Environmental Management (ADEM). During June and July 2019, the Company took steps to fully control the aforementioned processes by capturing all wastewater produced by the processes and by treating all air emissions. These processes have been back on-line and in operation since July 2019. The Company continues to cooperate with the EPA and ADEM in their investigations and will work with the regulatory authorities to demonstrate compliance with the release restrictions.

The Company is authorized to discharge wastewater from its Decatur plant pursuant to the terms of a Clean Water Act National Pollutant Discharge Elimination System (NPDES) permit issued by ADEM. The NPDES permit requires the Company to report on a monthly and quarterly basis the quality and quantity of pollutants discharged to the Tennessee River. In June 2019, 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 and announced that it had elected to temporarily idle certain other manufacturing processes at 3M Decatur. The Company is reviewing its operations at the plant, has installed wastewater treatment controls and has restarted idled processes.

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 have 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 certain notices or reports and performing various analytical and characterization studies and (b) future capital improvements; and (ii) remediation activities, including certain 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 in the future.

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 with this and other inquiries and is producing documents in response to requests.

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). The Company continues to work with the EPA and IEPA to address these issues from the Cordova facility.

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 Minnesota Pollution Control Agency (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. The Company continues to work with the MPCA and EPA to address the discharges from the Cottage Grove facility.

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 Resource Conservation and Recovery Act (RCRA) permit for its Cottage Grove incinerator. In July 2020, the Company received an information request from MPCA related to the June 2020 disclosure, to which the Company responded in September 2020. The Company continues to work with the MPCA to address WAP/FAP implementation issues disclosed in June 2020. In January 2021, the Company received a notice of violation (NOV) from MPCA related to, among other matters, the above-described Clean Water Act and RCRA issues. The Company is cooperating with MPCA to address the issues that are the subject of the NOV.

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. The Company is cooperating with this inquiry and is producing documents and information in response to the request for 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 nine months of 2021, as a result of recent developments in ongoing environmental matters and litigation, the Company increased its accrual for PFAS-related other environmental liabilities by \$132 million since December 31, 2020 and made related payments of \$53 million. As of September 30, 2021, the Company had recorded liabilities of \$494 million for "other environmental liabilities." The accruals represent the Company's best estimate of the probable loss in connection with the environmental matters and PFAS-related 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 September 30, 2021, the Company had recorded liabilities of \$28 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 September 30, 2021, 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. In December 2018, a military veteran filed an individual lawsuit against 3M in the San Bernardino Superior Court in California alleging that he sustained personal injuries while serving in the military caused by 3M's Dual-Ended Combat Arms earplugs – Version 2. The plaintiff asserts claims of product liability and fraudulent misrepresentation and concealment. The plaintiff seeks various damages, including medical and related expenses, loss of income, and punitive damages.

As of September 30, 2021, the Company is a named defendant in approximately 3,522 lawsuits (including 14 putative class actions) in various state and federal courts that purport to represent approximately 13,437 individual claimants making similar allegations. In April 2019, the U.S. Judicial Panel on Multidistrict Litigation granted motions to transfer and consolidate all cases pending in federal courts to the U.S. District Court for the Northern District of Florida to be managed in a multi-district litigation (MDL) proceeding to centralize pre-trial proceedings. 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 has 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 has 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 plans to appeal the verdict. Separately, the

MDL court set an accelerated trial schedule for the next 12 bellwether cases for October, November and December 2021 and January, March, April and May 2022. These trials will not include several bellwether cases that plaintiffs' counsel dismissed with prejudice either during discovery or after being set for trial. An administrative docket of approximately 260,000 unfiled and unverified claims has also been maintained at the MDL court. The MDL court in August 2021 issued transition orders requiring all claims be moved off the administrative docket to the active docket on a rolling basis over the next 12 months. The orders 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 the trial of 1,500 cases in three 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.

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. The Eighth Circuit has not yet ruled on the appeal concerning the remand of cases brought by military plaintiffs. There are approximately 65 lawsuits involving approximately 1,100 plaintiffs pending in the state court. The state court actions are subject to a bellwether case selection process. The first two trials in Hennepin County are scheduled for January and April of 2022.

No liability has been recorded for these matters because the Company believes that any such liability is not probable and reasonably estimable at this time.

As of September 30, 2021, the Company was a named defendant in 27 lawsuits in the United States involving 34 plaintiffs and one Canadian putative class action with a single named plaintiff, alleging that the Bair Hugger™ patient warming system caused a surgical site infection.

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

The U.S. Judicial Panel on Multidistrict Litigation (JPML) consolidated all cases pending in federal courts to the U.S. District Court for the District of Minnesota to be managed in a multi-district litigation (MDL) proceeding. In July 2019, the court excluded several of the plaintiffs' causation experts, and granted summary judgment for 3M in all cases pending at that time in the MDL. Plaintiffs have appealed that decision to the U.S. Court of Appeals for the Eighth Circuit. Plaintiffs have also appealed a 2018 jury verdict in favor of 3M in the first bellwether trial in the MDL and appealed the dismissal of another bellwether case. The Eighth Circuit court heard oral argument on all pending appeals in March 2021. 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 has sought further appellate *en banc* review by the full Eighth Circuit court. Proceedings have not resumed in the MDL court. Also, in August 2021, the Eighth Circuit court separately affirmed the 2018 jury verdict in 3M's favor in the only bellwether trial in the MDL.

Among the 29 remaining lawsuits in the United States, 26 are in the MDL court and three are in state court. The MDL has stayed all 26 remaining lawsuits pending the appeal of the summary judgment decision. In February 2020, the MDL court remanded two cases to state court in Jackson County, Missouri that combined Bair Hugger product liability claims with medical malpractice claims. The Missouri court set trial dates of September 2022 and April 2023 for these two cases. There is also one case in Hidalgo County, Texas that combines Bair Hugger product liability claims with medical malpractice claims. In August 2019, the MDL court enjoined the individual plaintiff from pursuing his claims in Texas state court because he had previously filed and dismissed a claim in the MDL. That plaintiff has appealed the order to the U.S. Court of Appeals for the Eighth Circuit, which heard oral argument on this appeal in March 2021. In May 2021, the Court of Appeals lifted the MDL court's injunction that barred plaintiff from litigating the Texas state court case. No trial date has been set in the case.

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.

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 was due to the use of the Bair Hugger™ patient warming system. The representative plaintiff seeks relief (including punitive damages) under Canadian law based on theories similar to those asserted in the MDL.

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

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

Stockholder 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.

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 state court plaintiffs have agreed to stay these cases pending a ruling on a motion to dismiss the securities class action. 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 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.

Federal False Claims Act / Qui Tam Litigation

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

The government inquiry followed two qui tam actions filed in 2008 by two former employees against Kinetic Concepts, Inc. and KCI USA, Inc. (collectively, the "KCI defendants") under seal in the U.S. District Court for the Central District of California. The complaints contain allegations that the KCI Defendants violated the federal False Claims Act by submitting false or fraudulent claims to federal healthcare programs by billing for V.A.C.® Therapy in a manner that was not consistent with the Local Coverage Determinations issued by the Durable Medical Equipment Medicare Administrative Contractors and seek monetary damages. One complaint (the "Godecke case") also contains allegations that the KCI Defendants retaliated against the relator-plaintiff for alleged whistle-blowing behavior.

In October 2016, the KCI Defendants filed counterclaims in the Godecke case, asserting breach of contract and conversion. In August 2017, the relator-plaintiff's fraud claim in the Godecke case was dismissed in favor of the KCI defendants. In January 2018, the district court stayed the retaliation claim and the KCI Defendants' counterclaims pending the relator-plaintiff's appeal. In September 2019, the U.S. Court of Appeals for the Ninth Circuit reversed and remanded the case to the district court for further proceedings. The Godecke case is in a pre-trial phase and, in August 2021, the district court entered a discovery and pretrial schedule with an April 2022 trial date. Separately, in June 2019, the district court in the second case (the "Hartpence case") entered summary judgment in the KCI Defendants' favor on all of the relator-plaintiff's claims. The 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's opinion remains pending.

For the 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.

Compliance Matter

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

NOTE 15. Stock-Based Compensation

At the May 2021 Annual Meeting, the shareholders approved the Amended and Restated 3M Company 2016 Long-Term Incentive Plan (LTIP), which included an increase of 26,633,508 in the number of shares available for issuance. Awards may be issued in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock awards, and performance units and performance shares. As of September 30, 2021, the remaining shares available for grant under the LTIP Program are 37 million.

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

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

Amounts recognized in the financial statements with respect to stock-based compensation programs, which include stock options, restricted stock, restricted stock units, performance shares and the General Employees' Stock Purchase Plan (GESPP), are provided in the following table. Capitalized stock-based compensation amounts were not material for the three and nine months ended September 30, 2021 and 2020.

Stock-Based Compensation Expense

(Millions)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cost of sales	\$ 8	\$ 9	\$ 39	\$ 41
Selling, general and administrative expenses	30	30	151	138
Research, development and related expenses	5	5	37	37
Stock-based compensation expenses	\$ 43	\$ 44	\$ 227	\$ 216
Income tax benefits	(13)	(13)	(89)	(67)
Stock-based compensation expenses (benefits), net of tax	\$ 30	\$ 31	\$ 138	\$ 149

Stock Option Program

The following table summarizes stock option activity during the nine months ended September 30, 2021:

(Options in thousands)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (months)	Aggregate Intrinsic Value (millions)
Under option —				
January 1	35,401	\$ 156.23		
Granted	3,612	175.04		
Exercised	(3,880)	110.14		
Forfeited	(206)	179.50		
September 30	34,927	\$ 163.16	64	\$ 691
Options exercisable				
September 30	27,271	\$ 160.79	52	\$ 634

Stock options vest over a period from one year to three years with the expiration date at 10 years from date of grant. As of September 30, 2021, there was \$62 million of compensation expense that has yet to be recognized related to non-vested stock option based awards. This expense is expected to be recognized over the remaining weighted-average vesting period of 21 months. The total intrinsic values of stock options exercised were \$306 million and \$160 million during the nine months ended September 30, 2021 and 2020, respectively. Cash received from options exercised was \$425 million and \$193 million for the nine months ended September 30, 2021 and 2020, respectively. The Company's actual tax benefits realized for the tax deductions related to the exercise of employee stock options were \$65 million and \$34 million for the nine months ended September 30, 2021 and 2020, respectively.

For the primary 2021 annual stock option grant, the weighted average fair value at the date of grant was calculated using the Black-Scholes option-pricing model and the assumptions that follow.

Stock Option Assumptions

	Annual 2021
Exercise price	\$ 175.04
Risk-free interest rate	0.8 %
Dividend yield	2.8 %
Expected volatility	22.6 %
Expected life (months)	83
Black-Scholes fair value	\$ 25.33

Expected volatility is a statistical measure of the amount by which a stock price is expected to fluctuate during a period. For the 2021 annual grant date, the Company estimated the expected volatility based upon the following three volatilities of 3M stock: the median of the term of the expected life rolling volatility; the median of the most recent term of the expected life volatility; and the implied volatility on the grant date. The expected term assumption is based on the weighted average of historical grants.

Restricted Stock and Restricted Stock Units

The following table summarizes restricted stock and restricted stock unit activity during the nine months ended September 30, 2021:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested balance —		
As of January 1	1,722	\$ 189.78
Granted	785	176.87
Vested	(450)	230.32
Forfeited	(68)	173.49
As of September 30	<u>1,989</u>	<u>\$ 176.07</u>

As of September 30, 2021, there was \$109 million of compensation expense that has yet to be recognized related to non-vested restricted stock and restricted stock units. This expense is expected to be recognized over the remaining weighted-average vesting period of 25 months. The total fair value of restricted stock and restricted stock units that vested during the nine months ended September 30, 2021 and 2020 was \$81 million and \$89 million, respectively. The Company's actual tax benefits realized for the tax deductions related to the vesting of restricted stock and restricted stock units was \$15 million and \$17 million for the nine months ended September 30, 2021 and 2020, respectively.

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

Performance Shares

Instead of restricted stock units, the Company makes annual grants of performance shares to members of its executive management. The 2021 performance criteria for these performance shares (organic volume growth, return on invested capital, free cash flow conversion, and earnings per share growth) were selected because the Company believes that they are important drivers of long-term stockholder value. The number of shares of 3M common stock that could actually be delivered at the end of the three-year performance period may be anywhere from 0% to 200% of each performance share granted, depending on the performance of the Company during such performance period. When granted, these performance shares are awarded at 100% of the estimated number of shares at the end of the three-year performance period and are reflected under "Granted" in the table below. Non-substantive vesting requires that expense for the performance shares be recognized over one or three years depending on when each individual became a 3M executive. The performance share grants accrue dividends; therefore, the grant date fair value is equal to the closing stock price on the date of grant. Since the rights to dividends are forfeitable, there is no impact on basic earnings per share calculations. Weighted average performance shares whose performance period is complete are included in computation of diluted earnings per share.

The following table summarizes performance share activity during the nine months ended September 30, 2021:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Undistributed balance —		
As of January 1	423	\$ 188.61
Granted	166	176.79
Distributed	(115)	228.80
Performance change	16	180.90
Forfeited	(25)	171.17
As of September 30	465	\$ 175.15

As of September 30, 2021, there was \$23 million of compensation expense that has yet to be recognized related to performance shares. This expense is expected to be recognized over the remaining weighted-average earnings period of 18 months. The total fair value of performance shares that were distributed were \$22 million and \$35 million for the nine months ended September 30, 2021 and 2020, respectively. The Company’s actual tax benefits realized for the tax deductions related to the distribution of performance shares were \$4 million and \$7 million for the nine months ended September 30, 2021 and 2020, respectively.

NOTE 16. Business Segments

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

3M discloses business segment operating income as its measure of segment profit/loss, reconciled to both total 3M operating income and income before taxes. Business segment operating income includes dual credit for certain related operating income (as described below in “Elimination of Dual Credit”). Business segment operating income excludes certain expenses and income that are not allocated to business segments (as described below in “Corporate and Unallocated”). Additionally, the following special items are excluded from business segment operating income and, instead, are included within Corporate and Unallocated: significant litigation-related charges/benefits, gain/loss on sale of businesses (see Note 3), and divestiture-related restructuring actions (see Note 5).

Effective in the first quarter of 2021, the measure of segment operating performance used by 3M’s CODM changed and, as a result, 3M’s disclosed measure of segment profit/loss (business segment operating income) was updated. The change to business segment operating income aligns with the update to how the CODM assesses performance and allocates resources for the Company’s business segments. The change included the following:

Changes in cost attribution

The extent of allocation and method of attribution of certain net costs were updated to result in fewer items remaining in Corporate and Unallocated and, instead, including them in 3M’s business segments’ operating performance. See the updated description of Corporate and Unallocated below. Previously, a larger portion of ongoing corporate staff costs and costs associated with centrally managed material resource centers was retained in Corporate and Unallocated. In addition, portions of pension costs and costs associated with certain centrally managed but ongoing business-related legal matters, along with certain insurance-related costs, were retained in Corporate and Unallocated.

Continued alignment of customer account activity

As part of 3M’s regular customer-focus initiatives, the Company realigned certain customer account activity (“sales district”) to correlate with the primary divisional product offerings in various countries and reduce complexity for

customers when interacting with multiple 3M businesses. This impacted the amount of dual credit certain business segments receive as a result of sales district attribution.

Also effective in the first quarter of 2021, within 3M’s Consumer business segment, certain safety products formerly within the Construction and Home Improvement Division and the Stationery and Office Division were moved to the newly-named Consumer Health and Safety Division (formerly the Consumer Health Care Division).

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

Business Segment Information

(Millions)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net Sales				
Safety and Industrial	\$ 3,235	\$ 3,017	\$ 9,816	\$ 8,601
Transportation and Electronics	2,450	2,316	7,463	6,492
Health Care	2,249	2,160	6,775	6,087
Consumer	1,525	1,412	4,380	3,893
Corporate and Unallocated	3	(2)	2	(1)
Elimination of Dual Credit	(520)	(553)	(1,693)	(1,471)
Total Company	\$ 8,942	\$ 8,350	\$ 26,743	\$ 23,601
Operating Performance				
Safety and Industrial	\$ 620	\$ 774	\$ 2,149	\$ 2,091
Transportation and Electronics	465	514	1,602	1,338
Health Care	529	493	1,614	1,246
Consumer	332	343	932	886
Elimination of Dual Credit	(131)	(142)	(428)	(374)
Total business segment operating income	1,815	1,982	5,869	5,187
Corporate and Unallocated				
Special items:				
Significant litigation-related (charges)/benefits	—	—	—	(17)
Gain/(loss) on sale of businesses	—	—	—	389
Divestiture-related restructuring actions	—	—	—	(55)
Other corporate expense - net	(27)	(73)	(116)	(192)
Total Corporate and Unallocated	(27)	(73)	(116)	125
Total Company operating income	1,788	1,909	5,753	5,312
Other expense/(income), net	31	83	113	248
Income before income taxes	\$ 1,757	\$ 1,826	\$ 5,640	\$ 5,064

Corporate and Unallocated

Corporate and Unallocated operating income includes “special items” and “other corporate expense-net”. Special items include significant litigation-related charges/benefits, gain/loss on sale of businesses, and divestiture-related restructuring costs. 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, certain litigation and environmental expenses largely related to legacy products/businesses not allocated to business segments, corporate philanthropic activity, 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 contract manufacturing, transition services and other arrangements with the acquirer of the Communication Markets Division following its 2018 divestiture through 2019 and the acquirer of the former Drug Delivery business following its 2020 divestiture. 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.

Elimination of Dual Credit

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

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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

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

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

OVERVIEW

3M is a diversified global manufacturer, technology innovator and marketer of a wide variety of products and services. Effective in the first quarter of 2021, 3M made the following changes. Information provided herein reflects the impact of these changes for all periods presented.

- Change in accounting principle for net periodic pension and postretirement plan cost. See detailed discussion in Note 1.
- Change in measure of segment operating performance used by 3M’s chief operating decision maker—impacting 3M’s disclosed measure of segment profit/loss (business segment operating income). See additional information in Note 16.
- Change in alignment of certain products within 3M’s Consumer business segment—creating the Consumer Health and Safety Division. See additional information in Note 16.

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

Consideration of COVID-19:

As described in the Overview—Consideration of COVID-19 section of Part II, Item 7 of the Company’s 2020 Annual Report on Form 10-K, 3M is impacted by the global pandemic and related effects associated with the coronavirus (COVID-19). In addition, risk factors with respect to COVID-19, can be found in Item 1A “Risk Factors” in this Quarterly Report on Form 10-Q. Given the diversity of 3M’s businesses, some of the factors described in that Overview—Consideration of COVID-19

section have increased the demand for 3M products, while others have decreased demand or made it more difficult for 3M to serve customers.

Overall, 3M experienced broad-based growth across all business segments and geographic areas in the third quarter of 2021, benefiting from continued improvements in certain end markets including home improvement and general industrial. 3M's total sales increased 7.1% and increased 13.3% year-on-year in the third quarter and first nine months of 2021, respectively. Organic local-currency sales increased 6.3% and increased 11.5% year-on-year in the third quarter and first nine months of 2021, respectively. 3M experienced the strongest third quarter sales growth in Consumer and Safety and Industrial. COVID-related respirator sales negatively impacted year-on-year third quarter organic-local currency sales growth by approximately 0.5 percent as they grew at a slower rate than the rest of the Company. For the first nine months of 2021, they positively impacted year-on-year organic-local currency sales growth by approximately 0.3 percent. Given the diversity of 3M's businesses, the impact of COVID-19 varied across the Company. In the first nine months of 2020, 3M experienced strong sales in personal safety, as well as in other areas such as home improvement, general cleaning, semiconductor, data center, and biopharma filtration while businesses aligned to general industrial applications with strength in abrasives and industrial adhesives and tapes. At the same time, weakness in several end markets, while improving, contributed in part to sales declines in a number of 3M's businesses such as oral care, automotive and aerospace, advanced materials, commercial solutions, stationery and office, automotive aftermarket.

3M's operating income margins decreased 2.9 percentage points in the third quarter and decreased 1.0 percentage points in the first nine months of 2021 year-on-year. Factoring out the impact on operating income of special items as described in the *Certain amounts adjusted for special items - (non-GAAP measures)* section below, operating income margins decreased 2.9 and increased 0.3 percentage points to 20.0 and 21.5 percent for the third quarter and first nine months of 2021, respectively, when compared to 2020. Various COVID-19 implications contributed in part to these results.

Overall, the impact of the COVID-19 pandemic on 3M's consolidated results of operations was primarily driven by factors related to changes in demand for products and disruption in global supply chains as described or referenced above. While it is not feasible to identify or quantify all the other direct and indirect implications on 3M's results of operations, below are factors that 3M believes have also affected its results for third quarter and first nine months of 2021 when compared to 2020:

Factors contributing to charges or other impacts:

- Increased raw materials and logistics costs from ongoing COVID-19 and Delta variant related global supply chain challenges further magnified by extreme weather events, such as February 2021 winter storm Uri in the United States.
- Period expenses of unabsorbed manufacturing costs and increased expected credit losses on customer receivables in 2020.
- Restructuring actions addressing structural enterprise costs and operations in certain end markets as a result of the COVID-19 pandemic and related economic impact resulting in a second quarter 2020 charge of \$58 million.
- Committed financial support in 2020 to various COVID-relief and medical research initiatives.
- Charge of \$22 million in the first quarter of 2020 related to equity securities as discussed in the "Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis" section of Note 13 that use the measurement alternative described therein in addition to an immaterial pre-tax charge related to impairment of certain indefinite lived tradenames.

Factors providing benefits or other impacts:

- Cost management in discretionary spending in areas such as travel, professional services, and advertising/merchandising resulting in lower spending in 2020.
- Continued productivity efforts, including year-on-year savings from restructuring actions taken in 2020.
- Government-sponsored COVID-response stimulus and relief initiatives in 2020, including certain employee retention benefits under the Coronavirus Aid, Relief and Economic Security (CARES) Act in the United States.
- Lower incentive compensation and self-insured medical visit/insurance expense in 2020.
- Accelerated vacation usage policies in the second quarter of 2020 which benefited the second quarter of 2020, but provided a penalty in the second half of 2020.

Refer to the Financial Condition and Liquidity section below for more information on the Company's liquidity position.

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

Operating income margin and earnings per share attributable to 3M common shareholders – diluted:

The following table provides the increases (decreases) in operating income margins and diluted earnings per share for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30, 2021		Nine months ended September 30, 2021	
	Percent of net sales	Earnings per diluted share	Percent of net sales	Earnings per diluted share
Same period last year	22.9 %	\$ 2.45	22.5 %	\$ 6.95
Significant litigation-related charges/benefits	—	—	0.1	(0.07)
Gain/loss on sale of businesses	—	—	(1.6)	(0.52)
Divestiture-related restructuring actions	—	—	0.2	0.08
Same period last year, excluding special items	22.9 %	\$ 2.45	21.2 %	\$ 6.44
Increase/(decrease) due to:				
Organic growth/productivity and other	(1.4)	(0.02)	1.3	1.19
Selling price and raw material impact	(1.3)	(0.12)	(1.0)	(0.29)
Acquisitions/divestitures	—	—	—	(0.05)
Foreign exchange impacts	(0.2)	(0.01)	—	0.20
Other expense (income), net	N/A	0.08	N/A	0.17
Income tax rate	N/A	0.09	N/A	0.22
Shares of common stock outstanding	N/A	(0.02)	N/A	(0.07)
Current period, excluding special items	20.0 %	\$ 2.45	21.5 %	\$ 7.81
None	—	—	—	—
Current period	20.0 %	\$ 2.45	21.5 %	\$ 7.81

Operating income margins decreased 2.9 percentage points in the third quarter of 2021 and decreased 1.0 percentage points for the first nine months of 2021 when compared to the same period last year. For the third quarter of 2021, net income attributable to 3M was \$1.4 billion, or \$2.45 per diluted share which is consistent on a per diluted share basis. For the first nine months of 2021 net income attributable to 3M was \$4.6 billion, or \$7.81 per diluted share compared to \$4.0 billion or \$6.95 per diluted share in the same period last year, an increase of 12 percent on a per diluted share basis.

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

On an adjusted basis, operating margins decreased 2.9 percentage points to 20.0 percent in the third quarter of 2021 when compared to the same period last year. For the first nine months of 2021, operating margins increased 0.3 percentage points to 21.5 percent when compared to the same period last year. On an adjusted basis for the third quarter of 2021, net income attributable to 3M was \$1.4 billion, or \$2.45 per diluted share, which is consistent year over year on a per diluted share basis. On an adjusted basis for the first nine months of 2021, net income attributable to 3M was \$4.6 billion, or \$7.81 per diluted share versus \$3.7 billion, or \$6.44 per diluted share for the same period last year, which was an increase of 21 percent on a per diluted share basis.

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

Organic growth/productivity and other:

- For the third quarter of 2021, organic volume growth was more than offset by productivity penalties from global supply chain challenges, increased investments in growth and sustainability, and increased litigation-related costs resulting in decreased operating margins and earnings per diluted share year-on-year. For the first nine months of 2021, continued organic volume growth, ongoing cost management and improved productivity offset by increased

litigation-related costs increased operating income margins and earnings per diluted share year-on-year. The following also impacted results or provide additional information:

- Second quarter of 2021 benefit of \$91 million pre-tax (\$0.12 per share after tax) from a favorable Brazilian Supreme Court decision that concluded on the impact of state value-added tax when determining Brazil's federal sales-based social tax—essentially lowering the social tax that 3M should have paid in prior periods.
- Certain increased legal and reserve adjustments costs year-over-year. 3M regularly reviews and updates its associated liabilities and is involved in various trials and defense preparation as discussed in Note 14.
- 2021 benefit from restructuring actions taken in 2020 and positive/negative impact of year-over-year change in non-divestiture-related restructuring charges, net of adjustments, for respective periods. Note 5 provides additional information relative to restructuring actions.
- COVID-impacts recognized on certain assets in the first quarter of 2020.
- On a combined basis, higher defined benefit pension and postretirement service cost expense year-on-year.

Selling price and raw material impact:

- 3M experienced higher raw material, logistics, and outsourced manufacturing costs from strong end-market demand and ongoing COVID-19 and Delta variant related global supply chain challenges that were further magnified by extreme weather events, such as February 2021 winter storm Uri in the U.S. These factors were partially offset by higher selling prices for both the third quarter and first nine months of 2021.

Acquisitions/divestitures:

- Divestiture impacts are comprised of the lost income from the divestiture of the Company's drug delivery business (sale completed in May 2020).

Foreign exchange impacts:

- Foreign currency impacts (net of hedging) decreased operating income by approximately \$7 million and increased operating income by approximately \$132 million (or a decrease of pre-tax earnings by approximately \$7 million and an increase of pre-tax earnings by \$148 million) year-on-year for the third quarter and first nine months of 2021, respectively. This estimate includes the effect of translating profits from local currencies into U.S. dollars; the impact of currency fluctuations on the transfer of goods between 3M operations in the United States and abroad; and transaction gains and losses, including derivative instruments designed to reduce foreign currency exchange rate risks.

Other expense (income), net:

- Higher income related to non-service cost components of pension and postretirement expense, decreased expense year-on-year for both the third quarter and first nine months of 2021.
- Interest expense (net of interest income) decreased for both the third quarter and first nine months of 2021 compared to the same periods year-on-year.

Income tax rate:

- Certain items above reflect specific income tax rates associated therewith. Overall, the effective tax rate for the third quarter and first nine months of 2021 was 18.4 percent and 18.8 percent, respectively, a decrease from 21.5 percent and 20.1 percent compared to the same periods, respectively, in prior year.
- On an adjusted basis, the effective tax rate for the third quarter and first nine months of 2021 was 18.4 percent and 18.8 percent, respectively, a decrease of 3.1 and a decrease of 2.2 percentage points compared to the same periods year-on-year.
- The primary factor that decreased the Company's effective tax rate was favorable adjustments in 2021 related to impacts of U.S. international tax provisions.

Shares of common stock outstanding:

- Higher shares outstanding decreased earnings per share year-on-year for both the third quarter and first nine months of 2021.

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

In addition to reporting financial results in accordance with U.S. GAAP, the Company also provides non-GAAP measures that adjust for the impacts of special items. For the periods presented, special items include the items described below. Operating income (measure of segment operating performance), income before taxes, net income, earnings per share, and the effective tax rate are all measures for which 3M provides the reported GAAP measure and a measure adjusted for special items. The adjusted measures are not in accordance with, nor are they a substitute for, GAAP measures. The Company considers these non-GAAP

measures in evaluating and managing the Company's operations. The Company believes that discussion of results adjusted for these items is meaningful to investors as it provides a useful analysis of ongoing underlying operating trends. The determination of these items may not be comparable to similarly titled measures used by other companies. Special items include:

Significant litigation-related charges/benefits:

- In the first quarter of 2020, 3M recorded a net pre-tax charge of \$17 million (\$13 million after tax) related to PFAS (certain perfluorinated compounds) matters. The charge was more than offset by a reduction in tax expense of \$52 million related to resolution of tax treatment with authorities regarding the previously disclosed 2018 agreement reached with the State of Minnesota that resolved the Natural Resources Damages (NRD) lawsuit. These items, in aggregate, resulted in a \$39 million after tax benefit.

Gain/loss on sale of businesses:

- In the first quarter of 2020, 3M recorded a pre-tax gain of \$2 million (\$1 million loss after tax) related to the sale of its advanced ballistic-protection business and recognition of certain contingent consideration. In the second quarter of 2020, 3M recorded a pre-tax gain of \$387 million (\$304 million after tax) related to the sale of its drug delivery business. Refer to Note 3 for further details.

Divestiture-related restructuring actions:

- In the second quarter of 2020, following the divestiture of substantially all of the drug delivery business, management approved and committed to undertake certain restructuring actions addressing corporate functional costs and manufacturing footprint across 3M in relation to the magnitude of amounts previously allocated/burdened to the divested business. As a result, 3M recorded a pre-tax charge of \$55 million (\$46 million after tax). Refer to Note 5 for further details.

[Table of Contents](#)

(Dollars in millions, except per share amounts)	Operating Income	Operating Income Margin	Income Before Taxes	Provision for Income Taxes	Effective Tax Rate	Net Income Attributable to 3M	Earnings Per Diluted Share	Earnings per diluted share percent change
Three months ended September 30, 2020 GAAP	\$ 1,909	22.9 %	\$ 1,826	\$ 391	21.5 %	\$ 1,430	\$ 2.45	
Adjustments for special items:								
None	—		—	—		—	—	
Three months ended September 30, 2020 adjusted amounts (non-GAAP measures)	\$ 1,909	22.9 %	\$ 1,826	\$ 391	21.5 %	\$ 1,430	\$ 2.45	
Three months ended September 30, 2021 GAAP	\$ 1,788	20.0 %	\$ 1,757	\$ 324	18.4 %	\$ 1,434	\$ 2.45	— %
Adjustments for special items:								
None	—		—	—		—	—	
Three months ended September 30, 2021 adjusted amounts (non-GAAP measures)	\$ 1,788	20.0 %	\$ 1,757	\$ 324	18.4 %	\$ 1,434	\$ 2.45	— %

(Dollars in millions, except per share amounts)	Operating Income	Operating Income Margin	Income Before Taxes	Provision for Income Taxes	Effective Tax Rate	Net Income Attributable to 3M	Earnings Per Diluted Share	Earnings per diluted share percent change
Nine months ended September 30, 2020 GAAP	\$ 5,312	22.5 %	\$ 5,064	\$ 1,016	20.1 %	\$ 4,044	\$ 6.95	
Adjustments for special items:								
Significant litigation-related charges/benefits	17		17	56		(39)	(0.07)	
Gain/loss on sale of businesses	(389)		(389)	(86)		(303)	(0.52)	
Divestiture-related restructuring actions	55		55	9		46	0.08	
Nine months ended September 30, 2020 adjusted amounts (non-GAAP measures)	\$ 4,995	21.2 %	\$ 4,747	\$ 995	21.0 %	\$ 3,748	\$ 6.44	
Nine months ended September 30, 2021 GAAP	\$ 5,753	21.5 %	\$ 5,640	\$ 1,058	18.8 %	\$ 4,582	\$ 7.81	12 %
Adjustments for special items:								
None	—		—	—		—	—	
Nine months ended September 30, 2021 adjusted amounts (non-GAAP measures)	5,753	21.5 %	5,640	1,058	18.8 %	4,582	7.81	21 %

Sales and operating income by business segment:

The following tables contain sales and operating income results by business segment for the three and nine months ended September 30, 2021 and 2020. Refer to the section entitled “Performance by Business Segment” later in MD&A for additional discussion concerning 2021 versus 2020 results, including Corporate and Unallocated. Refer to Note 16 for additional information on business segments, including Elimination of Dual Credit.

(Dollars in millions)	Three months ended September 30,					
	2021		2020		% change	
	Net Sales	Oper. Income	Net Sales	Oper. Income	Net Sales	Oper. Income
Business Segments						
Safety and Industrial	\$ 3,235	\$ 620	\$ 3,017	\$ 774	7.2 %	(19.9) %
Transportation and Electronics	2,450	465	2,316	514	5.8	(9.4)
Health Care	2,249	529	2,160	493	4.1	7.2
Consumer	1,525	332	1,412	343	8.1	(3.3)
Corporate and Unallocated	3	(27)	(2)	(73)		
Elimination of Dual Credit	(520)	(131)	(553)	(142)		
Total Company	\$ 8,942	\$ 1,788	\$ 8,350	\$ 1,909	7.1 %	(6.3) %

(Dollars in millions)	Nine months ended September 30,					
	2021		2020		% change	
	Net Sales	Oper. Income	Net Sales	Oper. Income	Net Sales	Oper. Income
Business Segments						
Safety and Industrial	\$ 9,816	\$ 2,149	\$ 8,601	\$ 2,091	14.1 %	2.8 %
Transportation and Electronics	7,463	1,602	6,492	1,338	15.0	19.8
Health Care	6,775	1,614	6,087	1,246	11.3	29.6
Consumer	4,380	932	3,893	886	12.5	5.2
Corporate and Unallocated	2	(116)	(1)	125		
Elimination of Dual Credit	(1,693)	(428)	(1,471)	(374)		
Total Company	\$ 26,743	\$ 5,753	\$ 23,601	\$ 5,312	13.3 %	8.3 %

Worldwide Sales Change By Business Segment	Three months ended September 30, 2021				
	Organic local-currency sales	Acquisitions	Divestitures	Translation	Total sales change
Safety and Industrial	6.1 %	— %	— %	1.1 %	7.2 %
Transportation and Electronics	5.1	—	—	0.7	5.8
Health Care	3.3	—	—	0.8	4.1
Consumer	7.6	—	—	0.5	8.1
Total Company	6.3	—	—	0.8	7.1

Worldwide Sales Change By Business Segment	Nine months ended September 30, 2021				
	Organic local-currency sales	Acquisitions	Divestitures	Translation	Total sales change
Safety and Industrial	11.0 %	— %	— %	3.1 %	14.1 %
Transportation and Electronics	12.4	—	—	2.6	15.0
Health Care	11.4	—	(2.7)	2.6	11.3
Consumer	10.8	—	—	1.7	12.5
Total Company	11.5	—	(0.7)	2.5	13.3

Sales by geographic area:

Percent change information compares the third quarter and first nine months of 2021 with the same period last year, unless otherwise indicated. Additional discussion of business segment results is provided in the Performance by Business Segment section.

	Three months ended September 30, 2021				
	Americas	Asia Pacific	Europe, Middle East & Africa	Other Unallocated	Worldwide
Net sales (millions)	\$ 4,692	\$ 2,642	\$ 1,608	\$ —	\$ 8,942
% of worldwide sales	52.5 %	29.5 %	18.0 %	—	100.0 %
Components of net sales change:					
Volume — organic	5.4 %	5.1 %	3.1 %		4.9 %
Price	2.0	0.5	1.1		1.4
Organic local-currency sales	7.4	5.6	4.2		6.3
Divestitures	—	—	—		—
Translation	0.5	1.2	1.0		0.8
Total sales change	7.9 %	6.8 %	5.2 %		7.1 %
Total sales change:					
Safety and Industrial	5.5 %	18.1 %	0.2 %		7.2 %
Transportation and Electronics	13.7	0.6	12.2		5.8
Health Care	1.7	12.8	4.3		4.1
Consumer	10.0	4.2	0.5		8.1
Organic local-currency sales change:					
Safety and Industrial	4.9 %	15.6 %	(0.8) %		6.1 %
Transportation and Electronics	13.3	(0.2)	11.3		5.1
Health Care	1.4	10.9	3.1		3.3
Consumer	9.5	3.8	(0.6)		7.6

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

- In the Americas geographic area, U.S. total sales increased 6 percent which included increased organic-local currency sales of 6 percent. Total sales in Mexico increased 15 percent which included increased organic local-currency sales of 12 percent. In Canada, total sales increased 12 percent which included increased organic local-currency sales of 7 percent. In Brazil, total sales increased 26 percent which included increased organic local-currency sales of 22 percent.
- In the Asia Pacific geographic area, China total sales increased 8 percent which included increased organic local-currency sales of 3 percent. In Japan, total sales increased 2 percent which included increased organic local-currency sales of 6 percent.

Nine months ended September 30, 2021					
	Americas	Asia Pacific	Europe, Middle East & Africa	Other Unallocated	Worldwide
Net sales (millions)	\$ 13,602	\$ 8,066	\$ 5,077	\$ (2)	\$ 26,743
% of worldwide sales	50.9 %	30.2 %	18.9 %	—	100.0 %
Components of net sales change:					
Volume — organic	11.2 %	11.1 %	8.6 %		10.7 %
Price	1.3	(0.1)	0.8		0.8
Organic local-currency sales	12.5	11.0	9.4		11.5
Divestitures	(0.8)	—	(1.5)		(0.7)
Translation	0.5	3.7	6.2		2.5
Total sales change	12.2 %	14.7 %	14.1 %		13.3 %
Total sales change:					
Safety and Industrial	12.8 %	19.5 %	11.6 %		14.1 %
Transportation and Electronics	13.5	14.2	21.0		15.0
Health Care	8.4	15.8	15.7		11.3
Consumer	13.0	9.7	13.9		12.5
Organic local-currency sales change:					
Safety and Industrial	12.2 %	14.1 %	5.4 %		11.0 %
Transportation and Electronics	13.1	11.5	14.6		12.4
Health Care	10.5	10.7	14.3		11.4
Consumer	12.5	5.8	7.8		10.8

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

- In the Americas geographic area, U.S. total sales increased 10 percent which included increased organic-local currency sales of 11 percent. Total sales in Mexico increased 21 percent which included increased organic local-currency sales of 18 percent. In Canada, total sales increased 21 percent which included increased organic local-currency sales of 13 percent. In Brazil, total sales increased 25 percent which included increased organic local-currency sales of 29 percent.
- In the Asia Pacific geographic area, China total sales increased 21 percent which included increased organic local-currency sales of 15 percent. In Japan, total sales increased 4 percent which included increased organic local-currency sales of 5 percent.

Managing currency risks:

The weaker U.S. dollar had a positive impact on sales in the third quarter and first nine months of 2021 compared to the same periods last year. Net of the Company’s hedging strategy, foreign currency negatively impacted earnings in the third quarter and positively impacted earnings in the first nine months of 2021 compared to the same periods last year. 3M utilizes a number of tools to manage currency risk related to earnings including natural hedges such as pricing, productivity, hard currency and hard currency-indexed billings, and localizing source of supply. 3M also uses financial hedges to mitigate currency risk. In the case of more liquid currencies, 3M hedges a portion of its aggregate exposure, using a 12, 24 or 36 month horizon, depending on the currency in question. For less liquid currencies, financial hedging is frequently more expensive with more limitations on tenor. Thus, this risk is largely managed via local operational actions using natural hedging tools as discussed above. In either case, 3M’s hedging approach is designed to mitigate a portion of foreign currency risk and reduce volatility, ultimately allowing time for 3M’s businesses to respond to changes in the marketplace.

Financial condition:

3M generated \$5.4 billion of operating cash flows in the first nine months of 2021, a decrease of \$149 million when compared to the first nine months of 2020, with this decrease year-on-year primarily driven by working capital changes. 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 nine months of 2021, the Company purchased \$1,261 million of its own stock, compared to \$366 million of stock purchases in the first nine months of 2020. As of September 30, 2021, approximately \$6.5 billion remained available under the authorization. In February 2021, 3M’s Board of Directors declared a first-quarter 2021 dividend of \$1.48 per share, an increase of 1 percent. This marked the 63rd consecutive year of dividend increases for 3M. In May and August 2021, 3M’s Board of Directors declared a second and third quarter 2021 dividend of \$1.48 per share for each quarter.

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

3M expects to contribute approximately \$200 million of cash to its global defined benefit pension and postretirement plans in 2021. The Company does not have a required minimum cash pension contribution obligation for its U.S. plans in 2021.

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 September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Cost of sales	54.3 %	51.5 %	2.8 %	52.7 %	51.7 %	1.0 %
Selling, general and administrative expenses (SG&A)	20.3	20.1	0.2	20.1	21.4	(1.3)
Research, development and related expenses (R&D)	5.4	5.5	(0.1)	5.7	6.0	(0.3)
Gain on sale of businesses	—	—	—	—	(1.6)	1.6
Operating income margin	20.0 %	22.9 %	(2.9)%	21.5 %	22.5 %	(1.0)%

3M expects global defined benefit pension and postretirement service cost expense in 2021 to increase by approximately \$40 million pre-tax when compared to 2020, which impacts cost of sales; selling, general and administrative expenses (SG&A); and research, development and related expenses (R&D). The year-on-year increase in defined benefit pension and postretirement service cost expense for the third quarter and first nine months of 2021 was approximately \$9 million and \$31 million, respectively.

For total year 2020, the Company recognized consolidated defined benefit pre-tax pension and postretirement service cost expense of \$456 million and a benefit of \$134 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 \$322 million.

For total year 2021, defined benefit pension and postretirement service cost expense is anticipated to total approximately \$500 million while non-service pension and postretirement net benefit cost is anticipated to be a benefit of approximately \$295 million, for a total consolidated defined benefit pre-tax pension and postretirement expense of approximately \$200 million, a decrease in expense of approximately \$120 million compared to 2020.

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

Cost of Sales:

Cost of sales, measured as a percent of sales, increased in the third quarter and first nine months of 2021 when compared to the same periods last year. Increases primarily related to higher raw material, logistics and outsourced manufacturing costs; increased adjustments to other environmental liabilities; and increased investments in sustainability. Cost of sales was also impacted by year-over-year changes in restructuring charges, net of restructuring benefits. Year-over-year cost increases were partially offset by lower COVID-related net impacts taken in the first nine months of 2021 versus the same period last year, including period expenses of unabsorbed manufacturing costs taken in 2020.

Selling, General and Administrative Expenses:

SG&A in dollars increased 8 percent and 7 percent in the third quarter and first nine months of 2021, respectively, when compared to the same period last year. These results reflect increased litigation-related costs and continued spending on key growth initiatives. SG&A was also impacted by year-over-year changes in restructuring charges, net of restructuring benefits. Cost increases were partially offset by the impact of the favorable decision of the Brazilian Supreme Court in the second quarter of 2021 regarding the calculation of past social taxes and ongoing general 3M cost management. Prior year also included a number of COVID-related net impacts as described in the *Overview- Consideration of COVID-19* section above. As a percent of sales, SG&A increased in the third quarter and decreased in the first nine months of 2021 as a result of these factors.

Research, Development and Related Expenses:

R&D in dollars increased \$21 million and \$98 million in the third quarter and first nine months of 2021, respectively, when compared to the same period last year, as 3M continued to invest in its key initiatives, including R&D aimed at disruptive innovation programs with the potential to create entirely new markets and disrupt existing markets.

Gain on Sale of Businesses:

During the first quarter of 2020, the Company recorded a pre-tax gain of \$2 million (\$1 million loss after tax) related to the sale of its advanced ballistic-protection business and recognition of certain contingent consideration. During the second quarter of 2020, the Company recorded a pre-tax gain of \$387 million (\$304 after tax) related to the sale of substantially all of its drug delivery business. Refer to Note 3 for additional details on divestitures.

Other Expense (Income), Net:

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

Interest expense (net of interest income) decreased for both the third quarter and the first nine months of 2021 compared to the same periods year-on-year. Interest expense includes an early debt extinguishment pre-tax charge in the first quarter of 2021.

The non-service pension and postretirement net benefit increased approximately \$40 million and \$123 million in the third quarter and first nine months of 2021, respectively, compared to the same period in 2020.

Provision for Income Taxes:

(Percent of pre-tax income)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Effective tax rate	18.4 %	21.5 %	18.8 %	20.1 %

The effective tax rate for the third quarter of 2021 was 18.4 percent, compared to 21.5 percent in the third quarter of 2020, a decrease of 3.1 percentage points. The effective tax rate for the first nine months of 2021 was 18.8 percent compared to 20.1 percent in the first nine months of 2020 a decrease of 1.3 percentage points. The primary factor that decreased the Company's effective tax rate was favorable adjustments in 2021 related to impacts of U.S. international tax provisions.

3M currently estimates its effective tax rate for 2021 to be approximately 18.5 to 19.5 percent. 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Income (loss) from unconsolidated subsidiaries, net of taxes	\$ 4	\$ (1)	\$ 7	\$ (1)

Income (loss) from unconsolidated subsidiaries, net of taxes, is primarily attributable to the Company’s ownership interest in Kindeva using the equity method of accounting following 3M’s divestiture of the drug delivery business in 2020.

Net Income (Loss) Attributable to Noncontrolling Interest:

(Millions)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss) attributable to noncontrolling interest	\$ 3	\$ 4	\$ 7	\$ 3

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

Disclosures relating to 3M’s business segments are provided in Note 16. Effective in the first quarter of 2021, the measure of segment operating performance 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) was updated for all comparative periods presented. The change to business segment operating income aligns with the update to how the CODM assesses performance and allocates resources for the Company’s business segments (see Note 16 for additional details).

Information provided herein reflects the impact of these changes for all periods presented. 3M manages its operations in four business segments. The reportable segments are Safety and Industrial; Transportation and Electronics; Health Care; and Consumer.

Corporate and Unallocated:

In addition to these four business segments, 3M assigns certain costs to “Corporate and Unallocated,” which is presented separately in the preceding business segments table and in Note 16. Corporate and Unallocated operating income includes “special items” and “other corporate expense-net”. Special items include significant litigation-related charges/benefits, gain/loss on sale of businesses, and divestiture-related restructuring costs. 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, certain litigation and environmental expenses largely related to legacy products/businesses not allocated to business segments, corporate philanthropic activity, 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 contract manufacturing, transition services and other arrangements with the acquirer of the Communication Markets Division following its 2018 divestiture through 2019 and the acquirer of the former Drug Delivery business following its 2020 divestiture. 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 decreased in the third quarter and increased in first nine months of 2021, when compared to the same period last year.

Special Items

Refer to the *Certain amounts adjusted for special items - (non-GAAP measures)* section for additional details on the impact of significant litigation-related charges/benefits, gain/loss on sale of businesses, and divestiture-related restructuring actions that are reflected in Corporate and Unallocated.

Other Corporate Expense - Net

Other corporate operating expenses, net, decreased in the third quarter and first nine months of 2021, respectively, when compared to the same period last year primarily due to a \$91 million pre-tax benefit from the impact of the favorable decision of the Brazilian Supreme Court in the second quarter of 2021 regarding the calculation of past social taxes, continued lower overall corporate staff spending and first quarter 2020 charges related to equity securities (as discussed in the “Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis” section of Note 13), partially offset by increased legal and reserve adjustment costs.

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. Organic local-currency sales include both organic volume impacts plus selling price impacts. Acquisition impacts, if any, are measured separately for the first twelve months post-transaction. The divestiture impacts, if any, foreign currency translation impacts and total sales change are also provided for each business segment. Any references to EMEA relate to Europe, Middle East and Africa on a combined basis.

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

Refer to 3M’s 2020 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales (millions)	\$ 3,235	\$ 3,017	\$ 9,816	\$ 8,601
Sales change analysis:				
Organic local-currency	6.1 %		11.0 %	
Translation	1.1		3.1	
Total sales change	7.2 %		14.1 %	
Business segment operating income (millions)	\$ 620	\$ 774	\$ 2,149	\$ 2,091
Percent change	(19.9) %		2.8 %	
Percent of sales	19.2 %	25.7 %	21.9 %	24.3 %

Third quarter 2021 results:

Sales in Safety and Industrial totaled \$3.2 billion, up 7.2 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in abrasives, industrial adhesives and tapes, electrical markets, closure and masking systems, and automotive aftermarket driven by continued robust industrial manufacturing activity along with prior year pandemic-related impacts.
- Sales declined in roofing granules and personal safety against strong comparisons from prior year and declines due to prior year’s strong COVID-related respiratory demand.

Business segment operating income margins decreased year-on-year due to ongoing increases in raw materials, logistics and litigation-related costs along with manufacturing productivity impacts, partially offset by leverage on sales growth.

First nine months 2021 results:

Sales in Safety and Industrial totaled \$9.8 billion, up 14.1 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in abrasives, industrial adhesives and tapes, automotive aftermarket, roofing granules, electrical markets, personal safety, and closure and masking systems.
- Growth was driven by improving general industrial manufacturing activity and other end-market demand along with pandemic-related respirator mask demand in the first quarter of 2021.

Business segment operating income margins decreased year-on-year due to rising raw materials, logistics and litigation-related costs along with manufacturing productivity impacts, partially offset by sales growth leverage.

Transportation and Electronics Business:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales (millions)	\$ 2,450	\$ 2,316	\$ 7,463	\$ 6,492
Sales change analysis:				
Organic local-currency	5.1 %		12.4 %	
Translation	0.7		2.6	
Total sales change	5.8 %		15.0 %	
Business segment operating income (millions)	\$ 465	\$ 514	\$ 1,602	\$ 1,338
Percent change	(9.4) %		19.8 %	
Percent of sales	19.0 %	22.2 %	21.5 %	20.6 %

Third quarter 2021 results:

Sales in Transportation and Electronics totaled \$2.5 billion, up 5.8 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in advanced materials, commercial solutions, automotive and aerospace and transportation safety; sales decreased in electronics.
- Sales increased in automotive and aerospace with year-on-year growth in car and light truck build rates as premium vehicle production increased where 3M has higher content per vehicle, a year-on-year increase in sell-in of 3M products versus change in build rate, and continued penetration gains into new platforms.
- Sales increased in commercial solutions, advanced materials and transportation safety from return to workplace trends.
- Sales decreased in electronics due to ongoing semiconductor constraints on customers and pandemic-related impacts.

Business segment operating income margins decreased year-on-year due to strong leverage on sales growth, more than offset by increases in raw materials and logistic costs along with manufacturing productivity impacts.

First nine months 2021 results:

Sales in Transportation and Electronics totaled \$7.5 billion, up 15.0 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in automotive and aerospace, advanced materials, commercial solutions, electronics and transportation safety.
- Sales increased in automotive and aerospace from improving automotive-end market activity and increases in car and light truck builds and factors mentioned above relative to third quarter results.
- Sales increased in electronics due to strong demand in data center, semiconductor, interconnect and consumer electronics markets.
- Sales increased in commercial solutions, advanced materials and transportation safety due to increased advertising spend and return to workplace trends.

Business segment operating income margins increased year-on-year due to sales growth leverage and COVID impacts recognized on certain assets in 2020, partially offset by rising raw materials and logistic costs along with manufacturing productivity impacts.

Health Care Business:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales (millions)	\$ 2,249	\$ 2,160	\$ 6,775	\$ 6,087
Sales change analysis:				
Organic local-currency	3.3 %		11.4 %	
Divestitures	—		(2.7)	
Translation	0.8		2.6	
Total sales change	4.1 %		11.3 %	
Business segment operating income (millions)	\$ 529	\$ 493	\$ 1,614	\$ 1,246
Percent change	7.2 %		29.6 %	
Percent of sales	23.5 %	22.8 %	23.8 %	20.5 %

Third quarter 2021 results:

Sales in Health Care totaled \$2.2 billion, up 4.1 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in food safety, oral care, health information systems and separation and purification; sales declined in medical solutions.
- Sales increased in oral care as dental procedures continued to be near pre-COVID levels, in food safety as food service activity returned, and in separation and purification due to ongoing demand for biopharma filtration solutions for COVID-related vaccine and therapeutics.
- Sales increased in health information systems driven by strong growth in clinician solutions.
- Sales decreased in medical solutions due to the continued decline in demand for COVID-related respirators along with the pace of hospital elective procedure volumes coming in at the low end of industry expectations.

Business segment operating income margins increased year-on-year due to leverage on sales growth, partially offset by increasing raw materials and logistics costs, manufacturing productivity impacts, along with increased investments in growth.

First nine months 2021 results:

Sales in Health Care totaled \$6.8 billion, up 11.3 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in oral care, separation and purification, food safety, health information systems, and medical solutions.
- Sales increased in oral care driven by higher year-on-year dental procedures and in separation and purification from continued high demand for biopharma filtration solutions for COVID-related vaccine and therapeutic development and manufacturing.
- Sales increased in medical solutions from rising elective procedure volumes in the first six months of 2021 and strong respirator demand in the first quarter of 2021.
- Sales increased in health information systems due to improving hospital information technology investments.

Divestitures:

- In May 2020, 3M completed the sale of substantially all of its drug delivery business.

Business segment operating income margins increased year-on-year due to sales growth leverage, partially offset by supply chain disruptions, rising raw materials and logistics costs, manufacturing productivity impacts, and increased investments in growth.

Consumer Business:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales (millions)	\$ 1,525	\$ 1,412	\$ 4,380	\$ 3,893
Sales change analysis:				
Organic local-currency	7.6 %		10.8 %	
Translation	0.5		1.7	
Total sales change	8.1 %		12.5 %	
Business segment operating income (millions)	\$ 332	\$ 343	\$ 932	\$ 886
Percent change	(3.3) %		5.2 %	
Percent of sales	21.7 %	24.3 %	21.3 %	22.7 %

Third quarter 2021 results:

Sales in Consumer totaled \$1.5 billion, up 8.1 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in stationery and office, consumer health and safety, home improvement and home care.
- Sales increased in stationery and office supplies as the business lapped last year's COVID-related comparisons and due to a strong back-to-school consumer demand and holiday-related sell-in for Scotch®-branded packaging and shipping products, Post-it®-solutions and Scotch®-branded home and office tapes.
- Sales increased in consumer health and safety as last year's COVID-related impacts are lapped.
- Sales increased in home improvement as the business continued to experience strong demand in many of our category leading franchises particularly for Command™ adhesives and Filtrete™ air quality solutions.
- Sales increased in home care due to continued strength in home cleaning.

Business segment operating income margins decreased year-on-year as a result of increased costs for raw materials, logistics and outsourced hardgoods manufacturing costs that more than offset leverage from sales growth.

First nine months 2021 results:

Sales in Consumer totaled \$4.4 billion, up of 12.5 percent in U.S. dollars. Organic local-currency and other sales change elements are included in the table above.

On an organic local-currency sales basis:

- Sales increased in stationery and office, home improvement, consumer health and safety and home care.
- Sales increased in home improvement driven by continued strength in home improvement with strong demand for Command™ adhesives, Filtrete™ air quality solutions, Meguiars™ auto care and Scotch Blue™ painter's tape.
- Sales increased in stationery and office supplies from ongoing strength in consumer demand for packaging and shipping products, Post-it®-solutions and Scotch® brand office tapes as the business laps last year's COVID-related comparisons.
- Sales also increased in consumer health and safety as the global economy impacted by COVID continues to evolve versus 2020 and in home care due to consumer demand for home cleaning products and solutions.

Business segment operating income margins decreased year-on-year as a result of rising raw materials, logistics and outsourced hardgoods manufacturing costs, and higher investments in advertising and merchandising, partially offset by sales growth leverage.

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, provides financial flexibility and enables the Company to invest through business cycles. 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. Organic investments will be supplemented by complementary acquisitions. The Company also continues to actively manage its portfolio to maximize value for shareholders. 3M repurchased shares in the first nine months of 2021, after having suspended repurchases under its board-approved share repurchase program (with other repurchase activity limited to 3M's stock compensation plans) in the first quarter of 2020. 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 2020 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 no commercial paper outstanding at September 30, 2021 and December 31, 2020.

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

The Company's total debt was \$630 million lower at September 30, 2021 when compared to December 31, 2020. Decreases in debt were largely due to the March 2021 early redemption via make-whole call offers of \$450 million in debt. For discussion of repayments of and proceeds from debt refer to the following "Cash Flows from Financing Activities" section. As discussed in Note 10, during the second and third quarters of 2021, 3M entered into interest rate swaps that converted part of the Company's \$1.0 billion and \$650 million principal amount of fixed rate notes due 2049 and 2050, respectively, into floating rate debt for the portion of their terms through mid-2028.

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 stated it will cease publication of certain LIBOR rates after December 31, 2021. USD LIBOR rates that do not cease on December 31, 2021 will continue to be published through June 30, 2023. The Company has reviewed its debt securities, bank facilities, and derivative instruments and continues to evaluate commercial contracts that may utilize LIBOR as the reference rate. 3M will continue its assessment and monitor regulatory developments during the transition period.

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

As of September 30, 2021, the total amount of debt issued as part of the medium-term notes program (Series F), inclusive of debt issued in February 2019 and prior years is approximately \$17.6 billion (utilizing the foreign exchange rates applicable at the time of issuance for the euro denominated debt). Additionally, the August 2019 and March 2020 debt was issued under the WKSI shelf registration, but not as part of the medium-term notes program (Series F). Information with respect to long-term debt issuances and maturities for the periods presented is included in Note 10 of this Form 10-Q and Note 12 of 3M’s 2020 Annual Report on Form 10-K.

The Company has a \$3.0 billion five-year revolving credit facility expiring in November 2024. The revolving credit agreement includes a provision under which 3M may request an increase of up to \$1.0 billion (at lender’s discretion), bringing the total facility up to \$4.0 billion. In addition, 3M entered into a \$1.25 billion 364-day credit facility, which was renewed in November 2020 with an expiration date of November 2021. The 364-day credit agreement includes a provision under which 3M may convert any advances outstanding on the maturity date into term loans with a maturity date one year later. These credit facilities were undrawn at September 30, 2021. Under both the \$3.0 billion and \$1.25 billion credit agreements, the Company is required to maintain its EBITDA to Interest Ratio as of the end of each fiscal quarter at not less than 3.0 to 1. This is calculated (as defined in the agreement) as the ratio of consolidated total EBITDA for the four consecutive quarters then ended to total interest expense on all funded debt for the same period. At September 30, 2021, this ratio was approximately 19 to 1. Debt covenants do not restrict the payment of dividends.

The Company also had \$268 million in stand-alone letters of credit and bank guarantees issued and outstanding at September 30, 2021. These instruments are utilized in connection with normal business activities.

Cash, cash equivalents and marketable securities:

At September 30, 2021, 3M had \$5.8 billion of cash, cash equivalents and marketable securities, of which approximately \$4.9 billion was held by the Company’s foreign subsidiaries and approximately \$0.9 billion was held in the United States. These balances are invested in bank instruments and other high-quality fixed income securities. At December 31, 2020, 3M had \$5.1 billion of cash, cash equivalents and marketable securities, of which approximately \$2.8 billion was held by the Company’s foreign subsidiaries and \$2.3 billion was held by the United States. The increase from December 31, 2020 primarily resulted from strong cash flow from operations offset by ongoing dividend payments, purchases of treasury stock, capital expenditures, and the March 2021 early redemption via make-whole call offers of \$450 million in debt.

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 September 30, 2021 and December 31, 2020.

(Millions)	September 30, 2021	December 31, 2020	Change
Total debt	\$ 18,165	\$ 18,795	\$ (630)
Less: Cash, cash equivalents and marketable securities	5,763	5,068	695
Net debt (non-GAAP measure)	\$ 12,402	\$ 13,727	\$ (1,325)

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)	September 30, 2021	December 31, 2020	Change
Current assets	\$ 16,426	\$ 14,982	\$ 1,444
Less: Current liabilities	9,635	7,948	1,687
Working capital (non-GAAP measure)	\$ 6,791	\$ 7,034	\$ (243)

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 \$0.2 billion compared with December 31, 2020. Balance changes in current assets increased working capital by \$1.4 billion, driven largely by increases in inventory, marketable securities and accounts receivable. Balance changes in current liabilities decreased working capital by \$1.7 billion, primarily due to increases in current-portion of long-term debt and accounts payable.

Accounts receivable increased \$211 million and inventory increased \$711 million, respectively, from December 31, 2020, primarily as a result of increased sequential sales and related operating activity from that of late 2020 partially offset by foreign currency translation impacts. Current portion of long-term debt increased based on underlying debt maturities while accounts payable also increased as a result of increased sequential operating activity from that of late 2020 partially offset by foreign currency translation impacts.

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)	Nine months ended September 30,	
	2021	2020
Net income including noncontrolling interest	\$ 4,589	\$ 4,047
Depreciation and amortization	1,408	1,413
Company pension and postretirement contributions	(121)	(122)
Company pension and postretirement expense	137	232
Stock-based compensation expense	227	216
Gain on sale of businesses	—	(389)
Income taxes (deferred and accrued income taxes)	(196)	89
Accounts receivable	(324)	113
Inventories	(823)	43
Accounts payable	340	(48)
Other — net	212	4
Net cash provided by (used in) operating activities	\$ 5,449	\$ 5,598

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

In the first nine months of 2021, cash flows provided by operating activities decreased \$149 million compared to the same period last year, with this decrease primarily due to working capital changes and the timing of income tax payments offset by higher net income year-on-year. The combination of accounts receivable, inventories and accounts payable decreased operating cash flow by \$807 million and increased operating cash flow by \$108 million in the first nine months of 2021 and 2020, respectively. Additional discussion on working capital changes is provided earlier in the “Financial Condition and Liquidity” section.

Cash Flows from Investing Activities:

(Millions)	Nine months ended September 30,	
	2021	2020
Purchases of property, plant and equipment (PP&E)	\$ (1,047)	\$ (1,079)
Proceeds from sale of PP&E and other assets	44	29
Acquisitions, net of cash acquired	—	(25)
Purchases and proceeds from maturities and sale of marketable securities and investments, net	(447)	170
Proceeds from sale of businesses, net of cash sold	—	576
Other — net	18	8
Net cash provided by (used in) investing activities	\$ (1,432)	\$ (321)

Investments in property, plant and equipment enable growth across many diverse markets, helping to meet product demand and increasing manufacturing efficiency. The Company expects 2021 capital spending to be approximately \$1.5 billion to \$1.6 billion as 3M continues to invest in growth, productivity and sustainability. In 2020, 3M reduced overall spending in light of uncertainty regarding COVID-19—resulting in full year capital spending of \$1.5 billion—but continued to invest in expanding the Company’s ability to increase production of respiratory products to meet worldwide demand.

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. Acquisitions, net of cash acquired, in the first three months of 2020 primarily relate to the payment made for contingent consideration in regards to the Acelity acquisition. Proceeds from sale of businesses in 2020 primarily relate to the sale of the Company’s advanced ballistic-protection business and its drug delivery business.

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

Cash Flows from Financing Activities:

(Millions)	Nine months ended September 30,	
	2021	2020
Change in short-term debt — net	\$ 4	\$ (138)
Repayment of debt (maturities greater than 90 days)	(450)	(2,477)
Proceeds from debt (maturities greater than 90 days)	1	1,745
Total cash change in debt	(445)	(870)
Purchases of treasury stock	(1,261)	(366)
Proceeds from issuances of treasury stock pursuant to stock option and benefit plans	566	325
Dividends paid to shareholders	(2,572)	(2,540)
Other — net	(21)	(47)
Net cash provided by (used in) financing activities	\$ (3,733)	\$ (3,498)

Total debt was approximately \$18.2 billion at September 30, 2021 and \$18.8 billion at December 31, 2020. Decreases in debt were largely due to the March 2021 early redemption of \$450 million in debt maturing in 2022 via make-whole call offers. The Company had no commercial paper outstanding at September 30, 2021 and December 31, 2020. Net commercial paper issuances in addition to repayments and borrowings by international subsidiaries are largely reflected in “Change in short-term debt – net” in the preceding table. 3M’s primary short-term liquidity needs are met through cash on hand and U.S. commercial paper issuances. 2020 issuances, maturities, and extinguishments of short-and long-term debt are described in Note 5 in 3M’s 2020 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 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 nine months of 2021, the Company purchased \$1.3 billion of its own stock. 3M repurchased shares, after having suspended repurchases (with other repurchase activity limited to 3M’s stock compensation plans) in the first quarter of 2020. For more information, refer to the table titled “Issuer Purchases of Equity Securities” in Part II, Item 2. The Company does not utilize derivative instruments linked to the Company’s stock.

3M has paid dividends each year since 1916. In February 2021, 3M’s Board of Directors declared a first-quarter 2021 dividend of \$1.48 per share, an increase of 1 percent. This is equivalent to an annual dividend of \$5.92 per share and marked the 63rd consecutive year of dividend increases. In May and August 2021, 3M’s Board of Directors declared a second and third quarter 2021 dividend of \$1.48 per share for each quarter.

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 or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to similarly titled measures used by other companies. The Company defines free cash flow as net cash provided by operating activities less purchases of property, plant and equipment. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. The Company defines free cash flow conversion as free cash flow divided by net income attributable to 3M. The Company believes free cash flow and free cash flow conversion are meaningful to investors as they are useful measures of performance and the Company uses these measures as an indication of the strength of the company and its ability to generate cash. 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 attributable to 3M component of the calculation of free cash flow conversion.

(Millions)	Nine months ended September 30,	
	2021	2020
Major GAAP Cash Flow Categories		
Net cash provided by (used in) operating activities	\$ 5,449	\$ 5,598
Net cash provided by (used in) investing activities	(1,432)	(321)
Net cash provided by (used in) financing activities	(3,733)	(3,498)
Free Cash Flow (non-GAAP measure)		
Net cash provided by (used in) operating activities	\$ 5,449	\$ 5,598
Purchases of property, plant and equipment	(1,047)	(1,079)
Free cash flow	4,402	4,519
Net income attributable to 3M	\$ 4,582	\$ 4,044
Free cash flow conversion	96 %	112 %

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, capital markets and other external conditions, such as interest rates, financial conditions of our suppliers and customers, trade restrictions such as tariffs in addition to retaliatory counter measures, inflation, and natural and other disasters or climate change affecting the operations of the Company or our suppliers and customers,
- risks related to public health crises such as the global pandemic associated with the coronavirus (COVID-19),
- liabilities related to certain fluorochemicals and the outcome of contingencies,
- the Company’s strategy for growth, future revenues, earnings, cash flow, uses of cash and other measures of financial performance, and market position,
- competitive conditions and customer preferences,
- foreign currency exchange rates and fluctuations in those rates,
- new business opportunities, product development, and future performance or results of current or anticipated products,

- fluctuations in the costs and availability of purchased components, compounds, raw materials and energy,
- Information technology systems including ERP system roll-out and implementations,
- Security breaches and other disruptions to information technology infrastructure,
- the scope, nature or impact of acquisition, strategic alliance and divestiture activities,
- operational execution, including inability to generate productivity improvements as estimated,
- future levels of indebtedness, common stock repurchases and capital spending,
- future availability of and access to credit markets,
- pension and postretirement obligation assumptions and future contributions,
- asset impairments,
- tax liabilities and effects of changes in tax rates, laws or regulations, and
- legal and regulatory proceedings, legal compliance risks (including third-party risks) with regards to environmental, product liability and other laws and regulations in the United States and other countries in which we operate.

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

Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those reflected in any such forward-looking statements depending on a variety of factors. Important information as to these factors can be found in this document, including, among others, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings of “Overview,” “Financial Condition and Liquidity” and annually in “Critical Accounting Estimates.” Discussion of these factors is incorporated by reference from Part 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 2020 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 September 30, 2021. 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 controls 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 September 30, 2021
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 Conditions 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 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 business is subject to global competition and geopolitical risks that are beyond its control, such as disruptions in financial markets, economic downturns, government actions impacting international trade agreements, imposing trade restrictions such as tariffs, and retaliatory counter measures, inflation, government deficit reduction and other austerity measures in specific countries or regions, or in the various industries in which the Company operates; social, political or labor conditions in specific countries or regions; or adverse changes in the availability and cost of capital, interest rates, or exchange control, ability to expatriate earnings and other regulations in the jurisdictions in which the Company operates. Climate change, as well as related environmental and social regulations, may negatively impact the Company or its customers and suppliers, in terms of availability and cost of natural resources, sources and supply of energy, product demand and manufacturing, and the health and well-being of individuals and communities in which we operate.

** The Company is subject to risks related to public health crises such as the global pandemic associated with the coronavirus (COVID-19).*

3M, as a global company, is impacted by public health crises such as the global pandemic associated with COVID-19. The outbreak has significantly increased economic and demand uncertainty. In addition, public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, the adoption of remote working, and government-ordered vaccine mandates, have impacted and will continue to impact 3M’s operations. In these challenging and dynamic circumstances, 3M continues to work to protect its employees and the public, maintain business continuity and sustain its operations, including ensuring the safety and protection of approximately 50,000 people who work in our plants and distribution centers across the world, many of whom support the manufacturing and delivery of products that are critical in response to the global pandemic. COVID-19 has impacted 3M’s supply chains relative to global demand for products like respirators, surgical masks and commercial cleaning solutions. Within individual regions and countries around the world, 3M is working with governments, distributors and others to prioritize supplies to the most critical customer and public health needs. In addition, trade barriers, export restrictions and other similar measures imposed by national governments also negatively impact the supplies of personal protection equipment including those made by 3M going into the most needed areas. COVID-19 has also affected the ability of suppliers and vendors to provide products and services to 3M. Some of these COVID-related factors have increased demand for certain 3M products, while others have decreased demand from certain end markets or could make it more difficult for 3M to serve customers. 3M has received reports of price gouging, counterfeiting and other illegal or fraudulent activities involving its N95 respirators, has taken legal action in several states and continues to work with state, federal and international law enforcement to protect the public and 3M against those who seek to exploit 3M’s brand and reputation and defraud others. Furthermore, COVID-19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates. For example, COVID-19 has led to disruption and volatility in the global capital markets, which increases the cost of capital and could adversely impact access to capital. As economies start to reopen in certain parts of the world, workplace safety, for the Company and others, will increasingly become a focus of concern. As part of the return to work process at the Company, the Company could face additional privacy and data security risks in various

countries related to the collection of data regarding employees and contractors with respect to COVID-19 testing, temperature checks, contact tracing, and vaccination status. Due to the speed and scope with which the COVID situation is developing and evolving and the uncertainty of its duration and the timing of recovery, 3M is not able at this time to predict the extent to which the COVID-19 pandemic may have a material effect on its consolidated results of operations or financial condition.

** 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.

Risks Related to Legal and Regulatory Proceedings

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

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

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

publicity related to product liability, environmental, health and safety or other matters referenced above involving the Company may negatively impact the Company's reputation. For a more detailed discussion of the legal proceedings involving the Company and the associated accounting estimates, see the discussion in Note 14, "Commitments and Contingencies," within the Notes to Consolidated Financial Statements.

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

** 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, 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, or be terminated. Any sustained interruption in the Company's receipt of adequate supplies or disruption to key manufacturing sites' operations due to natural and other disasters or events could have a material adverse effect on the Company. In addition, while the Company has a process to minimize volatility in component and material pricing, no assurance can be given that the Company will be able to successfully manage price fluctuations or that future price fluctuations or shortages will not have a material adverse effect on the Company.

Risks Related to Our Business

** The Company employs information technology systems to support its business, including ongoing phased implementation of an enterprise resource planning (ERP) system as part of business transformation on a worldwide basis over the next several years. Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations, compromise information belonging to the Company or its customers, suppliers, and employees, exposing the Company to liability which could adversely impact the Company's business and reputation.*

In the ordinary course of business, the Company relies on centralized and local information technology networks and systems, some of which are 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. Despite our cybersecurity and business continuity measures (including employee and third-party training, monitoring of networks and systems, patching, maintenance, and backup of systems and data), the Company's information technology networks and infrastructure are still potentially vulnerable to the security risks of our vendors and third-party service providers, security breaches, damage, disruptions or shutdowns due to attacks by threat actors including nation-state actors, computer viruses, hardware, software, and system vulnerabilities, ransomware, service or cloud provider disruptions or security breaches, 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, may also introduce additional threats to our

information technology networks and infrastructure. Despite our cybersecurity measures, it is possible for security vulnerabilities to remain undetected for an extended time period, up to and including several years. While we have experienced, and expect to continue to experience, threats and disruptions to the Company's information technology infrastructure, none of them to date has had a material impact to the Company. Any such threats or disruptions could result in legal claims or proceedings, disclosures to regulators, liability or penalties under privacy laws, interference with the Company's operations, and damage to the Company's reputation, which could adversely affect the Company's business. Although the Company maintains insurance coverage for various cybersecurity and business continuity risks, there can be no guarantee that all costs or losses incurred will be fully insured.

** Acquisitions, strategic alliances, divestitures, and other unusual events resulting from portfolio management actions and other evolving business strategies, and possible organizational restructuring could affect future results.*

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

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

The Company's financial results depend on the successful execution of its business operating plans. The Company utilizes various tools, such as Lean Six Sigma, and engages in ongoing global business transformation. Business transformation is defined as changes in processes and internal/external service delivery across 3M to move to more efficient business models to improve operational efficiency and productivity, while allowing 3M to serve customers with greater speed and efficiency. This is enabled by the ongoing multi-year phased implementation of an ERP system. There can be no assurance that all of the projected productivity improvements will be realized. In addition, the ability to adapt to business model and other changes and agility to respond to customer needs and service expectations are important, which, 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 conditions 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. 3M currently has an A1 credit rating with a negative outlook from Moody's Investors Service and an A+ credit rating with a negative outlook from Standard & Poor's. The Company's credit ratings have served to lower 3M's borrowing costs and facilitate access to a variety of lenders. The addition of further leverage to the Company's capital structure could impact 3M's credit ratings in the future. Failure to maintain strong investment grade ratings would adversely affect the Company's cost of funding and could adversely affect liquidity and access to capital markets.

* *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, assessment and enforcement approaches. In addition, changes in tax laws including further regulatory developments arising from U.S. tax reform legislation and/or regulations around the world 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 uncertainty of the regulation changes and other tax-related factors stated above, it is currently not possible to assess the ultimate impact of these actions on our financial statements.

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, 2021	582	\$ 176.96	—	\$ 7,753
February 1 - 28, 2021	494,988	177.92	493,702	7,665
March 1 - 31, 2021	669,754	187.05	669,754	7,540
January 1 - March 31, 2021	1,165,324	183.17	1,163,456	7,540
April 1 - 30, 2021	556,060	197.41	556,060	7,430
May 1 - 31, 2021	844,500	202.50	844,500	7,259
June 1 - 30, 2021	1,097,327	199.03	1,097,327	7,041
April 1 - June 30, 2021	2,497,887	199.84	2,497,887	7,041
January 1 - June 30, 2021	3,663,211	194.54	3,661,343	7,041
July 1 - 31, 2021	387,011	199.54	387,011	6,964
August 1 - 31, 2021	444,821	197.32	444,821	6,876
September 1 - 30, 2021	2,180,441	181.88	2,180,441	6,479
July 1 - September 30, 2021	3,012,273	186.43	3,012,273	6,479
January 1 - September 30, 2021	6,675,484	190.88	6,673,616	6,479

- (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.— No matters require disclosure.

Item 6. Exhibits.

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

SIGNATURES

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

3M COMPANY
(Registrant)

Date: October 26, 2021

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.)

SARBANES-OXLEY SECTION 302 CERTIFICATION

I, Michael F. Roman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 3M Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Michael F. Roman

Michael F. Roman
Chief Executive Officer

October 26, 2021

SARBANES-OXLEY SECTION 302 CERTIFICATION

I, Monish Patolawala, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 3M Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Monish Patolawala

Monish Patolawala
Chief Financial and Transformation Officer

October 26, 2021

SARBANES-OXLEY SECTION 906 CERTIFICATION

In connection with the Quarterly Report of 3M Company (the “Company”) on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael F. Roman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael F. Roman

Michael F. Roman
Chief Executive Officer

October 26, 2021

SARBANES-OXLEY SECTION 906 CERTIFICATION

In connection with the Quarterly Report of 3M Company (the “Company”) on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Monish Patolawala, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Monish Patolawala

Monish Patolawala
Chief Financial and Transformation Officer

October 26, 2021

MINE SAFETY DISCLOSURES

For the third quarter of 2021, the Company has the following mine safety information to report in accordance with Section 1503(a) of the Act, in connection with the Pittsboro, North Carolina mine, the Little Rock, Arkansas mine, the Corona, California mine, and the Wausau, Wisconsin mine(including Greystone Plant):

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations Orders (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential of Violations Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Aggregate Legal Actions Initiated During Period (#)	Aggregate Legal Action Resolved During Period (#)
3M Pittsboro ID: 3102153	—	—	—	—	—	\$ —	—	No	No	—	—	—
3M Little Rock ID: 0300426	—	—	—	—	—	\$ 14,950	—	No	No	—	—	—
3M Corona Plant ID: 0400191	—	—	—	—	—	\$ 271	—	No	No	—	—	—
Greystone Plant ID: 4700119	—	—	—	—	—	\$ —	—	No	No	—	—	—
Wausau Plant ID: 4702918	1	—	—	—	—	\$ —	—	No	No	—	—	—
Total	1	—	—	—	—	\$ 15,221	—			—	—	—