

MINNESOTA MINING & MANUFACTURING CO

Form 10-K405

February 20, 2001

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the year ended December 31, 2000

Commission file number 1-3285

MINNESOTA MINING AND MANUFACTURING COMPANY

State of Incorporation: Delaware

I.R.S. Employer Identification No. 41-0417775

Executive offices: 3M Center, St. Paul, Minnesota 55144

Telephone number: (651) 733-1110

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| Title of each class                     | Name of each exchange<br>on which registered |
|-----------------------------------------|----------------------------------------------|
| Common Stock, Par Value \$.01 Per Share | New York Stock Exchange                      |
|                                         | Pacific Exchange                             |
|                                         | Chicago Stock Exchange                       |

Note: The common stock of the registrant is also traded on the  
Swiss stock exchange.

Securities registered pursuant to section 12(g) of the Act: None

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 X . No .

Indicate by check mark if disclosure of delinquent filers  
pursuant to Item 405 of Regulation S-K is not contained herein, and will  
not be contained, to the best of registrant's knowledge, in definitive  
proxy or information statements incorporated by reference in Part III of  
this Form 10-K or any amendment to this Form 10-K. [ X ]

The aggregate market value of voting stock held by nonaffiliates  
of the registrant, based on the closing price of \$110.65 per share  
as reported on the New York Stock Exchange-Composite Index on  
January 31, 2001, was \$43.8 billion.

Shares of common stock outstanding at January 31, 2001: 396,142,377.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the following documents are incorporated by reference in  
Parts III and IV of this Form 10-K: (1) Proxy Statement for registrant's  
2001 annual meeting, (2) Form 8-K dated December 7, 2000; Form 8-K dated  
July 27, 2000; Form 8-K dated November 20, 1996, (3) Registration Nos.  
333-30689, 333-42660, 333-44692, 333-48922 and 333-49830.

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This document contains 82 pages.  
The exhibit index is set forth on page 55.

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MINNESOTA MINING AND MANUFACTURING COMPANY  
FORM 10-K  
For the Year Ended December 31, 2000  
PART I

## Item 1. Business.

Minnesota Mining and Manufacturing Company was incorporated in 1929 under the laws of the State of Delaware to continue operations, begun in 1902, of a Minnesota corporation of the same name. As used herein, the term "3M" or "company" includes Minnesota Mining and Manufacturing Company and subsidiaries unless the context otherwise indicates.

### General

3M is an integrated enterprise characterized by substantial intercompany cooperation in research, manufacturing and marketing of products. 3M's business has developed from its research and technology in coating and bonding for coated abrasives, the company's original product. Coating and bonding is the process of applying one material to another, such as abrasive granules to paper or cloth (coated abrasives), adhesives to a backing (pressure-sensitive tapes), ceramic coating to granular mineral (roofing granules), glass beads to plastic backing (reflective sheeting), and low-tack adhesives to paper (repositionable notes).

3M is among the leading manufacturers of products for many of the markets it serves. In all cases, 3M products are subject to direct or indirect competition. Most 3M products involve expertise in product development, manufacturing and marketing, and are subject to competition from products manufactured and sold by other technically oriented companies.

At December 31, 2000, the company employed about 75,000 people.

### Business Segments

Financial information and other disclosures relating to 3M's business segments and operations in various geographic areas are provided in the Notes to Consolidated Financial Statements. 3M's six operating segments bring together common or related 3M technologies, enhancing the development of innovative products and services and providing for efficient sharing of business resources. These segments have worldwide responsibility for virtually all 3M product lines. Certain small businesses and staff-sponsored products, as well as various corporate assets and unallocated corporate expenses, are not assigned to the operating segments.

**Industrial Markets:** Industrial products include a wide variety of coated and nonwoven abrasives, adhesives, pressure-sensitive tapes, and specialty products. Industry-specialized organizations include distribution and key account management, converter channels, automotive aftermarkets, aerospace, marine and recreational vehicles.

Major product lines include vinyl, polyester, foil and specialty industrial tapes and adhesives; Scotch brand masking, filament and packaging tapes; packaging equipment; 3M brand VHB brand bonding tapes; conductive, low surface energy, hot melt, spray and structural adhesives; reclosable fasteners; label materials for durable goods; coated, nonwoven and microstructured surface finishing and grinding abrasives; and

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products for maintaining and repairing vehicles, boats, airplanes and other vehicles.

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**Transportation, Graphics and Safety Markets:** This segment provides reflective sheeting, high-performance graphics, respirators, automotive components, security products and optical films.

In transportation safety, 3M provides reflective sheetings used on highway signs, vehicle license plates, construction workzone devices, trucks and other vehicles. Major commercial graphic products include equipment, films, inks and related products used to produce graphics for vehicles and signs. The company also sells maintenance-free and reusable respirators. Major automotive products include body side-molding and trim; functional and decorative graphics; corrosion-resistant and abrasion-resistant films; tapes for attaching nameplates, trim and moldings; and fasteners for attaching interior panels and carpeting. Safety and security products include reflective materials that are widely used on apparel, footwear and accessories, enhancing visibility in low-light situations. Optical products include brightness enhancement films for electronic displays. Other products include spill-control sorbents, Thinsulate brand and Lite Loft brand Insulations, traffic control devices, electronic surveillance products, and films that protect against counterfeiting. In 2000 and early 2001, 3M acquired two touch screen companies, which add product offerings to the Optical Systems business.

**Health Care Markets:** Major product categories include skin health, medical and surgical supplies, infection prevention, microbiology, health care information systems, pharmaceuticals, drug delivery systems, dental and orthodontic products, and mechanical and tape closures for disposable diapers.

In skin health, 3M is a supplier of medical tapes, dressings and wound closures. In infection prevention, 3M markets a variety of surgical drapes, masks and preps, as well as sterilization assurance equipment. 3M also provides microbiology products, which make it faster and easier for food processors to test for microbiological quality of food. In health information systems, 3M develops and markets computer software for hospital coding and data classification, as well as related consulting services. The health care segment also provides other medical products, including orthopedic casting materials, electrodes and stethoscopes.

This segment also serves the pharmaceutical and dental markets, as well as manufacturers of disposable diapers. Among ethical pharmaceuticals are immune response modifiers, and respiratory and women's health products. Other products include drug-delivery systems, such as metered-dose inhalers, transdermal skin patches and related components. Dental products include restoratives, adhesives, finishing and polishing products, crowns, impression material, preventive sealants, professional tooth whiteners, prophylaxis and orthodontic appliances. Other products include tape closures for disposable diapers, and reclosable fastening systems and other diaper components that help diapers fit better. In early 2001, 3M combined its German dental business with ESPE Dental AG, a leading German supplier of crowns, bridges and other dental products. In the second quarter of 1999, the company sold the assets of its cardiovascular systems business.

**Consumer and Office Markets:** Major consumer and office products include Scotch brand tapes; Post-it brand Note products, such as flags, memo pads, labels, Pop-up notes and dispensers; home care products, including Scotch-Brite brand Scouring, Sponge and High Performance Products, O-Cel-

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O brand Sponges and Scotchgard brand Fabric Protectors; energy control products; nonwoven abrasive materials for floor maintenance and commercial cleaning; floor matting; and home improvement products, including surface-preparation and wood-finishing materials, and Filtrete brand Filters for furnaces and air conditioners. Visual communication products serve the world's office and education markets with

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overhead projectors and transparency films, plus equipment and materials for electronic and multimedia presentations.

**Electro and Communications Markets:** This segment serves the electronics, telecommunications and electrical markets. Major electronic and electrical products include packaging and interconnection devices; insulating materials, including pressure-sensitive tapes and resins; and related items. These products are used extensively by manufacturers of electronic and electrical equipment, as well as in the construction and maintenance segments of the electric utility, telecommunications and other industries. 3M brand Microflex brand Circuits utilize electronic packaging and interconnection technology, providing more connections in less space, and are used in inkjet print cartridges, cell phones and other electronic devices. This segment serves the world's telecommunications companies with a wide array of products for fiber-optic and copper-based telecommunications systems. These include many innovative connecting, closure and splicing systems; maintenance products; and test equipment. In 2000, 3M acquired 91 percent of Quante AG, a telecommunications supplier, with annual sales of approximately \$350 million. In the fourth quarter of 2000, 3M also acquired the multi-layer integrated circuit packaging line of W.L. Gore and Associates, and in early 2001 completed the acquisition of Robinson Nugent, a manufacturer of electronic interconnects.

**Specialty Material Markets:** Major specialty materials include protective materials for furniture and fabrics; firefighting agents; fluoroelastomers for seals, tubes and gaskets in engines; engineering fluids; and high-performance fluids used in the manufacture of computer chips, and for electronic cooling and lubricating of computer hard disk drives. Other products include natural and color-coated mineral granules for asphalt shingles. In December 1999, 3M finalized the acquisition of the outstanding minority interest in Dyneon LLC.

In May 2000, 3M announced its intent to substantially phase-out production by the end of 2000 of the perfluorooctanyl chemistry used to produce certain repellents and surfactant products. These include many products previously sold under the Scotchgard brand, such as soil, oil and water repellent products for carpet, upholstery and fabrics; coatings used for oil and grease resistance on paper packaging; fire-fighting foams; and specialty components for other products. The company has introduced alternatives for some applications and industry segments, including carpet protection, and is working to develop replacement chemistries for some of the other applications.

### Distribution

3M products are sold directly to users and through numerous wholesalers, retailers, jobbers, distributors and dealers in a wide variety of trades in many countries around the world. Management believes that the confidence of wholesalers, retailers, jobbers, distributors and dealers in 3M and its products, developed through long association with skilled marketing and sales representatives, has contributed significantly to 3M's position in the marketplace and to its growth. 3M has 231 sales offices and distribution centers worldwide, including nine major branch

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offices located in principal cities throughout the United States. 3M operates 25 sales offices and distribution centers in the United States. Internationally, 3M has 206 sales offices and distribution centers.

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### Research, Patents and Raw Materials

Research and product development constitute an important part of 3M's activities. Products resulting from research and development have been a major driver of 3M's growth. Research, development and related expenses totaled \$1.101 billion, \$1.056 billion and \$1.028 billion in 2000, 1999 and 1998, respectively. Research and development, covering basic scientific research and the application of scientific advances to the development of new and improved products and their uses, totaled \$727 million, \$688 million and \$648 million in 2000, 1999 and 1998, respectively. Related expenses primarily include technical support provided by the laboratories for existing products.

Corporate research laboratories support research efforts of division and market laboratories. These corporate laboratories also engage in research not directly related to existing 3M product lines. Most major operating divisions have their own laboratories to improve existing products and develop new products. Research staff groups provide specialized services in instrumentation, engineering and process development. 3M also maintains an organization for technological development not sponsored by other units of the company.

3M is the owner of many domestic and foreign patents derived primarily from its research activities. 3M's business as a whole is not materially dependent upon any one patent, license or trade secret, or upon any group of related patents, licenses or trade secrets.

The company experienced no significant or unusual problems in the purchase of raw materials during 2000. It is impossible to predict future shortages of raw materials or the impact such shortages would have.

### Executive Officers

Following is a list of the executive officers of 3M, their ages, present positions, the years elected to their present positions and other positions held during the past five years. No family relationships exist among any of the executive officers named, nor is there any arrangement or understanding pursuant to which any person was selected as an officer.

| Name                   | Age | Present Position                                             | Year Elected to Present Position | Other Positions Held During 1                                                                                                                                 |
|------------------------|-----|--------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| W. James McNerney, Jr. | 51  | Chairman of the Board and Chief Executive Officer            | 2001                             | President and CEO, General Electric Aircraft Engines, Cincinnati, 1997-2000<br>President and CEO, General Electric Lighting, Cleveland, Ohio, 1993-1997       |
| Harry C. Andrews       | 57  | Executive Vice President, Electro and Communications Markets | 1999                             | Vice President, Corporate Entertainment Development, 1996-1999<br>Managing Director, Southern Electric Region, 1996<br>Managing Director, 3M Italy, 1993-1996 |

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|                     |    |                                                                |      |                                                                            |
|---------------------|----|----------------------------------------------------------------|------|----------------------------------------------------------------------------|
| Ronald O. Baukol    | 63 | Executive Vice President,<br>International Operations          | 1995 |                                                                            |
| Ronald R. Belschner | 61 | Vice President,<br>Engineering, Manufacturing<br>and Logistics | 2000 | Division Vice President, Indu<br>Tape and Specialties Divisio<br>1995-2000 |
| John W. Benson      | 56 | Executive Vice President,<br>Health Care Markets               | 1998 | Group Vice President, Industr<br>Markets Group, 1996-1997                  |

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Executive Officers (continued)

| Name                  | Age | Present Position                                                                  | Year Elected<br>to Present<br>Position | Other Positions Held During 1                                                                                                                                                                                                                        |
|-----------------------|-----|-----------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Robert J. Burgstahler | 56  | Vice President, Finance<br>and Administrative<br>Services                         | 2000                                   | President and General Manager<br>3M Canada, 1998-2000<br>Staff Vice President, Taxes,                                                                                                                                                                |
| M. Kay Grenz          | 54  | Vice President,<br>Human Resources                                                | 1998                                   | Staff Vice President, Human R<br>Consulting and Resource Serv<br>1996-1998<br>Staff Vice President, Human R<br>Corporate Services, 1992-199                                                                                                          |
| Paul F. Guehler       | 62  | Vice President,<br>Research and Development                                       | 2000                                   | Vice President, Corporate Ent<br>Development and Optical Tech<br>1999-2000<br>Optical Markets and Technolog<br>President, 1998-1999<br>Division Vice President, Safe<br>Security Systems Division, 1                                                 |
| Moe S. Nozari         | 58  | Executive Vice President,<br>Consumer and Office Markets                          | 1999                                   | Group Vice President, Consume<br>Office Markets Group, 1996-1<br>Division Vice President, Cons<br>Markets, 1993-1996                                                                                                                                 |
| David W. Powell       | 59  | Vice President, Marketing                                                         | 1999                                   | Division Vice President, Stat<br>and Office Supplies Division<br>1996-1999<br>Division Vice President, Comm<br>Office Supply Division, 1996<br>Marketing Director, 3M France                                                                         |
| Charles Reich         | 58  | Executive Vice President,<br>Specialty Material Markets<br>and Corporate Services | 1999                                   | Group Vice President, Special<br>Markets Group, 1999<br>Group Vice President, Chemica<br>Group, 1998<br>Division Vice President, Occu<br>Health and Environmental Saf<br>Division, 1997-1998<br>Division Vice President, Dent<br>Division, 1990-1997 |
| John J. Ursu          | 61  | Senior Vice President,                                                            | 1997                                   | Vice President, Legal Affairs                                                                                                                                                                                                                        |

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|                 |    | Legal Affairs and<br>General Counsel                                        |      | General Counsel, 1993-1996                                                                                                                                                            |
|-----------------|----|-----------------------------------------------------------------------------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ronald A. Weber | 59 | Executive Vice President,<br>Transportation, Graphics<br>and Safety Markets | 2000 | Division Vice President, Auto<br>Division, 1996-2000<br>Division Vice President, Auto<br>Engineered Systems Division,<br>1995-1996                                                    |
| Harold J. Wiens | 54 | Executive Vice President,<br>Industrial Markets                             | 1999 | Executive Vice President, Ind<br>and Electro Markets, 1999<br>Executive Vice President, Ind<br>and Consumer Markets, 1998-1<br>Executive Vice President, Sum<br>3M Limited, 1995-1997 |

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## Item 2. Properties.

3M's general offices, corporate research laboratories, and certain division laboratories and manufacturing facilities are located in St. Paul, Minnesota. In the United States, 3M has 25 sales offices and distribution centers in 19 states and operates 54 manufacturing facilities in 23 states. Internationally, 3M has 206 sales offices and distribution centers. The company operates 84 manufacturing and converting facilities in 38 countries outside the United States.

3M owns substantially all of its physical properties. 3M's physical facilities are highly suitable for the purposes for which they were designed.

## Item 3. Legal Proceedings.

### General

The company and certain of its subsidiaries are named as defendants in a number of actions, governmental proceedings and claims, including environmental proceedings and products liability claims involving products now or formerly manufactured and sold by the company. In some actions, the claimants seek damages as well as other relief, which, if granted, would require substantial expenditures. The company has recorded certain liabilities, which represent reasonable estimates of its probable liabilities for these matters. The company also has recorded receivables for the probable amount of insurance recoverable with respect to these matters.

Some of these matters raise difficult and complex factual and legal issues, and are subject to many uncertainties, including, but not limited to, the facts and circumstances of each particular action, the jurisdiction and forum in which each action is proceeding and differences in applicable law. Accordingly, the company is not always able to estimate the amount of its possible future liabilities with respect to such matters.

While the company currently believes that the ultimate outcome of these proceedings and claims, individually and in the aggregate, will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the company, there can be no absolute certainty that the company may not ultimately incur charges, whether for governmental proceedings and claims, products liability claims, or other actions, in excess of presently recorded liabilities.

While the company currently believes that a material adverse impact on its consolidated financial position, results of operations, or cash flows from any such future charges is remote, due to the inherent uncertainty of litigation, there exists the remote possibility that a future adverse ruling could result in future charges that could have a material adverse impact on the company. The current estimate of the potential impact on the company's financial position for the above legal proceedings could change in the future.

#### Breast Implant Litigation

The company and certain other companies have been named as defendants in a number of claims and lawsuits alleging damages for personal injuries of various types resulting from breast implants formerly manufactured by the company or a related company. The company entered the business of manufacturing breast implants in 1977 by purchasing McGhan Medical Corporation. In 1984, the company sold the business to a corporation that also was named McGhan Medical Corporation.

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As of December 31, 2000, the company is currently named as a defendant, often with multiple co-defendants, in 1,223 lawsuits and 29 claims in various courts, all seeking damages for personal injuries from allegedly defective breast implants. These lawsuits and claims purport to represent 3,715 individual claimants.

3M has confirmed that 70 of the 3,715 claimants have opted out of the Revised Settlement Program (discussed below) and have 3M implants. Approximately 93 percent of the claimants in these confirmed cases have alleged an unspecified amount of damages above the jurisdictional limit of the courts in which the cases were filed. The company has one claimant who filed a lawsuit in New York state court alleging damages of \$20 million.

The company believes that most of the remaining 3,645 claimants will be dismissed either because the claimants did not have 3M implants or the claimants accepted benefits under the Revised Settlement Program. Approximately 88 percent of these claimants have filed lawsuits that either do not allege a specific amount of damages or allege an unspecified amount of damages above the jurisdictional limit of the court. The rest of these claimants allege damages aggregating approximately \$300 million in their lawsuits. Approximately 412 claimants have filed lawsuits in New York state courts alleging damages in excess of \$20 million each. 3M expects that virtually all of these New York cases will be dismissed without payment for the reasons stated above. The company continues to work to clarify the status of these lawsuits and claims.

Based on 3M's experience in resolving thousands of these lawsuits, 3M believes that the amount of damages alleged in complaints is not a reliable or meaningful measure of the potential liability that 3M may incur in the breast implant litigation. Investors should place no reliance on the amount of damages alleged in breast implant lawsuits against 3M.

On December 22, 1995, the United States District Court for the Northern District of Alabama approved a revised class action settlement program for resolution of claims seeking damages for personal injuries from allegedly defective breast implants (the "Revised Settlement Program"). The Court ordered that, beginning after November 30, 1995, members of the plaintiff class may choose to participate in the Revised Settlement

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Program or opt out, which would then allow them to proceed with separate product liability actions.

The company believes that approximately 90 percent of the registrants, including those claimants who filed current claims, have elected to participate in the Revised Settlement Program. It is still unknown as to what disease criteria all claimants have satisfied, and what options they have chosen. As a result, the total amount and timing of the company's prospective payments under the Revised Settlement Program cannot be determined with precision at this time. As of December 31, 2000, the company had paid \$296 million into the court-administered fund as a reserve against costs of claims payable by the company under the Revised Settlement Program (including a \$5 million administrative assessment). Additional payments will be made as necessary. Payments to date have been consistent with the company's estimates of the total liability for claims under the Revised Settlement Program.

Under the Revised Settlement Program, additional opt outs are expected to be minimal since the opt-out deadline has passed for virtually all U.S. class members. The company's remaining obligations under the Revised Settlement Program are limited since (i) most payments to current claimants have already been made, (ii) no additional current claims may be filed without court approval, and (iii) late registrants are limited by the terms of the Revised Settlement Program.

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The company's current best estimate of the amount to cover the cost and expense of the Revised Settlement Program and the cost and expense of resolving opt-out claims and recovering insurance proceeds (from inception of the litigation through December 31, 2000) is \$1.2 billion. After subtracting cumulative payments of \$1.168 billion as of December 31, 2000, for defense and other costs and settlements with litigants and claimants, the company had remaining liabilities for the breast implant litigation of \$32 million.

The company's insurers initiated a declaratory judgment action in Ramsey County Minnesota against the company seeking adjudication of certain coverage and allocation issues. The jury trial phase of this action finished on February 24, 2000. The jury returned a verdict favorable to the company by rejecting all of the insurers' remaining defenses to coverage for breast implant liabilities and costs. The court has considered additional remedies requested by the company and the insurers including eliminating, limiting or extending allocation among the insurers providing occurrence-based coverage (before 1986), pre- and post-judgment interest, attorneys' fees and further equitable relief.

The court's rulings in post verdict motions are considered to be generally favorable to the company. The court awarded the company prejudgment interest on amounts owing by insurers including reasonable attorney fees. However, the court has yet to determine the amount of attorneys' fees recoverable by the company. The court has indicated a formula to be used for this calculation that would result in the company being reimbursed for less than all of its fees. Exact amounts cannot yet be determined. The company expects entry of judgment to occur during the first half of 2001.

As of December 31, 2000, the company had receivables for insurance recoveries of \$519 million, representing settled but yet to be received amounts as well as amounts contested by the insurance carriers. During 2000, the company received payments from its occurrence carriers. Various factors could affect the timing and amount of proceeds to be received

under the company's various insurance policies, including (i) the timing of payments made in settlement of claims; (ii) the outcome of occurrence insurance litigation in the courts of Minnesota (as discussed above) and Texas; (iii) potential arbitration with claims-made insurers; (iv) delays in payment by insurers; and (v) the extent to which insurers may become insolvent in the future. There can be no absolute assurance that the company will collect all amounts recorded as being probable of recovery from its insurers.

While the company currently believes that the ultimate outcome of these proceedings and claims, individually and in the aggregate, will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the company, there can be no absolute certainty that the company may not ultimately incur charges for breast implant claims in excess of presently recorded liabilities.

While the company currently believes that a material adverse impact on its consolidated financial position, results of operations, or cash flows from any such future charges is remote, due to the inherent uncertainty of litigation, there exists the remote possibility that a future adverse ruling could result in future charges that could have a material adverse impact on the company. The current estimate of the potential impact on the company's financial position for breast implant litigation could change in the future.

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#### Environmental Matters

The company's operations are subject to environmental laws and regulations enforceable by foreign, federal, state, local authorities and private parties in the United States and abroad, including those pertaining to air emissions, wastewater discharges, toxic substances, and the handling and disposal of solid and hazardous wastes. These laws and regulations provide under certain circumstances for the remediation of contamination, as well as 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 potential personal injury and property damage claims, and modifying its business operations in light of its environmental responsibilities. In its effort to carry out 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 and similar state laws, the company may be jointly and severally liable for the costs of environmental contamination at current or former facilities and at off-site locations at which the company has disposed of hazardous waste. The company has identified numerous locations, most of which are in the United States, at which it may have some liability for remediating contamination. Amounts expensed for environmental remediation activities were not material for 2000 at these locations nor have there been material changes in the recorded liabilities for environmental matters. Liabilities for estimated costs of environmental remediation are, depending on the site, 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. Recorded liabilities are adjusted as further information develops or circumstances change. The amounts recorded in the company's consolidated financial statements for environmental liabilities

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are the gross amount of such liabilities, without deductions for insurance or third party indemnity claims. The company expects that the amounts recorded will be paid out over the periods of remediation for the applicable sites, currently ranging from approximately 5 to 30 years.

It is often difficult to estimate the cost of environmental compliance and remediation and potential claims given the uncertainties regarding the interpretation and enforcement of applicable environmental laws and regulations, the extent of environmental contamination and the existence of alternate cleanup methods. The company records an environmental liability when it is probable that the company has incurred a liability and the amount of the liability can be reasonably estimated. Where no amount within a range of estimates is more likely, the minimum is recorded. Otherwise, the most likely cost to be incurred is recorded.

The company's current assessment of the probable liabilities and associated expenses related to environmental matters is based on the facts and circumstances known at this time. New developments may occur that could affect the company's assessment. These developments include, but are 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 or enforcement policies; (iii) new and evolving analytical and remediation techniques; (iv) success in allocating liability to other potentially responsible parties; and (v) financial viability of other potentially responsible parties and third-party indemnitors.

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While the company currently believes that the ultimate outcome of these environmental matters, individually and in the aggregate, will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the company, there can be no absolute certainty that the company may not ultimately incur charges for capital expenditures, litigation and other costs in excess of presently established liabilities.

While the company currently believes that a material adverse impact on its consolidated financial position, results of operations, or cash flows from any such future charges is remote, due to the inherent uncertainty of environmental matters or were an unfavorable development to occur (discussed above), there exists the remote possibility that a future adverse ruling or development could result in future charges that could have a material adverse impact on the company. The current estimate of the potential impact on the company's financial position for the above environmental matters could change in the future.

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Item 4. Submission of Matters to a Vote of Security Holders.

None in the quarter ended December 31, 2000.

### Part II

Item 5. Market Price of 3M's Common Stock and Related Security Holder Matters.

At January 31, 2001, there were 129,109 shareholders of record. 3M's stock is listed on the New York, Pacific, Chicago and Swiss stock exchanges. Stock price comparisons are provided in the Quarterly Data section in the Notes to Consolidated Financial Statements.

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## Item 6. Selected Financial Data.

(Dollars in millions, except per-share amounts)

| Years ended December 31:                                       | 2000     | 1999     | 1998     | 1997     | 1996     |
|----------------------------------------------------------------|----------|----------|----------|----------|----------|
| Net sales.....                                                 | \$16,724 | \$15,748 | \$15,094 | \$15,133 | \$14,295 |
| Income from continuing operations...                           | 1,857*   | 1,763*   | 1,213*   | 2,121**  | 1,516    |
| Per share of common stock:                                     |          |          |          |          |          |
| Continuing operations - basic.....                             | 4.69*    | 4.39*    | 3.01*    | 5.14**   | 3.63     |
| Continuing operations - diluted.....                           | 4.64*    | 4.34*    | 2.97*    | 5.06**   | 3.59     |
| Cash dividends declared and paid..                             | \$ 2.32  | \$ 2.24  | \$ 2.20  | \$ 2.12  | \$ 1.92  |
| At December 31:                                                |          |          |          |          |          |
| Total assets .....                                             | \$14,522 | \$13,896 | \$14,153 | \$13,238 | \$13,364 |
| Long-term debt (excluding portion due<br>within one year)..... | 971      | 1,480    | 1,614    | 1,015    | 851      |