

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(MARK ONE)

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

For the quarterly period ended September 30, 1996.

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 X No

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

Class	Shares Outstanding	Date
Common, \$1.00 par value	146,888,896	September 30, 1996

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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
Net sales	\$2,230.6	\$2,134.4	\$6,451.6	\$6,205.4
Cost of sales	1,135.8	1,109.7	3,292.5	3,230.8
Gross profit	1,094.8	1,024.7	3,159.1	2,974.6
Selling, general and administrative expenses	799.1	785.8	2,313.4	2,185.5
Provision for restructured operations	-	460.5	-	460.5
Interest expense	59.8	61.8	174.5	172.2
Interest income	(9.4)	(8.5)	(23.9)	(26.3)
	849.5	1,299.6	2,464.0	2,791.9
Income(loss)before income taxes	245.3	(274.9)	695.1	182.7
Income tax provision(benefit)	84.4	(24.7)	241.8	133.2
Net income (loss)	\$ 160.9	\$ (250.2)	\$ 453.3	\$ 49.5
Earnings(loss)per common share:				
Primary	\$ 1.06	\$ (1.76)	\$ 2.99	\$.23
Assuming full dilution	\$.99	\$ (1.76)	\$ 2.79	\$.23
Dividends declared per common share:	\$.47	\$.47	\$ 1.41	\$ 1.29

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS)
(UNAUDITED)

	ASSETS -----	DECEMBER 31, 1995
	SEPTEMBER 30, 1996	-----

Current Assets:		
Cash and cash equivalents	\$ 222.7	\$ 208.8
Marketable securities	94.7	47.8
Receivables (less allowance for doubtful accounts of \$32.9 and \$31.9)	1,146.4	1,116.9
Inventories	792.8	774.8
Other current assets	241.0	211.9
	-----	-----
	2,497.6	2,360.2
	-----	-----
Property, Plant and Equipment:		
Cost	3,773.9	3,599.4
Less: Accumulated depreciation	1,466.9	1,444.2
	-----	-----
	2,307.0	2,155.2
	-----	-----
Goodwill and other intangible assets (less accumulated amortization of \$364.1 and \$295.3)	2,733.3	2,741.7
Other assets	383.0	385.2
	-----	-----
	\$7,920.9	\$7,642.3
	-----	-----
	-----	-----

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS)
(UNAUDITED)

LIABILITIES AND SHAREHOLDERS' EQUITY

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	-----	-----
Current Liabilities:		
Notes and loans payable	\$ 285.4	\$ 204.4
Current portion of long-term debt	89.9	37.0
Accounts payable	695.3	738.7
Accrued income taxes	112.6	76.7
Other accruals	743.8	696.3
	-----	-----
	1,927.0	1,753.1
	-----	-----
Long-term debt	2,901.2	2,992.0
Deferred income taxes	226.8	237.3
Other liabilities	952.9	980.1
Shareholders' Equity:		
Preferred Stock	395.1	403.5
Common Stock	183.2	183.2
Additional paid-in capital	1,057.2	1,033.7
Retained earnings	2,628.2	2,392.2
Cumulative foreign currency translation adjustments	(532.5)	(513.0)
	-----	-----
	3,731.2	3,499.6
Unearned compensation	(371.6)	(378.0)
Treasury stock, at cost	(1,446.6)	(1,441.8)
	-----	-----
	1,913.0	1,679.8
	-----	-----
	\$7,920.9	\$7,642.3
	-----	-----
	-----	-----

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN MILLIONS)
(UNAUDITED)

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	1996	1995
	-----	-----
OPERATING ACTIVITIES:		
Net cash provided by operating activities	\$ 580.7	\$ 513.8
	-----	-----
INVESTING ACTIVITIES:		
Capital expenditures	(320.1)	(297.5)
Payments for acquisitions, net of cash acquired	(42.9)	(1,265.0)
Purchase of marketable securities, net	(46.9)	(5.8)
Other, net	27.6	(46.2)
	-----	-----
Net cash used for investing activities	(382.3)	(1,614.5)
	-----	-----
FINANCING ACTIVITIES:		
Principal payments on debt	(7.4)	(8.2)
Proceeds from issuance of debt, net	38.6	1,315.9
Purchase of common stock	(17.2)	(9.0)
Dividends paid	(217.3)	(197.8)
Proceeds from outside investors	8.5	32.4
Other, net	13.9	22.9
	-----	-----
Net cash (used for) provided by financing activities	(180.9)	1,156.2
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(3.6)	(1.4)
	-----	-----
Net increase in cash and cash equivalents	13.9	54.1
Cash and cash equivalents at beginning of period	208.8	169.9
	-----	-----
Cash and cash equivalents at end of period	\$ 222.7	\$ 224.0
	-----	-----

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

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- 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.
 - 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.

- Inventories by major classes were as follows:

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	-----	-----
Raw material and supplies	\$ 306.2	\$ 313.8
Work-in-process	40.0	38.3
Finished goods	446.6	422.7
	-----	-----
	\$ 792.8	\$ 774.8
	-----	-----
	-----	-----

- Primary earnings per share are determined by dividing net income, after deducting dividends on preferred stock, net of related tax benefits, by the weighted average number of common shares outstanding. Fully diluted earnings per common share are calculated assuming the conversion of all potentially dilutive securities, including convertible preferred stock and outstanding options. This calculation also assumes reduction of available income by pro forma ESOP replacement funding, net of income taxes.
- As described in Note 3 to the Company's consolidated financial statements included in its Annual Report on Form 10-K, Colgate-Palmolive acquired the worldwide Kolynos oral care business in January 1995. As previously announced and as described in Item 5 to this quarterly report, the antitrust regulatory authorities in Brazil approved the acquisition of the oral care business subject to certain conditions. The Company is studying these conditions and is developing proposals to submit to the Brazilian authorities regarding these conditions.

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

6. As described in Note 4 to the Company's consolidated financial statements included in its Annual Report on Form 10-K, Colgate-Palmolive recorded a charge for restructuring its worldwide manufacturing and administrative operations in September 1995. Reserves relating to this program totaled approximately \$310.5 and \$435.6 at September 30, 1996 and December 31, 1995, respectively. Management believes that the costs of the restructuring program will be financed through cash from operations and does not anticipate any significant impact on its liquidity as a result of the restructuring program.

7. Reference is made to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year 1995 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 \$2,230.6 in the third quarter of 1996, a 5% increase over the 1995 third quarter, reflecting overall volume gains of 6%.

Sales in the Oral, Personal and Household Care segment were \$2,009.1 up 4% from the third quarter of 1995 on volume growth of 5%. Excluding the effect of foreign exchange, sales would have increased 7%.

Colgate-Asia/Africa sales increased 4% to \$439.4 on volume gains of 5%. Contributing to this region's growth were sales increases in China, Hong Kong, Taiwan and Zimbabwe. Increased volume in India and South Africa was tempered by the effect of exchange rates.

Colgate-Europe sales were \$561.1, which was level with the third quarter of 1995 due to the strengthening of the U.S. Dollar. Excluding the effect of foreign exchange, sales increased 3% on volume growth of 4%. Germany, France, Spain, Poland, and Russia achieved strong volume gains.

Colgate-Latin America sales grew 9% to \$520.4 on volume gains of 8%. This growth was led by healthy sales increases in Argentina, Colombia, Brazil and Mexico, which is recovering from the currency devaluation and recession in 1995.

Colgate-North America sales grew 4% to \$488.2 with volume gains of 5% reflecting the continued market success of products such as Colgate Baking Soda & Peroxide toothpaste, Palmolive Antibacterial dishwashing liquid and Mennen Speed Stick gel deodorant.

Hill's Pet Nutrition sales increased 11% to \$221.5 on 6% volume growth from 1995 third quarter results which were slightly depressed due to Hill's completing its program to bring its distribution system in-house.

Worldwide sales for the first nine months of 1996 increased 4% to \$6,451.6 from \$6,205.4 in the same period of 1995, on 5% volume growth.

Oral, Personal and Household Care sales increased 3% to \$5,838.4 in the first nine months of 1996, on volume gains of 5%. Within this segment, Colgate-Asia/Africa sales increased 5% on volume growth of 7%. Colgate-Europe sales were flat primarily due to unfavorable currency losses offsetting 2% volume gains. Colgate-Latin America sales grew 5% on volume gains of 5%. Colgate-North America sales and volume grew 5%.

Hill's Pet Nutrition sales for the first nine months of 1996 increased 11% as compared to 1995 on 8% volume growth.

Worldwide gross profit margin for the 1996 third quarter increased to 49.1% from

COLGATE-PALMOLIVE COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

(Dollars in Millions Except Per Share Amounts)

48.0% reflecting cost reduction, changes in product mix, the initial benefits of the 1995 restructuring program and improved performance in Mexico. Gross profit margin for the first nine months increased to 49.0% from 47.9%.

Selling, general and administrative expenses as a percentage of sales decreased to 35.8% in 1996 from 36.8% in 1995 in the third quarter and increased to 35.9% from 35.2% in the first nine months due primarily to increased advertising, quarterly timing of expenses and cost savings.

As described in Note 4 to the Company's consolidated financial statements included in its Annual Report on Form 10-K, Colgate-Palmolive recorded a charge for restructuring its worldwide manufacturing and administrative operations in September 1995. The worldwide restructuring program resulted in a 1995 third quarter pretax charge of \$460.5 (\$369.2 net of tax), or \$2.54 per share for the 1995 third quarter and \$2.55 per share for the nine months.

Earnings before interest and taxes (EBIT) for the 1996 third quarter and nine month period increased 23.8% and 7.2% to \$295.7 and \$845.7, respectively, compared to \$238.9 and \$789.1 for the same periods in the prior year excluding the restructuring charge.

Interest expense, net of interest income, decreased to \$50.4 in the 1996 third quarter from \$53.3 in 1995 due to slightly lower debt levels. Interest expense, net increased to \$150.6 in the first nine months of 1996 from \$145.9 in 1995.

The effective tax rate for the 1996 third quarter and nine month period was 34.4% and 34.8%, compared with 35.9% and 34.9%, respectively for the same periods in the previous year excluding the restructuring charge.

Net income for the 1996 third quarter of \$160.9 was 35% higher than comparable 1995 net income of \$119.0 which excludes the one-time restructuring charge. Earnings per share for the 1996 third quarter increased 36% to \$1.06 from \$.78 in 1995 excluding the restructuring charge. For the nine months net income and earnings per share increased 8% to \$453.3 and \$2.99, respectively, excluding the 1995 restructuring charge.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at September 30, 1996 was \$570.6 as compared to \$607.1 at December 31, 1995 and \$737.3 at September 30, 1995. Net cash provided by operations increased to \$580.7 in the first nine months of 1996 compared with \$513.8 in the prior year due to higher profits and lower investment in working capital compared to the prior year. At September 30, 1996 commercial paper outstanding was \$968.2 which is classified as long-term due to the Company's intent and ability to refinance these obligations on a long-term basis.

Reference should be made to the 1995 Annual Report on Form 10-K for additional information regarding liquidity and capital resources.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Note 14 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 1995 and to Note 5 to the condensed consolidated financial statements included herein.

ITEM 5. OTHER INFORMATION

As described in Note 3 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 1995, the Company acquired the worldwide Kolynos oral care business in January 1995. The Brazilian portion of the acquisition has been under review by Brazilian antitrust regulatory authorities, the Brazilian Administrative Council of Economic Defense (CADE). On September 18, 1996, the CADE approved the transaction unconditionally as to the Brazilian toothbrush, dental floss and mouthwash markets. As to the Brazilian dental cream market, the CADE approved the transaction subject to the Company accepting one of several alternative conditions: (a) the suspension of the Kolynos trademark for toothpaste in Brazil for four years which could include, among other things, offering the Kolynos trademark to another party as a double brand, (b) the exclusive license of the Kolynos trademark for toothpaste in Brazil to a third party for twenty years or more, or (c) the sale of the Kolynos trademark for toothpaste in Brazil. The CADE also proposed terms with respect to each condition. The CADE published its decision in the Brazilian DIARIO OFICIAL on September 27, 1996 setting forth the details of these conditions, establishing the timing for implementing the conditions and imposing penalties for non-compliance. The Company is studying these conditions and is developing proposals to submit to the Brazilian authorities regarding these conditions. See also Note 5 to the Company's condensed consolidated financial statements, included herein.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

- Exhibit 10.V Colgate-Palmolive Company 1996 Stock Option Plan.
- Exhibit 11. Computation of Earnings per Common Share.
- Exhibit 12. Ratio of Earnings to Fixed Charges.
- Exhibit 27. Financial Data Schedule.

COLGATE-PALMOLIVE COMPANY

PART II. OTHER INFORMATION (CONTINUED)

(b) Reports on Form 8-K:

A report on Form 8-K dated September 19, 1996 was filed by the Company reporting the press release announcing the approval of the the Company's acquisition of the Kolynos oral care business in Brazil subject to certain conditions.

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)

October 25, 1996

/s/ Stephen C. Patrick

Stephen C. Patrick
Chief Financial Officer

COLGATE-PALMOLIVE COMPANY

1996 STOCK OPTION PLAN

Section 1. Purpose -- The purpose of the Colgate-Palmolive Company 1996 Stock Option Plan (the "Plan") is to promote the interests of Colgate-Palmolive Company (the "Company") and its stockholders by (a) providing incentives for employees, (b) encouraging stock ownership by employees by providing them with a means to acquire a proprietary interest in the Company, and (c) aiding in attracting and retaining employees of the caliber necessary for the continued growth and profitability of the Company.

Section 2. Administration -- The Plan shall be administered by a Committee (the "Committee") consisting of not less than three directors of the Company to be appointed from time to time by the Board of Directors. Each member of the Committee shall be a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended. The Committee shall administer and interpret the Plan and may establish and amend rules and regulations therefor. The Committee shall select participants and determine the amounts, times, forms, terms and conditions of grants. Any decision made or action taken by the Committee arising out of or in connection with the interpretation or administration of the Plan shall be final and conclusive. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan.

Section 3. Grants -- (a) Grants under the Plan may be in the form of options to purchase shares of the Company's common stock, stock appreciation units and equity units. Limited rights, as described in section 12, may also be granted. Options, stock appreciation units, equity units and limited rights are herein called "stock incentives". Stock incentives may be granted from time to time under the Plan for up to an aggregate of 1,800,000 shares of common stock of the Company plus the number of shares. Either authorized but unissued shares or reacquired shares may be used for grants. The Company may purchase shares required for this purpose. The number of shares of common stock available under the Plan shall be reduced by the number of shares subject to options and, if stock appreciation units and equity units are granted other than in conjunction with options, the number of stock appreciation units and equity units granted, and increased by the number of shares subject to options that terminate or are cancelled other than as a result of the exercise of a stock incentive granted in conjunction with such options and the number of stock appreciation units and equity units granted in conjunction with options, that terminate or are cancelled. In no event will the determination of the number of shares available be calculated in a manner inconsistent with applicable laws and regulations as in effect from time to time.

(b) The Committee, in its discretion, may, from time to time, implement, amend or terminate a stock option replacement feature to the Plan, as provided for herein (the "Stock Option Replacement Feature"). When implemented, the Stock Option

Replacement Feature shall provide that if a Participant exercises an option or a portion thereof by using shares of common stock in payment of the option price (which shares shall have been owned by the Participant for at least six (6) months), the Participant shall, without further action by the Committee, be granted a new option (a "Replacement Option") to purchase shares of common stock equal to the number of shares of common stock used in payment of the exercise price and the number of shares withheld for tax in respect of the exercise. The grant of the Replacement Option shall occur, simultaneous with the exercise of the option in accordance with the conditions hereof, and shall have an option price equal to the fair market value of the common stock on the date of grant of the Replacement Option. Replacement Options may be granted under this Plan upon exercise of options granted pursuant to the 1987 Stock Option Plan, and the 1977 Stock Option Plan.

A Replacement Option (a) shall not be exercisable until at least six months after the date of grant, (b) shall have an expiration date no later than the date on which the original option (with respect to which the Replacement Option was granted) would have expired by its terms, (c) may not be granted more than twice each year to the same Participant, and (d) shall comply with all other provisions of this Plan.

Subject to the foregoing, the Committee shall, in addition to all other powers granted to the Committee under the Plan, have the power to designate (a) the date the Replacement Option shall be exercisable (or become vested), (b) the expiration date of the Replacement Option and (c) any limitations on the frequency of the grants of Replacement Options to any Participant. In addition, the Committee may establish, as a condition to the grant of Replacement Options, a requirement that the recipient agrees not to resell "Excess Shares" (as hereinafter defined) received in connection with such grant for a period of time not to exceed two years. As used herein, "Excess Shares" shall mean the number of shares received upon exercise of the option (with respect to which the Replacement Option was granted) in excess of the number of shares tendered as payment for such exercise.

Section 4. Participation -- Employees eligible for stock incentives shall be selected by the Committee from time to time from among those employees of the Company and its subsidiaries who are in a position to contribute materially to the success of the Company.

Section 5. Conditions -- (a) Stock incentives may be evidenced by stock incentive agreements, which shall be subject to the applicable provisions of the Plan and contain such other provisions as the Committee shall determine from time to time. A stock incentive may be exercised at one time or in such installments over the balance of the exercise period as may be provided in the stock incentive agreement.

(b) The option price per share shall be not less than the Fair Market Value of the common stock on the date each option is granted.

(c) The Committee may permit the voluntary surrender of all or a portion of any stock incentive to be conditioned upon the granting of a new stock incentive.

(d) In the event of a Change of Control of the Company, then notwithstanding any provision of this section or of any provision of any stock incentive agreements to the contrary, all stock options, stock appreciation units and equity units which have not terminated and which are then held by any participant shall, as of such Change of Control, become immediately exercisable (subject, however, to the restrictions on surrender of stock appreciation units and equity units for cash as set forth in paragraph (c) of section 9) without regard to the exercise period specified in any relevant stock incentive agreement.

Section 6. Exercise of Stock Incentives -- (a) Subject to paragraph (a) of Section 5, each stock incentive will be exercisable in whole or in part from time to time, prior to its cancellation or termination, by written notice to the Company specifying the number of shares or units, as the case may be, with respect to which it is being exercised. If any option is being exercised, such notice shall be accompanied by payment in full of the purchase price by cash or check or in other form acceptable to the Committee, including shares of common stock of the Company or partly in cash or check and partly in such shares, except that the Committee may, from time to time, impose limits and conditions on the use of such shares for payment. The Committee may alternatively permit, under such terms and conditions as it may establish from time to time, payment methods for option exercises which will enable a participant (other than a participant who, at the time of exercise, is subject to Section 16(b) of the Securities Exchange Act of 1934) to pay the exercise price of an option, and any applicable withholding taxes, from the proceeds of the sale of shares received as a result of the exercise of such option. Certificates for shares to be received upon the exercise of stock incentives will be delivered in regular course. Fractional shares will not be issued.

(b) Except as provided in paragraph 16(h) hereof, a stock incentive may be exercised during the life-time of the participant only by the participant and after his or her death only by the persons to whom the stock incentive has been transferred by will or by laws of descent and distribution. Stock incentives are not otherwise transferable. Stock appreciation units granted with respect to incentive stock options may be exercised only when the Fair Market Value of the common stock subject to the related option exceeds the exercise price thereof.

(c) Upon the exercise of one or more stock appreciation units granted in conjunction with a stock option, such option shall be cancelled with respect to an equal number of shares and an equal number of equity units granted in conjunction therewith, if any, shall be cancelled. Upon the exercise of one or more equity units granted in conjunction with a stock option, such option shall be cancelled with respect to an equal number of shares and an equal number of stock appreciation units granted in conjunction therewith, if any, shall be cancelled. Upon the exercise of a stock option for one or more shares, an equal number of stock appreciation units and an equal number of equity units granted in conjunction therewith, if any, shall be cancelled.

Section 7. Use of Proceeds -- Proceeds, if any, from the exercise of options pursuant to the Plan will be used for general corporate purposes.

Section 8. Termination of Stock Incentives -- Each stock incentive will terminate upon the earlier of (a) or (b) below.

(a) The date fixed by the Committee when the stock incentive is granted as set forth in the relevant stock incentive agreement.

(b) Termination of employment or, to the extent the stock incentive was then exercisable, three months after the participant's termination of employment, except as follows:

(i) If the participant dies while an employee, or within three months after termination of employment, the stock incentive may be fully exercised (whether or not the stock incentive was fully exercisable), at any time or from time to time within three years after the date of death.

(ii) If the participant retires after attaining age 65, or earlier with the consent of the Company, or if employment is terminated by disability, the stock incentive may be fully exercised (whether or not the stock incentive was fully exercisable, unless provided otherwise in the stock incentive agreement) within three years after the date of such retirement or termination.

(iii) If the Committee determines that the stock incentive may be exercised (whether or not it was fully exercisable) for a longer period of time.

Notwithstanding anything hereinabove to the contrary, if a participant's employment is terminated for cause, his or her ability to exercise the stock incentive shall terminate on the date of termination of employment. For this purpose, the determination of the Committee as to whether employment was terminated for cause shall be final.

Section 9. Stock Appreciation Units and Equity Units -- (a) Stock appreciation units and equity units may be granted on a "free-standing" basis or in conjunction with all or a portion of the shares covered by an option, either at the time of grant of the option or at any time thereafter during the term of the option.

(b) Each stock appreciation unit and each equity unit shall entitle the holder thereof to elect, prior to its cancellation or termination, to exercise such stock appreciation unit or equity unit and receive either cash or shares of common stock or both, as the Committee may determine, in an aggregate amount equal in Fair Market Value on the date of such election to the following:

(i) In the case of a stock appreciation unit, the excess, if any, of the Fair Market Value of a share of common stock on the date of such election over the Fair Market Value of a share of common stock on the date of grant of the stock appreciation unit.

(ii) In the case of an equity unit, the remainder of (A) the sum of the dividend equivalents credited under paragraph (d) plus the Equity Per Share on the date of exercise minus (B) the Equity Per Share on the date of grant. The number of shares which may be issued upon exercise of an equity unit may not exceed the number of equity units exercised and the balance will be payable in cash, subject to the terms of the Plan.

(c) Stock appreciation units or equity units may be exercised only as provided under their terms. In addition, the following provisions shall apply:

(i) No stock appreciation units or equity units may be exercised within six months from the date of grant thereof, except in the event of death or disability of the participant prior to the expiration of the six months.

(ii) Stock appreciation units or equity units may be surrendered for cash only during the period beginning on the third business day following the date of release of a summary statement of the Company's quarterly or annual sales and earnings and ending on the twelfth business day following such date of release. Payment of such cash may be deferred by the participant subject to such terms and conditions as may be prescribed by the Committee.

(iii) The Committee may disapprove an election to surrender any stock appreciation unit or equity unit for cash in full or partial settlement thereof.

(iv) In the event the Committee disapproves, in whole or in part, an election by a participant to surrender any stock appreciation unit or equity unit for cash, such disapproval shall not effect the participant's right to surrender the stock appreciation unit or equity unit currently for shares of common stock or at a later date for shares or cash, or his or her right to exercise the options currently or at a later date, to the extent otherwise exercisable, provided that any subsequent surrender for cash shall be similarly subject to the Committee's approval.

(d) Each equity shall be credited with an amount equal to dividends paid per share of common stock as of each record date from the date of grant of the equity unit until the date of exercise. Unless the Committee determines otherwise, dividend equivalents shall be paid only in accordance with paragraph (b) (ii) of this section.

Section 10. Incentive Stock Options -- Each option granted under the Plan which is intended to be an incentive stock option as defined in Section 422A of the United States Internal Revenue Code shall be so designated. The aggregate fair market value (determined as of the time such option is granted) of the stock with respect to which incentive stock options granted after 1986 are exercisable for the first time by such individual during any calendar year after 1986 under any option plan of his or her employer corporation and its parent and subsidiary corporation shall not exceed \$100,000.

Section 11. Loans -- The Company may make loans to such participants as the Committee, in its discretion, may determine (including a participant who is a director or officer of the Company) in connection with the exercise of options granted under the Plan in an amount up to the exercise price of the option to be exercised plus any applicable withholding taxes. In no event may any such loan exceed the Fair Market Value, at the date of exercise, of the shares covered by the option, or portion thereof, exercised by the participant. Such loans shall be subject to such terms and conditions as the Committee shall determine. Every loan shall comply with all applicable laws, regulations and rules of the Federal Reserve Board and any other governmental agency having jurisdiction.

Section 12. Limited Rights -- (i) A limited right may be awarded by the Committee in connection with any option granted under the Plan with respect to all or some of the shares of common stock covered by such related option. A limited right may be granted either at the time the option is granted or thereafter at any time prior to the cancellation, exercise, forfeiture, termination or expiration of the option. A limited right may be exercised only during the thirty-day period beginning on a Change of Control of the Company. In addition, each limited right which has not terminated and which is then held by a participant shall be exercisable whether or not the related option is exercisable. Notwithstanding the provisions of the two immediately preceding sentences, no limited right may be exercised by an employee who is subject to Section 16(b) of the Securities Exchange Act of 1934 until the expiration of six months from the date of grant of the limited right.

(ii) Upon the exercise of limited rights, the participant shall receive in cash an amount equal to the product computed by multiplying (a) the excess of (X) the highest Fair Market Value per share of common stock during the thirty-day period ending on the date the limited right is exercised over (Y) the option price per share of common stock at which the related option is exercisable by (b) the number of shares of common stock with respect to which the limited right is being exercised. Notwithstanding the foregoing, in the case of a limited right granted in respect of an incentive stock option, the holder may not receive an amount in excess of such amount as will enable such option to qualify as an incentive stock option.

(iii) Upon exercise of a limited right, such related option and any related stock appreciation unit and equity shall cease to be exercisable to the extent of the shares of common stock with respect to which such limited right is exercised. Upon the exercise or termination of a related option, the limited right with respect to such related option shall terminate to the extent of the shares of common stock with respect to which the related option was exercised or terminated.

Section 13. Foreign Stock Incentives -- The Committee may grant options to employees who are subject to the tax laws of nations other than the United States, which options may have terms and conditions that differ from other options granted under the Plan for the purposes of complying with the foreign tax laws. The Committee may grant stock appreciation units, equity units and limited rights to employees without the grant

of an accompanying option if the employees are subject at the time of grant to the laws of a jurisdiction that prohibits them from owning common stock. The units and rights shall permit the employees to receive cash at the time of any exercise of such units or rights.

Section 14. Adjustments -- In the event of any change in the common stock, through the declaration of stock dividends, through recapitalization resulting in stock split-ups or combinations of shares, or as the result of similar events, appropriate adjustment, to be determined by the Committee, shall be made in the number of shares subject to the Plan, in the number of shares and price per share of all shares subject to outstanding stock incentives and in the Fair Market Value or Equity Per Share on the date from which any increase therein is measured under stock appreciation units, equity units or limited rights. In the case of equity units, the Committee may make such adjustment to the computation of equity per share as the Committee deems equitable, in light of whether or not the grantee is entitled to the most recent dividend and whether or not the equity of the applicable balance sheet reflects the debiting of such dividend.

Section 15. Definitions -- (a) A Change of Control shall be deemed to have taken place upon (i) the acquisition by a third person, including a "group" as defined in Section 13(d) (3) of the Securities Exchange Act of 1934 of shares of the Company having 30% or more of the total number of votes that may be cast for the election of directors of the Company. (ii) shareholder approval of the acquisition of the Company, or substantially all of its assets, by another entity or of a merger, reorganization, consolidation or other business combination to which the Company is a party or (iii) the election during any period of 24 months or less of 50% or more of the directors of the Company where such directors were not in office immediately prior to such period.

(b) Fair Market Value shall be the mean between the high and low prices for the day on the New York Stock Exchange Composite Tape. In the absence of a reported sale, the mean between the high and low prices on the most recent date on which a sale was reported may be used.

(c) Equity Per Share as of any date means the common stockholder's equity, as stated in the most recent publicly available quarterly or annual consolidated balance sheet of the Company, divided by the number of shares of the Company's common stock and common stock equivalents outstanding as of the date of such balance sheet.

Section 16. General Provisions -- (a) No stock incentives may be exercised if such exercise and the receipt of cash or stock thereunder, would be contrary to law or the regulations of any duly constituted authority having jurisdiction over the Plan.

(b) Absence on leave approved by a duly constituted officer of the Company or any of its subsidiaries shall not be considered interruption or termination of service of any employee for any purposes of the Plan, except that no award may be granted to an employee while he or she is absent on leave.

(c) No participant shall have any rights as a stockholder with respect to any shares subject to his or her stock incentives prior to the date as of which he or she is actually recorded as the holder of the common stock covered by such stock incentives upon the stock records of the Company.

(d) Nothing in the Plan or any stock incentive granted hereunder shall confer upon any employee any right to continue in the employ of the Company or any of its subsidiaries or interfere in any way with the right of the Company or any of its subsidiaries to terminate his or her employment at any time.

(e) Any agreement may provide that stock issued upon exercise of any stock incentive may be subject to such restrictions, including, without limitation, restrictions as to transferability and restrictions constituting substantial risks of forfeiture, as the Committee may determine at the time such stock incentive is granted.

(f) The obligation of the Company to issue, transfer or deliver common stock under the Plan shall be subject to (a) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such issue, transfer or delivery, if deemed necessary or appropriate by counsel for the Company, (b) the condition that the shares of common stock reserved for issuance, if any, shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange on which outstanding shares of the same class may then be listed and (c) all other applicable laws, regulations, rules and orders which shall then be in effect.

(g) This Plan, insofar as it provides for cash payments, shall be unfunded, and the Company shall not be required to segregate any assets which may at any time be awarded under the Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations which may be created by this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

(h) In the event the Committee determines that a participant is incapacitated and unable to exercise stock incentives granted under the Plan, the Committee, in its discretion, may authorize the assignment of the power to exercise such stock incentives to a fiduciary, legal guardian or other individual whom the Committee deems appropriate based on the applicable facts and circumstances.

(i) The Company shall deduct from all payments and distributions under the Plan any taxes required to be withheld by federal, state or local governments. In case distributions are made in shares of common stock, the Company shall have the right to retain the value of sufficient shares to equal the amount of the tax required to be withheld in respect of such distributions. In lieu of withholding the value of shares, the Committee may require a recipient of a distribution in common stock to pay the Company for any such taxes required to be withheld upon such terms and conditions as the Committee may prescribe.

(j) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provisions hereof.

Section 17. Amendment and Termination -- The Board of Directors may alter, suspend or terminate the Plan. Except as provided in section 14, the Board may not, however, materially modify the requirements regarding eligibility for participation in the Plan or, without the consent of the holder thereof, alter or impair any stock incentive previously granted under the Plan. The Plan will terminate upon the adoption by the Board of a successor stock option plan. No stock incentive may be granted after the termination of the Plan, but stock incentives previously granted may be exercised in accordance with their terms.

COLGATE-PALMOLIVE COMPANY

COMPUTATION OF EARNINGS PER COMMON SHARE

DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS
(UNAUDITED)

PRIMARY	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
EARNINGS:				
Net income (loss)	\$ 160.9	\$(250.2)	\$ 453.3	\$ 49.5
Deduct: Dividends on preferred shares, net of income taxes	5.3	5.4	16.1	16.2
Net income (loss) applicable to common shares	\$ 155.6	\$(255.6)	\$ 437.2	\$ 33.3
SHARES (IN MILLIONS):				
Weighted average common shares outstanding	146.8	145.5	146.4	145.0
Earnings (loss) per common share, primary	\$ 1.06	\$ (1.76)	\$ 2.99	\$.23

COLGATE-PALMOLIVE COMPANY
COMPUTATION OF EARNINGS PER COMMON SHARE
DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS
(UNAUDITED)

ASSUMING FULL DILUTION	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
EARNINGS:				
Net income (loss)	\$ 160.9	\$(250.2)	\$ 453.3	\$ 49.5
Deduct:				
Dividends on preferred shares	.1	5.4	.4	16.2
Replacement funding resulting from assumed conversion of Series B Convertible Preference Stock, net of tax	1.2	-	3.7	-
Net income (loss) applicable to common shares	\$ 159.6	\$(255.6)	\$ 449.2	\$ 33.3
SHARES (IN MILLIONS):				
Weighted average number of common shares outstanding	146.8	145.5	146.4	145.0
Assumed conversion of options reduced by the number of shares which could have been purchased with the proceeds from the exercise of such options	2.6	-	2.7	2.2
Assumed conversion of Series B Convertible Preference Stock	11.7	-	11.7	-
Weighted average number of common shares outstanding, as adjusted	161.1	145.5	160.8	147.2
Earnings (loss) per common share, assuming full dilution	\$.99	\$ (1.76)	\$ 2.79	\$.23

The calculation of fully diluted earnings per share excludes the effect of anti-dilutive securities for the third quarter and the nine months of 1995, respectively.

COLGATE-PALMOLIVE COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

DOLLARS IN MILLIONS (UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 1996 -----
Income before income taxes	\$ 695.1
ADD:	
Interest on indebtedness and amortization of debt expense and discount or premium	174.5
Portion of rents representative of interest factor	23.0
Interest on ESOP debt, net of dividends	1.5
LESS:	
Income of less than fifty-percent-owned subsidiaries	(6.3)

Income as adjusted	\$ 887.8
	----- -----
FIXED CHARGES:	
Interest on indebtedness and amortization of debt expense and discount or premium	\$ 174.5
Portion of rents representative of interest factor	23.0
Interest on ESOP debt, net of dividends	1.5
Capitalized interest	9.6

Total fixed charges	\$ 208.6
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Ratio of earnings to fixed charges	4.3
	----- -----

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 expense on the ESOP's notes was \$25.1. This interest is funded through preferred and common stock dividends as well as Company contributions. 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 NINE MONTHS ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS	
DEC-31-1996	JAN-01-1996
SEP-30-1996	
	223
	95
	1,179
	33
	793
2,498	3,774
	1,467
	7,921
1,927	2,901
0	395
	183
	1,335
7,921	6,452
	3,293
6,452	2,313
	0
	0
151	695
	242
453	0
	0
	0
	453
	2.99
	2.79