

## 3M Company

3M Company (NYSE: MMM)  
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Employees:	71,669
Revenues:	\$ 16,079,000,000
Net Income:	\$ 1,430,000,000
Assets:	\$ 14,606,000,000
Liabilities:	\$ 8,520,000,000
Booked Asbestos Liabilities:	\$ 156,000,000
Booked Asbestos Assets:	\$ 223,000,000

(As of December 31, 2001)

Description: 3M Co., formerly Minnesota Mining and Manufacturing Company, makes everything from masking tape to asthma inhalers. 3M has seven operating segments: transportation; display and graphics (specialty film, traffic control materials); health care (dental and medical supplies and health IT); safety, security, and protection (commercial care, occupational health and safety products); electro and communications (connecting, splicing, and insulating products); industrial business (tapes and adhesives); and consumer and office. Well-known brands include Scotchgard fabric protectors, Post-it Notes, Scotch-Brite scouring products, and Scotch tapes. Sales outside the US account for nearly 55% of 3M's revenues.

### Asbestos Discussion from SEC filings:

From the Company's Form 10-K for the period ending December 31, 2002 at

<http://www.sec.gov/Archives/edgar/data/66740/000006674003000005/q410kbodyv1.txt>

Filed On: March 10, 2003

For more than 20 years, the company has successfully defended and resolved the claims of over 200,000 individual claimants alleging injuries from occupational dust exposures. The vast majority of the lawsuits and claims resolved by the company alleged use of some of the company's mask and respirator products and sought damages from the company and other defendants for alleged personal injury from work place exposures to asbestos or, less frequently, silica and other occupational dust, found in products manufactured by other defendants. The remaining claimants generally alleged personal injury from occupational exposure to asbestos from unspecified products claimed to have been manufactured by the company or other defendants and/or from specialty products

containing asbestos manufactured by the company and/or other defendants.

The company's vigorous defense of this litigation has resulted in: (i) jury verdicts for the company in two of three cases tried to verdict; (ii) dismissals of lawsuits without any payment by the company; and (iii) an average settlement value of less than \$1,000 per claimant for all of the claims and lawsuits that the company has resolved. In many of these lawsuits and claims, the company is named as a defendant with multiple co-defendants where no product the company manufactured is involved or where the company is ultimately determined not to have manufactured the products identified by the plaintiffs.

As previously reported, in October 2001, the company defended at trial, in the Circuit Court of Holmes County, Mississippi, plaintiffs' claims that a 3M respirator and mask did not protect them against contracting certain asbestos-related diseases allegedly caused by exposure to asbestos-containing products manufactured by other defendants. The case against the company initially involved six plaintiffs whose claims were consolidated for trial. The court dismissed one plaintiff's case just before trial, and a second plaintiff abandoned his case before it was submitted to the jury. On October 26, 2001 the jury returned verdicts against all defendants in favor of the plaintiffs, four of whom had claims against the company. The jury awarded the plaintiffs \$25 million each in compensatory damages. The jury denied plaintiffs' request for punitive damages. Based on the jury's findings of percentage of fault attributable to each defendant, the company's share of the total of the four verdicts against it is \$22.5 million. The company can provide no assurance at this time about the ability of the other two co-defendants to pay their respective shares of any ultimate judgment or whether a co-defendant's inability to pay will cause a reallocation of the liability for damages among the remaining solvent defendants under state law. One of the co-defendants, ACandS, has filed for Chapter 11 bankruptcy protection. Another co-defendant, Dresser Industries, is a subsidiary of Halliburton Company, which announced on December 18, 2002 a global settlement agreement of all personal injury asbestos claims against Halliburton Company and its subsidiaries. The company does not know at this time the impact of the settlement agreement on the judgment in the Mississippi case against Dresser Industries. Judgment was entered on

January 30, 2002. The trial court denied the company's post-trial motions in a decision on August 21, 2002, and the company filed a notice of appeal with the Mississippi Supreme Court. Because the company believes that the judgment ultimately will be overturned, no liability has been recorded related to this matter as of December 31, 2002. If any damages are ultimately assessed against the company, the company expects a substantial portion of such damages to be covered by the company's product liability insurance.

As of December 31, 2002, the company is a named defendant, with multiple co-defendants, in numerous lawsuits in various courts that purport to represent approximately 45,000 individual claimants. The vast majority of these current claimants 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 work place exposures to asbestos or, less frequently, silica and other occupational dust, found in products manufactured by other defendants. The remaining claimants generally allege personal injury from occupational exposure to asbestos from unspecified products claimed to have been manufactured by the company or other defendants and/or from specialty products containing asbestos manufactured by the company and/or other defendants. The company settled an unusually large number of pending claims during 2002 and thus had a substantial reduction in the number of

open claims - from approximately 80,000 claimants at the end of 2001 to approximately 45,000 at the end of 2002.

In the fourth quarter of 2002, the company was served with complaints identifying approximately 6,000 claimants in Mississippi. We believe that this activity is related to tort reform legislation adopted in Mississippi in November 2002 that went into effect on January 1, 2003, and that the new cases were filed in anticipation of the new law. We expect to see an additional increase in Mississippi claims in the first quarter as there is often a delay between the filing of complaints and service of the complaints on the company.

Plaintiffs have asserted specific dollar claims for damages in only about one-sixth of the 7,404 lawsuits that were pending against the company at the end of 2002 in all jurisdictions. A majority of states restrict or prohibit specifying damages in tort cases such as these, and most of the remaining jurisdictions do not require such specification. In those cases in which plaintiffs choose to assert specific dollar amounts in their complaints, brought in states that permit such pleading, the amounts claimed are typically not meaningful as an indicator of the company's potential liability. This is because (a) the amounts claimed typically bear no relation to the level of plaintiff's injury, if any; (b) the complaints nearly always assert claims against multiple defendants with the typical complaint asserting claims against an average of 88 different defendants, the damages alleged are not attributed to individual defendants, and a defendant's share of liability may turn on the law of joint and several liability, which can vary by state, and by the amount of fault a jury allocates to each defendant if a case is ultimately tried before a jury; (c) many cases are filed against the company even though the plaintiffs did not use any of the company's products and, ultimately, are withdrawn or dismissed without any

payment; and (d) many cases are brought on behalf of plaintiffs who have not suffered any medical injury, and, ultimately, are resolved without any payment or a payment that is a small fraction of the damages initially claimed. Of the 1,274 pending cases in which purported damage amounts are specified in the complaints, 579 cases involve claims of \$100,000 or less, 177 cases involve claims between \$100,000 and \$3 million (37 of these cases also allege punitive damages of \$250,000 and 42 of these cases also allege punitive damages of \$2.5 million), 117 cases involve claims of \$7.5 million (with an equal amount of punitive damages), 365 cases involve claims of \$10 million (316 of which also allege an equal amount in punitive damages), 3 cases involve claims of \$15 million, 2 cases involve claims of \$20 million, and 31 cases involve claims of \$50 million (5 of which also allege punitive damages of \$5 million). Some complaints allege that the compensatory and punitive damages are at least the amounts specified. As noted above, the company has more than 20 years of experience in defending litigations of this type, and has to date resolved the claims of over 200,000 plaintiffs. The cumulative average settlement amount is less than \$1,000 per claimant. Based on this experience and for the other reasons noted above the company believes that the damage amounts specified in complaints are not a meaningful factor in any assessment of the company's potential liability.

As of December 31, 2002, the company had estimated accrued liabilities of approximately \$161 million for respirator/mask asbestos related claims, a substantial portion of which the company expects to be covered by its product liability insurance. This amount represents the company's

best estimate of the amount to cover the cost and expense of resolving recently settled, current and probable future respirator/mask asbestos related claims. The company also had receivables for expected insurance recoveries of approximately \$264 million. 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) delays in or avoidance of payment by insurers; and (iii) 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.

The difference between the accrued liability and insurance receivable represents the time delay between payment of claims and receipt of insurance reimbursements. Because of the lag time between settlement and payment of a claim, no meaningful conclusions may be drawn from quarterly changes in the amount of receivables for

expected insurance recoveries and the quarterly changes in the number of claimants at the end of each quarter.

**Asbestos Discussion from SEC filings:**

From the Company's Form 10-Q for the period ending March 31, 2002 at

<http://www.sec.gov/Archives/edgar/data/66740/000006674002000010/q10210qprimary.txt>

Filed On: May 1, 2002

**Respirator/Mask/Asbestos Litigation**

During October 2001, the company defended a case in the Circuit Court of Holmes County, Mississippi, against plaintiffs claiming that a 3M respirator and mask did not protect them against contracting claimed asbestos-related diseases allegedly caused by exposure to products

The company's current estimate of its probable liabilities and associated expenses for respirator/mask/asbestos litigation is based on facts and circumstances existing at this time. Recent developments in the mix of newly filed respirator/mask lawsuits (some increase in the proportion of silica-related claims) and the defense costs associated with the company's continued aggressive defense strategy will be closely monitored by the company in the near term. Additional developments may occur that could affect the company's estimate of probable liabilities and associated expenses. 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 and in maintaining trial readiness, (iv) changes in the nature of claims received, (v) changes in the law and procedure applicable to these claims, (vi) financial viability of other co-defendants and insurers, and (vii) other unknown variables. The company cannot determine the impact of these potential developments on the current estimate of its probable liabilities and associated expenses.

containing asbestos which were manufactured by other defendants. The case against the company initially involved six plaintiffs whose claims were consolidated for trial. The court dismissed one plaintiff's case just before trial, and a second plaintiff abandoned his case before it

was submitted to the jury. On October 26, the jury returned a verdict against all defendants in favor of the plaintiffs, four of whom had claims against the company. The jury awarded the plaintiffs \$25 million each in compensatory damages. The jury denied plaintiffs' request for punitive damages. Based on the jury's findings of percentage of fault attributable to each defendant, the company's share of the total verdict is \$22.5 million. The company can provide no assurance at this time about the ability of any co-defendant to pay its share of any ultimate judgment or whether a co-defendant's inability to pay will cause a reallocation of liability for damages among the remaining solvent defendants under state law. Judgment was entered on January 30, 2002. Because the company is vigorously challenging the judgment in post-trial motions, will plan to appeal if necessary, and believes that the judgment ultimately will be overturned, no liability has been recorded related to this matter as of March 31, 2002. If any damages are ultimately assessed against the company, a substantial portion of such damages would be covered by the company's product liability insurance.

For more than twenty years, the company has successfully defended and resolved the claims of approximately 200,000 individual claimants similar to the ones brought in Holmes County. The company's vigorous defense of this litigation has resulted in: (i) jury verdicts for the company in the only other two cases tried to verdict (these two successful verdicts involved allegations about the 3M products which were virtually indistinguishable from those of the Holmes County case); (ii) frequent dismissals of lawsuits without any payment by the company; and (iii) an average settlement value of less than \$1,000 for the claims and lawsuits that the company has resolved. In

many of these lawsuits and claims, the company is named as a defendant with multiple co-defendants where no product the company manufactured is involved or where the company is ultimately determined not to have manufactured the products the plaintiffs identified. As noted above, many of these lawsuits and claims have been dismissed without payment.

As of March 31, 2002, the company is a named defendant, with multiple co-defendants, in approximately 21,400 lawsuits and claims in various courts. (The number of lawsuits is not a good indicator of claims and litigation activity because one lawsuit may represent the claims of one plaintiff or many. The number of plaintiffs named in any one lawsuit varies by plaintiffs' counsel and jurisdiction. For this reason, the number of claimants is a better indicator of claims and litigation activity.) These lawsuits and claims purport to represent approximately 77,000 individual claimants. A majority of these current claimants have not identified specific products manufactured by the company.

Based on the company's experience, the vast majority of these lawsuits and claims purportedly relate to the alleged use of company's mask and respirator products and seek damages from the company and other defendants for alleged personal injury from occupational exposure to asbestos or, less frequently, silica found in products manufactured by other defendants. The remaining lawsuits and claims generally allege personal injury from occupational exposure to asbestos from unspecified products claimed to have been manufactured by the company or other defendants and/or from specialty products containing asbestos manufactured by the company and/or other defendants many years ago.

Based on the company's experience in defending and resolving these lawsuits and claims to date and the substantial product liability insurance provided by the company's insurers, the company believes these lawsuits and claims will not have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

As of March 31, 2002, the company had estimated accrued liabilities of approximately \$144 million for these claims. This amount represents the company's best estimate of the amount to cover the cost and expense of resolving current and probable future claims. The company also had receivables for expected insurance recoveries of approximately \$223 million. The difference between the accrued liability and insurance receivable represents the time delay between payment of claims and receipt of insurance reimbursements.

**Asbestos Discussion from SEC filings:**

From the Company's Form 10-K for the period ending December 31, 2002 at

<http://www.sec.gov/Archives/edgar/data/66740/000006674002000006/q40110kprimary6.txt>

Filed On: March 11, 2002

**Respirator/Mask/Asbestos Litigation**

During October 2001, the company defended a case in the Circuit Court of Holmes County, Mississippi, against plaintiffs claiming that a 3M respirator and mask did not protect them against contracting claimed asbestos-related diseases allegedly caused by exposure to products containing asbestos which were manufactured by other defendants. The case against the company initially involved six plaintiffs whose claims were consolidated for trial. The court dismissed one plaintiff's case just before trial, and a second plaintiff abandoned his case before it was submitted to the jury. On October 26, the jury returned

The company's current estimate of its probable liabilities and associated expenses for respirator/mask/asbestos litigation is based on facts and circumstances existing at this time and reasonably anticipated trends. New developments may occur that could affect the company's estimate of probable liabilities and associated expenses. 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) changes in the nature of claims received, (iv) changes in the law and procedure applicable to these claims, or (v) financial viability of other co-defendants and insurers and other unknown variables. The company cannot determine the impact of these potential developments on the current estimate of its probable liabilities and associated expenses.

a verdict against all defendants in favor of the plaintiffs, four of whom had claims against the company. The jury awarded the plaintiffs \$25 million each in compensatory damages. The jury denied plaintiffs' request for punitive damages. Based on the jury's findings of percentage of fault attributable to each defendant, the company's share of the total verdict is \$22.5 million. The company can provide no assurance at this time about the ability of any co-defendant to pay its share of any ultimate judgment or whether a co-defendant's inability to pay will cause a reallocation of liability for damages among the remaining solvent defendants under state law. Judgment was entered on

January 30, 2002. Because the company is vigorously challenging the judgment in post-trial motions, will plan to appeal if necessary, and believes that the judgment ultimately will be overturned, no liability has been recorded related to this matter as of December 31, 2001. If any damages are ultimately assessed against the company, a substantial portion of such damages would be covered by the company's product liability insurance.

For more than twenty years, the company has successfully defended and resolved the claims of approximately 200,000 individual claimants similar to the ones brought in Holmes County. The company's vigorous defense of this litigation has resulted in: (i) jury verdicts for the company in the only other two cases tried to verdict (these two successful verdicts involved allegations virtually indistinguishable from those of the Holmes County case); (ii) frequent dismissals of lawsuits without any payment by the company; and (iii) average settlement values of less than \$1,000 for the claims and lawsuits that the company has resolved. In many of these lawsuits and claims, the company is named as a defendant with multiple co-defendants where no product the company manufactured is involved or where the company is ultimately determined not to have manufactured the products the plaintiffs identified. As noted above, many of these lawsuits and claims have been dismissed without payment.

As of December 31, 2001, the company is a named defendant, with multiple co-defendants, in approximately 21,000 lawsuits and claims in various courts. (The number of lawsuits is not a good indicator of claims and litigation activity because one lawsuit may represent the claims of one plaintiff or many. The number of plaintiffs named in any one lawsuit varies by

plaintiffs' counsel and jurisdiction. For this reason, the number of claimants is a better indicator of claims and litigation activity.) These lawsuits and claims purport to represent approximately 80,000 individual claimants. A majority of 10 these current claimants have not identified specific products manufactured by the company.

Based on the company's experience, the vast majority of these lawsuits and claims purportedly relate to the alleged use of company's mask and respirator products and seek damages from the company and other defendants for alleged personal injury from occupational exposure to asbestos or, less frequently, silica found in products manufactured by other defendants. The remaining lawsuits and claims generally allege personal injury from occupational exposure to asbestos from unspecified products claimed to have been manufactured by the company or other defendants and/or from specialty products containing asbestos allegedly manufactured by the company and/or other defendants many years ago.

Based on the company's experience in defending and resolving these lawsuits and claims to date and the substantial product liability insurance provided by the company's insurers, the company believes these lawsuits and claims will not have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

As of December 31, 2001, the company had estimated accrued liabilities of approximately \$156 million for these claims. This amount represents the company's best estimate of the amount to cover the cost and expense of resolving current and probable future claims. The company also

had receivables for expected insurance recoveries of approximately \$223 million. The difference between the accrued liability and insurance receivable represents the time delay between payment of claims and receipt of insurance reimbursements.

The company's current estimate of its probable liabilities and associated expenses for respirator/mask/asbestos litigation is based on facts and circumstances existing at this time and reasonably anticipated trends. New developments may occur that could affect the company's estimate of probable

liabilities and associated expenses. These developments include, but are not limited to, (i) changes in the number of future claims, (ii) changes in the average cost of resolving claims, (iii) change in the nature of claims received, (iv) changes in the law and procedure applicable to these claims, or (v) financial viability of other co-defendants and insurers and other unknown variables. The company cannot determine the impact of these potential developments on the current estimate of its probable liabilities and associated expenses.

**Asbestos Discussion from SEC filings:**

From the Company's Form 10-Q for the period ending September 30, 2002 at

<http://www.sec.gov/Archives/edgar/data/66740/000006674001500015/q30110qprimary.txt>

Filed On: November 13, 2001

During October 2001, the company defended a case in the Circuit Court of Holmes County, Mississippi, against plaintiffs claiming that a 3M respirator and mask did not protect them against contracting claimed asbestos-related diseases allegedly caused by exposure to products containing asbestos manufactured by other defendants. The case against the company initially involved six plaintiffs whose claims were consolidated for trial. The court dismissed one plaintiff's case just before trial, and a second plaintiff abandoned his case before it was submitted to the jury. On October 26, the jury returned a verdict against all defendants in favor of the plaintiffs, four of whom had claims against the company. The jury awarded the plaintiffs \$25,000,000 each in compensatory damages. Based on the jury's findings of percentage of fault attributable to each defendant, the company's share of the total verdict is \$22,500,000. The company can provide no assurance at this time about the ability of any co-defendant to pay its share of any ultimate judgment or whether a co-

defendant's inability to pay will cause reallocating liability for damages among the remaining solvent defendants under state law. Judgment has not yet been entered. The company will vigorously challenge the verdict in post-trial motions, is planning to appeal if necessary, and believes that the verdict ultimately will be overturned. A substantial portion of the verdict is covered by the company's product liability insurance.

For more than twenty years, the company has successfully defended and resolved approximately 200,000 claims and lawsuits similar to the ones brought in Holmes County. The company's vigorous defense of these claims and lawsuits has resulted in jury verdicts for the company in the only other two cases that have been tried by the company; frequent dismissals of lawsuits without any payment by the company; and average settlement values of less than \$1,000 for the claims and lawsuits that the company has resolved. The two cases mentioned above involved



allegations indistinguishable from those tried in the Holmes County case. In many of these lawsuits and claims the company is a named defendant, with multiple co-defendants, in circumstances where no product the company manufactured is involved or the products identified by the plaintiffs are ultimately determined not to have been manufactured by the company. As noted above, many of these lawsuits and claims have been dismissed without payment. As of September 30, 2001, the company is a named defendant, with multiple co-defendants, in approximately 20,000 lawsuits and claims in various courts. These lawsuits and claims purport to represent approximately 85,000 individual claimants. Many of these current claimants have not identified specific products manufactured by the company.

Based on the company's experience, the vast majority of these lawsuits and claims involve use of the company's masks and respirators and seek damages from the company and other defendants for alleged personal injury from occupational exposure to asbestos or, less frequently, silica in products manufactured by other defendants. The rest of these cases allege personal injury from occupational exposure to asbestos from generally unspecified products claimed to have been manufactured by the company or other defendants and from certain specified specialty products containing asbestos manufactured by the company and other defendants many years ago. Based on the company's experience in defending and resolving these lawsuits and claims to date and the substantial product liability

insurance provided by the company's insurers, the company believes these lawsuits and claims will not have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

As of September 30, 2001, the company had estimated accrued liabilities of approximately \$122 million for these claims and receivables for expected insurance recoveries of approximately \$184 million. The difference between the accrued liability and insurance receivable principally represents the time delay between payment of claims and receipt of insurance reimbursement.

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

While the company believes that a material adverse impact on its consolidated financial position, results of operations, or cash flows from any such future charges is unlikely, given the inherent uncertainty of litigation, a remote possibility exists that future adverse rulings or developments 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 consolidated financial position, results of operations and cash flows for this litigation could change in the future.

**Asbestos-Related News:**

[3M Sees Decrease in Asbestos Cases at By End 2002 \(Published March 14, 2003\) Will Receive \\$223 Million More from Asbestos Insurance \(Published October 25, 2002\)](#)