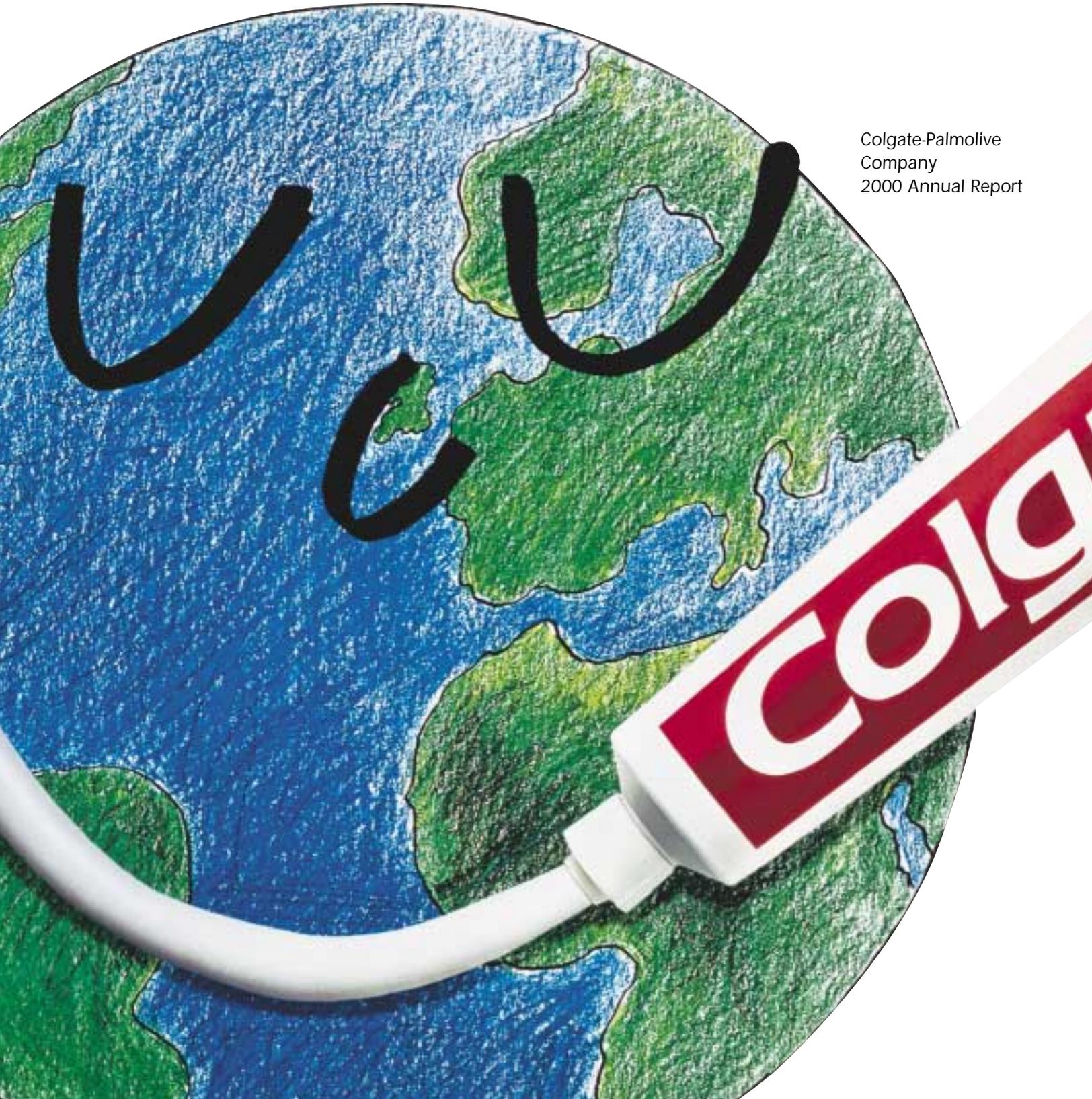


Colgate's Global Success

- Driving Growth
- Funding Profitability
- Becoming the Best Place to Work

Colgate-Palmolive
Company
2000 Annual Report



New Records, Strong Performance

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Highlights

Dollars in Millions Except Per Share Amounts	2000	1999	Change
Unit Volume			+6%
Worldwide Sales	\$9,357.9	\$9,118.2	+3%
Gross Profit Margin	54.4%	53.7%	+70 basis points
Earnings Before Interest & Taxes (EBIT)	\$1,740.5	\$1,566.2	+11%
Percent of Sales	18.6%	17.2%	+140 basis points
Net Income	\$1,063.8	\$ 937.3	+13%
Percent of Sales	11.4%	10.3%	+110 basis points
Earnings Per Share, Diluted	\$ 1.70	\$ 1.47	+16%
Dividends Paid Per Share	\$.63	\$.59	+7%
Operating Cash Flow	\$1,536.2	\$1,292.7	+19%
Percent of Sales	16.4%	14.2%	+220 basis points
Return on Capital	26.4%	22.8%	+360 basis points
Number of Registered Common Shareholders	42,300	44,600	-5%
Number of Common Shares Outstanding (in millions)	566.7	578.9	-2%
Year-end Stock Price	\$ 64.55	\$ 65.00	-1%

- Every operating division participated in the strong 6 percent unit volume growth.
- Fueling growth, new products delivered a record 38 percent of total sales, from products introduced during the last five years.
- Sales would have increased 7 percent if not for foreign currency translation.
- All of Colgate's profitability indicators set new records: gross profit margin, EBIT, operating cash flow and return on capital.

About Colgate

Colgate-Palmolive is a \$9.4 billion global company serving people in more than 200 countries and territories with consumer products that make lives healthier and more enjoyable. The Company focuses on strong global brands in its core businesses—Oral Care, Personal Care, Household Surface Care, Fabric Care and Pet Nutrition. Colgate is delivering strong global growth by following a tightly defined strategy while increasing market leadership positions for key products, such as toothpaste, toothbrushes, bar and liquid soaps, deodorants/antiperspirants, dishwashing detergents, household cleaners, fabric softeners and specialty pet food.

Colgate's Global Success



- **Driving Growth** is how Colgate measures success. The faster we develop consumer-driven innovative products and speed them to world markets, the stronger and bigger our global brands become.
- **Funding Profitability** is critical to our ongoing success. By steadily improving profit margins and cash flow, we can reinvest for future growth and increase current profits simultaneously.
- **Becoming the Best Place to Work** is fundamental. Colgate people are motivated, trained and developed every day, everywhere. Together they are achieving our growth and profit goals, year after year.

Dear Colgate Shareholder...

A Year of Broad-Based Strong Growth, Earnings Per Share Increase 16 Percent



Reuben Mark

Q. How has Colgate continued its strong volume growth and profitability gains?

A. Reuben Mark: Colgate's strong growth continues. This is due to our focus on market leadership in our global core categories. Unit volume rose 6 percent in 2000 and was consistently strong each quarter. Every Colgate division contributed, led by North America and Asia/Africa, which grew 8 percent and 7 percent, respectively. We are particularly proud of our earnings per share increase of 16 percent. Other new records achieved were our highest-ever gross profit margin, earnings before interest and taxes, and return on capital.

We drive top-line growth by developing innovative new products, bringing them quickly to global markets and supporting them effectively. And we constantly identify and achieve new savings opportunities. Moreover, the Company's broad geographic base—our global brands are sold in over 200 countries and territories—gives us a sustainable competitive advantage.



Bill Shanahan

Q. How are the Company's new products succeeding?

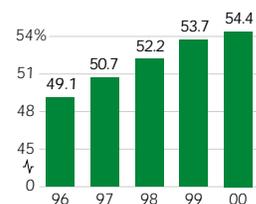
A. Bill Shanahan: Innovation is where Colgate truly shines. A record-setting 38 percent of our 2000 sales came from new products introduced just in the past five years. And in the U.S., which is a major source for global new products, it was 61 percent of sales. We have made our new product process faster and more profitable, significantly reducing the time from idea to shelf. For Colgate Fresh Confidence toothpaste, this meant launching in 48 countries within 12 months.

Strong incremental sales from new products added to our leadership. For instance, our global toothpaste share set a new record for the sixth consecutive year, bolstered by strong gains in the U.S. and China. Notable too was our record 39.7 percent global share in dishwashing liquid, up almost two points from 1999.

Q. Colgate has called its financial strategy both "simple" and "powerful." Please explain this strategy and how it contributes to the Company's growth.

A. Reuben Mark: Our financial strategy is designed to increase gross profit margin and reduce overhead on a continuous basis. The savings enable us to reinvest in growth-building activities, including R&D and advertising, while also delivering incremental profitability. The strategy is simple and very powerful when pursued relentlessly by 38,000 Colgate people around the world. Little by little, it has enabled Colgate to increase our leadership positions, deliver earnings growth and build shareholder value.

Gross Profit Margin (% of sales)



Having improved its gross profit margin by an average of 95 basis points a year for the past 16 years, Colgate is now ahead of plan to reach its goal of a 55% margin by 2002.



Colgate Fresh Confidence, Sold in 48 Countries

Q. Will Colgate's ad budget continue to grow? How is the Company reaching consumers differently?



A. Bill Shanahan: Because advertising drives growth, we increased our investment in advertising in 2000. And we are budgeting an increase in 2001. In addition to traditional TV and print advertising, we are utilizing a variety of innovative programs to reach consumers in all aspects of their daily lives.

Q. How will Colgate continue the trend of improving its gross profit margin, from 39.2 percent in 1984 to 54.4 percent today?

A. Reuben Mark: We see considerable opportunity ahead. We have consistently met or exceeded our target to increase gross margin by 50 to 100 basis points every year. We are now ahead of plan to reach our near-term goal of 55 percent by 2002. Further out, we are targeting a 60 percent margin by 2008.

Gains are the result of new products that bring greater benefit to consumers and a myriad of cost-reduction programs. Savings are facilitated by the powerful enterprise-wide SAP software. SAP now supports 80 percent of Colgate operations worldwide, and the benefits accruing from our newly installed SAP applications are highly encouraging.



Palmolive Naturals, Sold in 71 Countries

Q. How is Colgate investing its growing cash flow?

A. Reuben Mark: Colgate generated record cash flow of \$1.5 billion in 2000, up 19 percent from last year. It was our fifth consecutive year of growth in cash generation. Driving these increases are Colgate's increasingly profitable operations and tight control of working capital. We utilize our strong cash flow to fund capital expenditures that will drive future growth and cost savings, pay dividends and repurchase Colgate shares, and maintain our balance sheet ratios in the optimum range. During 2000, we repurchased 19.1 million common shares at a cost of \$1,040.6 million.

Q. What impact are external factors, such as rising oil prices and the weak euro, having on Colgate's profitability?

A. Reuben Mark: Many companies, including Colgate, experienced cost increases in fuel and raw and packaging materials. The euro also had an impact, although our European division performed well in 2000 with unit volume growing 4 percent. These external negatives were offset by our strong volume growth and cost savings.

Q. What are Colgate's prospects for achieving growth in developing regions?

A. Bill Shanahan: Colgate's strong presence in the developing world, created over the last 80 years, continues to serve us well. Providing a healthy balance, approximately 45 percent of our sales comes from developing markets.

Our brands are leaders throughout Latin America and much of Asia, Africa and Central Europe—regions with the majority of the world's population. We foresee stronger growth trends in these markets as low per capita consumption for core consumer products continues to build. We have positioned Colgate to fully participate in this growth by offering consumers a range of affordable products.

Q. How does Colgate attract and retain the best people?

A. Reuben Mark: No mission is more important to Colgate's future.

(continued on page 4)



Colgate Actibrush, Sold in 50 Countries

A Year of Broad-Based Strong Growth, Earnings Per Share Increase 16 Percent

(continued from page 3)

That is why "Making Colgate the Best Place to Work" is one of three strategic priorities. We have outstanding people. We provide terrific opportunities for global careers, a motivating environment based on our values of managing with respect, a chance to share in our financial success through pay for performance and consistent support for personal growth through global training. We believe these key elements will help us continue to grow outstanding leaders—so critical to our business success. For more on this vital subject, please see pages 14-17.



Science Diet Feline Hairball Control, Sold in 47 Countries

Q. How is Colgate taking advantage of technology and e-business opportunities?

A. Bill Shanahan: We have only scratched the surface in achieving benefits from new technologies. This process began in 1995 when we first installed SAP real-time enterprise software in North America and reengineered the supply chain. The benefits to both efficiency and customer service have been substantial. We now have extended SAP to most parts of the world. A second generation of SAP applications is enabling Colgate's suppliers to automatically replenish supplies to our factories as needed, further reducing working capital devoted to inventory.

We also are moving quickly on internet opportunities—from direct receipt of orders on-line by veterinarians and dentists, to purchasing raw materials in internet auctions. Our first tests of on-line purchasing achieved significant savings.

Q. What is the outlook for Hills?

A. Bill Shanahan: Hill's Pet Nutrition had a good year. Unit volume increased 5 percent, with especially strong growth in Europe and Asia. Superior new products continue to build this business. Most recently, Hill's relaunched the entire Science Diet line with a superior antioxidant formula to help protect the immune systems of cats and dogs. New innovative products are benefiting both the Science Diet and Prescription Diet brands. As the world leader in specialty pet food, Hill's has an enviable franchise and is committed to continued growth, serving veterinarians, pet shops and breeders, the channels where it is a strong Number One.

Q. Please comment on the Company's outlook for 2001.

A. Reuben Mark: We set many new records this past year and are confident that Colgate's strong growth will continue. Our global market shares are strong and growing. Our new product pipeline is full. We are still at the early stages of profiting from all aspects of technology. Collectively we are becoming better and better at what we do, gaining strength from the commitment of 38,000 talented Colgate people. All of this gives us much confidence about our ability to continue delivering strong shareholder value.

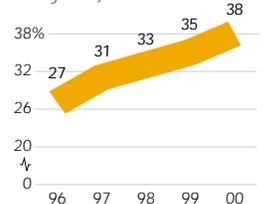
Thank you.

Reuben Mark
Chairman and Chief Executive Officer

William S. Shanahan
President

\$3.6 Billion in New Product Sales in 2000 Sets New Record

(% of sales from introductions during the past five years)



Fueling rapid growth, Colgate's innovative new products delivered 38% of sales in 2000.

Colgate's Global Success Driving Growth

Colgate Navigator,
Sold in 52
Countries



Consistent growth drives Colgate's global success. The year 2000 was no exception to the Company's long-standing growth record. New products, increased advertising, geographic expansion and greater efficiency again drove sales and profits to new records. Unit volume rose a strong 6 percent with gains in all divisions worldwide. Net income increased 13 percent, capping a 13 percent compound annual growth rate for the past 10 years. Innovative new products are critical to Colgate's continuing growth. Setting a record, 38 percent of Colgate's year 2000 sales came from new products introduced in the past five years. And the pace of new product introductions is accelerating. For example, Colgate-U.S. launched 19 major new products in 2000, up from 14 two years earlier.

The most effective marketing begins with the consumer. It starts with insight gleaned country by country, by being closer to the consumer than competitors and sharing knowledge with colleagues across the Company. Over 100 Colgate

(continued on page 6)

Effective Outdoor Advertising

Eye-catching posters convey the natural refreshing qualities of Palmolive Botanicals. Sold throughout Latin America, the line includes a transparent soap, shampoo and conditioner.

Uruguay



Colgate 2in1 Toothpaste & Mouthwash, Sold in 14 Countries



researchers from around the world are united on-line and meet globally to share their knowledge, validate concepts and keep the new product development pipeline full with options, as far as three years into the future.

Teams of new product specialists, located in regional centers all over the world, develop the Company's new products. From the very beginning of the development process, they are focused on creating global products that can be rapidly

expanded throughout Colgate's broad global network. One example is the new Colgate Actibrush, which provides consumers with an economical, battery-operated toothbrush and is capturing impressive shares in 50 countries. Colgate Actibrush has helped make the Company Number One in manual and battery-operated toothbrushes in the United Kingdom, France and Ireland, strengthened our top position in Portugal and the South Pacific, and propelled us to a strong Number Two position in Italy and Greece. Similarly, Palmolive Naturals skin and hair care products are winning consumers in Asia, Europe and Latin America with their natural, refreshing ingredients and elegant packaging. And Colgate Herbal toothpaste, with its natural formula, is building share in countries in Latin America, Central Europe and Asia.

Colgate's new product teams identify and roll out products to market faster, bringing profitable returns sooner. Product development cycles have been reduced dramatically in the past five years, sometimes halved. The flexible-head Colgate Navigator toothbrush was introduced in 52 countries in 18 months, and Palmolive Spring Sensations began adding to Colgate's dishwashing share only 15 months after being identified as an opportunity.

The result is growing market shares and market leadership across key categories, including toothpaste, toothbrushes, hand dishwashing liquids, liquid hand soap, household cleaners and shower gels. And Colgate's leadership list continues to grow. The longtime global leader in toothpaste, Colgate's Number One positions include the United States, China, Mexico and the United Kingdom. Driven by new products, Colgate-U.S. has started the year 2001 with a 35 percent market share, up almost four share points from the same period in early 2000. Colgate-China again increased its Number One position in 2000. And global share in hand dishwashing products has grown seven percentage points in the past five years.

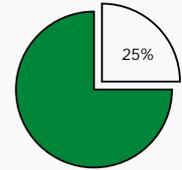
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Lady Speedstick Ultra Dry Cream, Sold in 12 Countries



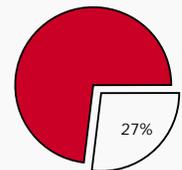
Growth Highlights of Five Divisions...

Colgate-North America (% of sales)



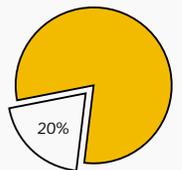
- Unit volume and sales each increased 8% in the division's sixth consecutive year of strong growth.
- New products delivered a record 61% of U.S. sales, from introductions over the five latest years.
- Colgate again strengthened its Number One position in the U.S. toothpaste market.
- Operating profits increased 17% on the larger base.

Colgate-Latin America (% of sales)



- Sales and unit volume each increased by 6%.
- New products driving growth in the region include Colgate Fresh Confidence gel toothpaste, new herbal toothpastes, the Colgate Navigator toothbrush, Palmolive Botanicals soap and shampoo and Ajax antibacterial cleaners.
- Growth was especially strong in Mexico, Colgate's largest market in the region.
- Operating profits increased 13%.

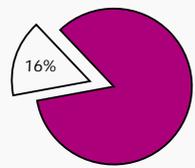
Colgate-Europe (% of sales)



- Both unit volume and sales in local currency increased 4%. Sales declined 7% after currency translation.

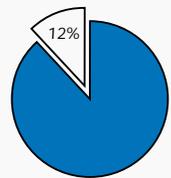
- Among countries with strong volume growth were the United Kingdom, Italy, France, the Nordic Group and Russia.
- The Colgate Actibrush and Colgate Fresh Confidence helped drive strong Oral Care growth across Europe.
- Operating profits, which increased in local currency, declined 6% in dollar terms, due to currency translation.

Colgate-Asia/Africa
(% of sales)



- Unit volume advanced 7% and sales increased 2%, impacted by currency translation.
- Colgate achieved particularly strong growth in China, India, the Philippines and Vietnam.
- Colgate formed a new majority-owned joint venture with Sanxiao, China's leading toothbrush maker.
- Operating profits increased 16%.

Hills Pet Nutrition
(% of sales)



- World leader in premium pet food, Hill's increased sales and unit volume by 5%.
- New products and consumption-building programs contributed to growth in North America and internationally.
- Operating profits increased 11%.

New Toothpaste Boosts Market Shares

Colgate Fresh Confidence, a refreshing green gel targeted to youthful consumers, is contributing to higher toothpaste market shares in Asia and elsewhere.

Thailand



World-Class Technology

Innovative technology is driving Colgate's global leadership of Oral Care. New Colgate Total plus Whitening, just introduced at year-end, has helped increase U.S. toothpaste market share to 35 percent for year-to-date 2001, up almost four share points in the past 12 months. It is the only whitening toothpaste approved by the FDA and Accepted by the ADA to help prevent plaque and gingivitis in addition to cavities. Right are Technology Manager Robin Cabanas and Senior Research Scientist Kyle Brogden.

Global Technology Center



**Palmolive Spring Sensations,
Sold in 15 Countries**

A powerful driver of Colgate's consistently high growth is the tight focus on its strong global brands. The Colgate brand name is synonymous with excellence and leadership in Oral Care, Palmolive with expertise in natural hair and skin care, Ajax with cleaning, and Hill's with superior pet nutrition, just to name a few. Global equities today account for almost 75 percent of Company sales, up from 50 percent ten years ago. Fueled by new products, Palmolive has emerged from among more than 20 brands to become the Number Two best-selling Personal Care brand in Italy. And the Colgate brand name has demonstrated its ability to expand into new segments that provide incremental sales, such as with Colgate 2in1, a combination liquid gel toothpaste and breath freshener.

Because so many consumer purchase decisions are made in-store, Colgate research professionals conduct in-depth interviews with diverse shoppers, both in retail stores and in their homes, on an ongoing basis. The insights discovered have led to the success of new Colgate products like Softsoap brand Fruit Essentials hand soap and shower gel, with attractive bright packaging that literally stops people in store aisles.

Listening to Consumers

Colgate researchers conduct detailed interviews to understand consumer habits and preferences. Recognizing the appeal of fragrance in fabric softener is key to the market leadership of Suavitel in Mexico.

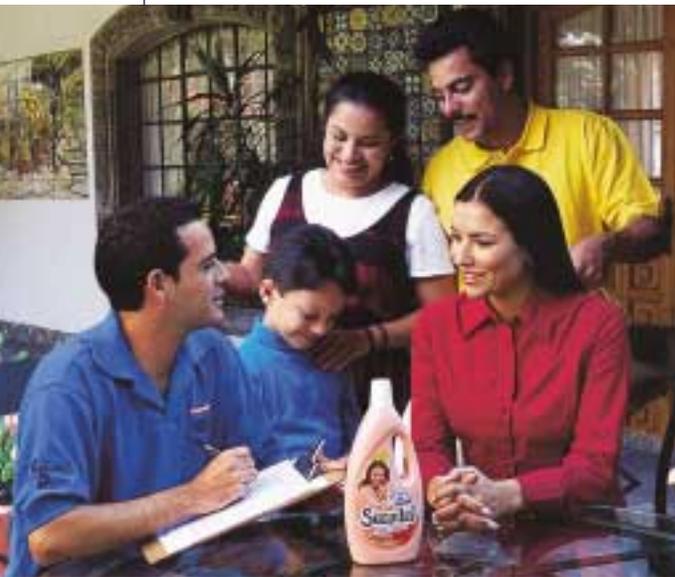
Mexico



Prominent In-Store Activity

Giant in-store displays and a creative contest spurred Italian sales of Ajax Shower Power. Consumers had the chance to win an actual stall shower. Specialized cleaning benefits and bold graphics have made Ajax Shower Power a hit in 14 countries.

Italy



Importantly, proprietary knowledge about different consumer groups and how they shop, coupled with Colgate's growing market shares, creates a strong partnership that is enabling Colgate sales executives to increase in-store presence for Colgate products. Colgate's work with U.S. trade partners to deliver the right assortment to consumers led to a 45 percent increase of shelf space in toothpaste in three years.

Promoting Colgate's brands also involves going beyond the traditional. Building on media advertising, every division uses "360-degree" marketing techniques to reach consumers in activities that involve them, throughout their day and night, from sampling Speed Stick deodorants at sports events to sponsorship of rock concerts for youth-oriented Colgate Fresh Confidence toothpaste.

Geographic expansion and strategic acquisitions also present new growth opportunities. While Colgate Oral Care is well established in over 200 countries, newer categories such as liquid hand soap are currently distributed in only half that many, with plans in place to expand Colgate's global market presence in 2001 and beyond. In China, introductions of fabric softener and shampoo combined with a new joint venture with Sanxiao, that country's market leader in toothbrushes, are helping to fuel rapid growth.

Colgate's many decades of global operating expertise, its powerful brands and proven strategies for broadly launching superior new products to the market quickly, serve as a rich foundation for future success. By building on recent achievements and anticipating the needs of tomorrow, Colgate will continue to deliver greater value, growth and profitability in the years to come.



Colgate Herbal,
Sold in 38
Countries

Colgate's Global Success

Funding Profitability



**Palmolive Vitamins,
Produced in Italy,
Sold in 13 Countries**

Centralized Production

Produced for Europe in one focused factory, the new Palmolive Vitamins personal care line was quickly introduced throughout Europe in 2000. Efficient centralized production, standardized packaging and regional purchasing benefit profit margins on new products.

Left are Lia Messina, Celestino Battisti, Lina Mizzi and Gianluca Vertiglio at Colgate's Anzio plant.

Italy

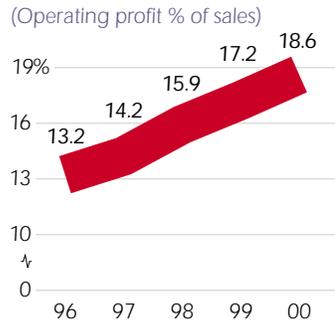
Colgate is increasing its productivity to both reinvest for growth and build profitability. From scale-enabled global purchasing of materials to centralized production facilities to information technology, Colgate's drive for savings bridges geographies and operations across the supply chain. The financial benefits of this strategy are significant. Consistently, Colgate raises its operating profit margin, reaching a record 18.6 percent in 2000, up from 9.8 percent a decade ago. Gross profit margin has improved steadily as well, climbing from 45.2 percent to 54.4 percent over the past ten years. Overhead reduction and lower working capital as a percent of sales are further success indicators.

Investments in leading-edge technology continue to drive profitability. Colgate is among the early and most successful adopters of SAP, the powerful enterprise software that integrates all aspects of supply chain activity. It is no

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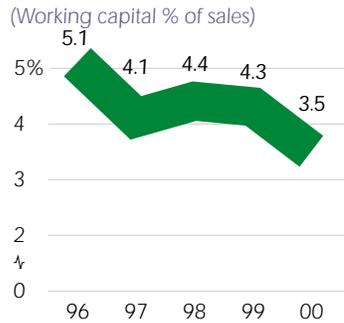
Improved Operating Profit Margin

Colgates improved productivity resulted in a 140-basis-point climb in operating profit margin in 2000, to a record 18.6%.



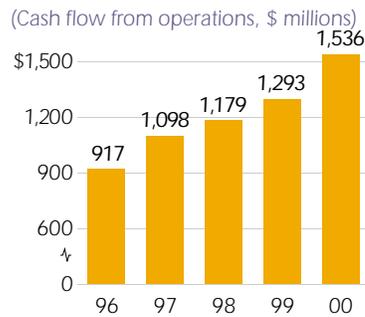
Lower Working Capital

Colgates disciplined emphasis on reducing inventories and accounts receivable has lowered its working capital requirements and contributed to record cash generation. Working capital consists of current assets less current liabilities other than cash and debt.



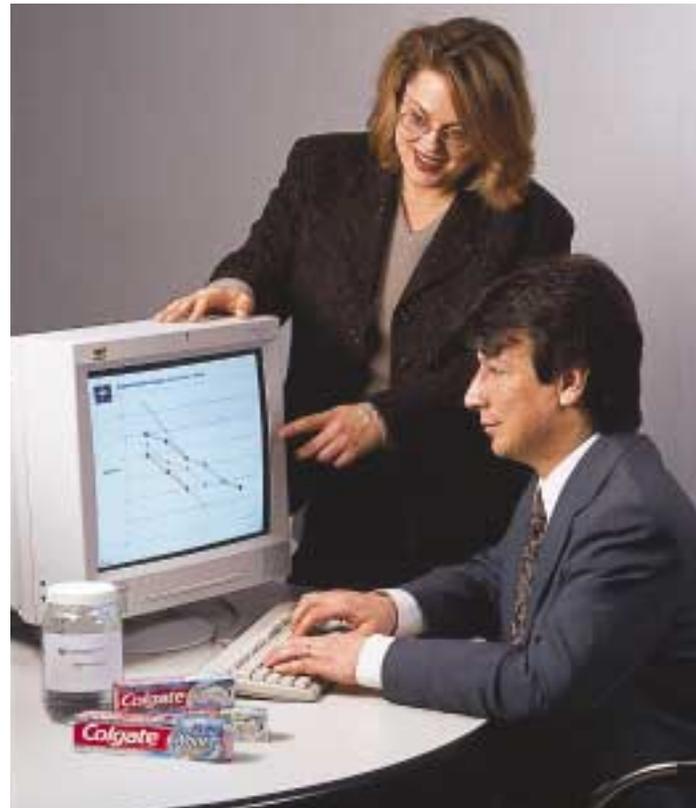
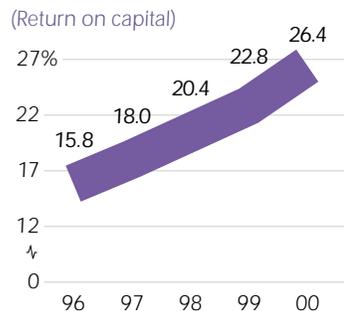
Improved Cash Flow from Operations

Cash flow improved 19% to a record \$1.5 billion, fueled by increased net income and tight control of working capital.



Higher Return on Capital

Return on capital set a new record at 26.4%, up by 360 basis points from 1999.



Profiting from the Internet

Colgate uses the internet to solicit competing supplier bids on raw materials, saving significantly on purchases. Monitoring the reverse auction for glycerin, a key toothpaste ingredient, are Terri Solecki, Senior Buyer, and Alp Uray, Associate Manager.

United States





coincidence that the first divisions to implement SAP, Colgate-North America and Hill's Pet Nutrition in the mid-1990s, have since experienced the greatest increases in profitability. In Europe and Asia, where SAP was successfully implemented in the late 1990s, the benefits are still climbing. And in 2000, Colgate brought the benefits of SAP to 14 additional countries in Latin America, increasing to 80 percent the Colgate revenues supported by this powerful technology.

Moreover, the benefits of SAP are growing as Colgate adopts the newest generation of applications, further leveraging its investment. For example, one new tool is beginning to automatically capture cost data on specific materials in each division, enabling worldwide purchases of similar items to be aggregated and analyzed for potential savings. Another application will allow Colgate and its key trade partners to share planning data for the benefit of both. This means that distribution centers for major customers are restocked automatically when centers reach minimum inventory levels.

Similarly, demand analysis will enable the Company's focused factories to automatically ship the precise level of finished goods required to various parts of the world. For instance, demand for Speed Stick deodorants in Mexico is fulfilled from the global plant in Morristown, New Jersey, achieving a net benefit reduction of over 150,000 inventory cases. And in Europe, SAP provides Colgate access to analysis by trade customer and product category across the entire region.

As Colgate becomes a seamless operation the world over, its global purchasing power, local market knowledge and advanced tools, including cost modeling, are being applied to create further savings in raw materials, packaging and

Lowering the Cost of Shipping

Colgate experts negotiated a global tender agreement to handle ocean freight at significantly lower cost. Reviewing performance with Richard Lenz of Maersk Sealand (left) are Ron Smart, Director of Global Logistics, and Mike Hill, Associate Director, Global Logistics.

United States





Colgate Actibrush, Produced in China, Sold in 50 Countries



Toothbrushes for the World

The new Colgate Actibrush battery-powered toothbrush is globally sourced from one factory in China. Its high quality and sleek product design are identical everywhere Colgate Actibrush is sold.

China



freight costs. By consolidating purchases, reducing suppliers and signing longer term contracts, Colgate is negotiating even more favorable agreements.

Today, Colgate uses just three major fragrance suppliers globally, down from 30 only five years ago. In North America, a combined Colgate and Hill's transportation bid reduced the number of truckers by over 50 percent. Global standardization of formulas and packages for liquid soap, Speed Stick and Hill's pet food has also led to big savings.

The internet remains full of opportunities for Colgate. The Company is participating in reverse auctions, where suppliers of key ingredients, like glycerin, feedstock for plastic bottles and other chemicals, are asked to bid for Colgate's business. This competitive process has produced significant savings.

Colgate has also linked with peer companies to form the Transora business-to-business e-marketplace. This marketplace, in the formative stages, offers the potential for a new level of efficiency in the purchasing, supply chain and retail service areas. And at Hill's, fully integrated web sites have been created where veterinarians and pet retailers can connect with the SAP network to place orders on-line which are then automatically processed and scheduled for delivery.

Importantly, significant opportunities remain where Colgate can reap meaningful financial benefits in the future. Although the Company has reduced the number of factories while creating regional manufacturing centers in North America, Europe and Asia/Pacific, there are further opportunities for consolidation. On the purchasing side, regional sourcing still accounts for only a portion of Colgate's business, with programs in place to continually raise that level.

Across functions and geographies, the potential for greater savings grows stronger. Success is perpetuated in the process cycle, as savings from current programs are reinvested for new product development, advertising and other growth-building activities, while generating a strong return for shareholders today and beyond.

Colgate's Global Success

Becoming the Best Place to Work

- Fundamental Values
- Exciting Work
- Motivating Environment
- Stimulating Careers
- Recognition and Rewards
- Feeling Connected

Global Training Focuses on Values

Colgate managers from seven Asian countries participated in a train-the-trainer session for "Valuing Colgate People" in Malaysia. The two-day course, which is offered to all Colgate people worldwide, focuses on the Company's fundamental values. Leading the session are Mitra Chappell, Director of Global Leadership Training and Organizational Development, and Ron Martin, VP of Global Business Practices and Public Affairs.

Malaysia



Making Colgate the best place to work is vital to attract, develop and retain our most valuable resource—the 38,000 committed Colgate people around the world. Fulfilling this mission starts with our shared global values of Caring, Continuous Improvement and Global Teamwork. These values, along with our Managing with Respect principles, form the foundation for how Colgate operates worldwide. Colgate people learn and follow the basic principles of Managing with Respect—to communicate effectively, to give and seek feedback, to value unique contributions, to promote teamwork and to set the example. We believe that we must provide exciting, challenging and motivating work that helps people grow professionally. At Colgate we have outstanding opportunities for global careers. More than 70 global training programs, taught by Colgate experts in all business disciplines, help support individual development, instilling the global competencies and teamwork

Intercom Reaches Over 100 Locations



Video Broadcasts to Far-Flung Locations

Live broadcasts reach Colgate people at 19 different North American locations four times a year. Experts report on specific parts of the business and take live questions from viewers. Below is Sheila Hopkins, VP of Colgate-U.S. for Personal Care. In the control room are Communications Analyst Maria Barbieri, Audiovisual Coordinator Robert Montagna and Personal Systems Manager Steve Baez. United States

required for advancement. The broad curriculum includes courses ranging from Marketing Fundamentals to Trade Marketing and Productive Maintenance.

We also know that we must provide a motivating environment and provide an opportunity for people to contribute at all levels of the organization. To facilitate individual efforts we are making investments in leading technologies like SAP. We provide stimulating careers to all Colgate people. Career tracks are defined and key competencies identified on a global basis, making sure that people can focus on their individual development plans to continue their career development.

People decisions are managed on a worldwide basis, ensuring that talented people gain and share expertise by working in diverse regions or advancing in their function. And, as evidence of our commitment, the Human Resources Committee, consisting of the President, Chief Operating Officer, Chief Growth Officer, Executive VP, VP-Global HR, Chief Financial Officer and other key executives, meets every month to assess management rotation and development across all regions.

This process is repeated at the division operating level. For instance, when division presidents visit subsidiaries, career development, compensation and training improvements are important parts of business reviews. Presentations by managers early in their careers are encouraged in these sessions. And last year, in the

(continued on page 16)

Latest Results on Video

Keeping Colgate people connected, Intercom meetings are held at all locations twice a year to review the latest results. Successful growth initiatives from around the world are shared via the "Colgate World Report" video newscast.

Global



Becoming the Best Place to Work

(continued from page 15)

first annual Colgate Leadership Challenge, high-potential managers from around the world participated in a weeklong program in New York where they worked together on team projects and heard Company executives relate their personal leadership approaches. This program and others like it will help identify and retain Colgate's future leaders.

Recognition and rewards are critical to making Colgate the best place to work. Compensation programs include pay for performance at all levels and an incentive program tied to business goals of profitability and growth. The Chairman's "You Can Make a Difference" program rewards individuals at national and global levels for new ideas to improve our business results. Last year, the 47 global winners from eleven countries contributed a range of innovations that directly increased Company growth and profitability. For example, promoting a new Oral Health Month in Central Europe involved more than 6,000 dentists and increased Colgate's strong leadership there, while improving productivity of bottle blow molding at the pan-European liquids plant reduced changeover time from six hours to one hour.

Finally, we believe that an important part of making Colgate the best place to work is making people feel connected. We have a worldwide intranet and e-mail system with information about our Company. In North America, employees in more than a dozen locations participate quarterly in a live videoconference, both listening and asking questions as the division president and other managers review business results. And around the world, semiannual Intercom meetings and the Colgate World Report videos present the Company's achievements and business priorities.

We believe the six factors listed on page 14 are critical to making Colgate the best place to work. Creating this positive motivation enables Colgate people to perform at their most effective, moving us ever closer to our goal of becoming the best truly global consumer products company.

Recognition and Rewards

Recognition for outstanding achievements takes place at the national and global levels through the Chairman's "You Can Make a Difference" program. Here, Colgate-Mexico President Guillermo Fernandez presents awards to Higia de la Fuente, Toothbrush Brand Assistant, and José Manuel Corrales, Operator, soap production.

Mexico



Medal for Awards Program, in 100-Plus Countries

Stimulating Careers

Human Resource decisions are managed on a global basis at Colgate, ensuring that talented people gain and share expertise by working in diverse regions or advancing across functions. Pictured at right, a representative sample of talented Colgate people with highlights of their stimulating careers.

Global



Lilian Lee
Supply Chain Manager,
Materials Management, U.S.



2000 promoted to current position
1999-2000 U.S. Export Manager for U.S.
1998-1999 Manager of Oral Care in Malaysia
1996-1998 Team Leader in Malaysia
1995-1996 Technology Associate at Engineering Technology



Pascal Montilus
Focus Factory Manager,
France



1999 promoted to current position
1998-1999 Operations Manager, Palmolive/PET, France
1997-1998 Manager of Operations, Russia
1994-1997 SAP Implementation in U.S.
1990-1994 Engineering at Morristown plant, U.S.



Justin Skala
Vice President and General Manager,
Hills-Europe



2000 promoted to current position
1997-2000 Vice President, Sales, Hills-Europe
1995-1997 General Manager for Hills-United Kingdom
1994-1995 Marketing Director for Hills-International
1992-1994 Marketing Director for Personal Care and then for Fabric Care, U.S.
1988-1991 Marketing Manager for Household Products, Thailand



Maria Fernanda Mejia
Marketing Director,
Venezuela



2000 promoted to current position
1998-2000 Marketing Director for Ecuador
1997-1998 Household Products Marketing Manager in Global Business Development
1994-1997 Group Product Manager for Puerto Rico



Scott Smith
Director of
National Accounts, U.S.



2000 promoted to current position
1999-2000 Director of Sales for Wal-Mart
1997-1999 Regional Sales Manager for Northeast
1993-1997 Regional Marketing Manager for Northeast



Denise Stuckey
Manager, Work-Life Initiatives,
Global



1999 promoted to current position
1997-1999 Associate Manager, Work & Personal Life Initiatives, Global
1994-1996 Supervisor, Work/Personal Initiatives
1990-1994 Supervisor, Non-exempt Staff
1988-1990 Supervisor, Training and Development
1983-1988 HR Administrator



Global Financial Review

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Results of Operations

Worldwide Net Sales by Business Segment and Geographic Region

	2000	1999	1998
Oral, Personal and Household Care			
North America ⁽¹⁾	\$2,310.0	\$2,143.7	\$2,047.5
Latin America	2,507.5	2,356.7	2,407.9
Europe	1,890.1	2,028.8	2,067.7
Asia/Africa	1,532.0	1,519.7	1,452.6
Total Oral, Personal and Household Care	8,239.6	8,048.9	7,975.7
Total Pet Nutrition ⁽²⁾	1,118.3	1,069.3	995.9
Total Net Sales	\$9,357.9	\$9,118.2	\$8,971.6

⁽¹⁾ Net sales in the United States for Oral, Personal and Household Care were \$2,025.7, \$1,880.8 and \$1,799.6 in 2000, 1999 and 1998, respectively.

⁽²⁾ Net sales in the United States for Pet Nutrition were \$736.0, \$709.2 and \$688.6 in 2000, 1999 and 1998, respectively.

Net Sales and Earnings Before Interest and Taxes (EBIT)

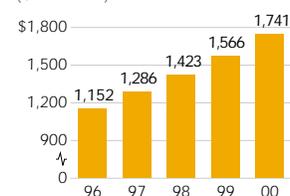
Worldwide net sales increased 3% to \$9,357.9 in 2000 on volume growth of 6%. Net sales would have grown 7% excluding foreign currency translation. Net sales in the Oral, Personal and Household Care segment increased 2% on 6% volume growth, while net sales and volume in Pet Nutrition increased by 5%. In 1999, worldwide net sales increased 2% to \$9,118.2 on volume growth of 5%, reflecting the negative impact of foreign currency translation.

EBIT rose from \$1,566.2 in 1999 to \$1,740.5 in 2000. The 11% increase reflected the Company's strong volume growth and cost-control initiatives that were effective in increasing margins. EBIT increased 10% in 1999 to \$1,566.2 from \$1,423.0 in 1998.

Gross Profit

Gross profit margin increased to 54.4%, above both the 1999 level of 53.7% and the 1998 level of 52.2%. This favorable trend continues to reflect the Company's financial strategy to improve all aspects of its supply chain through global sourcing, restructuring and other cost-reduction initiatives, as well as its emphasis on higher margin products.

EBIT (Earnings Before Interest and Taxes)
(\$ millions)



EBIT increased 11% in 2000, reflecting sales growth combined with savings in operating costs and overhead.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales were 35% in 2000, 36% in 1999 and 36% in 1998. The overall spending as a percentage of sales declined slightly as a result of the Company's continued focus on expense containment, offset by higher advertising costs.

Other Expense, Net

Other expense, net, consists principally of amortization of goodwill and other intangible assets, minority interest in earnings of less-than-100%-owned consolidated subsidiaries, earnings from equity investments, gains on sale of real estate and non-core product lines, and other miscellaneous gains and losses. Other expense, net, decreased in 2000 from \$73.6 to \$52.3 primarily due to unrealized gains of \$15.4 on foreign currency contracts.

Items included in other expense, net, during 2000 were one-time charges of \$92.7 (\$61.2 aftertax), including a restructuring charge recorded in the fourth quarter related to the realignment of certain manufacturing operations and the exiting of our business in Nigeria. Also included are one-time gains of \$102.0 (\$60.9

aftertax) recorded on the sale of real estate and the sale of our Viva detergent brand in Mexico.

During 1999, the Company incurred one-time charges related to the exiting of certain activities, such as the manufacture of aluminum tubes in Brazil. These charges were offset by a gain of \$33.0 (\$17.6 aftertax) recorded on the sale of the U.S. Baby Magic brand and a gain of \$17.4 (\$11.4 aftertax) on the sale of real estate.

Worldwide Earnings by Business

Segment and Geographic Region	2000	1999	1998
Oral, Personal and Household Care			
North America	\$ 482.4	\$ 413.0	\$ 395.5
Latin America	603.1	535.7	502.0
Europe	320.0	342.0	317.5
Asia/Africa	194.0	166.7	158.6
Total Oral, Personal and Household Care	1,599.5	1,457.4	1,373.6
Total Pet Nutrition	243.5	219.9	173.8
Corporate Overhead and Other	(102.5)	(111.1)	(124.4)
Earnings Before Interest and Taxes	1,740.5	1,566.2	1,423.0
Interest Expense, Net	(173.3)	(171.6)	(172.9)
Income Before Income Taxes	\$1,567.2	\$1,394.6	\$1,250.1

Segment Results

North America

North America achieved strong results for the year. Net sales grew 8% to \$2,310.0 as unit volume rose 8% driven by the introduction of new products in all core categories. These new products included the battery-powered Colgate Actibrush toothbrush, Colgate 2in1 toothpaste & mouthwash, and Colgate Sensitive Maximum Strength and Colgate Sparkling White toothpastes. In the Personal Care category, the launch of Softsoap Fruit Essentials body wash and hand soap and Softsoap 2-in-1 with moisturizing lotion boosted sales and market shares as well. In 1999, North America achieved overall sales growth excluding divestments of 6% to \$2,143.7 on volume growth of 8%.

EBIT for North America was up 17% to \$482.4. The region achieved earnings growth through volume gains, higher gross profit margins and continued focus on cost control. EBIT in 1999 was up 4% to \$413.0.

Latin America

Net sales in Latin America increased 6% to \$2,507.5 on 6% volume growth led by strong growth in Mexico, Brazil, Venezuela and Central America. The regional introduction of Colgate Fresh Confidence gel toothpaste as well as Palmolive Botanicals shampoo and soap strengthened market shares in the Oral and Personal Care categories. In 1999, Latin America net sales decreased 2% to \$2,356.7 on 3% volume growth.

EBIT in Latin America increased 13% to \$603.1 as a result of continued efforts in cost reduction, selective selling price increases and higher margins. EBIT in 1999 was up 7% to \$535.7 due to selective selling price increases and lower advertising expenditures in Brazil.

Europe

Net sales in Europe declined 7% to \$1,890.1 as unit volume gains of 4% were offset by the weakened euro. Germany, Italy, the Nordic Group and the Netherlands achieved the strongest volume increases in the region. The Colgate Actibrush and Colgate Fresh Confidence and Colgate Whitening toothpastes led Oral Care market growth in the region. Market share growth in the Personal and Household Care categories coupled with the introduction of new products such as Ajax Shower Power cleaner, Palmolive Actif men's shower gel and Palmolive Spring Sensations dishwashing liquid contributed to increased volumes in Europe. In 1999, Europe net sales declined 2% to \$2,028.8, due primarily to the weakened euro, while volume grew 2%.

EBIT for Europe decreased 6% to \$320.0 as a result of foreign currency weakness. EBIT in 1999 rose 8% to \$342.0 due to higher margins and higher volumes.

Asia/Africa

Net sales in the Asia/Africa region excluding divestments increased 2% to \$1,532.0 as volume grew 7%, with the strongest performance in China, India and the Philippines. China continued to experience significant growth through the introduction of new products such as Softlan fabric softener and Palmolive Naturals shampoo as well as its newly formed majority-owned joint venture with China's leading toothbrush manufacturer. Throughout the region the Company continues to benefit from the success of products such as the Colgate Actibrush toothbrush and Colgate Fresh Confidence and Colgate Herbal toothpastes. In 1999, net sales in the Asia/Africa region increased 5% to \$1,519.7 as volume increased 7%.

EBIT grew 16% in Asia/Africa to \$194.0 driven by increased volumes across the region. EBIT in 1999 grew 5% to \$166.7.

Pet Nutrition

Net sales for Hill's Pet Nutrition increased 5% to \$1,118.3 on 5% volume growth. North American sales increased due to the introduction of new products including Science Diet products for sensitive skin and sensitive stomach, as well as the relaunch of the entire Science Diet line with a proprietary antioxidant formulation. Strong growth occurred in Japan, Europe and Latin America due to the introduction of new feline varieties and improvements in



Colgate has formed a joint venture with Sanxiao, China's leading toothbrush maker.

the entire dry cat food line, complemented by increased advertising. In 1999, net sales for the Pet Nutrition segment increased 7% to \$1,069.3 on 8% volume gains.

EBIT in the Pet Nutrition segment grew 11% to \$243.5 driven by volume and cost-improvement initiatives. EBIT in 1999 increased 27% to \$219.9 on both higher volumes and lower raw material costs.

Interest Expense, Net

Interest expense, net, was \$173.3 compared with \$171.6 in 1999 and \$172.9 in 1998. The increase in net interest expense in 2000 reflected increased average debt levels related to increased share repurchases during the year compared with 1999.

Income Taxes

The effective tax rate on income was 32.1% in 2000 versus 32.8% in 1999 and 32.1% in 1998. Global tax planning strategies, including the realization of tax credits, benefited the effective tax rate in all three years presented.

Net Income

Net income was \$1,063.8 in 2000 or \$1.70 per share on a diluted basis compared with \$937.3 in 1999 or \$1.47 per share and \$848.6 in 1998 or \$1.30 per share.

	2000	1999	1998
Identifiable Assets			
Oral, Personal and Household Care			
North America	\$2,122.8	\$2,076.5	\$2,101.5
Latin America	2,091.3	2,151.4	2,314.7
Europe	1,369.4	1,469.1	1,554.1
Asia/Africa	1,013.0	1,061.3	1,031.3
Total Oral, Personal and Household Care	6,596.5	6,758.3	7,001.6
Total Pet Nutrition	478.5	476.1	502.6
Total Corporate	177.3	188.7	181.0
Total Identifiable Assets⁽¹⁾	\$7,252.3	\$7,423.1	\$7,685.2

⁽¹⁾ Long-lived assets in the United States, primarily fixed assets and goodwill, represented approximately one-third of total long-lived assets of \$4,813.3, \$4,952.3 and \$5,330.0 in 2000, 1999 and 1998, respectively.

Liquidity and Capital Resources

Net cash provided by operations increased 19% to \$1,536.2 compared with \$1,292.7 in 1999 and \$1,178.8 in 1998. The increases reflect the Company's improved profitability and working capital management. Cash generated from operations was used to fund capital spending, increase dividends and repurchase common shares.

During 2000, long-term debt increased to \$2,857.1 from \$2,582.2 and total debt increased to \$2,978.2 from \$2,789.5 primarily due to increased share repurchases.

As of December 31, 2000, \$436.1 of domestic and foreign commercial paper was outstanding. These borrowings carry a Standard & Poor's rating of A1 and a Moody's rating of P1. The commercial paper as well as other short-term borrowings are

classified as long-term debt at December 31, 2000, as it is the Company's intent and ability to refinance such obligations on a long-term basis. The Company has additional sources of liquidity available in the form of lines of credit maintained with various banks. At December 31, 2000, such unused lines of credit amounted to \$1,398.1. In addition, at December 31, 2000, the Company had \$438.2 available under a shelf registration filed in 2000.

As of December 31, 1999, \$477.3 of domestic and foreign commercial paper was outstanding. An unused line of credit of approximately \$1,527.9 was available.

The ratio of EBITDA (defined as earnings before interest, income taxes, depreciation and amortization) to interest expense increased to 10.4 in 2000 from 9.0 in 1999 and 8.6 in 1998. The ratio has increased each year consistent with the Company's trend of higher earnings.

	2000	1999	1998
Capital Expenditures			
North America	\$ 91.8	\$ 97.6	\$ 90.1
Latin America	121.3	118.2	99.2
Europe	41.7	60.8	83.7
Asia/Africa	45.8	57.0	80.5
Total Oral, Personal and Household Care	300.6	333.6	353.5
Total Pet Nutrition	29.2	21.1	20.7
Total Corporate	36.8	18.1	15.4
Total Capital Expenditures	\$366.6	\$372.8	\$389.6
Depreciation and Amortization			
North America	\$ 99.3	\$ 97.4	\$ 95.6
Latin America	74.9	69.0	75.6
Europe	67.8	75.9	67.9
Asia/Africa	47.0	46.6	42.1
Total Oral, Personal and Household Care	289.0	288.9	281.2
Total Pet Nutrition	30.6	32.5	32.5
Total Corporate	18.2	18.8	16.6
Total Depreciation and Amortization	\$337.8	\$340.2	\$330.3

Capital expenditures were 4% of net sales for 2000, 1999 and 1998. Capital spending continues to be focused primarily on projects that yield high aftertax returns. Capital expenditures for 2001 are expected to continue at the current rate of approximately 4% of net sales.

Other investing activities in 2000, 1999 and 1998 included strategic acquisitions and divestitures around the world. The aggregate purchase price of all 2000, 1999 and 1998 acquisitions was \$64.9, \$46.4 and \$22.6, respectively. The Mexico Viva detergent brand was sold in 2000, the U.S. Baby Magic brand was sold in 1999 and the HandiWipes brand was sold in 1998. The aggregate sale price of all 2000, 1999 and 1998 sales of brands was \$102.5, \$94.7 and \$57.4, respectively.

In 1993, the Company participated in the formation of a financing subsidiary with outside investors. The Company consolidated this entity and reported the amounts invested by outside investors as a minority interest. During 2000, this subsidiary

ceased operations resulting in a cash payment of \$1139 to the outside investors.

The Company repurchases common shares in open market and private transactions for employee benefit plans and to maintain its targeted capital structure. Aggregate repurchases for 2000 were 19.1 million shares, with a total purchase price of \$1,040.6. In 1999, 12.8 million shares were repurchased, with a total purchase price of \$624.4.

Dividend payments were \$382.4, up from \$366.0 in 1999 and \$345.6 in 1998. Common stock dividend payments increased to \$.63 per share in 2000 from \$.59 per share in 1999 and \$.55 per share in 1998. The Series B Preference Stock dividends were declared and paid at the rate of \$5.04 per share in 2000, \$4.96 per share in 1999 and \$4.88 in 1998.

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

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

Restructuring Reserves

In December 2000, the Company recorded a charge of \$639 (\$42.5 aftertax) associated with the realignment of three manufacturing locations in Latin America and the exiting of our business in Nigeria. The charge recorded included \$14.2 for termination costs and \$49.7 for exiting of manufacturing operations. At December 31, 2000, the remaining reserve of \$7.2 is classified as a current liability representing termination costs for 979 employees to be paid during 2001.

In September 1995, a reserve of \$460.5 was established to cover a worldwide restructuring of manufacturing and administrative operations. The cost of completing the restructuring activities approximated the original estimate. The planned restructuring projects, primarily in North America and Europe but also affecting Hill's Pet Nutrition and Colgate locations in Asia/Africa and certain Latin America locations, were completed as of December 31, 2000.

Managing Foreign Currency and Interest Rate Exposure

The Company is exposed to market risk from foreign currency exchange rate fluctuations and interest rates. To manage the volatility relating to foreign currency exposures on a consolidated

basis, the Company utilizes a number of techniques, including selective borrowings in local currencies, purchases of forward foreign currency exchange contracts, balance sheet management and increases in selling prices.

The Company operates in over 200 countries and territories and is exposed to currency fluctuation related to manufacturing and selling its products in currencies other than the U.S. dollar. The major foreign currency exposures involve the markets in the European Union, Mexico and Brazil, which represent 13%, 11% and 5%, respectively, of 2000 worldwide sales. The Company actively monitors its foreign currency exposures in these markets and has been able to offset the impact of foreign currency rate movements through a combination of selling price increases, cost-containment measures and foreign currency hedging activities. The Company primarily utilizes forward exchange and currency swap contracts to hedge portions of its exposures relating to foreign currency purchases and sales, as well as assets and liabilities created in the normal course of business.

The Company utilizes simple instruments such as interest rate swaps to manage the Company's mix of fixed and floating rate debt. The Company's target floating rate obligations as a percentage of the Company's global debt is set by policy.

It is the Company's policy to enter into foreign exchange and interest rate swap contracts with diversified and reputable counterparties and as such, the Company does not anticipate non-performance by any counterparty.

Value at Risk

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

The estimated maximum potential one-day loss in fair value of interest rate or foreign exchange rate instruments, calculated using the VAR model, is not material to the consolidated financial position, results of operations or cash flows of the Company. The estimated maximum yearly loss in earnings due to interest rate or foreign exchange rate instruments, calculated utilizing the EAR model, is not material to the Company's results of operations. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

A discussion of the Company's accounting policies for financial instruments is included in the Summary of Significant Accounting Policies in the notes to the Consolidated Financial Statements, and further disclosure relating to financial instruments is included in the Fair Value of Financial Instruments note.

Accounting Changes

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended, 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 or other comprehensive income depending on whether a derivative is designated as part of a hedge transaction. The adoption of SFAS 133 on January 1, 2001 did not result in a material impact on the Company's financial position, results of operations or cash flows.

In July 2000, the FASB's Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives." This issue addresses the recognition, measurement and income statement classification for various types of sales incentives including discounts, coupons, rebates and free products. The Company will adopt this consensus effective April 1, 2001 and it is not expected to have a material impact on the Company's financial position, results of operations or cash flows. The effect of adoption will result in the reclassification of approximately \$150.6, \$129.1 and \$117.5 for the years ending December 31, 2000, 1999 and 1998, respectively, from selling, general and administrative expenses to a reduction of net sales.

Conversion to the Euro Currency

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

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

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

Outlook

Looking forward into 2001, the Company is well positioned for continued growth in most of its markets. However, movements in foreign currency exchange rates can impact future operating results as measured in U.S. dollars. In particular, economic uncertainty in some countries in Latin America and changes in the value of the euro may impact the overall results of Latin America and Europe.

The Company expects the continued success of Colgate Total toothpaste, using patented proprietary technology, to bolster worldwide oral care leadership and expects new products in Oral Care and other categories to add potential for further growth. Overall, subject to global economic conditions, the Company does not expect the 2001 market conditions to be materially different from those experienced in 2000 and the Company expects its positive momentum to continue. Historically, the consumer products industry has been less susceptible to changes in economic growth than many other industries, and therefore the Company constantly evaluates projects that will focus operations on opportunities for enhanced growth potential. Over the long term, Colgate's continued focus on its consumer products business and the strength of its global brand names, its broad international presence in both developed and developing markets, and its strong capital base all position the Company to take advantage of growth opportunities and to continue to increase profitability and shareholder value.

Forward-Looking Statements

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

Report of Management

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

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

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

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

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



Reuben Mark
Chairman and
Chief Executive Officer



Stephen C. Patrick
Chief Financial Officer

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of Colgate-Palmolive Company (a Delaware corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

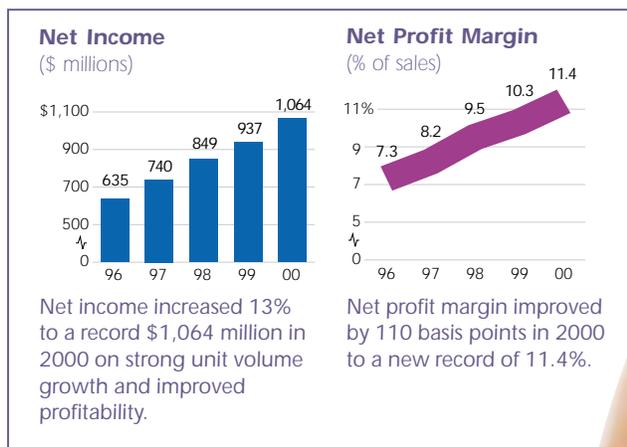
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colgate-Palmolive Company and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.



New York, New York
January 30, 2001

Consolidated Statements of Income

	2000	1999	1998
Net sales	\$9,357.9	\$9,118.2	\$8,971.6
Cost of sales	4,265.5	4,224.0	4,290.3
Gross profit	5,092.4	4,894.2	4,681.3
Selling, general and administrative expenses	3,299.6	3,254.4	3,197.1
Other expense, net	52.3	73.6	61.2
Interest expense, net	173.3	171.6	172.9
Income before income taxes	1,567.2	1,394.6	1,250.1
Provision for income taxes	503.4	457.3	401.5
Net income	\$1,063.8	\$ 937.3	\$ 848.6
Earnings per common share, basic	\$ 1.81	\$ 1.57	\$ 1.40
Earnings per common share, diluted	\$ 1.70	\$ 1.47	\$ 1.30



**Suavitel Peach,
Sold in 34 Countries**

Consolidated Balance Sheets

	2000	1999
Assets		
Current Assets		
Cash and cash equivalents	\$ 206.6	\$ 199.6
Marketable securities	5.9	35.6
Receivables (less allowances of \$39.8 and \$37.2, respectively)	1,195.4	1,100.8
Inventories	686.6	783.7
Other current assets	252.7	235.1
Total current assets	2,347.2	2,354.8
Property, plant and equipment, net	2,528.3	2,551.1
Goodwill and other intangibles, net	2,096.4	2,185.4
Other assets	280.4	331.8
	\$ 7,252.3	\$ 7,423.1
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	\$ 121.1	\$ 207.3
Current portion of long-term debt	320.2	338.9
Accounts payable	738.9	764.8
Accrued income taxes	163.7	116.6
Other accruals	900.2	845.9
Total current liabilities	2,244.1	2,273.5
Long-term debt	2,536.9	2,243.3
Deferred income taxes	447.3	398.6
Other liabilities	555.9	674.0
Shareholders' Equity		
Preferred stock	354.1	366.5
Common stock, \$1 par value (1,000,000,000 shares authorized, 732,853,180 shares issued)	732.9	732.9
Additional paid-in capital	1,144.9	1,063.2
Retained earnings	4,893.7	4,212.3
Cumulative translation adjustments	(1,269.7)	(1,136.2)
	5,855.9	5,238.7
Unearned compensation	(344.4)	(348.6)
Treasury stock, at cost	(4,043.4)	(3,056.4)
Total shareholders' equity	1,468.1	1,833.7
	\$ 7,252.3	\$ 7,423.1

See Notes to Consolidated Financial Statements.

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

	Common Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Cumulative Translation Adjustment	Compre- hensive Income
	Shares	Amount		Shares	Amount			
Balance, January 1, 1998	590,805,390	\$ 732.9	\$ 660.9	142,047,790	\$ 1,680.3	\$ 3,138.0	\$ (693.7)	
Net income						848.6		\$ 848.6
Other comprehensive income:								
Cumulative translation adjustment							(106.1)	(106.1)
Total comprehensive income								\$ 742.5
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(20.4)		
Preferred stock						(.5)		
Common stock						(324.7)		
Shares issued for stock options	6,714,850		129.0	(6,714,850)	145.1			
Treasury stock acquired	(14,298,912)			14,298,912	542.5			
Other	2,198,152		34.7	(2,198,152)	(34.1)			
Balance, December 31, 1998	585,419,480	\$ 732.9	\$ 824.6	147,433,700	\$ 2,333.8	\$ 3,641.0	\$ (799.8)	
Net income						937.3		\$ 937.3
Other comprehensive income:								
Cumulative translation adjustment							(336.4)	(336.4)
Total comprehensive income								\$ 600.9
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(20.5)		
Preferred stock						(.5)		
Common stock						(345.0)		
Shares issued for stock options	6,894,907		128.0	(6,894,907)	132.5			
Treasury stock acquired	(12,849,744)			12,849,744	624.4			
Other	(601,597)		110.6	611,087	(34.3)			
Balance, December 31, 1999	578,863,046	\$ 732.9	\$ 1,063.2	153,999,624	\$ 3,056.4	\$ 4,212.3	\$ (1,136.2)	
Net income						1,063.8		\$ 1,063.8
Other comprehensive income:								
Cumulative translation adjustment							(133.5)	(133.5)
Total comprehensive income								\$ 930.3
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(20.3)		
Preferred stock						(.4)		
Common stock						(361.7)		
Shares issued for stock options	4,796,186		96.7	(4,796,186)	54.3			
Treasury stock acquired	(19,099,681)			19,099,681	1,040.6			
Other	2,096,323		(15.0)	(2,084,163)	(107.9)			
Balance, December 31, 2000	566,655,874	\$732.9	\$1,144.9	166,218,956	\$4,043.4	\$4,893.7	\$(1,269.7)	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	2000	1999	1998
Operating Activities			
Net income	\$ 1,063.8	\$ 937.3	\$ 848.6
Adjustments to reconcile net income to net cash provided by operations:			
Restructured operations	(14.9)	(35.6)	(34.8)
Depreciation and amortization	337.8	340.2	330.3
Income taxes and other, net	69.7	122.3	60.7
Cash effects of changes in:			
Receivables	(91.9)	(81.3)	(15.2)
Inventories	59.0	(82.8)	(19.5)
Payables and accruals	112.7	92.6	8.7
Net cash provided by operations	1,536.2	1,292.7	1,178.8
Investing Activities			
Capital expenditures	(366.6)	(372.8)	(389.6)
Payment for acquisitions, net of cash acquired	(64.9)	(44.1)	(22.6)
Sale of non-core product lines	102.5	89.9	57.4
Sale of marketable securities and investments	137.4	22.7	18.7
Other	(17.0)	(27.2)	(15.8)
Net cash used for investing activities	(208.6)	(331.5)	(351.9)
Financing Activities			
Principal payments on debt	(739.4)	(491.0)	(677.5)
Proceeds from issuance of debt	925.4	555.5	762.9
Payments to outside investors	(113.9)	—	—
Dividends paid	(382.4)	(366.0)	(345.6)
Purchase of common stock	(1,040.6)	(624.4)	(542.5)
Other	34.9	(14.2)	(27.3)
Net cash used for financing activities	(1,316.0)	(940.1)	(830.0)
Effect of exchange rate changes on cash and cash equivalents	(4.6)	(3.2)	1.7
Net increase (decrease) in cash and cash equivalents	7.0	17.9	(1.4)
Cash and cash equivalents at beginning of year	199.6	181.7	183.1
Cash and cash equivalents at end of year	\$ 206.6	\$ 199.6	\$ 181.7
Supplemental Cash Flow Information			
Income taxes paid	\$ 306.3	\$ 292.4	\$ 273.8
Interest paid	203.0	210.9	202.8
Principal payments on ESOP debt, guaranteed by the Company	8.8	6.7	6.1

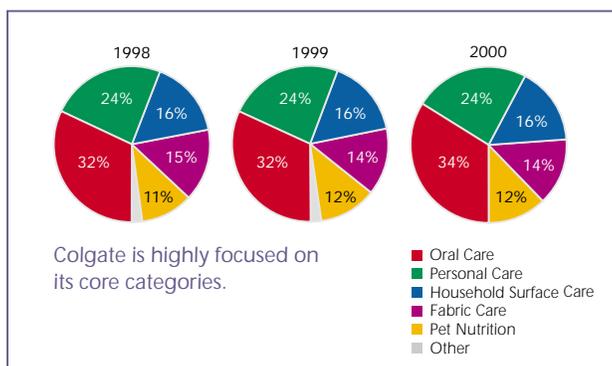
See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Nature of Operations

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

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



2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Revenue Recognition

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

Use of Estimates

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

Accounting Changes

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended, 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 or other comprehensive income depending on whether a derivative is designated as part of a hedge transaction. The adoption of SFAS 133 on January 1, 2001 did not result in a material impact on the Company's financial position, results of operations or cash flows.

In July 2000, the FASB's Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives." This issue addresses the recognition, measurement and income statement classification for various types of sales incentives including discounts, coupons, rebates and free products. The Company will adopt this consensus effective April 1, 2001. The effect of adoption will result in the reclassification of approximately \$150.6, \$129.1 and \$117.5 for the years ending December 31, 2000, 1999 and 1998, respectively, from selling, general and administrative expenses to a reduction of net sales.

Cash and Cash Equivalents

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

Inventories

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

Property, Plant and Equipment

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

Goodwill and Other Intangibles

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

The recoverability of the carrying values of intangible assets is evaluated periodically based on a review of forecasted operating cash flows and the profitability of the related business. For the three-year period ended December 31, 2000, there were no material adjustments to the carrying values of intangible assets resulting from these evaluations.

Shipping and Handling Costs

Shipping and handling costs are classified as selling, general and administrative expenses and were \$6199, \$590.0 and \$5759 for the years ended December 31, 2000, 1999 and 1998, respectively.

Advertising

Advertising costs are expensed in the year incurred.

Income Taxes

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

Translation of Overseas Currencies

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

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

In 1999, due to the devaluation of the Brazilian real, \$242.4 was charged to cumulative translation adjustments which was, in effect, a write-down of foreign-currency-denominated assets (primarily goodwill and property, plant and equipment). This will be accompanied by lower amortization and depreciation expense in future periods.

Financial Instruments

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

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

Segment Information

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

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

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

Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

3. Acquisitions and Divestitures

During 2000, 1999 and 1998, the Company made several acquisitions totaling \$649, \$46.4 and \$22.6, respectively. Individually, none of these acquisitions were significant.

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

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

The aggregate sale price of all 2000, 1999 and 1998 divestitures was \$102.5, \$94.7 and \$574, respectively. These divestitures included the Mexico Viva detergent brand in 2000, the U.S. Baby Magic brand in 1999 and the HandiWipes brand in 1998.

4. Long-Term Debt and Credit Facilities

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

	Weighted Average Interest Rate	Maturities	2000	1999
Notes	7.3%	2001-2028	\$1,458.4	\$1,423.5
Commercial paper and other short-term borrowings, reclassified	6.3	2001	436.1	477.3
ESOP notes, guaranteed by the Company	8.7	2001-2009	358.1	366.9
Payable to banks	5.4	2001-2007	603.5	313.7
Capitalized leases			1.0	.8
			2,857.1	2,582.2
Less: current portion of long-term debt			320.2	338.9
			\$2,536.9	\$2,243.3

Commercial paper and certain other short-term borrowings are classified as long-term debt as it is the Company's intent and ability to refinance such obligations on a long-term basis. Scheduled maturities of debt outstanding at December 31, 2000, excluding short-term borrowings reclassified, are as follows: 2001—\$320.2; 2002—\$358.0; 2003—\$623.4; 2004—\$123.3; 2005—\$77.2, and \$918.9 thereafter. The Company has entered into interest rate swap agreements and foreign exchange contracts related to certain of these debt instruments (see Note 11).

At December 31, 2000, the Company had unused credit facilities amounting to \$1,398.1. Commitment fees related to credit facilities are not material. The weighted average interest rate on short-term borrowings, excluding amounts reclassified, as of December 31, 2000 and 1999, was 7.6% and 7.8%, respectively.

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

5. Capital Stock and Stock Compensation Plans

Preferred Stock

Preferred Stock consists of 250,000 authorized shares without par value. It is issuable in series, of which one series of 125,000 shares, designated \$4.25 Preferred Stock, with a stated and redeemable value of \$100 per share, has been issued. The \$4.25 Preferred Stock is redeemable only at the option of the Company. At December 31, 2000 and 1999, 103,350 and 115,510 shares of \$4.25 Preferred Stock, respectively, were outstanding.

Preference Stock

In 1988, the Company authorized the issuance of 50,000,000 shares of Preference Stock, without par value. The Series B Convertible Preference Stock, which is convertible into eight shares of common stock, ranks junior to all series of the Preferred Stock. At December 31, 2000 and 1999, 5,254,847 and 5,446,442 shares of Series B Convertible Preference Stock, respectively, were outstanding and issued to the Company's Employee Stock Ownership Plan.

Shareholder Rights Plan

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

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

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

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

Stock Repurchases

During 1998, the Company entered into a series of forward purchase agreements on its common stock. These agreements are settled on a net basis in shares of the Company's common stock. To the extent that the market price of the Company's common stock on a settlement date is higher/(lower) than the forward purchase price, the net differential is received/(paid) by the

Company. As of December 31, 2000, agreements were in place covering approximately \$509.8 of the Company's common stock (7.9 million shares) that had forward prices averaging \$64.55 per share. During 2000 and 1999, settlements resulted in the Company delivering 217,574 shares and receiving 2,322,701 shares, respectively, which were recorded as treasury stock transactions.

Incentive Stock Plan

The Company has a plan that provides for grants of restricted stock awards for officers and other executives of the Company and its major subsidiaries. A committee of non-employee members of the Board of Directors administers the plan. During 2000 and 1999, 667,090 and 692,238 shares, respectively, were awarded to employees in accordance with the provisions of the plan.

Stock Option Plans

The Company's Stock Option Plans ("Plans") provide for the issuance of non-qualified stock options to officers and key employees. Options are granted at prices not less than the fair market value on the date of grant and vest over three years. At 2000 year-end, 25,691,772 shares of common stock were available for future grants.

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

Stock option plan activity is summarized below:

	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, January 1	39,196,097	\$36	42,786,246	\$28	45,534,784	\$23
Granted	9,761,712	53	11,414,328	53	12,537,288	39
Exercised	(9,361,403)	32	(14,586,597)	26	(14,917,508)	22
Canceled or expired	(453,519)	40	(417,880)	49	(368,318)	21
Options outstanding, December 31	39,142,887	41	39,196,097	36	42,786,246	28
Options exercisable, December 31	24,839,562	\$35	23,813,363	\$28	26,688,764	\$23

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 2000:

Range of Exercise Prices	Weighted Average Remaining Contractual Life In Years	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$10.64 - \$20.31	4	7,036,460	\$17	7,036,460	\$17
\$20.79 - \$31.08	4	5,116,003	27	4,876,003	27
\$31.33 - \$44.59	7	6,565,573	36	4,539,054	36
\$44.61 - \$52.19	9	6,789,775	48	1,205,781	48
\$52.31 - \$55.66	8	8,771,756	55	3,556,606	54
\$55.72 - \$64.75	5	4,863,320	59	3,625,658	58
	6	39,142,887	\$41	24,839,562	\$35

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for options granted under the Plans. Accordingly, no compensation expense has been recognized. Had compensation expense been determined based on the Black-Scholes option pricing model value at the grant date for awards in 2000, 1999 and 1998 consistent with the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company's net income, basic earnings per common share and diluted earnings per common share would have been \$1,006.1, \$1.71 per share and \$1.60 per share, respectively, in 2000; \$891.9, \$1.49 per share and \$1.40 per share, respectively, in 1999; and \$803.5, \$1.33 per share and \$1.25 per share, respectively, in 1998.

The weighted average Black-Scholes value of grants issued in 2000, 1999 and 1998 was \$10.95, \$8.61 and \$6.24, respectively. The Black-Scholes value of each option granted is estimated using the Black-Scholes option pricing model with the following assumptions: option term until exercise ranging from 2 to 7 years, volatility ranging from 22% to 41%, risk-free interest rate ranging from 5.0% to 6.2% and an expected dividend yield of 2.5%. The Black-Scholes model used to determine the option values shown above was developed to estimate the fair value of short-term freely tradable, fully transferable options without vesting restrictions and was not designed to value reloads, all of which significantly differ from the Company's stock option awards. The value of this model is also limited by the inclusion of highly subjective assumptions which greatly affect calculated values.

6. Employee Stock Ownership Plan

In 1989, the Company expanded its Employee Stock Ownership Plan ("ESOP") through the introduction of a leveraged ESOP covering certain employees who have met certain eligibility requirements. The ESOP issued \$410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. The long-term notes, which are guaranteed by the Company, are reflected in the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Series B Convertible Preference Stock from the Company. The Stock has a minimum redemption price of \$65 per share and pays semi-annual dividends equal to the higher of \$2.44 or the current dividend paid on eight common shares for the comparable six-month period. During 2000, the ESOP entered into a loan agreement with the Company under which the benefits of the ESOP may be extended through 2035.

Dividends on these preferred shares, as well as common shares also held by the ESOP, are paid to the ESOP trust and, together with contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Preferred shares are released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loan. At December 31, 2000, 1,654,219 shares were allocated to participant accounts and 3,600,628 shares were available for future allocation. Each allocated share may be converted by the trustee into eight common shares but preferred shares generally convert only after the employee ceases to work for the Company.

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

Annual expense related to the leveraged ESOP, determined as interest incurred on the notes, less employee contributions and dividends received on the shares held by the ESOP, plus the higher of either principal repayments on the notes or the cost of shares allocated, was \$34 in 2000, \$9.2 in 1999 and \$2.4 in 1998. Similarly, unearned compensation, shown as a reduction in shareholders' equity, is reduced by the higher of principal payments or the cost of shares allocated.

Interest incurred on the ESOP's notes was \$31.4 in 2000, \$32.0 in 1999 and \$32.5 in 1998. The Company paid dividends on the stock held by the ESOP of \$28.6 in 2000, \$29.1 in 1999 and \$29.3 in 1998. Company contributions to the ESOP were \$4.8 in 2000, \$9.3 in 1999 and \$0 in 1998. Employee contributions to the ESOP were \$0 in 2000, \$.6 in 1999 and \$94 in 1998.

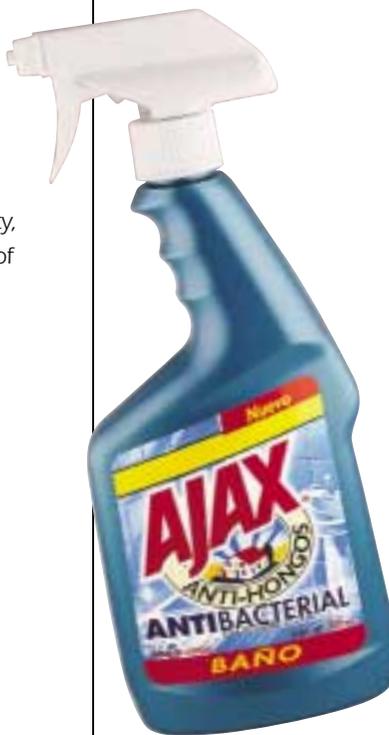
7. Retirement Plans and Other Retiree Benefits

Retirement Plans

The Company, its U.S. subsidiaries and some of its overseas subsidiaries maintain defined benefit retirement plans covering substantially all of their employees. Benefits are based primarily on years of service and employees' career earnings. In the Company's principal U.S. plans, funds are contributed to the trusts in accordance with regulatory limits to provide for current service and for any unfunded projected benefit obligation over a reasonable period. Assets of the plans consist principally of common stocks, guaranteed investment contracts with insurance companies, investments in real estate funds and U.S. Government and corporate obligations. Domestic plan assets also include investments in the Company's common stock representing 11% and 10% of plan assets at December 31, 2000 and 1999, respectively.

Other Retiree Benefits

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



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

	Pension Benefits				Other Retiree Benefits	
	2000		1999		2000	1999
	North America	International				
Change in Benefit Obligation						
Benefit obligation at beginning of year	\$ 919.2	\$ 998.3	\$ 311.0	\$ 329.6	\$ 156.1	\$ 153.0
Service cost	28.7	29.4	11.5	12.4	(5.5)	(5.0)
Interest cost	70.7	65.9	19.5	19.0	16.6	14.5
Participant's contribution	3.0	3.1	2.3	2.3	—	—
Acquisitions/plan amendments	—	.2	4.2	.1	—	(.2)
Actuarial loss/(gain)	39.0	(96.7)	2.5	3.5	11.3	5.4
Foreign exchange impact	(1.9)	(.7)	(22.7)	(38.3)	(2.2)	(.2)
Benefits paid	(83.0)	(80.3)	(20.7)	(17.6)	(12.1)	(11.4)
Benefit obligation at end of year	\$ 975.7	\$ 919.2	\$ 307.6	\$ 311.0	\$ 164.2	\$ 156.1
Change in Plan Assets						
Fair value of plan assets at beginning of year	\$1,075.1	\$ 962.8	\$ 224.7	\$ 215.0	\$ —	\$ —
Actual return on plan assets	(33.5)	179.7	4.5	35.6	—	—
Company contributions	6.0	7.7	14.1	13.6	12.1	11.4
Plan participant contributions	3.0	3.1	2.3	2.3	—	—
Foreign exchange impact	(.1)	2.1	(16.0)	(25.1)	—	—
Acquisitions/plan amendments	—	—	—	.9	—	—
Benefits paid	(83.0)	(80.3)	(20.7)	(17.6)	(12.1)	(11.4)
Fair value of plan assets at end of year	\$ 967.5	\$ 1,075.1	\$ 208.9	\$ 224.7	\$ —	\$ —
Funded Status						
Funded status at end of year	\$ (8.2)	\$ 155.9	\$ (98.7)	\$ (86.3)	\$ (164.2)	\$ (156.1)
Unrecognized net transition liability/(asset)	.3	.8	(2.7)	.5	—	—
Unrecognized net actuarial (gain)/loss	(2.6)	(176.1)	13.6	(1.0)	(7.9)	(17.7)
Unrecognized prior service costs	27.3	33.8	7.6	4.0	(6.5)	(7.5)
Net amount recognized	\$ 16.8	\$ 14.4	\$ (80.2)	\$ (82.8)	\$ (178.6)	\$ (181.3)
Amounts Recognized in Balance Sheet						
Other assets	\$ 107.8	\$ 97.7	\$ 31.0	\$ 34.4	\$ —	\$ —
Other liabilities	(91.0)	(83.3)	(111.2)	(117.2)	(178.6)	(181.3)
Net amount recognized	\$ 16.8	\$ 14.4	\$ (80.2)	\$ (82.8)	\$ (178.6)	\$ (181.3)
Weighted Average Assumptions						
Discount rate	7.75%	8.00%	7.30%	7.04%	7.75%	8.00%
Long-term rate of return on plan assets	9.25%	9.25%	9.31%	8.75%	—	—
Long-term rate of compensation increase	5.00%	5.00%	4.48%	4.54%	—	—
ESOP growth rate	—	—	—	—	10.00%	10.00%

	Pension Benefits						Other Retiree Benefits		
	2000		1999		1998		2000	1999	1998
	North America	International							
Components of Net Periodic Benefit Costs									
Service cost	\$ 28.7	\$ 29.4	\$ 28.1	\$ 11.5	\$ 12.4	\$ 17.7	\$ 3.7	\$ 3.4	\$ 4.0
Interest cost	70.7	65.9	68.9	19.5	19.0	18.2	16.6	14.5	14.7
Annual ESOP allocation	—	—	—	—	—	—	(9.2)	(8.4)	(15.0)
Expected return on plan assets	(95.8)	(85.5)	(80.8)	(16.2)	(13.3)	(13.9)	—	—	—
Amortization of transition/prior service costs	7.0	(1.0)	(.9)	.2	—	.1	(1.0)	(.9)	(.6)
Amortization of actuarial (gain)/loss	(6.7)	1.7	1.5	.4	.7	.5	.2	(.4)	(1.0)
Net periodic benefit cost	\$ 3.9	\$ 10.5	\$ 16.8	\$ 15.4	\$ 18.8	\$ 22.6	\$ 10.3	\$ 8.2	\$ 2.1

The accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$202.0 and \$54, respectively, as of December 31, 2000, and \$203.7 and \$9.7, respectively, as of December 31, 1999. These amounts represent non-qualified domestic plans and plans at foreign locations that are primarily unfunded, as such book reserves equal to the unfunded amount have been recorded.

The projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were \$291.7 and \$504, respectively, as of December 31, 2000, and \$271.6 and \$42.9, respectively, as of December 31, 1999.

The assumed medical cost trend rate used in measuring the postretirement benefit obligation was 7.0% for 2001, 6.0% for 2002 and 5.0% for years thereafter. Changes in this rate can have a significant effect on amounts reported. The effect of a 1% increase/decrease in the assumed medical cost trend rate would change the accumulated postretirement benefit obligation by approximately \$15.5; annual expense would change by approximately \$1.8.

8. Income Taxes

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

	2000	1999	1998
United States	\$150.9	\$130.5	\$122.6
International	352.5	326.8	278.9
	\$503.4	\$457.3	\$401.5

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

	2000	1999	1998
United States	\$ 483.3	\$ 406.3	\$ 362.0
International	1,083.9	988.3	888.1
	\$1,567.2	\$1,394.6	\$1,250.1

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

Percentage of Income Before Tax	2000	1999	1998
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	.4	.9	.7
Earnings taxed at other than U.S. statutory rate	(1.7)	(1.4)	(2.6)
Reversal of valuation allowance	—	(.2)	(2.7)
Other, net	(1.6)	(1.5)	1.7
Effective tax rate	32.1%	32.8%	32.1%

In addition, net tax benefits/(costs) of \$91.6 in 2000, \$169.0 in 1999 and \$(18.5) in 1998 were recorded directly through equity which included tax benefits related to employee benefit plans. The 1999 amount also reflects tax benefits related to currency devaluation in Brazil whereas the 1998 amount reflects tax adjustments recorded upon the change in accounting for Brazil as no longer highly inflationary.

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

	2000	1999	1998
Excess of tax over book depreciation	\$ (3.2)	\$(11.6)	\$ (40.0)
Net restructuring spending	6.9	(14.1)	(13.6)
Tax credit utilization	(89.1)	(39.0)	(10.2)
Other, net	29.0	16.0	(37.0)
	\$(56.4)	\$(48.7)	\$(100.8)

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

	2000	1999
Deferred Taxes—Current:		
Accrued liabilities	\$ 65.3	\$ 69.5
Restructuring	6.9	—
Other, net	40.8	39.7
Total deferred taxes current	113.0	109.2
Deferred Taxes—Long-term:		
Intangible assets	(270.1)	(275.9)
Property, plant and equipment	(257.4)	(254.2)
Postretirement benefits	54.7	57.0
Tax loss and tax credit carryforwards	81.4	140.4
Other, net	18.8	71.1
Valuation allowance	(74.7)	(137.0)
Total deferred taxes long-term	(447.3)	(398.6)
Net deferred taxes	\$(334.3)	\$(289.4)

The major component of the 2000 and 1999 valuation allowance relates to tax benefits in certain jurisdictions not expected to be realized. The net change in the valuation allowance for deferred taxes resulted from tax credits utilized.

Applicable U.S. income and foreign withholding taxes have not been provided on approximately \$752.0 of undistributed earnings of foreign subsidiaries at December 31, 2000. These earnings are currently considered to be permanently invested and are not subject to such taxes. Determining the tax liability that would arise if these earnings were remitted is not practicable.

9. Supplemental Income Statement Information

Other Expense, Net	2000	1999	1998
Amortization of intangibles	\$ 72.1	\$ 75.6	\$ 81.7
Earnings from equity investments	(2.2)	(5.3)	(5.3)
Minority interest	32.6	30.4	28.1
Other, net	(50.2)	(27.1)	(43.3)
	\$ 52.3	\$ 73.6	\$ 61.2

Interest Expense, Net	2000	1999	1998
Interest incurred	\$203.5	\$224.0	\$216.8
Interest capitalized	(3.8)	(11.8)	(12.3)
Interest income	(26.4)	(40.6)	(31.6)
	\$173.3	\$171.6	\$172.9

Research and development	\$176.1	\$169.2	\$166.0
Media advertising	550.9	575.6	592.2

10. Supplemental Balance Sheet Information

Inventories	2000	1999
Raw materials and supplies	\$206.2	\$259.6
Work-in-process	30.7	33.2
Finished goods	449.7	490.9
	\$686.6	\$783.7

Inventories valued under LIFO amounted to \$133.0 and \$137.3 at December 31, 2000 and 1999, respectively. The excess of current cost over LIFO cost at the end of each year was \$34.4 and \$37.2, respectively. The liquidations of LIFO inventory quantities had no effect on income in 2000 and 1999, and increased income by \$1.3 in 1998.

Property, Plant and Equipment, Net	2000	1999
Land	\$ 129.0	\$ 128.4
Buildings	716.2	708.0
Machinery and equipment	3,442.1	3,329.6
	4,287.3	4,166.0
Accumulated depreciation	(1,759.0)	(1,614.9)
	\$ 2,528.3	\$ 2,551.1

Goodwill and Other Intangible Assets, Net	2000	1999
Goodwill and other intangibles	\$ 2,747.4	\$2,764.3
Accumulated amortization	(651.0)	(578.9)
	\$ 2,096.4	\$2,185.4

Other Accruals	2000	1999
Accrued payroll and employee benefits	\$286.9	\$341.4
Accrued advertising	267.1	268.3
Accrued interest	53.0	52.5
Accrued taxes other than income taxes	69.9	52.8
Restructuring accrual	7.2	5.4
Other	216.1	125.5
	\$900.2	\$845.9

Other Liabilities	2000	1999
Minority interest	\$117.2	\$226.3
Pension and other benefits	380.8	381.8
Other	57.9	65.9
	\$555.9	\$674.0

11. Fair Value of Financial Instruments

The Company utilizes interest rate swap contracts and foreign currency exchange contracts to manage interest rate and foreign currency exposures. (See Results of Operations—Managing Foreign Currency and Interest Rate Exposure for further discussion.) In assessing the fair value of financial instruments at December 31, 2000 and 1999, the Company has used available market information and other valuation methodologies. Some judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The carrying amounts of cash and cash equivalents, marketable securities, long-term investments and short-term debt approximated fair value as of December 31, 2000 and 1999. The estimated fair value of the Company's remaining financial instruments at December 31 are summarized as follows:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Liabilities)/Assets				
Long-term debt, including current portion (including foreign exchange contracts)	\$(2,857.1)	\$(2,906.6)	\$(2,582.2)	\$(2,616.5)
Other (liabilities)/assets:				
Interest rate contracts	—	3.7	—	(3.9)
Foreign exchange contracts	16.8	21.5	(4.1)	(6.8)
Equity:				
Foreign exchange contracts (to hedge investment in subsidiaries)	1.5	1.4	.4	.6

As of December 31, 2000 and 1999, the Company had interest rate agreements outstanding with an aggregate notional amount of \$824.6 and \$965.9, respectively, with maturities through 2018.

As of December 31, 2000 and 1999, the Company had approximately \$728.6 and \$431.6, respectively, of outstanding foreign exchange contracts. At December 31, 2000, approximately 3% of outstanding foreign exchange contracts served to hedge net investments in foreign subsidiaries, 35% hedged intercompany loans, 35% hedged third-party debt and other firm commitments, and 27% represented contracts used to redenominate foreign currency debt into U.S. dollars.

The Company is exposed to credit loss in the event of non-performance by counterparties on interest rate agreements and foreign exchange contracts; however, non-performance by these counterparties is considered remote as it is the Company's policy to contract with diversified counterparties that have a long-term debt rating of A or higher.

12. Restructured Operations

In September 1995, a reserve of \$460.5 was established to cover a worldwide restructuring of manufacturing and administrative operations. The cost of completing the restructuring activities approximated the original estimate. The planned restructuring projects, primarily in North America and Europe but also affecting Hill's Pet Nutrition and Colgate locations in Asia/Africa and certain Latin America locations, were completed as of December 31, 2000. As planned, the restructuring has produced savings that increase pretax earnings by over \$150.0 annually.

13. Earnings Per Share

	For the Year Ended 2000			For the Year Ended 1999			For the Year Ended 1998		
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$1,063.8			\$937.3			\$848.6		
Preferred dividends	(20.7)			(21.0)			(20.9)		
Basic EPS	1,043.1	574.9	\$1.81	916.3	583.1	<u>\$1.57</u>	827.7	590.0	<u>\$1.40</u>
Stock options		9.8			11.7			13.6	
ESOP conversion	20.3	42.6		19.7	44.0		18.4	44.8	
Diluted EPS	\$1,063.4	627.3	\$1.70	\$936.0	638.8	\$1.47	\$846.1	648.4	\$1.30

14. Commitments and Contingencies

Minimum rental commitments under noncancellable operating leases, primarily for office and warehouse facilities, are \$70.3 in 2001, \$63.9 in 2002, \$55.1 in 2003, \$47.2 in 2004, \$44.6 in 2005 and \$57.1 thereafter. Rental expense amounted to \$90.6 in 2000, \$102.4 in 1999 and \$102.7 in 1998. Contingent rentals, sublease income and capital leases, which are included in fixed assets, are not significant.

The Company has various contractual commitments to purchase raw materials, products and services totaling \$137.9 that expire through 2003.

The Company is a party to various superfund and other environmental matters and is contingently liable with respect to lawsuits, taxes and other matters arising out of the normal course of

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

	Workforce	Manufacturing Plants	Contractual Settlements	Total
Original reserve	\$ 210.0	\$ 204.1	\$ 46.4	\$ 460.5
Charges prior to 1998	(142.6)	(173.8)	(44.9)	(361.3)
1998 charges	(37.1)	(22.5)	—	(59.6)
1999 charges	(24.9)	(7.8)	(1.5)	(34.2)
Balance at				
December 31, 1999	\$ 5.4	\$ —	\$ —	\$ 5.4
2000 charges	(5.4)	—	—	(5.4)
Balance at				
December 31, 2000	\$ —	\$ —	\$ —	\$ —

The headcount reductions resulting from the restructuring projects totaled 4,869. Factory closures and/or reconfigurations totaled 25. The headcount and factory totals were increased by 727 and 1, respectively, as a result of refinements of original estimates.

In December 2000, the Company recorded a charge of \$63.9 (\$42.5 aftertax) associated with the realignment of three manufacturing locations in Latin America and the exiting of our business in Nigeria. The charge, recorded in Other Expense, net, included \$14.2 for termination costs and \$49.7 for exiting of manufacturing operations. At December 31, 2000, the remaining reserve of \$7.2 is classified as a current liability representing termination costs for 979 employees to be paid during 2001.

business. Management proactively reviews and manages its exposure to, and the impact of, environmental matters and other contingencies.

In 1995, the Company acquired the Kolynos oral care business from American Home Products, as described in the Company's Form 8-K dated January 10, 1995. On September 8, 1998, the Company's Brazilian subsidiary received notice of an administrative proceeding from the Central Bank of Brazil primarily taking issue with certain filings made with the Central Bank in connection with the financing of this strategic transaction, but in no way challenging or seeking to unwind the acquisition. The Central Bank of Brazil in January 2001 notified the Company of its decision and imposed a fine which has subsequently been appealed. During

Dollars in Millions Except Per Share Amounts

the appeal, the imposition of the fine is suspended. Further appeals are available within the Brazilian federal courts. Management believes, based on the opinion of its Brazilian legal counsel and other experts, that the filings challenged by the Central Bank fully complied with Brazilian law. The Company intends to challenge this fine vigorously and believes that ultimately it will prevail on appeal.

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

15. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
Net sales	\$2,241.8	\$2,336.7	\$2,366.5	\$2,412.9
Gross profit	1,221.2	1,270.9	1,293.5	1,306.8
Net income	239.9	261.9	275.3	286.7
Earnings per common share:				
Basic	.41	.45	.47	.49
Diluted	.38	.42	.44	.46
1999				
Net sales	\$ 2,175.3	\$ 2,285.0	\$ 2,314.0	\$ 2,343.9
Gross profit	1,165.9	1,221.3	1,253.6	1,253.4
Net income	208.9	228.1	239.7	260.6
Earnings per common share:				
Basic	.35	.38	.40	.44
Diluted	.32	.36	.38	.41

Market and Dividend Information

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

the common stock is CL. Dividends on the common stock have been paid every year since 1895 and the amount of dividends paid per share has increased for 38 consecutive years.

Market Price	Common Stock				\$4.25 Preferred Stock			
	2000		1999		2000		1999	
	High	Low	High	Low	High	Low	High	Low
Quarter Ended								
March 31	\$64.81	\$42.75	\$47.06	\$37.53	\$89.00	\$86.00	\$89.50	\$86.75
June 30	62.63	52.63	52.41	45.78	88.00	86.00	87.50	85.50
September 30	59.88	43.06	58.38	45.75	88.00	85.75	88.00	86.00
December 31	64.56	46.50	65.00	47.81	88.50	86.50	91.00	87.00
Closing Price	\$64.55		\$65.00		\$87.75		\$87.00	

Dividends Paid Per Share

Quarter Ended	2000	1999	2000	1999
March 31	\$1.1575	\$1.1375	\$1.0625	\$1.0625
June 30	.1575	.1375	1.0625	1.0625
September 30	.1575	.1575	1.0625	1.0625
December 31	.1575	.1575	1.0625	1.0625
Total	\$.63	\$.59	\$4.25	\$4.25

Your Board of Directors



Reuben Mark

Chairman of the Board and Chief Executive Officer of Colgate-Palmolive Company. Mr. Mark joined Colgate in 1963 and held a series of significant positions in the United States and abroad before being elected CEO in 1984. Elected director in 1983. Age 62



Jill K. Conway

Chairman of Lend Lease Corporation Limited and Visiting Scholar, Program in Science, Technology and Society at Massachusetts Institute of Technology. Mrs. Conway was President of Smith College from 1975 to 1985. Elected director in 1984. Age 66



Ronald E. Ferguson

Chairman and Chief Executive Officer of General Re Corporation since 1987. Mr. Ferguson has been with General Re since 1969. Elected director in 1987. Age 59



Ellen M. Hancock

Chairman and Chief Executive Officer, Exodus Communications, Inc. Mrs. Hancock previously was Executive Vice President of Research and Development and Chief Technology Officer at Apple Computer Inc., 1996-1997, Executive Vice President and Chief Operating Officer at National Semiconductor, 1995-1996, and Senior Vice President at IBM. Elected director in 1988. Age 57



David W. Johnson

Chairman Emeritus of Campbell Soup Company. Mr. Johnson was Chairman of Campbell Soup Company, March 2000 to January 2001 and 1993-1999. He was Campbell President and Chief Executive Officer, 1990-1997. From 1987 to 1990, he served as Chairman and Chief Executive Officer of Gerber Products Company. Elected director in 1991. Age 68



John P. Kendall

Officer, Faneuil Hall Associates, Inc., a private investment company, since 1973. Mr. Kendall is a former Chairman of The Kendall Company. He joined that company in 1956 and held a series of significant positions. Elected director in 1972. Age 72



Richard J. Kogan

Chairman and Chief Executive Officer of Schering-Plough Corporation since 1998. Mr. Kogan joined Schering-Plough as Executive Vice President, Pharmaceutical Operations, in 1982 and then became President and Chief Operating Officer of that company in 1986 and President and Chief Executive Officer in 1996. Elected director in 1996. Age 59



Howard B. Wentz, Jr.

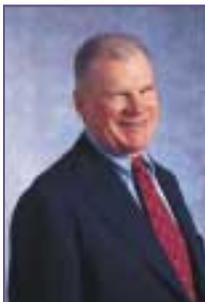
Chairman of Tambrands, Inc., 1993-1996. Mr. Wentz was Chairman of ESSTAR Incorporated, 1989-1995, and Chairman, President and Chief Executive Officer of Amstar Company, 1983-1989. Elected director in 1982. Age 71

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

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

Finance Committee: Howard B. Wentz, Jr., Chair, Ronald E. Ferguson, Ellen M. Hancock, John P. Kendall, Richard J. Kogan, Reuben Mark

Personnel and Organization Committee: Jill K. Conway, Chair, Ronald E. Ferguson, David W. Johnson, John P. Kendall, Richard J. Kogan



John P. Kendall, Retiring

Mr. Kendall is retiring from the Colgate Board of Directors, effective May 10, 2001. He joined the Colgate Board in 1972 and made significant contributions to the success of the Company through his service on all Committees. We sincerely thank Mr. Kendall for 29 years of distinguished service to Colgate and extend our best wishes for his retirement.



Delano E. Lewis, Update

Having made many contributions to Colgate's Board as a Director from 1991 to 1999, Delano Lewis is currently serving as U.S. Ambassador to South Africa. He was appointed to that position in December 1999 and federal law required that he resign from Colgate's Board. He has our continued wishes for success.

Your Management Team

***Reuben Mark, 62**
Chairman of the Board and Chief Executive Officer

See biographical information, left.

***William S. Shanahan, 60**
President

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

***Lois D. Juliber, 52**
Chief Operating Officer

Ms. Juliber is responsible for Europe, Latin America, Asia, South Pacific, Central Europe and Africa. She joined Colgate in 1988 from General Foods, where she was Vice President. Before being promoted to her current position in 2000, she had been Executive Vice President, Chief of Operations for Developed Markets. Previously, she had been President of the Far East/Canada division, Chief Technological Officer and President of Colgate-North America.

***Javier G. Teruel, 50**
Chief Growth Officer

Mr. Teruel is responsible for Global Business Development, R&D, Manufacturing, Information Technology and Strategic Planning. After joining Colgate in Mexico in 1971, he advanced through marketing and management positions in Latin America and at the corporate level. He was appointed to his current position in 2000, most recently having been President of Colgate-Europe and President of Colgate-Mexico.

***Ian M. Cook, 48**
Executive Vice President and President, Colgate-North America and Colgate Oral Pharmaceuticals

Mr. Cook began his Colgate career in the United Kingdom in 1976 and held a series of marketing and management positions in various countries. Appointed to his current position in 2000, he most recently was President of Colgate-North America.

***Michael J. Tangney, 56**
Executive Vice President and President, Colgate-Latin America

Mr. Tangney joined Colgate in 1971 and held various U.S. and international management positions in Latin America and Europe. He was appointed to his current position in 2000, having most recently been President of Colgate-Latin America and President of Colgate-Mexico.

***Stephen C. Patrick, 51**
Chief Financial Officer
Joined Colgate in 1982 after having been a Manager at Price Waterhouse. Before being named CFO in 1996, Mr. Patrick held a series of key financial positions, including Vice President and Corporate Controller and Vice President-Finance for Colgate-Latin America.

***Andrew D. Hendry, 53**
Senior Vice President, General Counsel and Secretary

Joined Colgate in 1991 from Unisys, where he was Vice President and General Counsel. A graduate of Georgetown University and NYU Law School, Mr. Hendry has also been a corporate attorney at a New York law firm and at Reynolds Metals Company (now part of Alcoa, Inc.).

Emilio Alvarez-Recio
VP, Advertising

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

***Steven R. Belasco**
VP, Taxation and Real Estate

David P. Bencze
VP, Colgate-Europe

Philip A. Berry
VP, Global Employee Relations-Best Place to Work

Robert E. Blanchard
VP, Global Toothbrush Division

John H. Bourne
VP, Colgate-North America

Johannes C. Brouwer
VP, Turkiye

Stuart D. Burkhead
VP, Hill's Pet Nutrition

Nigel B. Burton
VP, United Kingdom & Ireland

Antonio Caro
VP, Worldwide Sales

Peter C. Chase
VP, Personal Care

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

Michael A. Corbo
VP, Colgate-Latin America

Graeme D. Dalziel
VP, Portugal

S. Peter Dam
President, Colgate-Asia Pacific

Edward C. Davis
VP, Budget and Planning

Herbert L. Davis
VP, Technology

Alec de Guillenchmidt
VP, Colgate-Europe

Coloman de Hegedus
President, Colgate-Africa/Middle East

Virginia M. Dotzauer
VP, Hill's Pet Nutrition

Hector I. Erezuma
VP, International Taxes

James E. Farrell, Jr.
VP, Legal

Guillermo M. Fernandez
VP, Mexico

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

Edward J. Filusch
VP, Treasury

Stephen J. Fogarty
VP, Oral Care

Chester P.W. Fong
VP, Greater China

Abdul Gaffar
VP, Growth Technology Development

Robert Galan
VP, Philippines

Jill Garrity
VP, Colgate Oral Pharmaceuticals

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

Nina D. Gillman
VP, Legal

Walter H. Golembeski
VP, Product Supply Chain

Stefan S. Gorkin
VP, Labor Relations

David R. Groener
VP, Colgate-North America

Karen Guerra
VP, France

John Guiney
VP, Colgate-Asia Pacific

Luis Gutierrez
VP, Central America

Jack J. Haber
VP, e-Business

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VP, Human Resources

*Corporate Officer

Shareholder Information

Corporate Offices

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

Annual Meeting

Colgate shareholders are invited to attend our annual meeting. It will be on **Thursday, May 10, 2001** at 10:00 a.m. in the Broadway Ballroom of the Marriott Marquis Hotel, Sixth Floor, Broadway at 45th Street, New York, NY. Even if you plan to attend the meeting, please vote by proxy. You may do so by using the telephone, the internet or your proxy card.

Stock Exchanges

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



All Financial Information such as financial results, dividend news and other information is available on Colgate's internet site: www.colgate-palmolive.com.

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

Transfer Agent and Registrar

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

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

Dividend Reinvestment Plan

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

Independent Public Accountants

Arthur Andersen LLP

Investor Relations/Reports

Copies of annual or interim reports, product brochures, Form 10-K and other publications are

available from the Investor Relations Department:

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

Other Reports

You can obtain a copy of Colgate's Environmental Policy Statement, Code of Conduct, Advertising Placement Policy Statement, Product Safety Research Policy or our 2000 Report of Laboratory Research with Animals by writing to Consumer Affairs at Colgate-Palmolive, 300 Park Avenue, New York, NY 10022, or you may call toll-free at: 1-800-468-6502.

Corporate Responsibility

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

Environmental Policy

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

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Eleven-Year Financial Summary⁽¹⁾

Dollars in Millions Except Per Share Amounts

Continuing Operations

Net sales
Results of operations:
Net income
Per share, basic
Per share, diluted
Depreciation and amortization expense

Financial Position

Current ratio
Property, plant and equipment, net
Capital expenditures
Total assets
Long-term debt
Shareholders' equity

Share and Other

Book value per common share
Cash dividends declared and paid per common share
Closing price
Number of common shares outstanding (in millions)
Number of shareholders of record:
\$4.25 Preferred
Common
Average number of employees

⁽¹⁾ All share and per share amounts have been restated to reflect the 1999, 1997 and 1991 two-for-one stock splits.

⁽²⁾ Income in 1995 includes a net provision for restructured operations of \$369.2. (Excluding this charge, earnings per share would have been \$.89, basic and \$.84, diluted.)

⁽³⁾ Income in 1994 includes a one-time charge of \$5.2 for the sale of a non-core business, Princess House.

⁽⁴⁾ Income in 1993 includes a one-time impact of adopting new mandated accounting standards, effective in the first quarter of 1993, of \$358.2. (Excluding this charge, earnings per share would have been \$.84, basic and \$.79, diluted.)

⁽⁵⁾ Income in 1991 includes a net provision for restructured operations of \$243.0. (Excluding this charge, earnings per share would have been \$.64, basic and \$.60, diluted.)

Deliveries by Boat

Deliveries of Colgate toothpaste reach far-flung villages in Vietnam. Right, distribution meets growing demand in Tien Giang province, where sales rose 15 percent in 2000. More dentists in Vietnam use and recommend Colgate toothpaste than any other brand.

Vietnam

Ten-year
compound
annual
growth rate

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
5.1%	\$9,357.9	\$9,118.2	\$8,971.6	\$9,056.7	\$8,749.0	\$8,358.2	\$7,587.9	\$7,141.3	\$7,007.2	\$6,060.3	\$5,691.3
12.7	1,063.8	937.3	848.6	740.4	635.0	172.0 ⁽²⁾	580.2 ⁽³⁾	189.9 ⁽⁴⁾	477.0	124.9 ⁽⁵⁾	321.0
12.2	1.81	1.57	1.40	1.22	1.05	.26 ⁽²⁾	.96 ⁽³⁾	.27 ⁽⁴⁾	.73	.19 ⁽⁵⁾	.57
12.4	1.70	1.47	1.30	1.13	.98	.25 ⁽²⁾	.89 ⁽³⁾	.26 ⁽⁴⁾	.68	.19 ⁽⁵⁾	.53
	337.8	340.2	330.3	319.9	316.3	300.3	235.1	209.6	192.5	146.2	126.2
	1.0	1.0	1.1	1.1	1.2	1.3	1.4	1.5	1.5	1.5	1.4
	2,528.3	2,551.1	2,589.2	2,441.0	2,428.9	2,155.2	1,988.1	1,766.3	1,596.8	1,394.9	1,362.4
	366.6	372.8	389.6	478.5	459.0	431.8	400.8	364.3	318.5	260.7	296.8
	7,252.3	7,423.1	7,685.2	7,538.7	7,901.5	7,642.3	6,142.4	5,761.2	5,434.1	4,510.6	4,157.9
	2,536.9	2,243.3	2,300.6	2,340.3	2,786.8	2,992.0	1,751.5	1,532.4	946.5	850.8	1,068.4
	1,468.1	1,833.7	2,085.6	2,178.6	2,034.1	1,679.8	1,822.9	1,875.0	2,619.8	1,866.3	1,363.6
	2.57	3.14	3.53	3.65	3.42	2.84	3.12	3.10	4.05	3.13	2.53
	.63	.59	.55	.53	.47	.44	.39	.34	.29	.26	.23
	64.55	65.00	46.44	36.75	23.06	17.56	15.84	15.59	13.94	12.22	9.22
	566.7	578.9	585.4	590.8	588.6	583.4	577.6	597.0	641.0	589.4	532.8
	247	275	296	320	350	380	400	450	470	460	500
	42,300	44,600	45,800	46,800	45,500	46,600	44,100	40,300	36,800	34,100	32,000
	38,300	37,200	38,300	37,800	37,900	38,400	32,800	28,000	28,800	24,900	24,800



Glossary of Terms:

- **Focused factories:** centralized plants that specialize in the production of one product line that is distributed across a broad region rather than multi-line plants serving smaller areas. This allows for greater efficiency.
- **Global market position:** is based on external market share information in major markets. Where external data is not available, primarily in smaller markets, management estimates market position based upon its understanding of the business and in relation to competitors. Leadership and world ranking reflect countries where Colgate has established its brands and are in relation to competitors in those markets.
- **Market share:** percentage of the category's retail sales obtained by one brand or company. In this report, unless otherwise stated, market shares are based on value shares provided by AC Nielsen.
- **SAP:** computer software that links all business processes into one integrated system that can be viewed in real time by everyone connected to it. This facilitates efficiency and smooth running of the business. SAP is a trademark of SAP Aktiengesellschaft.
- **360-degree marketing:** reaching consumers throughout their daily activities by going beyond the use of traditional media and finding ways to promote products at special events or in activities involving many people.
- **Unit volume growth:** growth in product units sold, weighted to reflect price per unit.