

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended June 30, 1998.

OR

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

For the transition period from _____ to _____ .

Commission File Number 1-644

COLGATE-PALMOLIVE COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

13-1815595

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

300 PARK AVENUE, NEW YORK, NEW YORK

10022

(Address of principal executive offices) (Zip Code)

(212) 310-2000

(Registrant's telephone number, including area code)

NO CHANGES

(Former name, former address, and former fiscal year, if changed since last report).

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

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practical date:

Class	Shares Outstanding	Date
Common, \$1.00 par value	295,701,719	July 31, 1998

Total number of sequentially numbered pages in this filing, including exhibits thereto:

PART I. FINANCIAL INFORMATION

COLGATE-PALMOLIVE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Millions Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Net sales	\$ 2,256.5	\$ 2,300.9	\$ 4,416.0	\$ 4,448.0
Cost of sales	1,083.9	1,132.8	2,119.9	2,199.3
Gross profit	1,172.6	1,168.1	2,296.1	2,248.7
Selling, general and administrative expenses	824.7	854.6	1,605.8	1,628.7
Interest expense	51.0	58.7	101.3	116.3
Interest income	(6.9)	(11.7)	(14.0)	(23.6)
Income before income taxes	303.8	266.5	603.0	527.3
Provision for income taxes	100.3	90.7	203.5	181.9
Net income	\$ 203.5	\$ 175.8	\$ 399.5	\$ 345.4
Earnings per common share:				
Basic	\$.67	\$.58	\$ 1.32	\$ 1.14
Diluted	\$.62	\$.54	\$ 1.22	\$ 1.06
Dividends declared per common share*	\$ --	\$ --	\$.55	\$.51

* Includes two dividend declarations in the first quarter periods.

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Millions)
 (Unaudited)

	ASSETS	
	June 30, 1998	December 31, 1997
Current Assets:		
Cash and cash equivalents	\$ 176.1	\$ 183.1
Marketable securities	27.5	22.2
Receivables (net of allowances of \$36.9 and \$35.8)	1,134.9	1,037.4
Inventories	716.4	728.4
Other current assets	253.0	225.4
	-----	-----
	2,307.9	2,196.5
	-----	-----
Property, plant and equipment, at cost:	3,895.2	3,798.4
Less: Accumulated depreciation	1,441.7	1,357.4
	-----	-----
	2,453.5	2,441.0
	-----	-----
Goodwill and other intangible assets (net of accumulated amortization of \$516.5 and \$475.0)	2,540.2	2,585.3
Other assets	319.3	315.9
	-----	-----
	\$ 7,620.9	\$ 7,538.7
	-----	-----
	-----	-----

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Millions)
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 1998 -----	December 31, 1997 -----
Current Liabilities:		
Notes and loans payable	\$ 143.8	\$ 158.4
Current portion of long-term debt	89.5	178.3
Accounts payable	693.4	716.9
Accrued income taxes	133.8	67.0
Other accruals	810.6	838.9
	-----	-----
	1,871.1	1,959.5
	-----	-----
Long-term debt	2,490.0	2,340.3
Deferred income taxes	280.0	284.5
Other liabilities	762.9	775.8
Shareholders' equity:		
Preferred stock	379.5	385.3
Common stock	366.4	366.4
Additional paid-in capital	1,088.8	1,027.4
Retained earnings	3,362.9	3,138.0
Cumulative foreign currency translation adjustments	(712.2)	(693.7)
	-----	-----
	4,485.4	4,223.4
Unearned compensation	(360.1)	(364.5)
Treasury stock, at cost	(1,908.4)	(1,680.3)
	-----	-----
	2,216.9	2,178.6
	-----	-----
	\$ 7,620.9	\$ 7,538.7
	-----	-----

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

AND

CUMULATIVE TRANSLATION ADJUSTMENT

(Dollars in Millions Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30, 1998			Three Months Ended June 30, 1997		
	Retained Earnings	Cumulative Translation Adjustment	Total	Retained Earnings	Cumulative Translation Adjustment	Total
Beginning balance, April 1	\$ 3,168.8	\$ (689.8)	\$ 2,479.0	\$ 2,749.6	\$ (550.9)	\$ 2,198.7
Net income	203.5		203.5	175.8		175.8
Effect of balance sheet translation		(22.4)	(22.4)		(4.2)	(4.2)
Total comprehensive income			181.1			171.6
Dividends	(9.4)		(9.4)	(9.5)		(9.5)
Ending balance, June 30	\$ 3,362.9	\$ (712.2)	\$ 2,650.7	\$ 2,915.9	\$ (555.1)	\$ 2,360.8

	Six Months Ended June 30, 1998			Six Months Ended June 30, 1997		
	Retained Earnings	Cumulative Translation Adjustment	Total	Retained Earnings	Cumulative Translation Adjustment	Total
Beginning balance, January 1	\$ 3,138.0	(693.7)	\$ 2,444.3	\$ 2,731.0	\$ (534.7)	\$ 2,196.3
Net income	399.5		399.5	345.4		345.4
Effect of balance sheet translation		(18.5)	(18.5)		(20.4)	(20.4)
Total comprehensive income			381.0			325.0
Dividends	(174.6)		(174.6)	(160.5)		(160.5)
Ending balance, June 30	\$ 3,362.9	(712.2)	\$ 2,650.7	\$ 2,915.9	\$ (555.1)	\$ 2,360.8

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions)
(Unaudited)

	Six Months Ended June 30,	
	1998	1997
Operating Activities:		

Net cash provided by operating activities	\$ 480.9	\$ 426.8

Investing Activities:		

Capital expenditures	(157.5)	(197.6)
Payments for acquisitions, net of cash acquired	(.7)	(16.9)
Sale of non-core product lines	5.0	20.6
Purchases/Proceeds from sale of marketable securities and other investments, net	(6.4)	44.2
Other, net	(8.9)	(12.9)
Net cash used for investing activities	(168.5)	(162.6)

Financing Activities:		

Principal payments on debt	(315.3)	(249.3)
Proceeds from issuance of debt, net	346.5	159.6
Dividends paid	(174.6)	(160.5)
Purchase of common stock	(173.7)	(49.5)
Other, net	(2.1)	24.8
Net cash used for financing activities	(319.2)	(274.9)

Effect of exchange rate changes on cash and cash equivalents	(.2)	(3.2)
Net decrease in cash and cash equivalents	(7.0)	(13.9)
Cash and cash equivalents at beginning of period	183.1	248.2
Cash and cash equivalents at end of period	\$ 176.1	\$ 234.3
	-----	-----

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Millions Except Per Share Amounts)
(Unaudited)

1. The condensed consolidated financial statements reflect all normal recurring adjustments which, in management's opinion, are necessary for a fair presentation of the results for interim periods. Results of operations for the interim periods may not be representative of results to be expected for a full year.
2. Provision for certain expenses, including income taxes, media advertising, consumer promotion and new product introductory costs, are based on full year assumptions. Such expenses are charged to operations in the year incurred and are included in the accompanying condensed consolidated financial statements in proportion with the passage of time or with estimated annual tax rates or annual sales.
3. Inventories by major classes were as follows:

	June 30, 1998	December 31, 1997
Raw material and supplies	\$ 260.6	\$ 261.0
Work-in-process	34.8	33.5
Finished goods	421.0	433.9
	\$ 716.4	\$ 728.4

4. Earnings Per Share:

For the Three Months Ended

	June 30, 1998			June 30, 1997		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$203.5			\$175.8		
Preferred dividends	(5.2)			(5.2)		
Basic EPS	198.3	296.0	\$.67	170.6	295.3	\$.58
Stock options		7.2			6.7	
ESOP conversion	4.6	22.6		4.6	23.1	
Diluted EPS	\$202.9	325.8	\$.62	\$175.2	325.1	\$.54

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Millions Except Per Share Amounts)
(Unaudited)

	For the Six Months Ended					
	June 30, 1998			June 30, 1997		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$399.5			\$345.4		
Preferred dividends	(10.5)			(10.6)		
	-----			-----		
BASIC EPS	389.0	295.8	\$1.32	334.8	294.9	\$1.14
			-----			-----
Stock options		7.3			6.5	
ESOP conversion	9.2	22.6		9.2	23.1	
	-----	-----	-----	-----	-----	-----
DILUTED EPS	\$398.2	325.7	\$1.22	\$344.0	324.5	\$1.06
	-----	-----	-----	-----	-----	-----

5. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 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 133 is effective, prospectively, for fiscal years beginning after June 15, 1999.

The Company is currently evaluating the effect of adopting Statement 133 on the Company's financial statements.

6. Reference is made to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year 1997 for a complete set of financial notes including the Company's significant accounting policies.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

(Dollars in Millions Except Per Share Amounts)

Results of Operations

Worldwide sales reached \$2,256.5 in the second quarter of 1998, a 2% decrease over the 1997 second quarter, reflecting a decline in foreign currencies offset by unit volume gains of 3%. Sales would have risen 5%, excluding the negative effect of foreign exchange.

Sales in the Oral, Personal and Household Care segment were \$2,013.4 down 2% from 1997 on volume growth of 3%.

Colgate-Latin America sales increased 2% to \$609.2 on volume gains of 7%. Mexico, Brazil, Colombia, Peru, Ecuador, and Central America led the region with strong volume gains. Successful products, such as Colgate Double Cool Stripe toothpaste, Colgate Sensation whitening toothpaste, Caprice Naturals and Botanicals hair care products, and consumption-building programs are strengthening the region's market shares.

Colgate-North America sales reached \$523.6 in the second quarter of 1998. Sales excluding divested businesses, grew 9% on volume gains of 8%. Contributing to strong growth were increased advertising and the introduction of new products, such as Softsoap antibacterial hand gel, Speed Stick Ultimate odor-fighting antiperspirant, Lady Speed Stick gel, and the continued success of Colgate Total toothpaste, introduced at 1997 year-end.

Colgate-Europe second quarter sales decreased 3% to \$503.4. Sales declined due to lower European currencies. Italy, Greece, Belgium and Poland contributed to Europe's volume gains of 1%, while Russian volume decreased as a result of weak economic conditions.

Colgate-Asia/Africa second quarter sales decreased 14% to \$377.2, reflecting devalued local currencies and widespread economic contraction in this region. Unit volume decreased 3%, partially offset by healthy volume growth in China, Taiwan, Turkiye, and Australia.

Hill's Pet Nutrition segment experienced a 2% increase in sales on unit volume gains of 3%. Hill's-International benefited from new products, increased advertising in Japan and expanded selling activities in key European markets and the South Pacific. Hill's has experienced new product momentum particularly with Science Diet Feline Maintenance Savory Recipes, Science Diet Feline Maintenance Savory Cuts, and new Prescription Diet formulas through increased consumer awareness.

Sales in the Oral, Personal and Household Care segment for the six months ended June 30, 1998 were \$3,942.0, down 1% from the comparable period in 1997 on volume growth of 5%. Within this segment, Colgate-Latin America sales increased 5% on volume growth of 8%, Colgate-North America sales excluding divested businesses increased 7% on volume growth of 6%. Colgate-Europe sales decreased 2% on volume growth of 4% and Colgate-Asia/Africa sales declined 12% as unit volume was level.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

(Dollars in Millions Except Per Share Amounts)

Worldwide gross profit margin for the second quarter of 1998 increased to 52.0% from 50.8%. The Company continues to benefit from product mix, streamlining manufacturing costs, global sourcing and other cost reduction programs.

Selling, general and administrative (SG&A) expenses decreased as a percentage of sales to 36.5% in the second quarter of 1998 from 37.1% in 1997, and to 36.4% in the first half of 1998 from 36.6% in the first half of 1997. The SG&A decrease is the net result of cost reductions, increased other income, offset by increased advertising investment.

Earnings before interest and taxes (EBIT) increased 11% to \$347.9 in the 1998 second quarter, and reached a level of 15.4% of sales versus 13.6% in second quarter 1997. For the first half of 1998 EBIT increased 11.3% to \$690.3, a level of 15.6% of sales as compared to 12.7% in 1997.

Interest expense, net of interest income, decreased to \$44.1 in the 1998 second quarter as compared with \$47.0 in 1997, and to \$87.4 in the first half of 1998 compared with \$92.7 in 1997 primarily as a result of strong operating cash flows which helped to lower debt levels.

The effective tax rate for the second quarter 1998 was 33.0% versus 34.0% for the second quarter 1997. The effective rate for the first half of 1998 was 33.7% versus 34.5% for the same period in 1997. The rate in 1998 reflects continued benefits from the Company's tax planning strategies.

Net income for the second quarter 1998 increased 15.8% to \$203.5 or \$.67 per share compared with \$175.8 or \$.58 per share in the prior year. For the first half of 1998, net income increased 15.7% to \$399.5 or \$1.32 per share compared with \$345.4 or \$1.14 per share in the prior year.

Liquidity and Capital Resources

Net cash provided by operations increased 13% to \$480.9 in the 1998 first half compared with \$426.8 in the 1997 first half. The improvement was generated by the increase in operating profit and working capital management. At June 30, 1998, commercial paper outstanding was \$854.7, which was classified as long-term debt due to the Company's intent and ability to refinance these obligations on a long-term basis. 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) was unchanged from December 31, 1997, at 53%.

Reference should be made to the 1997 Annual Report on Form 10-K for additional information regarding liquidity and capital resources.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal matters refer to Note 17 to the consolidated financial statements on page 35 of the registrant's Annual Report on Form 10-K for the year ended December 31, 1997.

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

The Company's annual meeting of stockholders was held on May 7, 1998. The matters voted on and the results of the vote were as follows:

- (a) Jill K. Conway, Ronald E. Ferguson, Ellen M. Hancock, David W. Johnson, John P. Kendall, Richard J. Kogan, Delano E. Lewis, Reuben Mark and Howard B. Wentz, Jr. were elected directors of the Company.
The results of the vote were as follows:

	Votes Received	Votes Withheld
	-----	-----
Jill K. Conway	272,109,670	1,380,337
Ronald E. Ferguson	272,338,360	1,151,647
Ellen M. Hancock	272,315,691	1,174,316
David W. Johnson	272,313,515	1,176,492
John P. Kendall	272,029,301	1,460,706
Richard J. Kogan	272,328,580	1,161,427
Delano E. Lewis	272,278,147	1,211,860
Reuben Mark	272,192,903	1,297,104
Howard B. Wentz, Jr.	272,068,956	1,421,051

- (b) The selection of Arthur Andersen LLP as auditors for the year ending December 31, 1998 was approved. The results of the vote were as follows:

Votes For	Votes Against	Abstentions
-----	-----	-----
271,007,273	1,646,685	836,049

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits:

Exhibit 10-E(a)	Colgate-Palmolive Company Executive Severance Plan, as amended.
Exhibit 12	Ratio of Earnings to Fixed Charges.
Exhibit 27	Financial Data Schedule.

(b) Reports on Form 8-K.

None.

The exhibits indicated above which are not included with the Form 10-Q are available upon request and payment of a reasonable fee approximating the registrant's cost of providing and mailing the exhibits. Inquiries should be directed to:

Colgate-Palmolive Company
Office of the Secretary (10-Q Exhibits)
300 Park Avenue
New York, NY 10022-7499

SIGNATURE

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

COLGATE-PALMOLIVE COMPANY

(Registrant)

Principal Financial Officer:

August 12, 1998

/s/ Stephen C. Patrick

Stephen C. Patrick
Chief Financial Officer

Principal Accounting Officer:

August 12, 1998

/s/ Dennis J. Hickey

Dennis J. Hickey
Vice President and
Corporate Controller

September 14, 1989
as amended June 11, 1998

COLGATE-PALMOLIVE COMPANY
EXECUTIVE SEVERANCE PLAN, AS AMENDED AND RESTATED

1. PURPOSE.

The purpose of the Colgate-Palmolive Company Executive Severance Plan (the "Plan") is to provide executives who are in a position to contribute materially to the success of Colgate-Palmolive Company or any company at least 80% of whose voting shares are owned directly or indirectly by it (collectively, the "Company") with reasonable compensation in the event of their termination of employment with the Company under the circumstances described herein.

2. EFFECTIVE DATE.

The Plan, as amended and restated, is effective as of June 11, 1998.

3. ADMINISTRATION.

The Plan shall be administered by a Committee. Committee shall mean (i) prior to a Change of Control, the Committee appointed by the Board of Directors of the Company to control and manage the operation and administration of the Plan and (ii) following a Change of Control, the Committee described in (i) above as constituted immediately prior to the Change of Control with such changes in the membership thereof as may be approved from time to time following the Change of Control by a majority of the members of such Committee as constituted at the applicable time. The Company shall have no right to appoint members to or to remove members from the Committee following, or otherwise in connection with, a Change of Control. Any interpretation of the Plan or construction of any of its provisions by the Committee shall be final.

4. PARTICIPATION.

The Committee shall from time to time select the employees who are to participate in the Plan (the "Participants") from among those employees who are determined by the Committee to be in a position to contribute materially to the success of the Company. The Company shall advise each Participant of his participation in the Plan by a letter setting forth (i) the benefits to which the Participant would become entitled, (ii) the period, expressed in months, and during or for which the Participant would become entitled to such benefits which period shall not be less than 12 months nor more than 36 months (the "Earned Benefit Period") and (iii) such other terms, provisions and

conditions not inconsistent with the Plan as shall be determined by the Committee.

A Participant shall cease to be a Participant in the Plan upon termination of employment with the Company or, if earlier, upon termination of the Plan. Notwithstanding the foregoing, a Participant who terminates employment prior to termination of the Plan shall remain a Participant until receipt of all of the payments, if any, to which he is entitled under the terms hereof.

5. PAYMENTS UPON QUALIFIED TERMINATION OF EMPLOYMENT.

(a) receive an amount equal to the product of (i) the sum of (A) the Participant's annualized Monthly Base Salary at the rate in effect immediately prior to a Qualified Termination of Employment pursuant to Section 8(a)(i) or immediately prior to an Adverse Change in Conditions of Employment, as the case may be, or, if higher, at the highest rate in effect during the 90-day period preceding the Change of Control (for purposes of this Plan, Monthly Base Salary shall mean regular monthly salary as indicated by the Company's payroll records) and (B) the higher of (X) the highest annual bonus paid or payable to the Participant (either pursuant to the Company's Executive Incentive Compensation Plan or other bonus, incentive or compensation plan of the Company or otherwise) for any year during the five-year period ending immediately prior to the year in which the Qualified Termination of Employment occurs (provided, however, that if such five-year period includes the year in which the Change of Control occurs, then the annual bonus paid or payable for such year shall be deemed to be the higher of the said bonus actually paid or payable and the bonus that would have been paid for such year, determined as if all earnings, profit and other goals (whether established for the Participant or the Company), if any, had been met for such year and as if the Participant's employment had continued through the end of such year on the same basis as immediately prior to the Change of Control) and (Y) the bonus that would have been paid to the Participant (either pursuant to the Company's Executive Incentive Compensation Plan or other bonus, incentive or compensation plan of the Company or otherwise) for the year in which the Qualified Termination of Employment occurs, determined as if all earnings, profit or other goals (whether established for the Participant or the Company), if any, had been met for such year and as if the Participant had continued to be employed by the Company through the end of such year on the same basis as immediately

prior to a Qualified Termination of Employment pursuant to Section 8(a)(i) or immediately prior to an Adverse Change in Conditions of Employment, as the case may be, and (ii) a fraction, the numerator of which is the number of months in his Earned Benefit Period and the denominator of which is twelve, provided, however, that such resulting amount shall be reduced if and to the extent required by the terms of Section 9 hereof; such amount shall be payable in an undiscounted cash lump sum within 30 days of the Participant's Qualified Termination of Employment;

- (b) remain for his Earned Benefit Period an active Participant in all welfare benefit plans, including but not limited to plans providing life insurance, disability, accident, sickness, and/or medical benefits, in which, and on the same basis as, he was participating at the time of the Change of Control (or, if more favorable to the Participant, as in effect at any time thereafter with respect to other key executives), but subject to any coordination of benefits provisions contained in such plans, or, alternatively, be provided with substantially similar benefits for such period; notwithstanding the foregoing, the Participant shall not be required to make any contributions to the cost of such plans or benefits;
- (c) receive a single cash lump sum within 30 days of the Participant's Qualified Termination of Employment which is the actuarial equivalent of a monthly retirement benefit commencing on the earliest date on which such Participant's benefits could commence under the Company's Employees Retirement Income Plan, but not prior to the end of his Earned Benefit Period or age 65, whichever occurs first, in the form of a straight life annuity in an amount equal to the excess of (i) the benefits under the Employees Retirement Income Plan and the Supplemental Salaried Employees Retirement Plan or any successor plans thereto to which the Participant would have been entitled in the form of a straight life annuity (plus the value of any additional spouse's benefit) commencing on the earliest date on which such benefits could have commenced if he had remained in the employ of the Company during his Earned Benefit Period or until age 65, whichever occurs first, at his Monthly Base Salary at the rate determined pursuant to (a)(i)(A) above and assuming for this purpose that all accrued benefits are fully vested and that benefit accrual formulas are no less advantageous to the Participant than those in effect during the 90-day period preceding the Change of Control over (ii) the benefits to which the Participant would actually be entitled under the Employees Retirement Income Plan and the Supplemental Salaried Employees Retirement Plan if such benefits were paid in the form of a straight life annuity (plus the value of any additional spouse's benefit) commencing on the earliest date on which such benefits could actually commence; actuarial equivalence shall be determined using the Morgan Guaranty Trust Company of New York corporate base rate of interest and the mortality table used to determine benefits under the Employees Retirement Income Plan, both as in effect on the date of the Participant's

Qualified Termination of Employment; provided, however, that if more than one such mortality table is then in use, the mortality table that would result in the largest benefit to the Participant shall be used.

6. PAYMENTS UPON CHANGE OF CONTROL.

In the event of a Change of Control of the Company (and whether or not the Participant's employment terminates), a Participant shall be entitled, as compensation for services rendered (subject to any applicable payroll or other taxes required to be withheld) to:

- (a) receive for the year in which the Change of Control occurs a bonus (either pursuant to the Company's Executive Incentive Compensation Plan or other bonus, incentive or compensation plan of the Company or otherwise) equal to the product of (i) the amount determined pursuant to Section 5(a)(i)(B)(Y), provided, however, that if no such goals have been established for such year, the amount determined pursuant to Section 5(a)(i)(B)(X), and (ii) a fraction, the numerator of which is the number of months (or part thereof) in the period beginning January 1 of the year in which the Change of Control occurs and ending on the date of the Change of Control and the denominator of which is twelve; such bonus shall be payable in cash not later than March of the next following year or, if earlier, within 30 days of the Participant's Qualified Termination of Employment;
- (b) receive within 30 days following the Change of Control, all compensation amounts which the Participant has previously elected to defer.

7. EXERCISABILITY OF STOCK OPTIONS UPON CHANGE OF CONTROL.

In the event of a Change of Control (and whether or not the Participant's employment terminates), each stock option granted under any of the Company's stock option plans, whether or not otherwise exercisable as of such Change of Control, and that either was not granted in conjunction with a stock appreciation unit or was granted in conjunction with a stock appreciation unit whose value has been limited, shall be exercisable as of such Change of Control.

8. QUALIFIED TERMINATION OF EMPLOYMENT.

- (a) Qualified Termination of Employment with respect to any Participant shall mean termination of employment of the Participant with the Company, other than as a consequence of the death or Disability of the Participant, within two years after a Change of Control of the Company,

- (i) by the Company for any reason other than for Cause, or
 - (ii) by the Participant by reason of an Adverse Change in Conditions of Employment.
- (b) For the purpose of this Section, Cause shall mean serious, willful misconduct in respect of the Participant's obligations to the Company (including but not limited to final conviction for a felony or perpetration of a common law fraud) that has or is likely to result in material economic damage to the Company.
- (c) An Adverse Change in Conditions of Employment shall mean the occurrence of any of the following events:
- (i) change by the Company of the Participant's functions, duties or responsibilities, which change would cause the Participant's position with the Company to become one of less dignity, responsibility, importance or scope;
 - (ii) a reduction by the Company of the Participant's Monthly Base Salary as in effect immediately preceding the Change of Control or as the same may thereafter be increased from time to time;
 - (iii) failure by the Company to continue the Participant in any compensation or benefit plan in which, and on at least as favorable a basis as, he was participating immediately preceding the Change of Control or, if more favorable to the Participant, failure by the Company to provide for his participation in any compensation or benefit plan on a comparable basis and as in effect at any time thereafter with respect to other key employees;
 - (iv) the Company's requiring the Participant to be based anywhere other than within fifty (50) miles of the principal office location of the Participant prior to the Change of Control, except for required travel on the Company's business to an extent substantially consistent with business travel obligations of the Participant prior to the Change of Control.

A Participant's failure to object to a change described in (i), (ii), (iii) or (iv) shall not constitute a waiver of such change as an Adverse Change in Conditions of Employment. Any good faith determination by a Participant of an Adverse Change in Conditions of Employment shall be determinative.

- (d) For purposes of the Plan, a Change of Control of the Company shall mean the happening of any of the following events:
- (i) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of the common stock, par value \$1.00 per share, of the Colgate-Palmolive Company, a Delaware corporation (the "Parent Company") (the "Outstanding Company Common Stock"), or (B) the combined voting power of the then outstanding voting securities of the Parent Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition directly from the Parent Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Parent Company, (2) any acquisition by the Parent Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Parent Company or any corporation controlled by the Parent Company or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 8(d); or
 - (ii) a change in the composition of the Board of Directors of the Parent Company (the "Board") such that the individuals who, as of February 17, 1994, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 8(d), that any individual who becomes a member of the Board subsequent to February 17, 1994, whose election, or nomination for election by the Parent Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

- (iii) the approval by the stockholders of the Parent Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Parent Company ("Corporate Transaction") excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Common Stock and outstanding Company voting securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Parent Company or all or substantially all of the Parent Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, or the outstanding Common Stock and outstanding Company voting securities, as the case may be, (B) no Person (other than the Parent Company, any employee benefit plan (or related trust) of the Parent Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or
- (iv) the approval by the shareholders of the Parent Company of a complete liquidation or dissolution of the Parent Company.
- (e) Termination by the Company of a Participant's employment based on Disability shall mean termination because of absence from duties with the Company on a full time basis for 6 consecutive months, as a result of the Participant's incapacity due to physical or mental illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Participant or the Participant's legal representative (such agreement as to acceptability not to be withheld unreasonably).

9. CERTAIN REDUCTION IN PAYMENTS.

For purposes of this Section 9, (i) Payment shall mean any payment or distribution in the nature of compensation to or for the benefit of the Participant (whether paid or payable pursuant to the Plan or otherwise, but determined without regard to any reductions required by this Section 9); (ii) Net After Tax Receipt shall mean the Present Value of a Payment net of all taxes imposed on the Participant with respect thereto under Sections 1 and 4999 of the Code, determined by applying the highest marginal rate under Section 1 of the Internal Revenue Code of 1986, as amended (the "Code"), which applied to the Participant's taxable income for the immediately preceding taxable year; (iii) Present Value shall mean such value determined in accordance with Section 280G(d)(4) of the Code; and (iv) Reduced Amount shall mean the smallest aggregate amount of Payments which (a) is less than the sum of all Payments and (b) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if the aggregate Payments were any other amount less than the sum of all Payments.

Anything in the Plan to the contrary notwithstanding, in the event Arthur Andersen LLP (the "Accounting Firm") shall determine that receipt of all Payments would subject the Participant to tax under Section 4999 of the Code, it shall determine whether some amount of Payments would meet the definition of a Reduced Amount. If the Accounting Firm determines that there is a Reduced Amount, the aggregate Payments shall be reduced to such Reduced Amount. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Participant shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

If the Accounting Firm determines that aggregate Payments should be reduced to the Reduced Amount, the Company shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof, and the Participant may then elect which and how much of the Payments shall be eliminated or reduced (as long as after such election the present value of the aggregate Payments equals the Reduced Amount), and shall advise the Company in writing of such election within ten days of his receipt of notice. If no such election is made by the Participant within such ten-day period, the Company may elect which of such Payments shall be eliminated or reduced (as long as after such election the present value of the aggregate Payments equals the Reduced Amount) and shall notify the Participant promptly of such election. All determinations made by the Accounting Firm under this Section 9 shall be binding upon the Company and the Participant and shall be made within 15 business days of the date of termination of the Participant's

employment. As promptly as practicable following such determination, the Company shall pay to or distribute to or for the benefit of the Participant such Payments as are then due to the Participant and shall promptly pay to or distribute to or for the benefit of the Participant in the future such Payments as become due to the Participant.

While it is the intention of the Company and the Participant to reduce the amounts payable or distributable to the Participant hereunder only if the aggregate Net After Tax Receipts to the Participant would thereby be increased, as a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Participant pursuant to the Plan which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of the Participant pursuant to the Plan could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based either upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant which the Accounting Firm believes has a high probability of success or controlling precedent or other substantial authority determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for the benefit of the Participant shall be treated for all purposes as a loan ab initio to the Participant which the Participant shall repay to the Company together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided however, that no such loan shall be deemed to have been made and no amount shall be payable by the Participant to the Company if and to the extent such deemed loan and payment would not either reduce the amount on which the Participant is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

10. CONFIDENTIAL INFORMATION.

The Participant shall hold, in a fiduciary capacity for the benefit of the Company, all secret or confidential information, knowledge or data relating to the Company and its businesses which shall have been obtained by the Participant during his employment by the Company and which shall not be public knowledge (other than by acts of the Participant in violation of this provision). After termination of the Participant's employment with the Company, the Participant shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to any one other than the Company and those persons designated by it. In no

event shall an asserted violation of this Section constitute a basis for deferring or withholding any amounts otherwise payable to the Participant under the Plan.

11. FINANCING.

Benefit payments under the Plan shall constitute general obligations of the Company in accordance with the terms of the Plan. A Participant shall have only an unsecured right to payment thereof out of the general assets of the Company. Notwithstanding the foregoing, the Company may, by agreement with one or more trustees to be selected by the Company, create a trust on such terms as the Company shall determine to make payments to Participants in accordance with the terms of the Plan.

12. TERMINATION AND PAYMENT OF THE PLAN.

The Plan shall terminate on the later of (i) June 30, 2001, unless extended by the Board or (ii) in the event of a Change of Control of the Company on or before the termination date of the Plan, two years after such Change of Control, provided that the termination of the Plan shall not impair or abridge the obligations of the Company incurred under the Plan to any Participant.

Prior to a Change of Control, the Company may from time to time terminate the Plan or amend the Plan in whole or in part. At any time upon or after a Change of Control, the Plan may not be terminated or amended by the Company. The Plan may, however, be amended following a Change of Control by the Committee but only to the extent such amendment is required by law or is necessary or desirable to prevent adverse consequences to one or more Participants.

13. BENEFIT OF PLAN.

The Plan shall be binding upon and shall inure to the benefit of the Participant, his heirs and legal representatives, and the Company and its successors. The term "successor" shall mean any person, firm, corporation or other business entity that, at any time, whether by merger, acquisition or otherwise, acquires all or substantially all of the stock, assets or business of the Company.

14. NON-ASSIGNABILITY.

Each Participant's rights under this Plan shall be non-transferable except by will or by the laws of descent and distribution and except insofar as applicable law may otherwise require. Subject to the foregoing, no right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to

execution, attachment, levy or similar process, or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall, to the full extent permitted by law, be null, void and of no effect.

15. OTHER BENEFITS.

Except as otherwise specifically provided herein, nothing in the Plan shall affect the level of benefits provided to or received by any Participant (or the Participant's estate or beneficiaries) as part of any employee benefit plan of the Company, and the Plan shall not be construed to affect in any way a Participant's rights and obligations under any other plan maintained by the Company on behalf of employees.

The Participant shall not be required to mitigate the amount of any payment under the Plan by seeking employment or otherwise, and there shall be no right of set-off or counterclaim, in respect of any claim, debt or obligation, against any payments to the Participant, his dependents, beneficiaries or estate provided for in the Plan.

16. TERMINATION OF EMPLOYMENT.

Nothing in the Plan shall be deemed to entitle a Participant to continued employment with the Company, and the rights of the Company to terminate the employment of a Participant shall continue as fully as though the Plan were not in effect.

17. SEVERABILITY.

In the event that any provision or portion of the Plan shall be determined to be invalid or unenforceable for any reason, the remaining provisions and portions of the Plan shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

18. INDEMNIFICATION.

If the Participant seeks, in any action, suit or arbitration, to enforce, or to recover damages for breach of, his rights under the Plan, the Participant shall be entitled to recover from the Company promptly as incurred, and shall be indemnified by the

Company against, any and all expenses and disbursements, including attorneys' fees, actually and reasonably incurred by the Participant. The Company shall also pay to the Participant prejudgment interest on any money judgment obtained by the Participant calculated at the Morgan Guaranty Trust Company of New York corporate base rate of interest in effect from time to time from the date that payment to him should have been made under the Plan.

19. DELAWARE LAW TO GOVERN.

All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Delaware without regard to the conflict of law principles thereof.

COLGATE-PALMOLIVE COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Dollars in Millions (Unaudited)

	Six Months Ended June 30, 1998

Income before income taxes	\$603.0
Add:	
Interest on indebtedness and amortization of debt expense and discount or premium	101.3
Portion of rents representative of interest factor	15.8
Interest on ESOP debt, net of dividends	1.7
Less:	
Income of less than fifty-percent-owned subsidiaries	(2.6)
Income as adjusted	----- \$719.2 ----- -----
Fixed Charges:	
Interest on indebtedness and amortization of debt expense and discount or premium	\$101.3
Portion of rents representative of interest factor	15.8
Interest on ESOP debt, net of dividends	1.7
Capitalized interest	4.1
Total fixed charges	----- \$122.9 ----- -----
Ratio of earnings to fixed charges	----- 5.9 ----- -----

In June 1989, the Company's leveraged employee stock ownership plan ("ESOP") issued \$410.0 of long-term notes due through 2009 bearing an average interest rate of 8.6%. These notes are guaranteed by the Company. Interest incurred on the ESOP's notes during the first half of 1998 was \$16.5. This interest is funded through preferred and common stock dividends. The fixed charges presented above include interest on ESOP indebtedness to the extent it is not funded through preferred and common stock dividends.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY REPORT ON FORM 10-Q FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS			
	DEC-31-1998		
	JAN-01-1998		
	JUN-30-1998		176
		28	
		1172	
		37	
		716	
	253		3895
		1442	
		7621	
	1871		2490
	0		
		380	
		366	
		1471	
7621			4416
	4416		
			2120
		1606	
		0	
		0	
	87		
		603	
		204	
	0		
		0	
		0	
			0
		400	
		1.32	
		1.22	