

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 Quarter ended March 31, 1996 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: (612) 733-1110

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 .

On March 31, 1996, there were 418,630,334 shares of the Registrant's common stock outstanding.

This document contains 24 pages.
The exhibit index is set forth on page 20.

MINNESOTA MINING AND MANUFACTURING COMPANY
AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF INCOME
(Amounts in millions, except per-share amounts)
(Unaudited)

	Three months ended	
	March 31	
	1996	1995
Net Sales	\$3,468	\$3,361
Operating Expenses		
Cost of goods sold	1,990	1,886
Selling, general and administrative expenses	882	860
Total	2,872	2,746
Operating Income	596	615
Other Income and Expense		
Interest expense	17	27
Investment and other income - net	(19)	(10)
Total	(2)	17
Income From Continuing Operations Before Income Taxes and Minority Interest	598	598
Provision for Income Taxes	218	222
Minority Interest	18	21
Income From Continuing Operations	362	355
Discontinued Operations,		

Net of Income Taxes	--	21
Net Income	\$ 362	\$ 376
Average Shares Outstanding	418.5	419.8
Per-Share Amounts:		
Continuing Operations	\$.87	\$.85
Discontinued Operations	--	.05
Net Income	\$.87	\$.90
Cash dividends declared and paid	\$.47	\$.47

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

MINNESOTA MINING AND MANUFACTURING COMPANY
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars in millions)

ASSETS	March 31, 1996	December 31, 1995
Current Assets	(Unaudited)	
Cash and cash equivalents	\$ 527	\$ 485
Other securities	187	287
Accounts receivable - net	2,539	2,398
Inventories		
Finished goods	1,100	1,164
Work in process	558	565
Raw materials and supplies	479	477
Total inventories	2,137	2,206
Other current assets	1,062	1,019
Total current assets	6,452	6,395
Investments	576	565
Property, Plant and Equipment	11,339	11,234
Less accumulated depreciation	(6,714)	(6,596)
Property, plant and equipment - net	4,625	4,638
Other Assets	1,138	1,177
Net Assets of Discontinued Operations	1,332	1,408
Total	\$14,123	\$14,183
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 813	\$ 762
Payroll	337	298
Income taxes	280	214
Short-term debt	932	822
Other current liabilities	1,502	1,628
Total current liabilities	3,864	3,724
Other Liabilities	2,302	2,372
Long-Term Debt	984	1,203
Stockholders' Equity		
Common stock, no par, 472,016,528 shares issued	296	296
Retained earnings	9,294	9,164
Unearned compensation - ESOP	(432)	(437)
Cumulative translation - net	(151)	(102)
Net unrealized gain - debt & equity securities	21	16
Less cost of treasury stock -		
March 31, 1996, 53,386,194 shares;		
December 31, 1995, 53,313,774 shares	(2,055)	(2,053)
Stockholders' Equity - net	6,973	6,884
Total	\$14,123	\$14,183

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

MINNESOTA MINING AND MANUFACTURING COMPANY
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(Unaudited)

Three months ended
March 31
1996 1995

Cash Flows from Operating Activities:

Net income	\$ 362	\$ 376
Less income from discontinued operations	--	21
Income from continuing operations	362	355
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Implant litigation - net	(156)	(11)
Depreciation and amortization	217	209
Working capital and other changes	(15)	2
Net cash provided by continuing operations	408	555
Net cash provided by discontinued operations	108	33
Net cash provided by operating activities	516	588
Cash Flows from Investing Activities:		
Capital expenditures	(232)	(250)
Other changes	5	9
Discontinued operations, net	(37)	(49)
Net cash used in investing activities	(264)	(290)
Cash Flows from Financing Activities:		
Net change in short-term debt	(5)	(125)
Repayment of long-term debt	(1)	(76)
Proceeds from long-term debt	--	200
Purchases of treasury stock	(112)	(56)
Reissuances of treasury stock	75	49
Payment of dividends	(197)	(197)
Net cash used in financing activities	(240)	(205)
Effect of exchange rate changes on cash	30	(35)
Net increase in cash and cash equivalents	42	58
Cash and cash equivalents at beginning of year	485	297
Cash and cash equivalents at end of period	\$ 527	\$ 355

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

MINNESOTA MINING AND MANUFACTURING COMPANY
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of 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 condensed consolidated financial statements and notes are presented as permitted by the requirements for Form 10-Q and do not contain certain information included in the company's annual consolidated financial statements and notes. This Form 10-Q should be read in conjunction with the company's consolidated financial statements and notes included in its 1995 Annual Report on Form 10-K.

Discontinued Operations:

In November 1995, the Board of Directors approved a plan to launch the company's data storage and imaging systems businesses as an independent, publicly owned company. This transaction will be effected through the distribution of shares in a newly formed company, named Imation, to 3M shareholders. The transaction is expected to be tax free to 3M and to shareholders. The distribution is expected to occur around July 1, 1996. 3M will contribute the net assets of the data storage and imaging systems businesses to Imation, reducing stockholders' equity by an estimated \$1 billion. In November 1995, the Board of Directors also approved the discontinuance of 3M's audio and video tape business.

As a result of the plans to spin off Imation and to discontinue the audio and video tape business, the company's consolidated financial statements and notes report these businesses as discontinued operations. Prior periods' consolidated financial statements and notes have been restated accordingly. Net sales of the discontinued businesses for the first quarter of 1995 were \$726 million, with income from discontinued operations of \$21 million. Income from discontinued operations for the first quarter of 1996 is not reflected in 3M's income statement because the expected income from these operations through the estimated date of spin-off or closure was reflected in the loss on disposal of discontinued operations recorded in the fourth quarter of 1995.

In connection with the discontinuance of these businesses, the company recorded a loss on disposal of \$373 million, net of deferred income taxes of \$232 million, in the fourth quarter of 1995. This loss included \$300 million of severance costs for approximately 4,000 employees directly related to the discontinued operations. As of March 31, 1996, a small number of employee separations had occurred and \$2 million in cash payments had been made. The remaining severance liability of \$298 million at March 31, 1996, is included in other current liabilities.

Restructuring:

Related to the spin-off of Imation and the phase-out of the audio and video tape business, the company recorded a restructuring charge of \$79 million in the fourth quarter of 1995. Major components of this charge included \$50 million of employee severance costs and \$17 million related to the write-down of certain assets to their net realizable value. The company expects to reduce approximately 1,000 positions by the end of 1996, mainly in corporate service functions supporting 3M businesses in the United States and Europe. As of March 31, 1996, a small number of employee separations had occurred and \$4 million in cash payments related to employee separations had been made. The remaining liability of \$57 million for employee separations and other items is included in other current liabilities.

Other:

Discussion of legal matters is cross-referenced to this Form 10-Q, Part II, Item 1, Legal Proceedings, and should be considered an integral part of the Consolidated Financial Statements and Notes.

Coopers & Lybrand L.L.P., the company's independent accountants, have performed a review of the unaudited interim financial statements included herein and their report thereon accompanies this filing.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of Minnesota Mining and Manufacturing Company:

We have reviewed the accompanying condensed consolidated balance sheet of Minnesota Mining and Manufacturing Company and Subsidiaries as of March 31, 1996, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 1996 and 1995. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1995, and the related consolidated statements of income and cash flows for the year then ended (not presented herein); and in our report dated February 12, 1996, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1995, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.

St. Paul, Minnesota
May 2, 1996

MINNESOTA MINING AND MANUFACTURING COMPANY
AND SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations

RESULTS OF OPERATIONS

First Quarter

On November 14, 1995, 3M announced that it intends to launch its data storage and imaging systems businesses as an independent, publicly owned company. 3M also announced that it will discontinue its audio and video tape business. As a result of these actions, the data storage, imaging systems, and audio and video tape businesses are presented as discontinued operations within the financial statements and notes for all periods presented. The following discussion is on a continuing operations basis.

Worldwide sales for the first quarter totaled \$3.468 billion, an increase of 3.2 percent from \$3.361 billion in the first quarter last year. Excluding changes in currency exchange rates, sales rose about 5 percent. Unit sales increased about 3 percent, while selling prices were up about 2 percent.

In the United States, sales were up about 3 percent to more than \$1.5 billion. This revenue gain was due to pricing. Volume, reflecting the slower growth of the U.S. economy, was basically flat. In the Life Sciences Sector, volume was up about 3 percent, while selling prices increased about 1 percent. Pacing this revenue growth were the pharmaceuticals and personal care products businesses. In the Industrial and Consumer Sector, sales were up about 2 percent. Prices rose about 3 percent, while volume declined about 1 percent. Good sales gains were achieved in the consumer and office supply businesses. Sales were basically flat in the industrial businesses, which posted solid gains in the first quarter a year ago. Demand for industrial products was affected by industry softness, particularly in auto production, furniture and textiles.

Internationally, sales increased about 4 percent to \$1.9 billion, or 55 percent of total sales. Volume abroad increased about 6 percent and selling prices were up about 2 percent. Currency translation reduced international sales by about 4 percent. The two business sectors contributed about equally to the international sales gain for the quarter. While 6-percent international volume growth is less than normal, this gain came on top of a 14-percent volume increase in the first quarter last year. In the first three months last year, all major international areas posted double-digit volume gains.

In Europe, volume rose about 3 percent. While this was a modest gain, it came on the heels of double-digit volume growth in the first quarter last year. Solid volume gains were achieved in the United Kingdom and Spain, with strong growth in many developing countries. Overall growth in Europe was held back by the economic situation in Germany and France. In Japan, 3M's largest international company, unit sales rose about 11 percent. This gain was driven by an exceptionally strong flow of new products and a pickup in the Japanese economy. In Asia outside Japan, volume was up about 13 percent, with overall growth constrained by the disruption in the China region. In Latin America, unit sales increased about 11 percent, with strong volume gains throughout the area, except Brazil. Unit sales in Brazil were up just slightly this quarter, following an outstanding volume gain in the first quarter last year. In Canada, volume decreased about 2 percent.

Cost of goods sold, which includes manufacturing, research and development, and engineering, was 57.4 percent of sales, up 1.3 percentage points from the first quarter last year. The benefit from higher selling prices was more than offset by modest volume growth, higher research and development costs, and by material costs. Research and development spending was 6.7 percent of sales, up four-tenths of a point from the first quarter last year. This increase was magnified by low sales growth and by increased investments in major new product-development programs. While up from the first quarter last year, cost of goods sold was lower than in each of the past two quarters. Cost of goods sold is expected to decline going forward.

Selling, general and administrative spending was 25.4 percent of sales, roughly the same as in the fourth-quarter of 1995, which was the lowest rate in more than five years. Strong emphasis on cost control and streamlining of operations are driving this improvement. Selling, general and administrative spending in the United States was similar to the first quarter last year in dollars and down nearly five-tenths of a percentage point as a ratio to sales.

Employment decreased slightly when compared with the first quarter last year, with sales per employee up about 5 percent in local currencies. This followed a 7 percent gain for total year 1995.

Operating income was \$596 million, down about 3 percent from the first quarter last year. Currency effects, which had a positive effect on operating income in the first quarter last year, reduced profits this quarter by more than \$15 million dollars, or about 3 percent. Internationally, operating income increased about 2 percent. United States operating income declined about 10 percent due to low sales growth, higher material costs and increased research and development spending. Worldwide operating income dollars were down in both sectors.

First quarter interest expense of \$17 million was down \$10 million from the same quarter last year. More than half of this decline was due to a combination of lower interest rates and lower debt, factors expected to continue going forward. One-time positive financial events also contributed to the decline in interest expense this quarter. Investment and other income was \$19 million, up \$9 million from the first quarter last year. This increase largely reflected gains on financial investments, many of which were of a nonrecurring nature.

The worldwide effective tax rate was 36.5 percent, about the rate expected for the full year. The company continued to effectively utilize its international tax credits.

Income from continuing operations totaled \$362 million, or \$.87 per share, up about 2 percent from the first quarter of 1995. The company estimates that changes in the value of the U.S. dollar decreased earnings for the quarter by about 2 cents per share compared to the first quarter of 1995. This estimate includes the effect of translating profits from local currencies into United States dollars, the costs in local currencies of transferring goods between the parent company in the United States and international companies, and transaction gains and losses in countries not considered to be highly inflationary.

As discussed in this Form 10-Q, Part II, Item 1, Legal Proceedings, mammary implant litigation resulted in a pre-tax charge of \$35 million (\$22 million after tax) in the first quarter of 1994. There can be no certainty that the company may not ultimately incur charges, whether for governmental proceedings and claims, products liability claims, environmental proceedings or other actions, in excess of presently established accruals. While such future charges could have a material adverse impact on the company's net income in the quarterly period in which they are recorded, the company believes that such additional charges, if any, will not have a material adverse effect on the consolidated financial position or annual results of operations of the company.

As a result of the restructuring, 3M will be better positioned for profitable growth. 3M expects solid sales and earnings growth in 1996, despite strengthening of the U.S. dollar. The company expects to benefit from a strong flow of innovative new products, further expansion into international markets, an intense focus on customer satisfaction, expected improvement in the pace of economic activity, a more favorable raw material picture, and ongoing productivity-improvement efforts.

While volume, productivity and selling prices are expected to help 1996 results, currency effects may moderate profit growth. Based on current exchange rates, currency could reduce 1996 earnings by more than 10 cents a share. The pressure from raw material costs is expected to abate, with costs expected to be down for 1996 as a whole. The company expects to show its strongest earnings gains in the second half of the year.

Capital spending, which was up 12 percent in 1995, is expected to increase less than 10 percent in 1996.

FINANCIAL CONDITION AND LIQUIDITY

The company's financial condition and liquidity remain strong.

Working capital decreased \$83 million to \$2.588 billion from \$2.671 billion as of December 31, 1995. The accounts receivable average

days' sales outstanding was 61 days, unchanged from the same quarter last year, but down three days from the end of 1995. The company's key inventory index of 3.7, which represents the number of months of inventory, was down 5 percent from year-end. The company's current ratio was 1.7, unchanged from year-end.

Total debt decreased \$109 million from year-end 1995 to \$1.916 billion. As of March 31, 1996, total debt was 27 percent of stockholders' equity, down from 29 percent at year-end. The company's borrowings continue to maintain AAA long-term ratings. At the time of the spin-off of Imation, stockholders' equity will be reduced by an estimated \$1 billion, essentially representing the distribution of the net assets of Imation. Imation has filed a preliminary information statement with the SEC. This indicates that Imation will have a total capitalization of about \$1.25 billion, including about \$250 million of debt. 3M expects to maintain its debt to equity ratio after spin-off in the 27 to 29 percent range.

Return on average stockholders' equity for the first three months was 20.9 percent, compared with 20.5 percent for the same period last year, meeting the company's goal of 20 to 25 percent. Adjusting income from continuing operations for the restructuring charge and equity for the impact of discontinued operations, return on equity would be about 25 percent for both periods. Return on capital employed for the first three months was 24.5 percent, down from 25.8 percent in the comparable 1995 period. The company's goal is 27 percent or better.

Net cash provided by operating activities from continuing operations totaled \$408 million in the first three months of the year, down \$147 million from the same period last year. This decrease was primarily due to the \$156 million net cash outflow related to mammary implant litigation. Net cash provided by operating activities from discontinued operations was \$108 million in the first quarter compared with \$33 million in the same period last year. This increase of \$75 million was primarily due to lower working capital requirements.

Timing differences between payment of implant liabilities and receipt of related insurance recoveries could affect the cash flows of future periods. The amount and timing of prospective payments and receipts cannot be determined with precision at this time. In January 1996, the company paid \$130 million into a court administered fund as an initial reserve against costs of claims payable by the company under the "Revised Settlement Program," which is discussed in the legal proceedings section in Part II, Item 1, of this Form 10-Q. As a result of actions associated with discontinued operations and restructuring, the company will have unusually high severance payments in 1996. 3M believes that these timing differences and higher severance payments will not have a material adverse effect on the consolidated financial position or liquidity of the company.

Cash used in investing activities was \$264 million in the first three months of the year, down \$26 million from the same period last year. Capital expenditures for the first three months of 1996 for continuing operations were \$232 million, a decrease of about 7 percent compared with the same period last year.

Financing activities in both short-term and long-term debt had a minimal cash flow impact in the first three months of both 1996 and 1995. Treasury stock repurchases were \$112 million, compared with repurchases in the same period last year of \$56 million.

The company repurchased about 1.7 million shares of treasury stock in the first three months of this year, compared with 1.1 million shares in the same period last year. On February 12, 1996, the Board of Directors authorized the repurchase of up to 6 million shares of 3M common stock through February 10, 1997. As of March 31, 1996, 5.1 million shares remained authorized for repurchase. Stock repurchases are made to support employee stock purchase plans and for other corporate purposes.

On February 12, 1996, the 3M Board of Directors declared a quarterly dividend on 3M common stock of 47 cents a share, maintaining the dividend at the current quarterly rate. The Board will reconsider the dividend rate later this year, and expects to continue 3M's record of annual increases. Dividends paid remained unchanged at \$197 million in the first three months of this year as compared with the same period last year.

The company expects cash generated by operating activities will support its primary growth initiatives, with ample borrowing capacity and lines of credit available to supplement cash flows from operations. 3M maintains a shelf registration with the Securities

and Exchange Commission that provides the means to offer medium-term notes not to exceed \$601 million. As of March 31, 1996, \$402 million of the shelf registration was available for future financial needs.

MINNESOTA MINING AND MANUFACTURING COMPANY
AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 accrued 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 future liabilities with respect to such matters.

There can be no certainty that the company may not ultimately incur charges, whether for governmental proceedings and claims, products liability claims, environmental proceedings or other actions, in excess of presently established accruals. While such future charges could have a material adverse impact on the company's net income in the quarterly period in which they are recorded, the company believes that such additional charges, if any, will not have a material adverse effect on the consolidated financial position or annual results of operations of the company.

Breast Implant Litigation

As of March 31, 1996, the company had been named as a defendant, often with multiple co-defendants, in 6,571 claims and lawsuits in various courts, all seeking damages for personal injuries from allegedly defective breast implants. These claims and lawsuits purport to represent approximately 18,980 individual claimants. It is not yet certain how many of these lawsuits and claims involve products manufactured and sold by the company, as opposed to other manufacturers. 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 was also named McGhan Medical Corporation.

The typical claim or lawsuit alleges that the individual's breast implants caused one or more of a wide variety of ailments, including, but not limited to, non-specific autoimmune disease, scleroderma, lupus, rheumatoid arthritis, fibromyalgia, mixed connective tissue disease, Sjogren's Syndrome, dermatomyositis, polymyositis, and chronic fatigue.

Plaintiffs in these cases typically seek monetary damages, often in unspecified amounts, and also seek certain types of equitable relief, including requiring the company to fund the costs associated with removal of the breast implants, to fund medical research into the ailments allegedly caused by silicone gel breast implants and to fund periodic medical checkups.

A number of breast implant claims and lawsuits seek to impose liability on the company under various theories for personal injuries allegedly caused by breast implants manufactured and sold by manufacturers other than the company, including, but not limited to, McGhan Medical Corporation and manufacturers that are no longer in business or that are insolvent, whose breast implants may or may not have been used in conjunction with implants manufactured and sold by the company. These claims raise many difficult and complex factual and legal issues that are subject to many uncertainties, including the facts and circumstances of each particular claim, the jurisdiction in which each suit is brought, differences in applicable law and insurance coverage.

A number of breast implant lawsuits seek to recover punitive damages. Any such punitive damages that may be awarded against the company may or may not be covered by some insurance policies depending on the language of the insurance policy, applicable law and agreements with insurers.

In addition to the individual suits against the company, a class action on behalf of all women with breast implants filed against all manufacturers of such implants has been conditionally certified and is pending in the United States District Court for the Northern District of Alabama (the "Court") (DANTE, ET AL., V. DOW CORNING, ET AL., U.S.D.C., N. Dist., Ala., 92-2589; part of IN RE: SILICONE GEL BREAST IMPLANT PRODUCT LIABILITY LITIGATION, U.S.D.C., N. Dist. Ala., MDL 926, U.S.D.C., N. Dist. Ala., CV 92-P-10000-S; now held in abeyance pending settlement proceedings in the settlement class action LINDSEY, ET AL., V. DOW CORNING CORPORATION, ET AL., U.S.D.C., N. Dist., Ala., CV 94-P-11558-S). Class actions, some of which have been certified, are pending in various state courts, including, among others, Louisiana, Florida and Illinois, and in the British Columbia courts in Canada.

The company has also been served with a purported class action brought on behalf of children allegedly exposed to silicone in utero and through breast milk. (FEUER, ET AL., V. MCGHAN, ET AL., U.S.D.C., E. Dist. NY, 93-0146.) The suit names all breast implant manufacturers as defendants and seeks to establish a medical monitoring fund.

On December 22, 1995, the Court 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 Revised Settlement Program is a revision of a previous settlement pursuant to a Breast Implant Litigation Settlement Agreement (the "Settlement Agreement") reached on April 8, 1994, and approved by the Court on September 1, 1994.

Under the terms of the previous Settlement Agreement, the company and other defendants agreed to make total contributions in the amount of \$4.25 billion, including the company's maximum commitment of \$325 million, which was to be paid into a court-administered fund within three years from the date that the final order ratifying the Settlement Agreement was entered and after appeals had been exhausted. On May 1, 1995, the Court stated that preliminary information from claims filed prior to the September 1994 deadline for current claims had led the Court to believe that the total amount of current claims likely to be approved would substantially exceed the portion of the Settlement Agreement allocated to current claims. The Settlement Agreement provided, in that case, for a reduction in the amount to be paid to individual claimants, but first obligated the parties to attempt to adjust the Settlement Agreement. After the parties were unable to reach agreement, the Court approved the Revised Settlement Program for presentation to eligible class members.

The Court has ordered that, beginning after November 30, 1995, members of the plaintiff class will be able to choose whether they will participate in the Revised Settlement Program or will opt out, which would then allow them to proceed with separate products liability actions.

The Revised Settlement Program includes only domestic class members, and only class members with implants manufactured by certain manufacturer defendants, including the company and McGhan Medical Corporation. The company's obligations under the Revised Settlement Program are limited to eligible claimants with implants manufactured by the company or its predecessors ("3M implants") or manufactured only by McGhan Medical Corporation after its divestiture from the company on August 3, 1984 ("Post 8/84 McGhan implants"). With respect to claimants with only Post 8/84 McGhan implants (or only Post 8/84 McGhan implants plus certain other manufacturers' implants), the benefits are more limited than for claimants with 3M implants. Such benefits are payable by the company, Union Carbide Corporation and McGhan Medical Corporation.

In general, the amounts payable to individual current claimants (as defined in the Court's order) under the Revised Settlement Program, and the company's obligations to make those payments, will not be affected by the number of class members electing to opt out of the Revised Settlement Program or the number of class members making claims under the Revised Settlement Program. The Revised Settlement Program provides for two compensation options, in addition to certain miscellaneous benefits, for current claimants with 3M implants.

Under the first option, denominated as Fixed Amount Benefits, current claimants with 3M implants who satisfy disease criteria established

in the prior Settlement Agreement will receive amounts ranging from \$5,000 to \$100,000, depending on disease severity or disability level, whether the claimant can establish that her implants have ruptured, and whether the claimant also has had implants manufactured by Dow Corning. Under the second option, denominated as Long-Term Benefits, current claimants with 3M implants who satisfy more restrictive disease and severity criteria specified under the Revised Settlement Program can receive benefits ranging from \$37,500 to \$250,000.

In addition, current claimants with 3M implants are eligible for (a) a one-time payment of \$3,000 upon removal of 3M implants during the course of the class settlement, and (b) an advance payment of \$5,000 against the above referenced benefits upon proof of having 3M implants and upon waiving or not timely exercising the right to opt out from the Revised Settlement Program. Current claimants with only Post 8/84 McGhan implants (or only Post 8/84 McGhan implants plus certain other manufacturers' implants) are eligible only for benefits ranging from \$10,000 to \$50,000.

Eligible participants with 3M implants, who did not file current claims but are able to satisfy the more restrictive disease and severity criteria during an ongoing period of 15 years, will be eligible for the Long-Term Benefits, subject to certain funding limitations. Such participants also will be eligible for an advance payment of \$1,000 upon proof of having 3M implants and upon waiving or not timely exercising the right to opt out from the Revised Settlement Program. Benefit levels for eligible participants, who are not current claimants, with only Post 8/84 McGhan implants (or only Post 8/84 McGhan implants plus certain other manufacturers' implants) again will range from \$10,000 to \$50,000.

The company's obligations to fund Long-Term Benefits for eligible claimants with 3M implants are cancelable if certain provisions of the Revised Settlement Program are disapproved on appeal. Pending appeal the company will pay Long-Term Benefits to eligible claimants providing it receives appropriate releases. The company's obligations to fund any benefits for claimants with only Post 8/84 McGhan implants are currently suspended pending appeals and will be canceled if any of certain provisions are disapproved on appeal. In either event, the other benefits provided under the Revised Settlement Program would still be payable to any claimant with 3M implants who elected to participate in the program.

As of the date of this filing it is still uncertain how many plaintiffs will choose to participate in the Revised Settlement Program, or what disease criteria they will satisfy and what options they will choose, the total amount and timing of the company's prospective payments under the Revised Settlement Program cannot be determined with precision at this time. In January 1996, the company paid \$130 million into a court administered fund as an initial reserve against costs of claims payable by the company under the Revised Settlement Program.

In the first quarter of 1994, the company took a pre-tax charge of \$35 million (\$22 million after tax) in recognition of its then best estimate of its probable liabilities and associated expenses, net of the probable amount of insurance recoverable from its carriers. In the fourth quarter of 1995, the company increased its estimate of the minimum probable liabilities and associated expenses to approximately \$885 million. This amount represents the company's best estimate of the cost of the Revised Settlement Program and the cost of resolving opt out claims. After subtracting payments of \$62 million in 1994, \$143 million in 1995 and \$180 million in the first quarter of 1996 for defense costs and settlements (which includes the January 1996 payment of \$130 million under the Revised Settlement Program) with litigants and claimants, the company, as of March 31, 1996, had accrued liabilities of \$498 million.

The company has substantial primary and excess products liability occurrence insurance coverage and claims-made products liability insurance coverage, which it believes provide coverage for substantially all of its current exposure for breast implant claims and defense costs. Most insurers have alleged reservations of rights to deny all or part of the coverage for differing reasons, including each insurer's obligations in relation to the other insurers and which claims trigger both the various occurrence and claims-made insurance policies. Some insurers have resolved and paid or committed to their policy obligations. The company believes that the failure of many insurers to voluntarily perform as promised subjects them to the company's claims for excess liability and damages for breach of the insurers' obligation of good faith. Based on inappropriate non-performance by insurers, it is the opinion of counsel that insurers have waived all policy term provisions.

On September 22, 1994, three excess coverage occurrence insurers initiated in the courts of the State of Minnesota a declaratory judgment action against the company and numerous insurance carriers seeking adjudication of certain coverage issues and allocation among insurers. On December 9, 1994, the company initiated an action against its occurrence insurers in the Texas State Court in and for Harrison County, seeking a determination of responsibility among the company's various occurrence insurers having applicable coverages. Texas is the state with the most implant claims. This action has since been removed to the U.S. District Court, Eastern District of Texas, and stayed pending resolution of the litigation in the Minnesota courts.

The insurers that are parties to these actions generally acknowledge that they issued products liability insurance to the company and that breast implant claims are products liability claims. The trial scheduled in Minnesota for March 4, 1996, to resolve the company's insurance coverage and the financial responsibility of occurrence insurers for breast implant claims and defense costs has been postponed pending appeal on procedural matters. The trial will be rescheduled for later this year. Settlement discussions continue with most insurers through court ordered and supervised discussions.

The occurrence insurers that are parties to the litigation in Minnesota filed more than thirty motions for summary judgment or partial summary judgment in mid-October 1995. The insurers, through these motions, attempt to shift all or a portion of the responsibility for those claims that the company believes fall within the period of occurrence-based coverage (before 1986) into the period of claims-made coverage (from and after 1986). The trial court denied the insurers' motions, ruling that the key issues of "trigger" and allocation raised in these motions will be resolved at trial. If the occurrence insurers prevail at trial, the company could be effectively deprived of significant insurance coverage for breast implant claims.

The company believes it will prevail in this insurance litigation. The company's belief is based on an analysis of its insurance policies, court decisions on similar issues, reimbursement by insurers for these types of claims and consultation with outside counsel expert in insurance coverage matters.

The company had accrued receivables for insurance recoveries of \$777 million as of March 31, 1996. There are various factors that 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 and Texas, (iii) potential arbitration with claims-made insurers, and (iv) delays in payment by insurers. Settlements are currently developing through court-ordered and supervised discussions. However, there can be no absolute assurance that the company will collect all amounts accrued as being probable of recovery from its insurers.

The company's current estimate of the probable liabilities, associated expenses and probable insurance recoveries related to the breast implant claims is based on the facts and circumstances existing at this time. New developments may occur that could affect the company's estimates of probable liabilities (including associated expenses) and the probable amount of insurance recoveries. These developments include, but are not limited to, (i) the number of plaintiffs who elect to opt out and pursue individual claims against the company, (ii) the success of and costs to the company in defending such individual claims, including claims involving breast implants not manufactured or sold by the company, (iii) the outcome of the occurrence insurance litigation in the courts of Minnesota and Texas, (iv) the outcome of potential arbitration with claims-made insurers, and (v) the availability of coverage with respect to certain of the types of claims or remedies to which the company may be subject.

The company cannot determine the impact of these potential developments on the current estimate of probable liabilities (including associated expenses) and the probable amount of insurance recoveries. Accordingly, the company is not able to estimate its potential future liabilities beyond the current estimate of probable liabilities. As new developments occur, the estimates may be revised, or additional charges may be necessary to reflect the impact

of these developments on the costs to the company of resolving breast implant litigation and claims. While such revisions or additional future charges could have a material adverse impact on the company's net income in the quarterly period in which they are recorded, the company believes that such revisions or additional charges, if any, will not have a material adverse effect on the consolidated financial position or annual results of operations of the company.

The company conducts ongoing reviews, assisted by outside counsel, to determine the adequacy and extent of insurance coverage provided by its occurrence and claims-made insurers. The company believes, based on these ongoing reviews and the bases described in the fourth preceding paragraph, that the collectible coverage provided by its applicable insurance policies is sufficient to cover substantially all of its current exposure for breast implant claims and defense costs. Based on the availability of this insurance coverage, the company believes that its uninsured financial exposure has not materially changed since the first quarter of 1994, and therefore, no recognition of additional charges had been made.

Environmental Matters

The company is also involved in a number of environmental proceedings by governmental agencies asserting liability for past waste disposal and other alleged environmental damage. The company conducts ongoing investigations, assisted by environmental consultants, to determine accruals for the probable, estimable costs of remediation. The remediation accruals are reviewed each quarter and changes are made as appropriate.

Item 5. Other Information

The company filed a preliminary information statement on Form 10 dated April 2, 1996, with the Securities and Exchange Commission (SEC), relating to the new company, named Imation, that will be spun-off.

The statement is a required business document that allows 3M to communicate to the SEC on issues ranging from why the spin-off is taking place to what Imation will need to do to become successful, and what the relationship between 3M and Imation will be. Imation and 3M management will continue to work with the SEC to finalize this filing, which is preliminary and subject to change.

Item 6. Exhibits and Reports on Form 8-K

(a) The following documents are filed as exhibits to this Report.

- (11) A statement regarding the computation of per share earnings. Page 22.
- (12) A statement regarding the calculation of ratio of earnings to fixed charges. Page 23.
- (15) A letter from the company's independent accountants regarding unaudited interim financial statements. Page 24.
- (27) Financial data schedule (EDGAR filing only).

None of the other items contained in Part II of this Form 10-Q are applicable to the company for the quarter ended March 31, 1996.

SIGNATURE

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.

MINNESOTA MINING AND MANUFACTURING COMPANY
(Registrant)

Date: May 9, 1996

/s/ Giulio Agostini

Giulio Agostini, Senior Vice President and
Chief Financial Officer

(Mr. Agostini is the Principal Financial and Accounting Officer and has been duly authorized to sign on behalf of the registrant.)

EXHIBIT 11

MINNESOTA MINING AND MANUFACTURING COMPANY AND SUBSIDIARIES
 EARNINGS PER SHARE OF COMMON STOCK
 (Unaudited)

	Three months ended	
	March 31	
	1996	1995
	-----	-----
(Millions)		
Income from continuing operations	\$362	\$355
Discontinued operations	--	21
Net income	\$362	\$376

Primary earnings per share:		
Continuing operations	\$.87	\$.85
Discontinued operations	--	.05
Net Income	\$.87	\$.90
Weighted average number of common shares outstanding	418,545,428	419,811,248

Fully diluted earnings per share: (1)		
Continuing operations	\$.85	\$.83
Discontinued operations	--	.05
Net Income	\$.85	\$.88
Weighted average number of common shares outstanding	418,545,428	419,811,248
Common equivalent shares	6,082,097	5,023,033

Average number of common and common equivalent shares outstanding	424,627,525	424,834,281

 Primary earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for each period. The calculation excludes the effect of common equivalent shares resulting from stock options using the treasury stock method as the effect would not be material.

Fully diluted earnings per share is computed based on the weighted average number of common shares and common equivalent shares outstanding for each period.

(1) This calculation is submitted in accordance with Regulation S-K Item 601(b)(11) although not required by APB Opinion No. 15 because it results in dilution of less than 3%.

EXHIBIT 12

MINNESOTA MINING AND MANUFACTURING COMPANY AND SUBSIDIARIES

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)
(Unaudited)

	Three Months					
	Ended March 31, 1996	Year 1995	Year 1994	Year 1993	Year 1992	Year 1991
EARNINGS	-----					
Income from continuing operations before income taxes and minority interest	\$598	\$2,168	\$2,011	\$1,851	\$1,779	\$1,620
Add:						
Interest on debt	17	102	70	39	61	78
Interest component of the ESOP benefit expense	9	37	39	41	42	44
Portion of rent under operating leases representative of the interest component	12	51	46	44	44	44
Less:						
Equity in undistributed income of 20-50% owned companies	--	1	2	--	(1)	(6)

TOTAL EARNINGS AVAILABLE FOR FIXED CHARGES	\$636	\$2,357	\$2,164	\$1,975	\$1,927	\$1,792
FIXED CHARGES						
Interest on debt	17	102	70	39	61	78
Interest component of the ESOP benefit expense	9	37	39	41	42	44
Portion of rent under operating leases representative of the interest component	12	51	46	44	44	44

TOTAL FIXED CHARGES	\$ 38	\$190	\$155	\$124	\$147	\$166
RATIO OF EARNINGS TO FIXED CHARGES	16.74	12.41	13.96	15.93	13.11	10.80

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

We are aware that our report dated May 2, 1996 on our reviews of interim condensed consolidated financial information of Minnesota Mining and Manufacturing Company and Subsidiaries (the Company) for the three-month periods ended March 31, 1996 and 1995, and included in the Company's Form 10-Q for the quarter ended March 31, 1996, is incorporated by reference in the Company's registration statements on Form S-8 (Registration Nos. 2-78422, 33-14791, 33-48690, 33-49842, 33-58763 and 33-58767), and Form S-3 (Registration No. 33-48089). Pursuant to Rule 436(c), under the Securities Act of 1933, this report should not be considered a part of the registration statements prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.

St. Paul, Minnesota
May 9, 1996

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