



Colgate People: Powering Global Strategy

- ✓ Strong Global Growth
- ✓ Building Market Leadership
- ✓ Increasing Profitability
- ✓ Living Colgate's Values



A Year of Strong Performance

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About Colgate

Colgate-Palmolive is a \$9.1 billion global company serving people in more than 200 countries and territories with consumer products that make lives healthier and more enjoyable. The Company focuses on strong global brands in its core businesses—Oral Care, Personal Care, Household Surface Care, Fabric Care and Pet Nutrition. Colgate is delivering strong global growth by following a tightly defined strategy while increasing market leadership positions for key products, such as toothpaste, toothbrushes, bar and liquid soaps, deodorants/antiperspirants, dishwashing detergents, household cleaners, fabric softeners and specialty pet food.

Highlights

Dollars in Millions Except Per Share Amounts	1999	1998	Change
Unit Volume			+5%
Worldwide Sales	\$9,118.2	\$8,971.6	+2%
Gross Profit Margin	53.7%	52.2%	+150 basis points
Earnings Before Interest & Taxes (EBIT)	\$1,566.2	\$1,423.0	+10%
Percent of Sales	17.2%	15.9%	+130 basis points
Net Income	\$ 937.3	\$ 848.6	+10%
Percent of Sales	10.3%	9.5%	+80 basis points
Earnings Per Share, Diluted	\$ 1.47	\$ 1.30	+13%
Dividends Paid Per Share	\$.59	\$.55	+7%
Operating Cash Flow	\$1,292.7	\$1,178.8	+10%
Percent of Sales	14.2%	13.1%	+110 basis points
Return on Capital	22.8%	20.4%	+240 basis points
Number of Registered Common Shareholders	44,600	45,800	-3%
Number of Common Shares Outstanding (in millions)	578.9	585.4	-1%
Year-end Stock Price	\$ 65.00	\$ 46.44	+40%

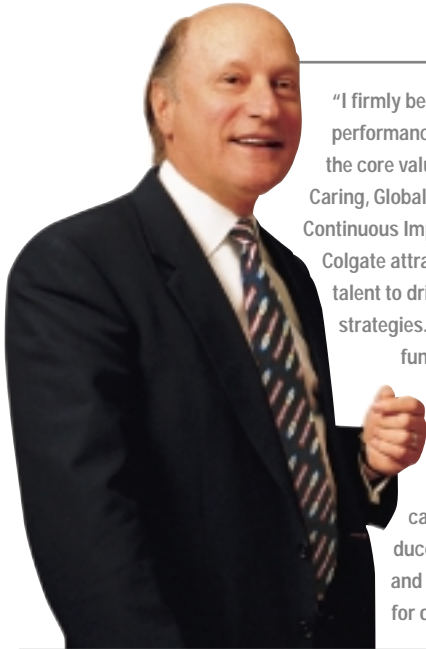
- Every region participated in the strong 5 percent unit volume growth.
- Sales would have increased 7 percent absent foreign currency translation.
- All key profitability indicators set new records: gross profit margin, EBIT, return on capital and operating cash flow.
- New products delivered 35 percent of total sales, coming from products introduced during the last five years.
- Per share figures are adjusted for the two-for-one common stock split that took effect on June 30, 1999.
- The dividend rate was increased by 15 percent in 1999.

On the Cover

Representative of Colgate's 37,000 talented people, Maggy Chan has just been promoted to Regional Human Resources Manager for Colgate's fast-growing Asia-Pacific division. As Senior Human Resources Manager for Colgate-Hong Kong, Maggy helped to drive many of the HR initiatives supporting growth in Greater China. She recently completed a training assignment at global headquarters in New York.

Dear Colgate Shareholder...

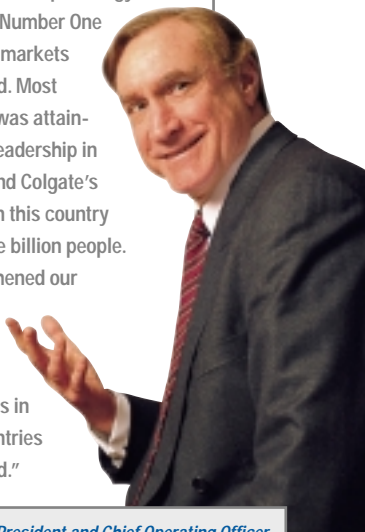
Another Record Year of Strong Volume and Earnings Growth



"I firmly believe that our strong performance is tightly linked to the core values we advocate: Caring, Global Teamwork and Continuous Improvement. They help Colgate attract and retain the best talent to drive all of our global strategies. Living these values is fundamental to our continued profitable growth. Bill and I thank all Colgate people for their dedicated efforts that produced another record year and 42 percent total return for our shareholders."

Reuben Mark, Chairman and Chief Executive Officer

"Our market leadership strategy is propelling us to Number One positions in key markets around the world. Most exciting for me was attaining toothpaste leadership in China in 1999, and Colgate's huge potential in this country of more than one billion people. We also strengthened our top position in toothpaste in the United States, as well as in many other countries around the world."



Bill Shanahan, President and Chief Operating Officer

Colgate enters the millennium with excellent trends, having achieved strong, profitable growth throughout 1999.

Our unit volume growth accelerated to 7 percent in the fourth quarter, having grown progressively stronger in every quarter as our new products won significant market share gains. For the full year, unit volume rose 5 percent; gains in all divisions were led by Colgate-North America, Colgate-Asia/Africa and Hill's Pet Nutrition. Every division worldwide achieved higher operating profits, greatly expanding our profitability overall. Earnings per share on a diluted basis rose 13 percent to a new record of \$1.47 versus \$1.30 in 1998, and net income rose 10 percent to \$937.3 million, also a new record.

Declaring its confidence in Colgate's near- and long-term prospects, the Board of Directors authorized a 15 percent dividend increase and a two-for-one stock split. Indeed, the strength of Colgate's performance in the 1990s has led the Board to approve a total of three stock splits—two-for-one splits in 1991, 1997 and 1999.

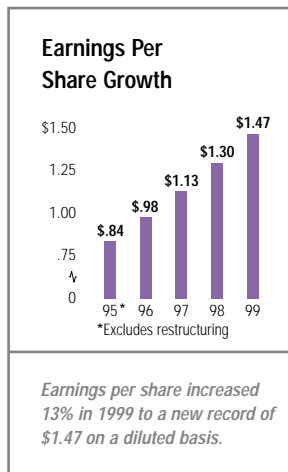
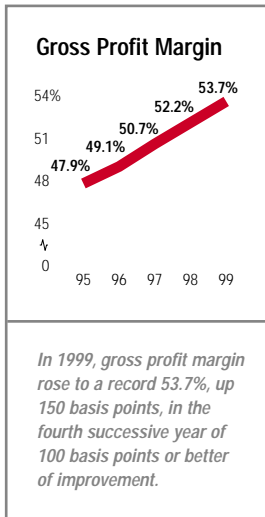
Driving our outstanding performance are the 37,000 exceptional men and women who power our global strategy every single day. They give Colgate an important competitive advantage.

Especially impressive is how Colgate people at all levels maximize business opportunities in both developed and high-growth markets. Despite uneven global economic conditions, Colgate's 1999 results continued to strengthen as the year progressed. The timely actions taken in Brazil in early 1999, in Asia in 1997/1998 and in Russia in 1998 minimized the impact of downturns. Then, as economies in Asia and Central Europe began to recover and Mexico surged ahead, we had in place the right new products and marketing programs to participate strongly in their economic expansions.

In the developed world, supply chain efficiencies and excellent response to our value-added new products produced outstanding results in North America and Europe and at Hill's Pet Nutrition. For shareholders, our global presence and experience managing under diverse conditions have produced consistent total returns greater than many of our peers.

Another Record Year of Strong Volume and Earnings Growth

(continued from page 1)



New products continue to fuel our global growth. Sales of new products were strong in every Colgate region. Of our total \$9.1 billion sales in 1999, over \$3.2 billion, or 35 percent, came from products introduced during the past five years alone. We expect this strong momentum, fueled by our active new product program and greater advertising support, to continue.

For our most promising new products, we have accelerated our expansion by establishing new product centers in Europe, Latin America, North America and Asia. These dedicated groups interact on a pan-regional basis, as well as globally, to transfer our new product successes from one division to all regions.

For example, following the huge success of fragranced Ajax Fête des Fleurs cleaners across Europe in 1997/98, we expanded the product line into both Latin America and Asia in 1999. Today, 72 Colgate countries sell Ajax Fête des Fleurs, and this vigorous brand continues on its growth trajectory.

In liquid hand soap, we successfully leveraged Colgate's North American leadership of this highly profitable product segment to launch into new regions. Using the same packaging and formulations that have made our Softsoap liquid soap brand Number One domestically, Colgate-U.S. began manufacturing liquid hand soap for Mexico, under the powerful Palmolive brand name. Newly introduced in mid-1998, Palmolive liquid hand soap has helped take Colgate-Mexico to 41 percent of the market.

We also expanded our innovative 3-D pump designs for the Softsoap Aquarium Series, developed in the U.S., into both Europe and Latin America. Here again, we used the Palmolive global brand name, taking advantage of its strong drawing power. The result: Palmolive Aquarium is winning incremental market share in important markets.

Accelerating new product activity at Hill's Pet Nutrition fueled strong 8 percent volume growth and record profits. The unsurpassed world leader in premium pet food, Hill's strengthened its Number One position with veterinarians through technology-driven new products and clinic education programs.

Achieving market leadership has a powerful motivating effect on Colgate people everywhere. We understand the importance of rewarding and communicating successes throughout our entire global organization. We start by clearly defining our brand leadership targets, by country and by product. Where Colgate leads a category, we push to further increase our lead. And where we rank a strong Number Two or Three, we work hard to improve our position and achieve leadership. This culture of striving to be the best has helped elevate Colgate to global leadership positions in many of the most important segments in which we compete: toothpaste, male stick deodorants, family value shampoos, liquid soaps, all-purpose cleaners, dishwashing liquids and premium pet foods. We won't stop with those.

Colgate's financial strategy again expands profit margins. We adhere to the simple but powerful financial strategy of increasing profit margins and reducing overhead, year after year. The return generated is reinvested in growth-fueling activities, including R&D, technology and advertising. In 1999, Colgate's gross profit margin increased by 150 basis points to 53.7 percent, and

Colgate People: Powering Global Strategy

Linked together by tightly defined growth strategies, 37,000 Colgate people are creating value across geographies and functions. The 1999 annual report highlights some of these inspired people, and their achievements in different parts of the world. Heartfelt thanks to all Colgate people, leading the charge every day. Their promise is Colgate's future.



Strong
Global Growth _____



Building Market
Leadership _____



Increasing
Profitability _____

Living Colgate's
Values _____

Glossary of Terms

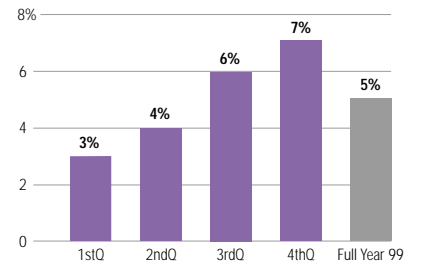
- **Focused manufacturing:** concentrating all production for a product line in one specialized factory that serves a broad region rather than having multiple plants that manufacture all product lines. This allows for much greater efficiency.
- **Foreign currency translation:** the effect of translating sales or expenses in a non-U.S. currency into U.S. dollar results.
- **Global market position:** is based on external market share information in major markets. Where external data is not available, primarily in smaller markets, management estimates market position based upon its understanding of the business and in relation to competitors. Leadership and world ranking reflect countries where Colgate has established its brands and are in relation to competitors in those markets.

- **Market share:** percentage of the category's retail sales obtained by one brand or company. In this report, unless otherwise stated, market shares are based on value shares provided by ACNielsen.
- **SAP:** enterprise-wide computer software that helps companies link all of their business processes into one integrated system, tying together disparate business functions and facilitating the smooth running of the business.
- **Supply chain:** the process that encompasses every effort involved in producing and delivering a final product from the supplier of ingredients to the retail customer, including planning, sourcing, making and delivering goods.
- **Unit volume growth:** growth in product units sold, weighted to reflect price per unit.

Colgate People...

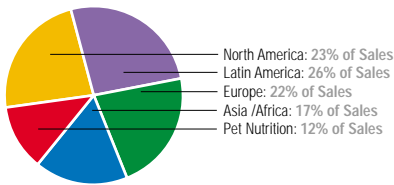
Strong Global Growth

Accelerating Unit Volume Growth



Up 5% for the year, unit volume grew progressively stronger in every quarter, accelerating to 7% in the fourth quarter.

Balance Among Countries



Colgate's balanced geography provides the growth foundation for consistently strong performance.

From every corner of the globe, Colgate people are creating innovative new products to drive strong and consistent Company growth.

Together they delivered superior 1999 results. Global unit volume grew 5 percent, and operating profits increased 10 percent. Every region contributed to the healthy volume growth—whether in the competitive retail environments of North America and Europe or in the developing economies of Latin America, Asia and Africa.

Colgate-U.S. achieved its fifth consecutive year of strong U.S. growth in unit volume, market share and earnings. Nine major new products were successfully introduced. Leadership in the all-important toothpaste category was strengthened by new Colgate Total Fresh Stripe gel. Feature-driven new toothbrushes, antiperspirants, soaps and dishwashing liquids also spurred gains.

Innovation combined with simultaneous pan-European rollouts drove growth on that continent. For the third year in a row, trend-setting new varieties of Palmolive shower gel helped obtain 25+ percent unit growth. Market

(continued on page 6)

North America

USA: Growing Faster Than the Categories in Which Colgate Competes

Fueled by nine major new products, Colgate-U.S. had its fifth consecutive year of strong and profitable growth. Market shares increased in the key categories of toothpaste, toothbrushes, underarm protection, soap and dishwashing liquids. New items like Colgate Total Fresh Stripe toothpaste, Palmolive Spring Sensations fragranced dishwashing liquid, the Colgate Navigator flexible head toothbrush, Irish Spring with Aloe soap, and Speed Stick clear antiperspirant have driven Colgate's healthy growth throughout the country, including the Pacific Region.

Laurie Cole, Pacific Regional Sales Manager



Strong Global Growth

(continued from page 5)

Latin America Outstanding Growth, Market Share Gains

Fueling strong growth in Latin America is a stream of innovative new products. The Regional New Products Group, located in Mexico, is responsible for simultaneous rollouts across Latin America. In 1999, new Palmolive Botanicals won impressive market share in soap, shampoo and shower gel in important markets.



Marco Paracciani
Director of Latin America New Products Group

Rosana Márquez
Personal Care Group Brand Manager



Gabi Stade, Director of Marketing

Europe Germany: High-Margin New Products Driving Strong Growth

Innovative Personal Care products accelerated already strong momentum in Germany and overall across the continent. With new varieties of Palmolive, Colgate-Germany achieved over 20 percent unit growth in shower gels and doubled its business in liquid hand soap.



share has doubled in just three years. Strong volume growth in household cleaners was led by the Number One brand, Ajax, especially Ajax Fêtes des Fleurs, Ajax antibacterial and Ajax Shower Power.

The developed economies of North America and Europe often serve as launching pads for value-added new products, which are subsequently extended worldwide. Among the latest innovations in these regions are the Colgate Actibrush battery-powered toothbrush and Soupline Cashmere luxury fabric softener in Europe; Palmolive Spring Sensations fragranced dishwashing liquid, Speed Stick clear antiperspirant and the just-launched Colgate Sensitive Maximum Strength Toothpaste in North America; and Hill's Prescription Diet products for pets that suffer from renal and liver disease.

In Latin America and Asia, Colgate's decades of experience paid off. Despite an early 1999 slowdown in Brazil, Colgate strengthened its shares with new products like the Palmolive Botanicals personal care line and Sorriso Herbal oral care products. Colgate-Mexico, now stronger than ever after an earlier economic slowdown, is an organizational role model for the ongoing recovery in Colgate-Asia. In fact, Asia achieved strong volume growth in 1999, as consumers welcomed a host of new Colgate products.

Product affordability in developing economies is key. Mini-stick versions of Speed Stick deodorant have drawn excellent reception in Latin America and have helped earn Colgate-Venezuela market leadership. For Ajax Fiesta de Flores, a smaller bottle size and single-use sachets were added to the line for

Hill's Pet Nutrition
Global Growth Through
Research-Based New Products

Hill's strong and profitable growth, coming from all regions, was driven by the acceleration of innovative new products, such as Science Diet Feline Hairball Control and Prescription Diet varieties for the dietary management of animals with renal and liver disease. Veterinarian endorsements for Hill's products increased significantly in the United States. Lab specialist Stephen J. Davidson, M.S., is shown here at the Hill's Global Technology Center in Topeka, KS.



Dr. Debra Nichols, VP, Product Development

the Latin American rollout. In India, low-cost sachets of Colgate toothpowder served to broaden consumption.

Impactful marketing programs go across countries. Colgate Fresh Confidence, a new gel that provides long-lasting fresh breath, communicates the same powerful message to young adults throughout Latin America. Likewise, the germ-fighting properties of Protex personal care products are highlighted in all of the 47 countries where this powerful brand is sold. Excellent response is fueling growth in new Protex markets, including China, Vietnam and South Africa.

With distribution in 218 countries and territories, Colgate continues to expand its global infrastructure. Significant opportunities remain in emerging markets such as China and Vietnam. With knowledge gained during more than 70 years of operating globally, Colgate people are creating new ways to accelerate global growth and fuel Colgate performance.

Asia
Thailand: Healthy Brands,
Resurgent Growth

Across the ASEAN region, where countries are rebounding economically, new product activity is helping Colgate grow. Recent successful introductions in Thailand include Colgate Total Triple Protection toothpaste and Palmolive shower gel. Capitalizing on consumer interest in healthy Personal Care products is new Protex cream antibacterial soap.



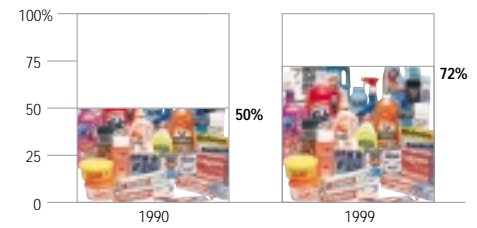
Francisco Muñoz, Director of Marketing

Colgate People...

Building Market Leadership

Global Equities Focus

(% to sales)



Colgate has significantly increased the proportion of its business in global brand equities, from about 50% of sales in 1990 to 72% in 1999.

Much to celebrate as Colgate people propel Number One brands higher, launch new winners.

Global market shares increased across key categories—toothpaste, toothbrushes, shower gels, liquid hand soaps, underarm protection, all-purpose cleaners, bleach, fabric softeners and pet nutrition. Leadership is ingrained in the

Colgate culture. In global toothpaste, Colgate's market leadership increased strongly in 1999 on excellent unit volume growth. In the \$2 billion U.S. toothpaste market, Colgate strengthened its Number One status driven by the success of new Colgate Total Fresh Stripe gel. Colgate also captured the Number One spot in China, introducing new products and expanding distribution to more regions and retailers.

Other important Colgate countries setting new toothpaste leadership

records were Mexico, Venezuela, the United Kingdom, Canada, Poland, the Dominican Republic and South Africa.

Colgate people continue to drive Colgate Total toothpaste's global expansion while launching many new products, including Colgate whitening toothpaste, now sold in 96 countries. Colgate Herbal toothpaste with natural ingredients is dramatically building share in Central Europe, and Sorriso Herbal has strengthened Colgate's Number One position in Brazil. Both brands represent people-powered initiatives to capitalize on consumer preferences for herbal ingredients. Market share gains are now targeted for Colgate's newest wave of products, including Colgate Sensitive Maximum Strength Toothpaste, with a clinically superior formula for reducing sensitivity, and Colgate Fresh Confidence, a breath-freshening gel in a translucent tube.

In pursuing leadership, Colgate people focus on the most profitable segments within select categories. In underarm protection, Colgate has innovated with new gels, odor-fighting deodorants and clear antiperspirants. U.S. market share growth accelerated in 1999, with new Speed Stick clear. Both Speed Stick

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Jill Garrity, VP of Marketing | Chris Pikounis, Marketing Manager, Cleaners | Ida Wegter, Director, Category Innovation, Household Products

Europe

Cleaning Up with Successful New Pan-European Products



Activity Grid

Country	991Q	992Q	993Q	994Q
France		AAB	ASP	
Italy	AAB		ASP	
Germany		AAB	ASP	
Greece		AAB	ASP	
Spain			AAB, ASP	
Portugal			AAB, ASP	
Holland		AAB	ASP	
Belgium		AAB	ASP	
Austria		AAB	ASP	
Denmark/Norway			AAB	ASP
Switzerland			AAB	
Sweden/Finland				AAB

AAB=Ajax antibacterial ASP=Ajax Shower Power

Bringing specialized cleaning benefits to the bathroom and kitchen, Colgate quickly launched Ajax Shower Power spray and Ajax antibacterial cleaners across Europe.



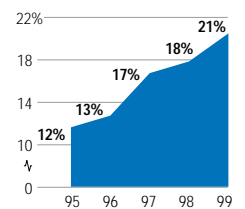
Asia

China: Expanding to Over 400 Cities, Becoming Number One in Toothpaste



Continuing its geographic expansion, Colgate is now in over 400 major cities in the world's most populous market. Colgate gained national market leadership in toothpaste in 1999. Growth in market share came from Colgate cavity-fighting toothpaste, Colgate Total and Colgate whitening. That, plus the successful launch of new toothbrushes, the Protex antibacterial skin care line, shampoo and fabric softener, fueled robust sales and unit volume growth.

Toothpaste Market Share



Data Source: ACNielsen Retail Audit

Continuing to climb... Colgate's market share in China.

Lim Kim Seng, VP and General Manager, Colgate-China

Building Market Leadership

(continued from page 8)

North America

Global Research Lab Investing in Oral Care Leadership

Colgate's superior technology in delivering active ingredients to teeth surfaces has led to breakthroughs, including Colgate Total Fresh Stripe, Colgate tartar control with whitening and, most recently, Colgate Fresh Confidence and Colgate sensitive, launched in early 2000. Seen here, Colgate's world-class global technology center in Piscataway, NJ.



Shannon Campbell
Technical Associate

Dr. Edward Tavss
Associate Director of Technology

and Lady Speed Stick were expanded into Australia. New record highs were set in Mexico, Chile and Colombia, while new Number One positions were achieved in Venezuela and Canada, as of the fourth quarter.

Colgate's biggest product successes are rapidly transferred to new regions. Palmolive shower gels, which first drove market share increases exceeding 25 percent in Western Europe, also expanded shares in Central Europe and Latin America. Colgate developers drew on experience with Ajax Fête des Fleurs cleaners in Europe for the U.S. launch of Palmolive Spring Sensations dishwashing liquid. The sensorial fragrances and vibrant colors of this new line helped drive Colgate-U.S. dishwashing market share to over 40 percent at year-end. Fragrance creativity supports Colgate's profitable growth in fabric softeners as well. First introduced in Europe, the peach- and vanilla-fragranced

softeners have been expanded to the Americas, Asia and Africa.

Colgate's consistent focus on its powerful global brands brings rapid consumer acceptance. For example, conveying the same message in all 72 markets—the overwhelming first choice of veterinarians globally—Hill's Pet Nutrition is now recognized as the global leader in specialty pet foods. Unit volume grew 8 percent in 1999 as Hill's introduced new products and expanded geographic distribution.

Colgate people commit to Number One positions. Implementing proven leadership strategies, these dedicated and talented people continue to build the Company's success.

Latin America

Venezuela: Driving Growth with Innovative Global Products, Affordable Sizes

Colgate-Latin America is gaining share by introducing products from developed markets using more affordable formulas and packaging. The adaptation of Ajax Fiesta de Flores from Europe has strengthened Colgate's market share in Latin America and made Ajax the Number One cleaner in Venezuela.



Angéles Sanchez, Marketing Manager of Household Surface Care

Hill's Pet Nutrition

Europe: Perfect Shop/Perfect Clinic Program Drives Growth

Outside and throughout stores and clinics, Hill's Perfect Shop/Perfect Clinic program gives pet owners in Europe all the needed information to choose Hill's. Signage and displays communicate the brand's superior nutrition, great taste, affordability and veterinarian endorsements. Across Europe, this comprehensive merchandising program has improved shelf space, image and market shares for Hill's.



Steve Marton, VP, Hill's-Europe



Africa

Red Storm Promotion Builds Toothpaste Share

On April 12, 1999, scores of Colgate people in red shirts fanned out across Africa and the Middle East in a coordinated marketing and sales program to relaunch Colgate toothpaste. Its many consumer, professional and trade activities helped build Colgate toothpaste share and produced the highest ever share in South Africa. Pictured here is the Colgate-Kenya team.

Mouhamadou Ndiaye, Director of Marketing for Senegal and a member of the multicountry team for Red Storm

Colgate People...

Increasing Profitability

EBIT Margin

(% to sales)



Aftertax Return On Capital



*Excludes restructuring

Record operating profit margin reached 17.2% in 1999, up 130 basis points. Return on capital increased by 240 basis points to 22.8%, also a new record.

Europe Focused Manufacturing

Dedicated facilities producing similar products for an entire region enable Colgate to respond efficiently to the changing marketplace. Innovative new fabric softeners, manufactured in Compiègne, France, are quickly distributed throughout Europe. Checking quality at right: Dominique Gossart and Christophe Soudry.



The aggressive focus of Colgate people on profitable new products, streamlined operations and cost reduction once again achieved sharp profit margin expansion.

Key profitability indicators reached record levels. Colgate people adhere to a powerful financial strategy of increasing gross profit margins and reducing overhead. Practiced in every business unit, the strategy furnishes the funding for new products and more advertising while providing a healthy growth in profits.

Leveraging economies of scale is crucial. Colgate people everywhere are working together to reduce costs throughout the supply chain, from raw material purchases by suppliers to the on-shelf displays of Colgate products at retail. Manufacturing consolidation, product standardization, logistics optimization and purchasing leverage are all significant profit contributors. In transport, for example, Colgate experts negotiated a global tender to dramatically lower costs on ocean freight. In raw materials, they identified high-quality, lower cost

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Cartos de Oliveira, Team Leader

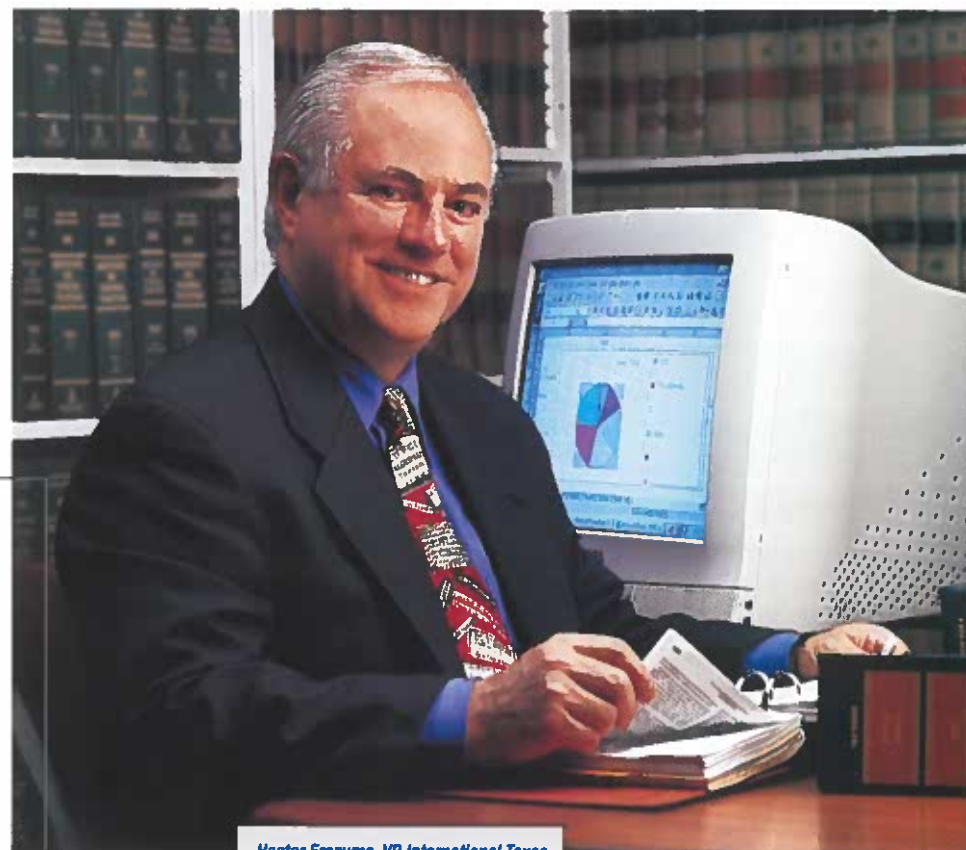


Lavelle Jones, Associate Director, Oral Care Materials Sourcing

North America

United States: Lowering Total Delivered Costs

Identifying potential savings across the supply chain, from the purchase of ingredients through formulation to final delivery, this multidisciplinary team from Colgate and J. M. Huber realized savings exceeding hundreds of thousands of dollars. Huber, which provides a key ingredient in Colgate toothpaste, is one of several preferred suppliers teaming with Colgate to reduce costs. Meeting at Colgate's plant in Jeffersonville, IN are Ellice Luh of Huber, Robert Melhorn of Colgate, Rick Cates of Huber, and Peter Ren, Lavelle Jones and William Cook of Colgate.



Hector Erezuma, VP, International Taxes

Global Finance Compliance and Efficiency Combined

Colgate's Global Tax Department ensures compliance in all world regions. Growing efficiency is supported by teamwork and focus in the global financial function. Complex regulations, different in every country, require full knowledge and care for proper management.

Increasing Profitability

(continued from page 12)



Soraya Benzan
Dominican Republic

Oscar Alberto Diaz
Argentina

Julio Gaviria
Mexico (back)

Rosana Valcke
Colombia

Ruy Ghiotto
Brazil

**Augusto Ogando, Associate
Director, Latin America
Materials Sourcing**

Alex Pirela
Venezuela

sources in China and India. And in new product development, Colgate scientists are pooling research with preferred suppliers.

In technology, early strategic investments continue to produce big cost savings. Colgate's realized savings in North America from integrated SAP software, which optimizes all aspects of sales, inventory, manufacturing, distribution and finance, have far exceeded goals. And Colgate's largest domestic customers have benefited by a one-third reduction in average order-to-delivery time over the past few years. Colgate-Europe and Hill's are enjoying these same technology-driven savings. Today, nearly 75 percent of Colgate's operations are supported by SAP. Within two years, the figure is expected to increase to over 90 percent. Benefits will continue to climb, to include customer relationships, demand forecasting and e-commerce systems. For example, Colgate is collaborating with key trade partners, such as Wal-Mart and KMart, to link in-store information to achieve better forecasting.

These initiatives contributed to Colgate's record \$1.3 billion cash flow in 1999. Return on capital increased to 22.8 percent, up from 20.4 percent in 1998 and 15.8 percent just three years ago. Worldwide, approximately 60 percent of Colgate's capital spending budget is directed to savings projects. These projects, on average, have returned 40 percent aftertax annually. In 1999, they ranged from in-house manufacturing of toothpaste tube laminate in Latin America to regional consolidation of soap production for the ASEAN countries. All over the world, Colgate people are finding new and better ways to create, produce and distribute powerful global brands.

Latin America Regional Purchasing Council Maximizes Buying Power

Meeting three times a year, Colgate Purchasing Councils, like this one from Latin America, leverage their insight and purchase orders. Raw materials and packaging items, such as wrappers for Palmolive soap and cartons for Colgate toothpaste tubes, are bought from preferred regional suppliers. Webstock for laminate toothpaste tubes and other key items are purchased globally. Colgate Regional Councils were instrumental in saving approximately \$100 million in 1999.

Colgate People...

Living Colgate's Values

Three Values Guide Colgate People:

- ✓ *Caring*
- ✓ *Global Teamwork*
- ✓ *Continuous Improvement*

Asia

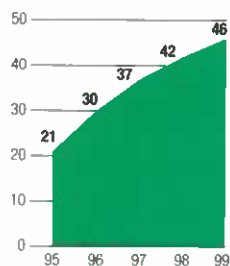
Philippines: Bright Smiles, Bright Futures

Colgate's Bright Smiles, Bright Futures program brings oral health care and education to children in almost 80 countries. In the Philippines, Colgate's oral care program has become part of that country's nationwide school curriculum. Colgate's partnerships with local groups reach children who might not otherwise see a dental professional. The program, including dental screening and treatment referral, travels to the people, often in specially equipped Colgate vans.

✓ *Caring*

Total Number of Children Reached Globally

(millions annually)



More and more children are benefiting from Colgate's oral health program. The number of children reached has more than doubled since 1995.

Colgate's values are lived by 37,000 employees worldwide and guide us toward improving people's lives, products, profitability and shareholder value. Our fundamental values of caring, global teamwork and continuous improvement go hand in hand with attracting an exceptional workforce and represent a true business advantage for Colgate.

These are but a few examples of the dedication of Colgate people:

- Around the world, 46 million children receive oral hygiene education under Colgate's Bright Smiles, Bright Futures initiative.



Nenette Sadiua, Oral Care Marketing Manager (now National Trade Marketing Manager)

- More than 16,000 employee suggestions are considered each year for the "Chairman's You Can Make a Difference" program. The global winners receive Colgate stock and are honored at the annual meeting.
- All Colgate people learn about the Company's growth goals at biannual Inter-com meetings. Presentation materials are explained by local Colgate leaders, and best practices are shared in discussion groups.
- Every winter, Colgate-U.S. conducts a multiproduct promotion that donates a portion of sales to the Starlight Foundation, an organization that makes dreams come true for sick children.

Living Colgate's Values

(continued from page 15)

North America

United States: Dentists Treat "Colgate Kids"

In 1999, over 600 children near the Jeffersonville, IN factory received free dental screenings, toothbrushes and toothpaste as part of Colgate's partnership with the University of Louisville School of Dentistry. Every morning during the school year, children from area schools along the Indiana-Kentucky border are taken to the dental school's clinic to be treated by the school's dentist-interns.

✓ *Caring*



Demetria Montgomery
Administrative Assistant

Bob Blais, Director
Oral Care Product
Supply Chain



Europe

Ireland: Information Technology Center

From its regional network hub in Dublin, Colgate's new Information Technology Center manages all information technology services for Europe. This new hub in Europe and the same organizational model in Malaysia are both connected to Colgate's global technology center located in Piscataway, NJ. The new hubs are contributing to increased profitability and efficiency across both continents.

✓ *Global Teamwork*

Kan Agona
Director of Information Technology, Europe

Jose-Maria Castro
VP, Finance & Strategic Planning, Europe

Alec de Gullenchimidt
VP, Nordic Group and ECR, Europe

Ed Toben
Global Chief Information Officer

Global Training South Africa: Media Management

At this two-day seminar in Johannesburg, Colgate marketing people from Africa and the Middle East strengthened their media knowledge and broadened their media horizons beyond television. At front of the class: Zin Mabaso, Marketing Brand Manager, South Africa, and Amr Latif, Marketing Manager, Egypt.

✓ Continuous Improvement



COLGATE GLOBAL CURRICULUM	
LEADERSHIP AND MANAGEMENT COURSES	
LEADERSHIP Leadership Development Program Goal Alignment Work Session Global Leadership Program**	MANAGEMENT Colgate & Money Matters Front-Line Leadership Leadership 2000 Work Skills: Steps to your Success Team Leadership/Team Effectiveness Software and Webpage Management Introduction to Project Management Problem Solving Tools Competency Based Interviewing General Instructor Training Facilitating Successful Meetings Business Presentation Skills CIP Business Operations**
MANAGEMENT Setting the Leader in Motion Setting Objectives Work Session Coaching and Feedback Having Effective Performance Reviews Simulations/Practical Business Results (SBR) Visiting Colgate People Visiting Colgate Business Integrity	
FUNCTIONAL/TECHNICAL COURSES AND DEVELOPMENT PROGRAMS	
FINANCE IS/SC Activity Analysis Doing Business in High Inflation Economies Global Finance Fundamentals**	MARKETING Supplier Certification Seminar International Programs Business Sourcing Training and Development Supply Chain Team Leader Point of Care Coordinator Point of Care Coordinator High Channel Cross-Regional Sourcing Coordinator Point of Care/POC Coordinator**
HUMAN RESOURCES Building Training Excellence Workshop Building Business Focused HR Capability Competency Based Interviewing Trainer Certification General Instructor Training Certification Colgate Leadership Profile Certification On-the-Job Learning System Continuing Sales Workshop Change Management**	MARKETING Marketing Fundamentals** Customer Insight Program/Event Data Analysis Media Management College Advantage
INFORMATION TECHNOLOGY IBM Standard Applications, CP Main 2000, Excel, PowerPoint, Windows 97 and Word SAP User Training Lotus Notes Information Technology Technical Training	RESEARCH AND DEVELOPMENT Product Design/Innovation Regulatory Training EU/5 Surface Chemistry Product Integrity Management Lab/ET Microbiology Product Sustainability and Protective System Design**
SUPPLY CHAIN High Performance Work Systems Training Total Productive Maintenance (TPM) Labor Relations Management Overview Quality Training Coaching and Satisfaction** Basic Statistical Concepts and Applications Statistical Process Control Design of Experiments Fujitsu Method: Quality by Design Environmental, Occupational Health & Safety Training Continuous Flow Manufacturing (CFM) Audit Skills and Techniques Introduction to Logistics	SALES Field Sales Leadership Basic Sales Techniques Productive Selling Skills Proficiency Field Coaching New Business Prospecting & Recruitment Managing the Account as a Business Business Prospecting & Recruitment Tools/Marketing/Category Management**

■ 2000 Operational ■ 2000 Development ■ Future Development**

Colgate-Turkiye employees reacted quickly to provide food, medicine, products, temporary accommodations and special children's programs following severe earthquakes in that country. Responding to disasters is part of how Colgate cares for the people and the communities where it does business.

Colgate's culture of caring is supported by a commitment to global teamwork. Colgate people are taught to work as team members and apply their skills in countries with diverse needs. Furthermore, Colgate people are trained to think globally, a mind-set fostered by systematic personnel transfers from one country to another, including more than 400 such career moves in the past two years alone.

Global teamwork begins with broad, open communication. Dialogue takes place at face-to-face meetings and through the internal Colgate Intranet, the global e-mail system and videoconferencing. For example, Colgate people in widely dispersed locations use Lotus Notes software to view proposed new packages so that they can quickly collaborate on a design that works well everywhere. From the high-speed plant in Morristown, NJ, which supplies deodorants to 58 countries, to the global information technology network, which has consolidated 75 separate data processing centers worldwide, global teamwork is improving profitability. Multidisciplinary teams also work closely with Colgate's suppliers and retail customers to speed the supply chain cycle.

Continuous improvement dictates that Colgate people find new and more profitable ways of conducting business. Extensive training supports the push. In 1999, Colgate people filled 30,000 openings in more than 70 courses offered as part of Colgate's global curriculum. Courses are taught by in-house Colgate experts and are aligned with key growth strategies. For example, courses in materials sourcing and rapid production line changeover directly improve profit margins.

Colgate people are effective because they are empowered by known values, growing knowledge and a clear vision of Company goals. They know that their unique talents and outstanding performances will be recognized. Adhering to Colgate's values is a vital strategy that builds shareholder value.

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**Pat Weakley, Associate Director of Global Marketing Training
(now Director of Corporate Websites & Intranets)**

Global Financial Review



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Results of Operations

Worldwide Net Sales by Business Segment and Geographic Region

	1999	1998	1997
Oral, Personal and Household Care			
North America ⁽¹⁾	\$2,143.7	\$2,047.5	\$1,992.5
Latin America	2,356.7	2,407.9	2,363.8
Europe	2,028.8	2,067.7	2,078.8
Asia/Africa	1,519.7	1,452.6	1,656.3
Total Oral, Personal and Household Care	8,048.9	7,975.7	8,091.4
Total Pet Nutrition ⁽²⁾	1,069.3	995.9	965.3
Total Net Sales	\$9,118.2	\$8,971.6	\$9,056.7

⁽¹⁾ Net sales in the United States for Oral, Personal and Household Care were \$1,880.8, \$1,799.6 and \$1,756.1 in 1999, 1998 and 1997, respectively.

⁽²⁾ Net sales in the United States for Pet Nutrition were \$709.2, \$688.6 and \$689.4 in 1999, 1998 and 1997, respectively.

Net Sales and Earnings Before Interest and Taxes (EBIT)

Worldwide net sales increased 2% to \$9,118.2 in 1999 on volume growth of 5%. Net sales would have grown 7% excluding foreign currency translation. Net sales in the Oral, Personal and Household Care segment increased 1% on 4% volume growth, while net sales in Pet Nutrition increased 7% on 8% volume growth. In

1998, worldwide net sales decreased 1% to \$8,971.6 on volume growth of 3.5%, reflecting the negative impact of foreign currency translation.

EBIT rose from \$1,423.0 to \$1,566.2 in 1999. The 10% increase reflected the Company's strong volume growth and cost-control initiatives that were effective in increasing margins. EBIT increased 11% in 1998 to \$1,423.0 from \$1,285.8 in 1997.

Gross Profit

Gross profit margin increased to 53.7%, above both the 1998 level of 52.2% and the 1997 level of 50.7%. This favorable trend continues to reflect the Company's financial strategy to improve all aspects of its supply chain through global sourcing, restructuring and other cost-reduction initiatives, as well as its emphasis on higher margin products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales were level at 36% for the three-year period 1997 to 1999. The amounts include higher advertising costs offset by the Company's continued focus on expense containment.

Other Expense, Net

Other expense, net, consists principally of amortization of goodwill and other intangible assets, minority interest in earnings of less-than-100%-owned consolidated subsidiaries, earnings from equity investments, gain on sale of real estate and non-core product lines, and other miscellaneous gains and losses. Other expense, net, increased in 1999 from \$61.2 to \$73.6, primarily due to one-time charges.

As part of the Company's ongoing program of product standardization and organization redesign, the Company incurred one-time charges related to the exiting of certain activities, such as the manufacture of aluminum tubes in Brazil. These charges were offset by an aftertax gain of \$17.6 recorded on the sale of the U.S. Baby Magic brand and an aftertax gain of \$11.4 on the sale of real estate.

Worldwide Earnings by Business

Segment and Geographic Region	1999	1998	1997
Oral, Personal and Household Care			
North America	\$ 413.0	\$ 395.5	\$ 312.6
Latin America	535.7	502.0	483.0
Europe	342.0	317.5	283.5
Asia/Africa	166.7	158.6	178.3
Total Oral, Personal and Household Care	1,457.4	1,373.6	1,257.4
Total Pet Nutrition	219.9	173.8	162.5
Corporate	(111.1)	(124.4)	(134.1)
Earnings Before Interest and Taxes	1,566.2	1,423.0	1,285.8
Interest Expense, Net	(171.6)	(172.9)	(183.5)
Income Before Income Taxes	\$1,394.6	\$1,250.1	\$1,102.3

Segment Results*North America*

North America achieved excellent results for the year. Net sales excluding divestments grew 6% to \$2,143.7 as unit volume rose 8% driven by innovative new products. The launch of Colgate Total Fresh Stripe in the first quarter strengthened the Company's Number One position in toothpaste. The introduction of Speed Stick clear antiperspirant and Palmolive Spring Sensations dish-washing liquid increased market shares in the personal and household care lines, respectively. In 1998, North America posted overall sales growth excluding divestments of 6% to \$2,047.5 on volume growth of 5%.

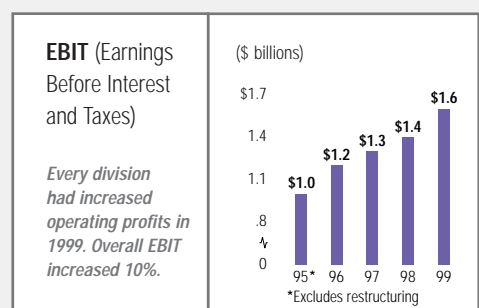
EBIT for North America was up 4% to \$413.0. The region achieved earnings growth through volume gains, continued focus on cost-control and value-added initiatives. EBIT in 1998 was up 27% to \$395.5 due to higher margins on higher volumes.

Latin America

Net sales in Latin America decreased 2% to \$2,356.7 on 3% volume growth. Strong growth in Mexico, Venezuela and Central America largely offset challenging economic conditions in Brazil and Ecuador. The continued success of products such as Colgate Double Cool Stripe toothpaste and herbal toothpaste under the Sorriso and Kolynos brand names as well as the introduction of Speed Stick gel and product extensions of Softsoap liquid soap and Palmolive shower gels continue to strengthen market leadership. In 1998, Latin America net sales increased 2% to \$2,407.9 on 7% volume growth.

EBIT in Latin America increased 7% to \$535.7 as a result of continued efforts in cost reduction, selective selling price

increases and lower advertising expenditures in Brazil. EBIT in 1998 was up 4% to \$502.0.

*Europe*

Net sales in Europe declined 2% to \$2,028.8 on unit volume increases of 2%, offset by negative foreign currency impact. The United Kingdom, Italy, the Netherlands and Spain achieved the strongest sales growth and volume increases in the region. Volume increases were driven by the relaunch of Colgate Total toothpaste and new varieties of Palmolive shower gels and Palmolive liquid soaps. In 1998, Europe net sales remained flat at \$2,067.7, due primarily to weak economic conditions in Russia, while volume grew 1%.

EBIT for Europe increased 8% to \$342.0 despite the 2% decline in sales due to higher margins and higher volumes. EBIT in 1998 rose 12% to \$317.5.

Asia/Africa

Net sales in the Asia/Africa region increased 5% to \$1,519.7 as volume increased 7%. The strong performance is attributed to the economic recovery within the ASEAN region and the significant growth in India and China, through continued geographic expansion as well as new product launches. During 1999, the Company achieved the Number One position in toothpaste in China. In 1998, net sales in the Asia/Africa region decreased 12% to \$1,452.6 as volume decreased 1%, reflecting the weaker ASEAN currencies.

EBIT grew 5% in Asia/Africa to \$166.7 driven by increased volumes across the region. EBIT in 1998 decreased 11% to \$158.6 reflecting weakened economies in the ASEAN countries and strong competition in India.

Pet Nutrition

Net sales for Hill's Pet Nutrition increased 7% to \$1,069.3 on 8% volume growth. Within the United States, sales increased due to the introduction of new products including Science Diet Feline Hairball Control and new life-stage variants launched in the fourth quarter. Strong growth occurred in Japan and Europe due to the introduction of new feline varieties and improvements in the entire dry cat food line, complemented by increased advertising. In 1998, net sales for the Pet Nutrition segment increased 3% to \$995.9 on 4% volume gains.

EBIT in the Pet Nutrition segment grew 27% to \$219.9 driven by volume, cost-improvement initiatives and the benefit of lower raw material costs. EBIT in 1998 increased 7% to \$173.8 on both higher volumes and improved gross profit margins.

Interest Expense, Net

Interest expense, net, was \$171.6 compared with \$172.9 in 1998 and \$183.5 in 1997. The decline in net interest expense in 1998 was primarily the result of lower average debt levels during the year compared with 1997 and a decrease in interest rates.

Income Taxes

The effective tax rate on income was 32.8% in 1999 versus 32.1% in 1998 and 32.8% in 1997. Global tax planning strategies, including the realization of tax credits, benefited the effective tax rate in all three years presented.

Net Income

Net income was \$937.3 in 1999 or \$1.47 per share on a diluted basis compared with \$848.6 in 1998 or \$1.30 per share and \$740.4 in 1997 or \$1.13 per share.

	1999	1998	1997
Identifiable Assets			
Oral, Personal and Household Care			
North America	\$2,581.6	\$2,591.0	\$2,553.2
Latin America	1,941.7	2,128.3	2,204.8
Europe	1,252.3	1,329.9	1,201.5
Asia/Africa	982.7	952.4	891.9
Total Oral, Personal and Household Care	6,758.3	7,001.6	6,851.4
Total Pet Nutrition	476.1	502.6	517.3
Total Corporate	188.7	181.0	170.0
Total Identifiable Assets⁽¹⁾	\$7,423.1	\$7,685.2	\$7,538.7

⁽¹⁾ Long-lived assets in the United States, primarily fixed assets and goodwill, represented approximately one-third of total long-lived assets of \$4,952.3, \$5,330.0 and \$5,234.9 in 1999, 1998 and 1997, respectively.

Liquidity and Capital Resources

Net cash provided by operations increased 10% to \$1,292.7 compared with \$1,178.8 in 1998 and \$1,097.8 in 1997. The increases reflect the Company's improved profitability, lower cash taxes and working capital management. Cash generated from operations was used to fund capital spending, increase dividends and repurchase common shares.

During 1999, long-term debt remained level at \$2,582.2 and total debt increased from \$2,757.5 to \$2,789.5 due to increased short-term borrowings.

As of December 31, 1999, \$477.3 of domestic and foreign commercial paper was outstanding. These borrowings carry a Standard & Poor's rating of A1 and a Moody's rating of P1. The commercial paper as well as other short-term borrowings are classified as long-term debt at December 31, 1999, as it is the Company's intent and ability to refinance such obligations on a long-term basis. The Company has additional sources of liquidity available in the form of lines of credit maintained with various banks. At December 31, 1999, such unused lines of credit amounted to \$1,527.9.

As of December 31, 1998, \$461.2 of domestic and foreign commercial paper was outstanding. An unused line of credit of approximately \$1,670.9 was available in addition to \$203.8 available under previously filed shelf registrations.

The ratio of net debt to total capitalization (defined as the ratio of the book values of debt less cash and marketable securities ["net debt"] to net debt plus equity) increased to 58% during 1999 from 55% in 1998. The ratio had increased in 1998 from 53% in 1997. The increase in 1999 was primarily the result of increased borrowings and lower equity levels related to foreign exchange devaluation in Brazil.

	1999	1998	1997
Capital Expenditures			
North America	\$ 97.6	\$ 90.1	\$114.2
Latin America	118.2	99.2	105.2
Europe	60.8	83.7	104.6
Asia/Africa	57.0	80.5	104.9
Total Oral, Personal and Household Care	333.6	353.5	428.9
Total Pet Nutrition	21.1	20.7	29.8
Total Corporate	18.1	15.4	19.8
Total Capital Expenditures	\$372.8	\$389.6	\$478.5
Depreciation and Amortization			
North America	\$ 97.4	\$ 95.6	\$ 87.1
Latin America	69.0	75.6	70.2
Europe	75.9	67.9	68.0
Asia/Africa	46.6	42.1	45.4
Total Oral, Personal and Household Care	288.9	281.2	270.7
Total Pet Nutrition	32.5	32.5	32.1
Total Corporate	18.8	16.6	17.1
Total Depreciation and Amortization	\$340.2	\$330.3	\$319.9

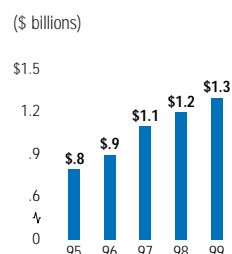
Capital expenditures were 4%, 4% and 5% of net sales for 1999, 1998 and 1997, respectively. Capital spending continues to be focused primarily on projects that yield high aftertax returns. The higher level in 1997 primarily reflected capital spending relating to the Company's restructuring programs. Capital expenditures for 2000 are expected to continue at the current rate of approximately 4% of net sales.

Other investing activities in 1999, 1998 and 1997 included strategic acquisitions and divestitures around the world. The aggregate purchase price of all 1999, 1998 and 1997 acquisitions was \$46.4, \$22.6 and \$20.3, respectively. The U.S. Baby Magic brand was sold in 1999; the HandiWipes brand was sold in 1998, and the Sterno Fuel brand was sold in 1997. The aggregate sale price of all 1999, 1998 and 1997 sales of brands was \$94.7, \$57.4 and \$101.4, respectively.

The Company repurchases common shares in open market and private transactions to provide for employee benefit plans and to maintain its targeted capital structure. Aggregate repurchases for 1999 were 12.8 million shares, with a total purchase price of \$624.4. In 1998, 14.3 million shares were repurchased with a total purchase price of \$542.5.

Cash Flow from Operations

Cash flow from operations increased to a record \$1.3 billion, or 14.2% of sales, reflecting increased profitability.



Dividend payments were \$366.0, up from \$345.6 in 1998 and \$333.4 in 1997. Common stock dividend payments increased to \$.59 per share in 1999 from \$.55 per share in 1998 and \$.53 per share in 1997. The Series B Preference Stock dividends were declared and paid at the rate of \$4.96 per share in 1999 and \$4.88 per share in both 1998 and 1997.

Internally generated cash flows appear to be adequate to support currently planned business operations, acquisitions and capital expenditures. Significant acquisitions would require external financing.

The Company is a party to various superfund and other environmental matters and is contingently liable with respect to lawsuits, taxes and other matters arising out of the normal course of business. Management proactively reviews and manages its exposure to, and the impact of, environmental matters. While it is possible that the Company's cash flows and results of operations in particular quarterly or annual periods could be affected by the one-time impacts of the resolution of such contingencies, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material impact on the Company's financial condition or ongoing cash flows and results of operations.

Status of Restructuring Reserve

In September 1995, a reserve of \$460.5 was established to cover a worldwide restructuring of manufacturing and administrative operations. The primary elements of the reserve related to employee termination costs and expenses associated with the realignment of the Company's global manufacturing operations, as well as settlement of contractual obligations. The costs of completing the restructuring activities to date approximated the original estimate. As planned, the restructuring has produced savings that increase pretax earnings by over \$150.0 annually.

The planned restructuring projects, primarily in North America and Europe but also affecting Hill's Pet Nutrition and Colgate locations in Asia/Africa and certain Latin America locations, are substantially completed. The remaining reserve amount of \$5.4 relates to the consolidation of administrative operations following the implementation of SAP computer systems and related process changes in Europe.

Managing Foreign Currency and Interest Rate Exposure

The Company is exposed to market risk from foreign currency exchange rate fluctuations and interest rates. To manage the volatility relating to foreign currency exposures on a consolidated basis, the Company utilizes a number of techniques, including selective borrowings in local currencies, purchases of forward foreign currency exchange contracts, balance sheet management and increases in selling prices.

The Company operates in over 200 countries and territories and is exposed to currency fluctuation related to manufacturing and selling its products in currencies other than the U.S. dollar. The major foreign currency exposures involve the markets in Mexico, Brazil and France, each of which represents individually 5% to 10% of worldwide sales. Each of the other countries' operations represents less than 4% of worldwide sales. In the countries of Mexico and France during the three-year period from 1997 to 1999, the combination of selling price increases and cost-containment measures have more than offset the impact of foreign currency rate movements resulting in increased gross profit margins during the periods presented. Profitability in Brazil decreased in 1999 following increases in 1998 and 1997 as a result of a devaluation of the Brazilian currency in January 1999.

The Company utilizes simple instruments such as interest rate swaps to manage the Company's mix of fixed and floating rate debt. The Company's target floating rate obligations as a percentage of the Company's global debt is set by policy. As a matter of policy, the Company does not speculate in financial markets and therefore does not hold or issue derivative financial instruments for trading purposes.

Value at Risk

The Company's risk management procedures include the monitoring of interest rate and foreign exchange exposures and the Company's offsetting hedge positions utilizing analytical analyses of cash flows, market value, sensitivity analysis and value-at-risk estimations. However, the use of these techniques to quantify the market risk of such instruments should not be construed as an endorsement of their accuracy or the accuracy of the related assumptions. The Company utilizes a Value-at-Risk (VAR) model and an Earnings-at-Risk (EAR) model that are intended to measure the maximum potential loss in its interest rate and foreign exchange financial instruments assuming adverse market conditions occur, given a 95% confidence level. The models utilize a variance/covariance modeling technique. Historical interest rates and foreign exchange rates from the preceding year are used to estimate the volatility and correlation of future rates. The estimated maximum potential one-day loss in fair value of interest rate or foreign exchange rate instruments, calculated using the VAR model, is not material to the consolidated financial position, results of operations or cash flows of the Company.

The estimated maximum yearly loss in earnings due to interest rate or foreign exchange rate instruments, calculated utilizing the EAR model, is not material to the Company's results of operations. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

A discussion of the Company's accounting policies for financial instruments is included in the Summary of Significant

Accounting Policies in the Notes to the Consolidated Financial Statements, and further disclosure relating to financial instruments is included in the Fair Value of Financial Instruments note.

Year 2000 Update

The Company developed plans to address the possible exposures related to the year 2000 on the Company's internal systems and equipment. In the critical area of internal operating systems, the computer systems and embedded microprocessors and control systems in all operations were either replaced (including through conversion to SAP) or made compliant by December 31, 1999. In addition, the other aspects of the year 2000 project plan were completed by December 31, 1999.

The incremental cost, including external contractor costs, costs to modify existing systems and costs of internal resources dedicated to preparing for the year 2000, was approximately \$30.0. These costs were charged to expense as incurred and were incremental to the investment in SAP systems which was previously planned and implemented.

No significant year 2000 problems have been encountered with the Company's internal systems and equipment.

Conversion to the Euro Currency

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and adopted the euro as their new common legal currency. As of that date, the euro began trading on currency exchanges and the legacy currencies were to remain legal tender in the participating countries for a transition period between January 1, 1999 and January 1, 2002.

The Company is addressing most of the issues involved with the introduction of the euro through its worldwide conversion to the SAP system. The more important issues facing the Company include reassessing currency risk and processing tax and accounting records.

Based upon progress to date, the Company believes that use of the euro will not have a significant impact on the manner in which it conducts its business affairs and processes its business and accounting records. Accordingly, conversion to the euro is not expected to have a material effect on the Company's financial condition, cash flows or results of operations.

Outlook

Looking forward into 2000, the Company is well positioned for strong growth in most of its markets, particularly North America and Asia/Africa. However, movements in foreign currency exchange rates can impact future operating results as measured in U.S. dollars. In particular, economic uncertainty in some countries in Latin America and the continued weakness in the euro may impact the overall results of Latin America and Europe.

The Company expects the continued success of Colgate Total toothpaste, using patented proprietary technology, to bolster worldwide oral care leadership and expects new products in Oral Care and other categories to add potential for further growth. Overall, subject to global economic conditions, the Company does not expect the 2000 market conditions to be materially different from those experienced in 1999 and the Company expects its positive momentum to continue. Historically, the consumer products industry has been less susceptible to changes in economic growth than many other industries, and therefore the Company constantly evaluates projects that will focus operations on opportunities for enhanced growth potential. Over the long term, Colgate's continued focus on its consumer products business and the strength of its global brand names, its broad international presence in both developed and developing markets, and its strong capital base all position the Company to take advantage of growth opportunities and to continue to increase profitability and shareholder value.

Forward-Looking Statements

Readers are cautioned that the Results of Operations and other sections of this report contain forward-looking statements that are based on management's estimates, assumptions and projections. A description of some of the factors that could cause actual results to differ materially from expectations expressed in the Company's forward-looking statements set forth in the Company's Form 8-K filed with the Securities and Exchange Commission on November 13, 1998 under the caption "Cautionary Statement on Forward-Looking Statements" is incorporated herein by reference. These factors include, but are not limited to, the risks associated with international operations, the activities of competitors, retail trade practices, the success of new product introductions, cost pressures, manufacturing and environmental matters.

Report of Management

The management of Colgate-Palmolive Company has prepared the accompanying consolidated financial statements and is responsible for their content as well as other information contained in this annual report. These financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts which are based on management's best estimates and judgments.

The Company maintains a system of internal accounting control designed to be cost-effective while providing reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded in the financial records. Internal control effectiveness is supported through written communication of policies and procedures, careful selection and training of personnel, and audits by a professional staff of internal auditors. The Company's control environment is further enhanced through a formal Code of Conduct which sets standards of professionalism and integrity for employees worldwide.

The Company has retained Arthur Andersen LLP, independent public accountants, to examine the financial statements. Their

accompanying report is based on an examination conducted in accordance with generally accepted auditing standards, which includes a review of the Company's systems of internal control as well as tests of accounting records and procedures sufficient to enable them to render an opinion on the Company's financial statements.

The Audit Committee of the Board of Directors is composed entirely of non-employee directors. The Committee meets periodically and independently throughout the year with management, internal auditors and the independent accountants to discuss the Company's internal accounting controls, auditing and financial reporting matters. The internal auditors and independent accountants have unrestricted access to the Audit Committee.



Reuben Mark
Chairman and
Chief Executive Officer



Stephen C. Patrick
Chief Financial Officer

Report of Independent Public Accountants

To the Board of Directors and Shareholders of
Colgate-Palmolive Company:

We have audited the accompanying consolidated balance sheets of Colgate-Palmolive Company (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence

supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

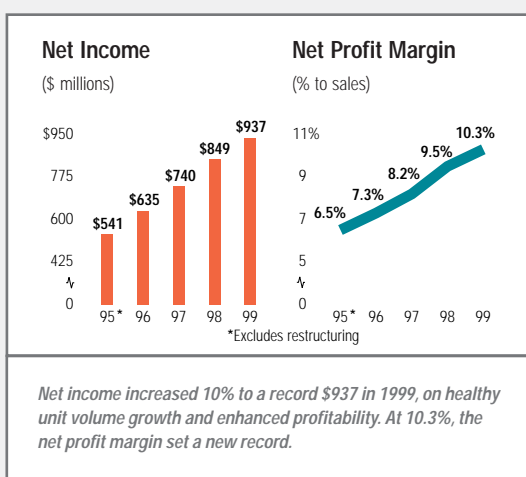
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colgate-Palmolive Company and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.



New York, New York
February 1, 2000

Consolidated Statements of Income

	1999	1998	1997
Net sales	\$9,118.2	\$8,971.6	\$9,056.7
Cost of sales	4,224.0	4,290.3	4,461.5
Gross profit	4,894.2	4,681.3	4,595.2
Selling, general and administrative expenses	3,254.4	3,197.1	3,237.0
Other expense, net	73.6	61.2	72.4
Interest expense, net	171.6	172.9	183.5
Income before income taxes	1,394.6	1,250.1	1,102.3
Provision for income taxes	457.3	401.5	361.9
Net income	\$ 937.3	\$ 848.6	\$ 740.4
Earnings per common share, basic	\$ 1.57	\$ 1.40	\$ 1.22
Earnings per common share, diluted	\$ 1.47	\$ 1.30	\$ 1.13



See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

	1999	1998
Assets		
Current Assets		
Cash and cash equivalents	\$ 199.6	\$ 181.7
Marketable securities	35.6	12.8
Receivables (less allowances of \$37.2 and \$35.9, respectively)	1,100.8	1,085.6
Inventories	783.7	746.0
Other current assets	235.1	218.8
Total current assets	2,354.8	2,244.9
Property, plant and equipment, net	2,551.1	2,589.2
Goodwill and other intangibles, net	2,185.4	2,524.1
Other assets	331.8	327.0
	\$ 7,423.1	\$ 7,685.2
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	\$ 207.3	\$ 175.3
Current portion of long-term debt	338.9	281.6
Accounts payable	764.8	726.1
Accrued income taxes	116.6	74.2
Other accruals	845.9	857.2
Total current liabilities	2,273.5	2,114.4
Long-term debt	2,243.3	2,300.6
Deferred income taxes	398.6	448.0
Other liabilities	674.0	736.6
Shareholders' Equity		
Preferred stock	366.5	376.2
Common stock, \$1 par value (1,000,000,000 shares authorized, 732,853,180 shares issued)	732.9	732.9
Additional paid-in capital	1,063.2	824.6
Retained earnings	4,212.3	3,641.0
Cumulative translation adjustments	(1,136.2)	(799.8)
	5,238.7	4,774.9
Unearned compensation	(348.6)	(355.5)
Treasury stock, at cost	(3,056.4)	(2,333.8)
Total shareholders' equity	1,833.7	2,085.6
	\$ 7,423.1	\$ 7,685.2

See Notes to Consolidated Financial Statements.

Consolidated Statements of Retained Earnings, Comprehensive Income and Changes in Capital Accounts

	Common Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Cumulative Translation Adjustment	Compre- hensive Income
	Shares	Amount		Shares	Amount			
Balance, January 1, 1997	588,535,272	\$732.9	\$551.9	144,317,908	\$1,468.8	\$2,731.0	\$(534.7)	
Net income						740.4		\$ 740.4
Other comprehensive income:								
Cumulative translation adjustment							(159.0)	<u>(159.0)</u>
Total comprehensive income								<u>\$ 581.4</u>
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(20.6)		
Preferred stock						(.5)		
Common stock						(312.3)		
Shares issued for stock options	6,326,282		64.2	(6,326,282)	54.4			
Treasury stock acquired	(5,591,852)			5,591,852	175.1			
Other	1,535,688		44.8	(1,535,688)	(18.0)			
Balance, December 31, 1997	590,805,390	\$732.9	\$660.9	142,047,790	\$1,680.3	\$3,138.0	\$(693.7)	
Net income						848.6		\$ 848.6
Other comprehensive income:								
Cumulative translation adjustment							(106.1)	<u>(106.1)</u>
Total comprehensive income								<u>\$ 742.5</u>
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(20.4)		
Preferred stock						(.5)		
Common stock						(324.7)		
Shares issued for stock options	6,714,850		129.0	(6,714,850)	145.1			
Treasury stock acquired	(14,298,912)			14,298,912	542.5			
Other	2,198,152		34.7	(2,198,152)	(34.1)			
Balance, December 31, 1998	585,419,480	\$732.9	\$824.6	147,433,700	\$2,333.8	\$3,641.0	\$(799.8)	
Net income						937.3		\$ 937.3
Other comprehensive income:								
Cumulative translation adjustment							(336.4)	<u>(336.4)</u>
Total comprehensive income								<u>\$ 600.9</u>
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(20.5)		
Preferred stock						(.5)		
Common stock						(345.0)		
Shares issued for stock options	6,894,907		128.0	(6,894,907)	132.5			
Treasury stock acquired	(12,849,744)			12,849,744	624.4			
Other	(601,597)		110.6	611,087	(34.3)			
Balance, December 31, 1999	578,863,046	\$732.9	\$1,063.2	153,999,624	\$3,056.4	\$4,212.3	\$(1,136.2)	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	1999	1998	1997
Operating Activities			
Net income	\$ 937.3	\$ 848.6	\$ 740.4
Adjustments to reconcile net income to net cash provided by operations:			
Restructured operations	(35.6)	(34.8)	(48.5)
Depreciation and amortization	340.2	330.3	319.9
Income taxes and other, net	122.3	60.7	18.5
Cash effects of changes in:			
Receivables	(81.3)	(15.2)	(61.6)
Inventories	(82.8)	(19.5)	(50.9)
Payables and accruals	92.6	8.7	180.0
Net cash provided by operations	1,292.7	1,178.8	1,097.8
Investing Activities			
Capital expenditures	(372.8)	(389.6)	(478.5)
Payment for acquisitions, net of cash acquired	(44.1)	(22.6)	(31.5)
Sale of non-core product lines	89.9	57.4	96.4
Sale of marketable securities and investments	22.7	18.7	68.5
Other	(27.2)	(15.8)	7.7
Net cash used for investing activities	(331.5)	(351.9)	(337.4)
Financing Activities			
Principal payments on debt	(491.0)	(677.5)	(670.7)
Proceeds from issuance of debt	555.5	762.9	350.4
Dividends paid	(366.0)	(345.6)	(333.4)
Purchase of common stock	(624.4)	(542.5)	(175.1)
Other	(14.2)	(27.3)	15.8
Net cash used for financing activities	(940.1)	(830.0)	(813.0)
Effect of exchange rate changes on cash and cash equivalents	(3.2)	1.7	(12.5)
Net increase (decrease) in cash and cash equivalents	17.9	(1.4)	(65.1)
Cash and cash equivalents at beginning of year	181.7	183.1	248.2
Cash and cash equivalents at end of year	\$ 199.6	\$ 181.7	\$ 183.1
Supplemental Cash Flow Information			
Income taxes paid	\$ 292.4	\$ 273.8	\$ 261.3
Interest paid	210.9	202.8	230.6
Principal payments on ESOP debt, guaranteed by the Company	6.7	6.1	5.5

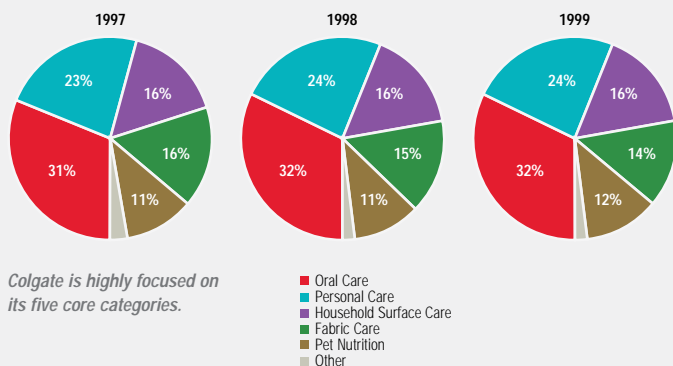
See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Nature of Operations

The Company manufactures and markets a wide variety of products in the U.S. and around the world in two distinct business segments: Oral, Personal and Household Care, and Pet Nutrition. Oral, Personal and Household Care products include toothpaste, oral rinses and toothbrushes, bar and liquid soaps, shampoos, conditioners, deodorants and antiperspirants, baby and shave products, laundry and dishwashing detergents, fabric softeners, cleansers and cleaners, bleaches and other similar items. These products are sold primarily to wholesale and retail distributors worldwide. Pet Nutrition products include pet food products manufactured and marketed by Hill's Pet Nutrition. The principal customers for Pet Nutrition products are veterinarians and specialty pet retailers. Principal global trademarks include Colgate, Palmolive, Mennen Speed Stick, Protex, Ajax, Soupline, Suavitel, Fab, Science Diet and Prescription Diet in addition to various regional trademarks.

The Company's principal classes of products accounted for the following percentages of worldwide sales for the past three years:



2. Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Colgate-Palmolive Company and its majority-owned subsidiaries. Intercompany transactions and balances have been eliminated. Investments in companies in which the Company's interest is between 20% and 50% are accounted for using the equity method. The Company's share of the net income from such investments is recorded as equity earnings and is classified as Other expense, net in the Consolidated Statements of Income.

Revenue Recognition

Sales are recorded at the time products are shipped to trade customers. Net sales reflect units shipped at selling list prices reduced by promotion allowances.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Changes

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Statement No. 133 will be effective, prospectively, for the Company's financial statements in the year 2001. The statement is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Investments in short-term securities that do not meet the definition of cash equivalents are classified as marketable securities. Marketable securities are reported at cost, which approximates market.

Inventories

Inventories are valued at the lower of cost or market. The first-in, first-out (FIFO) method is used to value most inventories. The remaining inventories are valued using the last-in, first-out (LIFO) method.

Property, Plant and Equipment

Land, buildings, and machinery and equipment are stated at cost. Depreciation is provided, primarily using the straight-line method, over estimated useful lives ranging from 3 to 40 years.

Goodwill and Other Intangibles

Intangible assets principally consist of goodwill, which is amortized on the straight-line method, generally over a period of 40 years. Other intangible assets, principally non-compete agreements and customer lists, are amortized on the straight-line method over periods ranging from 5 to 20 years depending on their useful lives.

The recoverability of the carrying values of intangible assets is evaluated periodically based on a review of forecasted operating cash flows and the profitability of the related business. For the three-year period ended December 31, 1999, there were no material adjustments to the carrying values of intangible assets resulting from these evaluations.

Advertising

Advertising costs are expensed in the year incurred.

Income Taxes

Deferred taxes are recognized for the expected future tax consequences of temporary differences between the amounts carried for financial reporting and tax purposes. Provision is made currently for taxes payable on remittances of overseas earnings; no provision is made for taxes on overseas retained earnings that are deemed to be permanently reinvested.

Translation of Overseas Currencies

The assets and liabilities of subsidiaries, other than those operating in highly inflationary environments, are translated into U.S. dollars at year-end exchange rates, with resulting translation gains and losses accumulated in a separate component of shareholders' equity. Income and expense items are converted into U.S. dollars at average rates of exchange prevailing during the year.

For subsidiaries operating in highly inflationary environments, inventories, goodwill, and property, plant and equipment are translated at the rate of exchange on the date the assets were acquired, while other assets and liabilities are translated at year-end exchange rates. Translation adjustments for these operations are included in net income.

Prior to 1999, Mexico was a highly inflationary economy and the results of the Company's Mexican operations were measured using the U.S. dollar as its functional currency. Effective January 1, 1999, the Company ceased to account for its Mexican operations as highly inflationary as historical inflation levels had fallen sharply. The impact of the change was not material to the Company's earnings.

During 1998, as required by generally accepted accounting principles, the Company ceased to account for its Brazilian operations as highly inflationary. The effect of this change was to reduce shareholders' equity by \$98.4, primarily related to the recognition of deferred tax benefits expected to be realized in the future. Due to the devaluation of the Brazilian real during 1999, \$242.4 was charged to cumulative translation adjustments which

was, in effect, a write-down of our foreign-currency-denominated assets (primarily goodwill and property, plant and equipment). This will be accompanied by lower amortization and depreciation expense in future periods.

Financial Instruments

The net effective cash payment of the interest rate swap contracts combined with the related interest payments on the debt that they hedge are accounted for as interest expense. Those interest rate instruments that do not qualify as hedge instruments for accounting purposes are marked to market and recorded at fair value.

Gains and losses from foreign exchange contracts that hedge the Company's investments in its foreign subsidiaries are shown in the cumulative translation adjustments account included in shareholders' equity. Gains and losses from contracts that hedge firm commitments are recorded in the balance sheets as a component of the related receivable or payable until realized, at which time they are recognized in the statements of income. The contracts that hedge anticipated sales and purchases do not qualify as hedges for accounting purposes. Accordingly, the related gains and losses are calculated using the current forward rates and are recorded in the Consolidated Statements of Income as Other expense, net.

Segment Information

The Company operates in two product segments: Oral, Personal and Household Care, and Pet Nutrition. The operations of the Oral, Personal and Household Care segment are managed geographically in four reportable operating segments: North America, Latin America, Europe and Asia/Africa.

Management measures segment profit as operating income, which is defined as income before interest expense and income taxes. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Corporate operations include research and development costs, unallocated overhead costs, and gains and losses on sales of non-strategic brands and assets. Corporate assets include primarily real estate and benefit plan assets.

The financial and descriptive information on the Company's geographic area and industry segment data, appearing in the tables contained in the Results of Operations, is an integral part of these financial statements.

3. Acquisitions and Divestitures

During 1999, 1998 and 1997, the Company made several acquisitions totaling \$46.4, \$22.6 and \$20.3, respectively. Individually, none of these acquisitions were significant.

The acquisitions were accounted for as purchases, and, accordingly, the purchase prices were allocated to the net tangible and intangible assets acquired based on estimated fair values at the dates the acquisitions were consummated. The results of operations of the acquired businesses have been included in the

Consolidated Financial Statements since the respective acquisition dates. The inclusion of pro forma financial data for all acquisitions would not have materially affected the financial information included herein.

The aggregate sale price of all 1999, 1998 and 1997 divestitures was \$94.7, \$57.4 and \$101.4, respectively. In 1999, the U.S. Baby Magic brand and related assets were sold for \$90.0, and in 1998, the HandiWipes brand and related assets were sold for \$53.0. In 1997, the Sterno fuel brand and related assets were sold for \$70.0.

4. Long-Term Debt and Credit Facilities

Long-term debt consists of the following at December 31:

	Weighted Average Interest Rate	Maturities	1999	1998
Notes	7.0%	2000-2028	\$1,423.5	\$1,382.4
Commercial paper and other short-term borrowings, reclassified	5.9	2000	477.3	461.2
ESOP notes, guaranteed by the Company	8.7	2001-2009	366.9	373.6
Payable to banks	6.5	2000-2007	313.7	361.8
Capitalized leases			.8	3.2
			2,582.2	2,582.2
Less: current portion of long-term debt			338.9	281.6
			\$2,243.3	\$2,300.6

Commercial paper and certain other short-term borrowings are classified as long-term debt as it is the Company's intent and ability to refinance such obligations on a long-term basis. Scheduled maturities of debt outstanding at December 31, 1999, excluding short-term borrowings reclassified, are as follows: 2000—\$338.9; 2001—\$192.5; 2002—\$135.0; 2003—\$409.8; 2004—\$205.1, and \$823.6 thereafter. The Company has entered into interest rate swap agreements and foreign exchange contracts related to certain of these debt instruments (see Note 11).

At December 31, 1999, the Company had unused credit facilities amounting to \$1,527.9. Commitment fees related to credit facilities are not material. The weighted average interest rate on short-term borrowings, excluding amounts reclassified, as of December 31, 1999 and 1998, was 7.8% and 6.2%, respectively.

The Company's long-term debt agreements include various restrictive covenants and require the maintenance of certain defined financial ratios with which the Company is in compliance.

5. Capital Stock and Stock Compensation Plans

Preferred Stock

Preferred Stock consists of 250,000 authorized shares without par value. It is issuable in series, of which one series of 125,000 shares, designated \$4.25 Preferred Stock, with a stated and redeemable value of \$100 per share, has been issued. The \$4.25 Preferred Stock is redeemable only at the option of the Company.

At December 31, 1999 and 1998, 115,510 and 122,620 shares of \$4.25 Preferred Stock, respectively, were outstanding.

Preference Stock

In 1988, the Company authorized the issuance of 50,000,000 shares of Preference Stock, without par value. The Series B Convertible Preference Stock, which is convertible into eight shares of common stock, ranks junior to all series of the Preferred Stock. At December 31, 1999 and 1998, 5,446,442 and 5,598,808 shares of Series B Convertible Preference Stock, respectively, were outstanding and issued to the Company's Employee Stock Ownership Plan.

Common Stock

On May 5, 1999, the Company's Board of Directors approved a two-for-one common stock split effected in the form of a 100% stock dividend. As a result of the split, shareholders received one additional share of common stock for each share they held as of May 19, 1999, which was distributed June 30, 1999. Par value remained at \$1 per share. The Consolidated Financial Statements and financial information contained elsewhere in this report have been restated to reflect the effect of the common stock split for all periods presented.

Shareholder Rights Plan

Under the Company's Shareholder Rights Plan, each share of the Company's common stock carries with it one Preference Share Purchase Right ("Rights"). The Rights themselves will at no time have voting power or pay dividends. The Rights become exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender offer, the consummation of which would result in ownership by a person or group of 15% or more of the common stock. When exercisable, each Right entitles a holder to buy one two-hundredth of a share of a new series of preference stock at an exercise price of \$220.00, subject to adjustment.

If the Company is acquired in a merger or other business combination, each Right will entitle a holder to buy, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value of twice such price. In addition, if a person or group acquires 15% or more of the Company's common stock, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of shares of the Company's common stock having a market value of twice the Right's exercise price.

Further, at any time after a person or group acquires 15% or more (but less than 50%) of the Company's common stock, the Board of Directors may, at its option, exchange part or all of the Rights (other than Rights held by the acquiring person or group) for shares of the Company's common stock on a one-for-one basis.

The Company, at the option of its Board of Directors, may amend the Rights or redeem the Rights for \$.01 at any time before the acquisition by a person or group of beneficial ownership of 15% or more of its common stock. The Board of Directors is also authorized to reduce the 15% threshold to not less than 10%. Unless redeemed earlier, the Rights will expire on October 31, 2008.

Stock Repurchases

During 1998, the Company entered into a series of forward purchase agreements on its common stock. These agreements are settled on a net basis in shares of the Company's common stock. To the extent that the market price of the Company's common stock on a settlement date is higher/(lower) than the forward purchase price, the net differential is received/(paid) by the Company. As of December 31, 1999, agreements were in place covering approximately \$480.5 of the Company's common stock (7.7 million shares) that had forward prices averaging \$62.56 per share. If these agreements were settled based on the December 31, 1999 market price of the Company's common stock (\$65.00 per share), the Company would be entitled to receive approximately 288,000 shares. During 1999 and 1998, settlements resulted in the Company receiving 2,322,701 and 642,662 shares, respectively, which were recorded as treasury stock.

Incentive Stock Plan

The Company has a plan which provides for grants of restricted stock awards for officers and other executives of the Company and its major subsidiaries. A committee of non-employee members of the Board of Directors administers the plan. During 1999 and 1998, 692,238 and 570,154 shares, respectively, were awarded to employees in accordance with the provisions of the plan.

Stock Option Plans

The Company's Stock Option Plans ("Plans") provide for the issuance of non-qualified stock options to officers and key employees. Options are granted at prices not less than the fair market value on the date of grant. At 1999 year-end, 31,119,432 shares of common stock were available for future grants.

The Plans contain an accelerated ownership feature which provides for the grant of new options when previously owned shares of Company stock are used to exercise existing options. The number of new options granted under this feature is equal to the number of shares of previously owned Company stock used to exercise the original options and to pay the related required U.S. income tax. The new options are granted at a price equal to the fair market value on the date of the new grant and have the same expiration date as the original options exercised.

Stock option plan activity is summarized below:

	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, January 1	42,786,246	\$28	45,534,784	\$23	42,830,396	\$16
Granted	11,414,328	53	12,537,288	39	15,406,114	37
Exercised	(14,586,597)	26	(14,917,508)	22	(12,190,554)	16
Canceled or expired	(417,880)	49	(368,318)	21	(511,172)	19
Options outstanding, December 31	39,196,097	36	42,786,246	28	45,534,784	23
Options exercisable, December 31	23,813,363	\$28	26,688,764	\$23	29,366,358	\$19

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 1999:

Range of Exercise Prices	Weighted Average Remaining Contractual Life In Years	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$ 8.04 – \$17.17	4	6,271,637	\$15	6,271,637	\$15
\$17.53 – \$24.95	5	6,888,774	21	6,888,774	21
\$24.98 – \$31.08	8	3,911,523	31	2,238,830	31
\$31.33 – \$43.66	8	8,221,126	36	4,242,264	37
\$43.67 – \$53.02	6	6,581,369	50	4,170,408	49
\$53.06 – \$62.50	8	7,321,668	56	1,450	56
	6	39,196,097	\$36	23,813,363	\$28

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for options granted under the Plans. Accordingly, no compensation expense has been recognized. Had compensation expense been determined based on the Black-Scholes option pricing model value at the grant date for awards in 1999, 1998 and 1997 consistent with the provisions of

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company's net income, basic earnings per common share and diluted earnings per common share would have been \$891.9, \$1.49 per share and \$1.40 per share, respectively, in 1999; \$803.5, \$1.33 per share and \$1.25 per share, respectively, in 1998; and \$716.1, \$1.18 per share and \$1.10 per share, respectively, in 1997.

The weighted average Black-Scholes value of grants issued in 1999, 1998 and 1997 was \$8.61, \$6.24 and \$3.93, respectively. The Black-Scholes value of each option granted is estimated using the Black-Scholes option pricing model with the following assumptions: option term until exercise ranging from 2 to 7 years, volatility ranging from 19% to 30%, risk-free interest rate ranging from 5.0% to 6.2% and an expected dividend yield of 2.5%. The Black-Scholes model used to determine the option values shown above was developed to estimate the fair value of short-term freely tradable, fully transferable options without vesting restrictions and was not designed to value reloads, all of which significantly differ from the Company's stock option awards. The value of this model is also limited by the inclusion of highly subjective assumptions which greatly affect calculated values.

6. Employee Stock Ownership Plan

In 1989, the Company expanded its Employee Stock Ownership Plan ("ESOP") through the introduction of a leveraged ESOP covering certain employees who have met certain eligibility requirements. The ESOP issued \$410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. The long-term notes, which are guaranteed by the Company, are reflected in the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Series B Convertible Preference Stock from the Company. The Stock has a minimum redemption price of \$65 per share and pays semiannual dividends equal to the higher of \$2.44 or the current dividend paid on eight common shares for the comparable six-month period.

Dividends on these preferred shares, as well as common shares also held by the ESOP, are paid to the ESOP trust and, together with contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Preferred shares are released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loan. At December 31, 1999, 1,628,735 shares were allocated to participant accounts and 3,817,707 shares were available for future allocation. Each allocated share may be converted by the trustee into eight common shares but preferred shares generally convert only after the employee ceases to work for the Company.

Dividends on these preferred shares are deductible for income tax purposes and, accordingly, are reflected net of their tax benefit in the Consolidated Statements of Retained Earnings, Comprehensive Income and Changes in Capital Accounts.

Annual expense related to the leveraged ESOP, determined as interest incurred on the notes, less employee contributions and dividends received on the shares held by the ESOP, plus the higher of either principal repayments on the notes or the cost of shares allocated, was \$9.2 in 1999, \$2.4 in 1998 and \$3.0 in 1997. Similarly, unearned compensation, shown as a reduction in shareholders' equity, is reduced by the higher of principal payments or the cost of shares allocated.

Interest incurred on the ESOP's notes amounted to \$32.0 in 1999, \$32.5 in 1998 and \$33.0 in 1997. The Company paid dividends on the stock held by the ESOP of \$29.1 in 1999, \$29.3 in 1998 and \$29.8 in 1997. Company contributions to the ESOP were \$9.3 in 1999, \$0 in 1998 and \$1.0 in 1997. Employee contributions to the ESOP were \$6.6 in 1999, \$9.4 in 1998 and \$8.2 in 1997.

7. Retirement Plans and Other Retiree Benefits

Retirement Plans

The Company, its U.S. subsidiaries and some of its overseas subsidiaries maintain defined benefit retirement plans covering substantially all of their employees. Benefits are based primarily on years of service and employees' career earnings. In the Company's principal U.S. plans, funds are contributed to the trusts in accordance with regulatory limits to provide for current service and for any unfunded projected benefit obligation over a reasonable period. To the extent these requirements are exceeded by plan assets, a contribution may not be made in a particular year. Assets of the plans consist principally of common stocks, guaranteed investment contracts with insurance companies, investments in real estate funds, and U.S. Government and corporate obligations. Domestic plan assets also include investments in the Company's common stock representing 10% and 7% of plan assets at December 31, 1999 and 1998, respectively.

Other Retiree Benefits

The Company and certain of its subsidiaries provide health care and life insurance benefits for retired employees to the extent not provided by government-sponsored plans. The Company utilizes a portion of its leveraged ESOP, in the form of future retiree contributions, to reduce its obligation to provide these postretirement benefits and offset its current service cost. Postretirement benefits otherwise are not currently funded.

Summarized information of the Company's defined benefit retirement plans and postretirement plans are as follows:

	Pension Benefits				Other Retiree Benefits	
	1999		1998		1999	1998
	North America	International				
Change in Benefit Obligation						
Benefit obligation at beginning of year	\$ 998.3	\$976.6	\$ 329.6	\$ 278.8	\$ 153.0	\$ 143.7
Service cost	29.4	28.1	12.4	17.7	(5.0)	(11.0)
Interest cost	65.9	68.9	19.0	18.2	14.5	14.7
Participant's contribution	3.1	3.3	2.3	9.7	—	—
Acquisitions/plan amendments	.2	1.5	.1	4.0	(.2)	(3.7)
Actuarial (gain)/loss	(96.7)	7.9	3.5	14.1	5.4	20.0
Foreign exchange impact	(.7)	(2.6)	(38.3)	4.4	(.2)	—
Benefits paid	(80.3)	(85.4)	(17.6)	(17.3)	(11.4)	(10.7)
Benefit obligation at end of year	\$ 919.2	\$998.3	\$ 311.0	\$ 329.6	\$ 156.1	\$ 153.0
Change in Plan Assets						
Fair value of plan assets at beginning of year	\$ 962.8	\$907.3	\$ 215.0	\$ 193.4	\$ —	\$ —
Actual return on plan assets	179.7	133.1	35.6	18.5	—	—
Company contributions	7.7	6.9	13.6	16.6	11.4	10.7
Plan participant contributions	3.1	3.3	2.3	9.7	—	—
Foreign exchange impact	2.1	(2.4)	(25.1)	(10.9)	—	—
Acquisitions/plan amendments	—	—	.9	5.0	—	—
Benefits paid	(80.3)	(85.4)	(17.6)	(17.3)	(11.4)	(10.7)
Fair value of plan assets at end of year	\$1,075.1	\$962.8	\$ 224.7	\$ 215.0	\$ —	\$ —
Funded Status						
Funded status at end of year	\$ 155.9	\$ (35.5)	\$ (86.3)	\$ (114.6)	\$ (156.1)	\$ (153.0)
Unrecognized net transition liability/(asset)	.8	(6.6)	.5	(2.5)	—	—
Unrecognized net actuarial (gain)/loss	(176.1)	19.0	(1.0)	16.4	(17.7)	(22.5)
Unrecognized prior service costs	33.8	39.9	4.0	3.9	(7.5)	(8.3)
Net amount recognized	\$ 14.4	\$ 16.8	\$ (82.8)	\$ (96.8)	\$ (181.3)	\$ (183.8)
Amounts Recognized in Balance Sheet						
Other assets	\$ 97.7	\$ 93.3	\$ 34.4	\$ 40.9	\$ —	\$ —
Other liabilities	(83.3)	(76.5)	(117.2)	(137.7)	(181.3)	(183.8)
Net amount recognized	\$ 14.4	\$ 16.8	\$ (82.8)	\$ (96.8)	\$ (181.3)	\$ (183.8)
Weighted Average Assumptions						
Discount rate	8.00%	7.25%	7.04%	6.82%	8.00%	7.25%
Long-term rate of return on plan assets	9.25%	9.25%	8.75%	8.92%	—	—
Long-term rate of compensation increase	5.00%	5.00%	4.54%	4.44%	—	—
ESOP growth rate	—	—	—	—	10.00%	10.00%

	Pension Benefits						Other Retiree Benefits		
	1999		1998		1997		1999	1998	1997
	North America	International							
Components of Net Periodic Benefit Costs									
Service cost	\$ 29.4	\$ 28.1	\$ 24.9	\$ 12.4	\$ 17.7	\$ 16.6	\$ 3.4	\$ 4.0	\$ 2.3
Interest cost	65.9	68.9	67.6	19.0	18.2	17.6	14.5	14.7	13.4
Annual ESOP allocation	—	—	—	—	—	—	(8.4)	(15.0)	(10.1)
Expected return on plan assets	(85.5)	(80.8)	(77.0)	(13.3)	(13.9)	(14.2)	—	—	—
Amortization of transition/prior service costs	(1.0)	(.9)	1.3	—	.1	.8	(.9)	(.6)	(.3)
Amortization of actuarial loss/(gain)	1.7	1.5	.7	.7	.5	.4	(.4)	(1.0)	(1.8)
Net periodic benefit cost	\$ 10.5	\$ 16.8	\$ 17.5	\$ 18.8	\$ 22.6	\$ 21.2	\$ 8.2	\$ 2.1	\$ 3.5

The accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$203.7 and \$9.7, respectively, as of December 31, 1999, and \$206.9 and \$8.5, respectively, as of December 31, 1998. These amounts represent non-qualified domestic plans and plans at foreign locations that are primarily unfunded, as such book reserves equal to the unfunded amount have been recorded.

The projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were \$271.6 and \$42.9, respectively, as of December 31, 1999, and \$360.0 and \$110.1, respectively, as of December 31, 1998.

The assumed medical cost trend rate used in measuring the postretirement benefit obligation was 5.50% for 2000 and years thereafter. Changes in this rate can have a significant effect on amounts reported. The effect of a 1% increase/decrease in the assumed medical cost trend rate would change the accumulated postretirement benefit obligation by approximately \$14.3; annual expense would change by approximately \$1.7.

8. Income Taxes

The provision for income taxes consists of the following for the years ended December 31:

	1999	1998	1997
United States	\$130.5	\$122.6	\$91.0
International	326.8	278.9	270.9
	\$457.3	\$401.5	\$361.9

The components of income before income taxes are as follows for the three years ended December 31:

	1999	1998	1997
United States	\$406.3	\$362.0	\$271.8
International	988.3	888.1	830.5
	\$1,394.6	\$1,250.1	\$1,102.3

The difference between the statutory U.S. federal income tax rate and the Company's global effective tax rate as reflected in the Consolidated Statements of Income is as follows:

Percentage of Income Before Tax	1999	1998	1997
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	.9	.7	.6
Earnings taxed at other than U.S. statutory rate	(1.4)	(2.6)	(1.8)
Reversal of valuation allowance	(.2)	(2.7)	(1.5)
Other, net	(1.5)	1.7	.5
Effective tax rate	32.8%	32.1%	32.8%

In addition, net tax benefits (costs) of \$169.0 in 1999 and \$(18.5) in 1998 were recorded directly through equity which included tax benefits related to employee benefit plans. The 1999 amount also reflects tax benefits related to currency devaluation in Brazil whereas the 1998 amount reflects tax adjustments recorded upon the change in accounting for Brazil as no longer highly inflationary.

Differences between accounting for financial statement purposes and accounting for tax purposes result in taxes currently payable being lower than the total provision for income taxes as follows:

	1999	1998	1997
Excess of tax over book depreciation	\$(11.6)	\$ (40.0)	\$(12.7)
Net restructuring spending	(14.1)	(13.6)	(47.5)
Tax credit utilization	(39.0)	(10.2)	(11.5)
Other, net	16.0	(37.0)	16.7
	\$(48.7)	\$(100.8)	\$(55.0)

The components of deferred tax assets (liabilities) are as follows at December 31:

	1999	1998
Deferred Taxes—Current:		
Accrued liabilities	\$69.5	\$73.8
Restructuring	—	14.1
Other, net	39.7	22.5
Total deferred taxes current	109.2	110.4
Deferred Taxes—Long-term:		
Intangible assets	(275.9)	(328.5)
Property, plant and equipment	(254.2)	(251.1)
Postretirement benefits	57.0	62.6
Tax loss and tax credit carryforwards	140.4	176.9
Other, net	71.1	14.9
Valuation allowance	(137.0)	(122.8)
Total deferred taxes long-term	(398.6)	(448.0)
Net deferred taxes	\$(289.4)	\$(337.6)

The major component of the 1999 and 1998 valuation allowance relates to tax benefits in certain jurisdictions not expected to be realized.

Applicable U.S. income and foreign withholding taxes have not been provided on approximately \$728.7 of undistributed earnings of foreign subsidiaries at December 31, 1999. These earnings are currently considered to be permanently invested and are not subject to such taxes. Determining the tax liability that would arise if these earnings were remitted is not practicable.

9. Supplemental Income Statement Information

Other Expense, Net	1999	1998	1997
Amortization of intangibles	\$ 75.6	\$ 81.7	\$ 86.5
Earnings from equity investments	(5.3)	(5.3)	(5.6)
Minority interest	30.4	28.1	29.1
Other	(27.1)	(43.3)	(37.6)
	\$ 73.6	\$ 61.2	\$ 72.4

Interest Expense, Net	1999	1998	1997
Interest incurred	\$224.0	\$216.8	\$241.6
Interest capitalized	(11.8)	(12.3)	(10.0)
Interest income	(40.6)	(31.6)	(48.1)
	\$171.6	\$172.9	\$183.5

Research and development	\$169.2	\$166.0	\$166.3
Media advertising	575.6	592.2	637.0

10. Supplemental Balance Sheet Information

Inventories	1999	1998
Raw materials and supplies	\$259.6	\$257.9
Work-in-process	33.2	32.9
Finished goods	490.9	455.2
	\$783.7	\$746.0

Inventories valued under LIFO amounted to \$168.1 and \$162.2 at December 31, 1999 and 1998, respectively. The excess of current cost over LIFO cost at the end of each year was \$37.2 and \$39.8, respectively. The liquidations of LIFO inventory quantities increased income by \$0, \$1.3 and \$0 in 1999, 1998 and 1997, respectively.

Property, Plant and Equipment, Net	1999	1998
Land	\$ 128.4	\$ 122.6
Buildings	708.0	705.0
Machinery and equipment	3,329.6	3,299.7
	4,166.0	4,127.3
Accumulated depreciation	(1,614.9)	(1,538.1)
	\$ 2,551.1	\$ 2,589.2

Goodwill and Other Intangible Assets, Net	1999	1998
Goodwill and other intangibles	\$2,764.3	\$3,080.8
Accumulated amortization	(578.9)	(556.7)
	\$2,185.4	\$2,524.1

Other Accruals	1999	1998
Accrued payroll and employee benefits	\$341.4	\$312.4
Accrued advertising	268.3	232.6
Accrued interest	52.5	51.2
Accrued taxes other than income taxes	52.8	72.0
Restructuring accrual	5.4	39.6
Other	125.5	149.4
	\$845.9	\$857.2

Other Liabilities	1999	1998
Minority interest	\$226.3	\$230.5
Pension and other benefits	381.8	398.0
Other	65.9	108.1
	\$674.0	\$736.6

11. Fair Value of Financial Instruments

The Company utilizes interest rate swap contracts and foreign currency exchange contracts to manage interest rate and foreign currency exposures. (See the Results of Operations—Managing Foreign Currency and Interest Rate Exposure for further discussion.) In assessing the fair value of financial instruments at December 31, 1999 and 1998, the Company has used available market information and other valuation methodologies. Some judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The carrying amounts of cash and cash equivalents, marketable securities, long-term investments and short-term debt approximated fair value as of December 31, 1999 and 1998. The estimated fair value of the Company's remaining financial instruments at December 31 are summarized as follows:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Liabilities)/Assets				
Long-term debt, including current portion (including foreign exchange contracts)	\$(2,582.2)	\$(2,616.5)	\$(2,582.2)	\$(2,800.0)
Other liabilities:				
Interest rate contracts	—	(3.9)	(2.4)	(3.6)
Foreign exchange contracts	(4.1)	(6.8)	(8.7)	(13.0)
Equity:				
Foreign exchange contracts (to hedge investment in subsidiaries)	.4	.6	(2.9)	(2.7)

As of December 31, 1999 and 1998, the Company had interest rate agreements outstanding with an aggregate notional amount of \$965.9 and \$825.0, respectively, with maturities through 2018.

As of December 31, 1999 and 1998, the Company had approximately \$431.6 and \$411.1, respectively, of outstanding foreign exchange contracts. At December 31, 1999, approximately 7% of outstanding foreign exchange contracts served to hedge net investments in foreign subsidiaries, 28% hedged intercompany loans and 65% hedged third-party debt and other firm commitments.

The Company is exposed to credit loss in the event of nonperformance by counterparties on interest rate agreements and foreign exchange contracts; however, nonperformance by these counterparties is considered remote as it is the Company's policy to contract with diversified counterparties that have a long-term debt rating of A or higher. The amount of any such exposure is generally the unrealized gain on such contracts, which at December 31, 1999 was not significant.

12. Restructured Operations

In September 1995, a reserve of \$460.5 was established to cover a worldwide restructuring of manufacturing and administrative operations. The primary elements of the reserve related to employee termination costs and expenses associated with the realignment of the Company's global manufacturing operations, as well as settlement of contractual obligations. As planned, the restructuring has produced savings that increase pretax earnings by over \$150.0 annually.

The planned restructuring projects, primarily in North America and Europe but also affecting Hill's Pet Nutrition and Colgate locations in Asia/Africa and certain Latin America locations, are

substantially completed. The remaining reserve amount of \$5.4 relates to the consolidation of administrative operations following the implementation of SAP and related process changes in Europe.

A summary of the changes in the restructuring reserve is as follows:

	Workforce	Manufacturing Plants	Contractual Settlements	Total
Original reserve	\$210.0	\$204.1	\$ 46.4	\$ 460.5
1995 activity	(4.2)	(7.2)	(13.5)	(24.9)
1996 activity	(93.4)	(118.6)	(20.4)	(232.4)
1997 activity	(45.0)	(48.0)	(11.0)	(104.0)
1998 activity	(37.1)	(22.5)	—	(59.6)
Balance at				
December 31, 1998	\$ 30.3	\$ 7.8	\$ 1.5	\$ 39.6
1999 activity	(24.9)	(7.8)	(1.5)	(34.2)
Balance at				
December 31, 1999	\$ 5.4	\$ —	\$ —	\$ 5.4

In total, the headcount reductions resulting from the restructuring projects will total 4,907. The cumulative headcount reductions as of 1997, 1998 and 1999 were 3,133, 3,986 and 4,807, respectively. Factory closures and/or reconfigurations totaled 25. The cumulative factory closures and/or reconfigurations as of 1997, 1998 and 1999 were 20, 23 and 25, respectively. The costs of completing the restructuring activities to date approximated the original reserve. The headcount and factory totals were increased by 765 and 1, respectively, as a result of refinements of original estimates.

Of the restructuring reserve remaining as of December 31, 1999 and 1998, \$5.4 and \$39.6, respectively, is classified as a current liability.

13. Earnings Per Share

	For the Year Ended 1999			For the Year Ended 1998			For the Year Ended 1997		
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$937.3			\$848.6			\$740.4		
Preferred dividends	(21.0)			(20.9)			(21.1)		
Basic EPS	916.3	583.1	\$1.57	827.7	590.0	\$1.40	719.3	590.6	\$1.22
Stock options		11.7			13.6			13.8	
ESOP conversion	19.7	44.0		18.4	44.8		17.9	45.9	
Diluted EPS	\$936.0	638.8	\$1.47	\$846.1	648.4	\$1.30	\$737.2	650.3	\$1.13

14. Commitments and Contingencies

Minimum rental commitments under noncancellable operating leases, primarily for office and warehouse facilities, are \$65.9 in 2000, \$60.6 in 2001, \$52.7 in 2002, \$44.2 in 2003, \$38.5 in 2004 and \$134.4 thereafter. Rental expense amounted to \$102.4 in 1999, \$102.7 in 1998 and \$94.4 in 1997. Contingent rentals, sublease income and capital leases, which are included in fixed assets, are not significant.

The Company has various contractual commitments to purchase raw materials, products and services totaling \$62.7 that expire through 2001.

The Company is a party to various superfund and other environmental matters and is contingently liable with respect to lawsuits, taxes and other matters arising out of the normal course of business. Management proactively reviews and manages its exposure to, and the impact of, environmental matters and other contingencies.

On September 8, 1998, one of the Company's Brazilian subsidiaries, Kolynos do Brasil Ltda. ("Kolynos"), received notice of an administrative proceeding from the Central Bank of Brazil. The notice primarily takes issue with certain filings made with the Central Bank in connection with financing arrangements related to the acquisition of Kolynos in January 1995. The Central Bank seeks to impose fines prescribed by statute, and it, in no way, challenges or seeks to unwind the acquisition. Management believes, based on the opinion of its Brazilian legal counsel, that the filings chal-

lenged by the Central Bank fully complied with Brazilian law and that the issues raised in the notice are without merit.

While it is possible that the Company's cash flows and results of operations in particular quarterly or annual periods could be affected by the one-time impacts of the resolution of the above contingencies, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material impact on the Company's financial condition or ongoing cash flows and results of operations.

15. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999				
Net sales	\$2,175.3	\$2,285.0	\$2,314.0	\$2,343.9
Gross profit	1,165.9	1,221.3	1,253.6	1,253.4
Net income	208.9	228.1	239.7	260.6
Earnings per common share:				
Basic	.35	.38	.40	.44
Diluted	.32	.36	.38	.41
1998				
Net sales	\$2,159.5	\$2,256.5	\$2,265.4	\$2,290.2
Gross profit	1,123.5	1,172.6	1,192.6	1,192.6
Net income	196.0	203.5	214.9	234.2
Earnings per common share:				
Basic	.32	.34	.35	.39
Diluted	.30	.31	.33	.36

Market and Dividend Information

The Company's common stock and \$4.25 Preferred Stock are listed on the New York Stock Exchange. The trading symbol for

the common stock is CL. Dividends on the common stock have been paid every year since 1895, and the amount of dividends paid per share has increased for 37 consecutive years.

Market Price	Common Stock				\$4.25 Preferred Stock			
	1999		1998		1999		1998	
	High	Low	High	Low	High	Low	High	Low
Quarter Ended								
March 31	\$47.06	\$37.53	\$43.90	\$33.94	\$89.50	\$86.75	\$79.50	\$72.50
June 30	52.41	45.78	45.72	41.22	87.50	85.50	81.00	76.50
September 30	58.38	45.75	48.47	32.78	88.00	86.00	87.00	80.50
December 31	65.00	47.81	47.37	34.00	91.00	87.00	88.00	85.00
Closing Price	\$65.00		\$46.44		\$87.00		\$88.00	

Dividends Paid Per Share

Quarter Ended	1999	1998	1999	1998
March 31	\$1.1375	\$1.1375	\$1.0625	\$1.0625
June 30	.1375	.1375	1.0625	1.0625
September 30	.1575	.1375	1.0625	1.0625
December 31	.1575	.1375	1.0625	1.0625
Total	\$5.59	\$5.55	\$4.25	\$4.25

Colgate People: Powering Global Strategy



Board of Directors:

Reuben Mark

Jill K. Conway

Ronald E. Ferguson

Ellen M. Hancock

David W. Johnson

Your Board of Directors

Reuben Mark

Chairman of the Board and Chief Executive Officer of Colgate-Palmolive Company. Mr. Mark joined Colgate in 1963 and held a series of significant positions in the United States and abroad before being elected CEO in 1984. Elected director in 1983. Age 61

Jill K. Conway

Visiting Scholar, Program in Science, Technology and Society at Massachusetts Institute of Technology since 1985. Mrs. Conway was President of Smith College from 1975 to 1985. Elected director in 1984. Age 65

Ronald E. Ferguson

Chairman and Chief Executive Officer of General Re Corporation since 1987. Mr. Ferguson has been with General Re since 1969. Elected director in 1987. Age 58

Ellen M. Hancock

President and Chief Executive Officer, Exodus Communications, Inc. Mrs. Hancock previously was Executive Vice President of Research and Development and Chief Technology Officer at Apple Computer Inc., 1996-1997, Executive Vice President and Chief Operating Officer at National Semiconductor, 1995-1996, and Senior Vice President at IBM. Elected director in 1988. Age 56

David W. Johnson

Chairman Emeritus of Campbell Soup Company. Mr. Johnson was Chairman of Campbell Soup Company, 1993-1999, and was Campbell President and Chief Executive Officer, 1990-1997. From 1987 to 1990, he served as Chairman and Chief Executive Officer of Gerber Products Company. Elected director in 1991. Age 67

John P. Kendall

Officer, Faneuil Hall Associates, Inc., a private investment company, since 1973. Mr. Kendall is a former Chairman of The Kendall Company. He joined that company in 1956 and held a series of significant positions. Elected director in 1972. Age 71

Audit Committee

Ronald E. Ferguson, Chair
Jill K. Conway
Ellen M. Hancock
John P. Kendall
Howard B. Wentz, Jr.

Committee on Directors

David W. Johnson, Chair
Jill K. Conway
John P. Kendall
Howard B. Wentz, Jr.

Finance Committee

Howard B. Wentz, Jr., Chair
Ronald E. Ferguson
Ellen M. Hancock

Richard J. Kogan

Chairman and Chief Executive Officer of Schering-Plough Corporation since 1998. Mr. Kogan joined Schering-Plough as Executive Vice President, Pharmaceutical Operations, in 1982 and then became President and Chief Operating Officer of that company in 1986 and President and Chief Executive Officer in 1996. Elected director in 1996. Age 58

Howard B. Wentz, Jr.

Chairman of Tambrands, Inc., 1993-1996. Mr. Wentz was Chairman of ESSTAR Incorporated, 1989-1995, and Chairman, President and Chief Executive Officer of Amstar Company, 1983-1989. Elected director in 1982. Age 70

John P. Kendall
Richard J. Kogan
Reuben Mark

Personnel and Organization Committee

Jill K. Conway, Chair
Ronald E. Ferguson
David W. Johnson
John P. Kendall

Your Management Team

Reuben Mark, 61
Chairman of the Board and Chief Executive Officer

See biographical information, left.

William S. Shanahan, 59
President and Chief Operating Officer

Mr. Shanahan joined Colgate in 1965 and held a series of important positions in the United States and abroad. These include Vice President-General Manager for the Western Hemisphere and Group Vice President for Europe/Africa, Colgate-U.S. and other countries. He was elected Chief Operating Officer in 1989 and President in 1992.

Lois D. Juliber, 51
Executive Vice President, Chief of Operations, Developed Markets

Ms. Juliber joined Colgate in 1988 from General Foods, where she was Vice President. Before being promoted to her current position in 1997, she had been President of the Far East/Canada division, Chief Technological Officer and President of Colgate-North America.

David A. Metzler, 57
Executive Vice President, Chief of Operations, High Growth Markets

Mr. Metzler joined Colgate in 1965. Before being named to his current position in 1997, he was President of Colgate-Europe and previously President of Colgate-Latin America. Earlier, he had responsibilities for operations in Canada, South Pacific, Africa and India.

Stephen C. Patrick, 50
Chief Financial Officer

Joined Colgate in 1982 after having been a Manager at Price Waterhouse. Before being named CFO in 1996, Mr. Patrick held a series of key financial positions, including Vice President and Corporate Controller and Vice President-Finance for Colgate-Latin America.

John T. Reid, 59
Chief Technological Officer

Joined Colgate in 1982 as Vice President of Strategic Planning from Pfizer Corporation. Before being named to his current position in 1997, Dr. Reid had also served as General Manager of Colgate-Greece, Vice President and General Manager of Colgate-United Kingdom and Vice President of the South Pacific region.

Andrew D. Hendry, 52
Senior Vice President, General Counsel and Secretary

Joined Colgate in 1991 from Unisys, where he was Vice President and General Counsel. A graduate of Georgetown University and NYU Law School, Mr. Hendry has also been a corporate attorney at the Battle & Fowler law firm in New York City and at Reynolds Metals Company.

Emilio Alvarez-Recio
VP, Advertising

Charles W. Beck
VP, Global Materials, Logistics and Sourcing

Steven R. Belasco
VP, Taxation and Real Estate

David P. Bencze
VP, Colgate-Europe

Philip A. Berry
VP, Colgate-Europe

Robert E. Blanchard
VP, Global Toothbrush Division

John H. Boume
VP, Colgate-North America

Johannes C. Brouwer
VP, Turkiye

Nigel B. Burton
VP, United Kingdom & Ireland

Antonio Caro
VP, Worldwide Sales

Jose-Maria Castro
VP, Colgate-Europe

Peter C. Chase
VP, Colgate-Latin America

James H. Clark
VP, Colgate-Africa/Middle East

Ian M. Cook
President, Colgate-North America

Michael A. Corbo
VP, Colgate-Central Europe & Russia

Graeme D. Dalziel
VP, Portugal

S. Peter Dam
President, Colgate-Asia Pacific

* Corporate Officer



John P. Kendall

Richard J. Kogan

Howard B. Wentz, Jr.

Congratulations...Delano E. Lewis Leaves Colgate's Board on appointment as Ambassador to South Africa

Colgate congratulates former Director Delano Lewis on his significant new appointment as the U.S. Ambassador to South Africa. In this new position, Mr. Lewis by law had to resign from Colgate's Board. We are deeply indebted for his many contributions as a Director and as Chairman of the Board's Committee on Directors. We thank Mr. Lewis for over eight years of service and wish him all the best in continuing his distinguished career.



Delano E. Lewis

Edward C. Davis
VP, Budget and Planning

Herbert L. Davis
VP, Technology

Alec de Guilleuchmidt
VP, Nordic Group

Coloman de Hegedus
President, Colgate-Africa/Middle East

Virginia M. Dotzauer
VP, Hill's Pet Nutrition

Joseph A. Douglas
VP, Hill's Pet Nutrition

Dale A. Dvorak
VP, Colgate-Latin America

Steven E. Elliott
VP, Thailand

Hector I. Erezuma
VP, International Taxes

James E. Farrell, Jr.
VP, Legal

Guillermo M. Fernandez
VP, Mexico

James S. Figura
VP, Colgate-U.S.

Edward J. Filusch
VP, Treasury

Stephen J. Fogarty
VP, Oral Care

Chester P.W. Fong
VP, Greater China

Abdul Gaffar
VP, Research and Development

Robert Galan
VP, Philippines

Jill Garrity
VP, Colgate-Europe

James J. Gerchow
VP, Colgate-Africa/Middle East

Nina D. Gillman
VP, Legal

Walter H. Golembeski
VP, Colgate-Asia Pacific

Stefan S. Gorkin
VP, Labor Relations

David R. Groener
VP, Colgate-North America

Karen Guerra
VP, France

Luis Gutierrez
VP, Central America

Jack J. Haber
VP, Chief Web Officer

Tarek S. Hallaba
VP, Colgate-U.S.

Suzan F. Harrison
VP, Colgate-U.S.

Richard F. Hawkins
President, Hill's-International

Brian J. Heidtke
VP, Finance and Corporate Treasurer

Jean-Mathieu Hellich
VP, Colgate-Europe

Dennis J. Hickey
VP, Corporate Controller

Sheila A. Hopkins
VP, Colgate-U.S.

William A. Houlzet
VP, Argentina

Stuart A. Hulke
VP, Technology

John J. Huston
VP, Office of the Chairman

N. Jay Jayaraman
VP, Oral Care

Scott W. Jeffrey, Jr.
VP, Colombia

Robert J. Joy
VP, Global Human Resources

Jules P. Kaufman
VP, Legal

Robert G. Kirkpatrick
VP, Media

Betty M. Kong
VP, Technology

Yoshio Koshimura
VP, Hill's-Asia Pacific

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President, Fabric Care

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VP, Environmental Affairs, Occupational Health and Safety

Seng Aun Yeoh
VP, Malaysia

John E. Zoog
VP, Human Resources

* Corporate Officer

Shareholder Information

Corporate Offices

Colgate-Palmolive Company
300 Park Avenue
New York, New York 10022-7499
(212) 310-2000

Annual Meeting on Tuesday: Note Change

Colgate shareholders are invited to attend our annual meeting. It will be **Tuesday, May 9, 2000** at 10:00 a.m. in the Broadway Ballroom of the Marriott Marquis Hotel, Sixth Floor, Broadway at 45th Street, New York, New York.

Stock Exchanges

The common stock of Colgate-Palmolive Company is listed and traded on The New York Stock Exchange under the symbol CL and on other world exchanges including those in Amsterdam, Frankfurt, London, Paris and Zurich.



All financial information such as financial results, dividend news and other information is available on Colgate's Internet Site: <http://www.colgate.com>

Colgate also offers earnings information, dividend news and other corporate announcements toll-free at **1-800-850-2654**. The information can be read to the caller and can also be received by mail or fax.

Transfer Agent and Registrar

Our transfer agent can assist you with a variety of shareholder services, including change of address, transfer of stock to another person, questions about dividend checks or Colgate's Dividend Reinvestment Plan.

Attn: Colgate-Palmolive Company
First Chicago Trust Company of New York
a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500
TOLL-FREE: 1-800-756-8700
FAX: (201) 222-4842
E-mail: equiserve@equiserve.com
Internet address: <http://www.equiserve.com>
Hearing Impaired: TDD: (201) 222-4955

Dividend Reinvestment Plan

Colgate offers an automatic Dividend Reinvestment Plan for common and \$4.25 preferred stockholders and a voluntary cash feature. Any brokers' commissions or service charges for stock purchases under the Plan are paid by Colgate-Palmolive. Shareholders can sign up for this Plan by contacting our transfer agent, listed above.

Independent Public Accountants

Arthur Andersen LLP

Investor Relations/Reports

Copies of annual or interim reports, product brochures, Form 10-K and other publications are available from the Investor Relations Department:

- by mail directed to the corporate address
 - by e-mail, investor_relations@colpal.com
 - by calling 1-800-850-2654 or by calling Investor Relations at (212) 310-3207
- Investors with other requests:
- please write Investor Relations at the corporate address or call (212) 310-2575
- Institutional investors:
- call Bina Thompson at (212) 310-3072

Other Reports

You can obtain a copy of Colgate's Environmental Policy Statement, Code of Conduct, Advertising Placement Policy Statement, Product Safety Research Policy or our 1999 Report of Laboratory Research with Animals by writing to Consumer Affairs at Colgate-Palmolive.

Corporate Responsibility

Colgate-Palmolive does business in over 200 countries and territories worldwide, affecting the lives of a highly diverse population of employees, consumers, shareholders, business associates and friends. We are committed to the highest standard of ethics, fairness and humanity in all our activities and operations. All employees are guided by a worldwide Code of Conduct, which sets forth Colgate policies on important issues such as nondiscriminatory employment, involvement in community and educational programs, care for the environment, employee safety, and our relationship with consumers, shareholders and government.

Environmental Policy

Colgate-Palmolive is committed to the protection of the environment everywhere. Our commitment is an integral part of Colgate's mission to become the best truly global consumer products company. We continue to work on developing innovative environmental solutions in all areas of our business around the world. The health and safety of our customers, our people and the communities in which we live and operate is paramount in all that we do. Colgate-Palmolive's concern has been translated into many varied programs dealing with employee safety, our products, packaging, facilities and business decisions. Extensive worker training programs, a comprehensive audit program, and projects such as concentrated cleaners and detergents, refill packages, recycled and recyclable bottles, and packaging materials are all part of our commitment behind this important endeavor.

Eleven-Year Financial Summary⁽¹⁾

Dollars In Millions Except Per Share Amounts

Continuing Operations

Net sales

Results of operations:

Net income

Per share, basic

Per share, diluted

Depreciation and amortization expense

Financial Position

Current ratio

Property, plant and equipment, net

Capital expenditures

Total assets

Long-term debt

Shareholders' equity

Share and Other

Book value per common share

Cash dividends declared and paid per common share

Closing price

Number of common shares outstanding (in millions)

Number of shareholders of record:

\$4.25 Preferred

Common

Average number of employees

- (1) All share and per share amounts have been restated to reflect the 1999, 1997 and 1991 two-for-one stock splits.
- (2) Income in 1995 includes a net provision for restructured operations of \$369.2. (Excluding this charge, earnings per share would have been \$.89, basic and \$.84, diluted.)
- (3) Income in 1994 includes a one-time charge of \$5.2 for the sale of a non-core business, Princess House.
- (4) Income in 1993 includes a one-time impact of adopting new mandated accounting standards, effective in the first quarter of 1993, of \$358.2. (Excluding this charge, earnings per share would have been \$.84, basic and \$.79, diluted.)
- (5) Income in 1991 includes a net provision for restructured operations of \$243.0. (Excluding this charge, earnings per share would have been \$.64, basic and \$.60, diluted.)

1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
\$9,118.2	\$8,971.6	\$9,056.7	\$8,749.0	\$8,358.2 ⁽²⁾	\$7,587.9	\$7,141.3	\$7,007.2	\$6,060.3	\$5,691.3	\$5,038.8
937.3	848.6	740.4	635.0	172.0 ⁽²⁾	580.2 ⁽³⁾	189.9 ⁽⁴⁾	477.0	124.9 ⁽⁵⁾	321.0	280.0
1.57	1.40	1.22	1.05	.26 ⁽²⁾	.96 ⁽³⁾	.27 ⁽⁴⁾	.73	.19 ⁽⁵⁾	.57	.50
1.47	1.30	1.13	.98	.25 ⁽²⁾	.89 ⁽³⁾	.26 ⁽⁴⁾	.68	.19 ⁽⁵⁾	.53	.47
340.2	330.3	319.9	316.3	300.3	235.1	209.6	192.5	146.2	126.2	97.0
1.0	1.1	1.1	1.2	1.3	1.4	1.5	1.5	1.5	1.4	1.9
2,551.1	2,589.2	2,441.0	2,428.9	2,155.2	1,988.1	1,766.3	1,596.8	1,394.9	1,362.4	1,105.4
372.8	389.6	478.5	459.0	431.8	400.8	364.3	318.5	260.7	296.8	210.0
7,423.1	7,685.2	7,538.7	7,901.5	7,642.3	6,142.4	5,761.2	5,434.1	4,510.6	4,157.9	3,536.5
2,243.3	2,300.6	2,340.3	2,786.8	2,992.0	1,751.5	1,532.4	946.5	850.8	1,068.4	1,059.5
1,833.7	2,085.6	2,178.6	2,034.1	1,679.8	1,822.9	1,875.0	2,619.8	1,866.3	1,363.6	1,123.2
3.14	3.53	3.65	3.42	2.84	3.12	3.10	4.05	3.13	2.53	2.10
.59	.55	.53	.47	.44	.39	.34	.29	.26	.23	.20
65.00	46.44	36.75	23.06	17.56	15.84	15.59	13.94	12.22	9.22	7.94
578.9	585.4	590.8	588.6	583.4	577.6	597.0	641.0	589.4	532.8	528.8
275	296	320	350	380	400	450	470	460	500	500
44,600	45,800	46,800	45,500	46,600	44,100	40,300	36,800	34,100	32,000	32,400
37,200	38,300	37,800	37,900	38,400	32,800	28,000	28,800	24,900	24,800	24,100



Middle East **Gulf States: Building** **Toothpaste Sales**

Distribution outreach is building the popularity of Colgate toothpaste in traditional trade outlets near Dubai. Having established a strong presence in the modern trade sector, Colgate-Gulf States is now focusing on obtaining overall leadership of the toothpaste category.

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