COLGATE-PALMOLIVE COMPANY
300 Park Avenue New York, NY 10022-7499

Shareholder Information

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

Annual Meeting
Colgate shareholders are invited to attend our annual meeting. It will be on Thursday, May 4, 2006 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.

CL Listed NYSE

SEC and NYSE Certifications
The certifications of Colgate's Chief Executive Officer and Chief Financial Officer, required under Section 302 of the Sarbanes-Oxley Act of 2002, have been filed as exhibits to Colgate's 2005 Annual Report on Form 10-K. In addition, in 2005 Colgate's Chief Executive Officer submitted the annual certification to the NYSE regarding Colgate's compliance with the NYSE corporate governance listing standards.

Financial information, such as financial results, dividend news and SEC filings, is available on Colgate's internet site: www.colgate.com

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

Transfer Agent and Registrar
Our transfer agent can assist you with a variety of shareholder services, including change of address, transfer of stock to another person, questions about dividend checks and Colgate's Direct Stock Purchase Plan:

> **The Bank of New York**
> Shareholder Relations Department
> P.O. Box 11258
> Church Street Station
> New York, NY 10286
> 1-800-756-8700 or (212) 815-3700
> E-mail: Colgateshareowners@bankofny.com
> Internet address: www.stockbny.com
> Hearing impaired: TDD: 1-888-269-5221

Direct Stock Purchase Plan
Colgate offers a Direct Stock Purchase Plan. The Plan includes dividend reinvestment options, offers optional cash investments by check or automatic monthly payments as well as many other features. If you would like to learn more about the Plan or to enroll, please contact our transfer agent, The Bank of New York, at the number above to request a Plan brochure and the forms needed to start the process.

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP

Communications to the Board of Directors
Shareholders and other interested parties are encouraged to communicate directly with the Company's independent directors by sending an e-mail to directors@colpal.com or by writing to Directors, c/o Office of the General Counsel, Colgate-Palmolive Company, 300 Park Avenue, 11th Floor, New York, NY 10022-7499. Shareholders and other interested parties may also communicate with individual independent directors and committee chairs by writing to them at the above mailing address, in care of the Office of the General Counsel. Under procedures established by the Company's independent directors, each letter and e-mail sent in accordance with these instructions is reviewed by the Legal Department and, unless such communications fall within certain categories (which are listed on the "Contact the Board" page at www.colgate.com), distributed to all of the independent directors or to individual directors, as appropriate, with copies to the Office of the Chairman.

Investor Relations/Reports
Copies of annual reports, press releases, company brochures, Forms 10-K and other publications are available without charge 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) 310-2575

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, 2005 Report of Laboratory Research with Animals or Colgate: Respecting The World Around Us – Living Our Values For Sustainability by writing to Consumer Affairs at Colgate-Palmolive Company, 300 Park Avenue, New York, NY 10022-7499.

Consumer Affairs
For Oral, Personal and Home Care
1-800-468-6502
For Hill's Pet Nutrition
1-800-445-5777

Corporate Communications
(212) 310-2199

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Colgate-Palmolive Company 2005 Annual Report

Accelerating Global Growth

- Connecting With Consumers
- Strengthening Partnerships
- Focusing On Innovation
- Increasing Efficiency
- Working As One Global Team

Excellent Sales and Unit Volume Growth Worldwide

Dollars in Millions Except Per Share Amounts

	2005*	2004†	Change
Unit Volume, Excluding Divested Businesses			+6.5%
Worldwide Sales	**$11,396.9**	$10,584.2	+7.5%
Gross Profit Margin	**54.4%**	55.1%	–70 basis points
Operating Profit	**$ 2,215.0**	$ 2,122.1	+4%
Operating Profit Margin	**19.4%**	20.0%	–60 basis points
Net Income	**$ 1,351.4**	$ 1,327.1	+2%
Percent to Sales	**11.9%**	12.5%	–60 basis points
Diluted Earnings Per Share	**$ 2.43**	$ 2.33	+4%
Dividends Paid Per Share	**$ 1.11**	$ 0.96	+16%
Operating Cash Flow	**$ 1,784.4**	$ 1,754.3	+2%
Number of Registered Common Shareholders	**35,000**	36,500	–4%
Number of Common Shares Outstanding (in millions)	**516**	527	–2%
Year-end Stock Price	**$ 54.85**	$ 51.16	+7%

* Net income and diluted earnings per share in 2005 include an aftertax charge of $145.1 million related to the 2004 Restructuring Program, partially offset by the net aftertax impact of certain Other Items which increased net income $29.9 million (excluding these net charges, diluted earnings per share would have been $2.64).

† Net income and diluted earnings per share in 2004 include an aftertax charge of $48.0 million related to the 2004 Restructuring Program (excluding this charge, diluted earnings per share would have been $2.42).

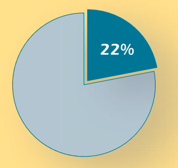
A complete reconciliation between reported results and results excluding the 2004 Restructuring Program and Other Items is available on Colgate's web site.

- Every operating division participated in the strong 6.5% unit volume growth.
- Worldwide sales rose 7.5%, the fastest growth rate in ten years.
- Global advertising increased 12% to an all-time record level of $1,194 million, on top of double-digit growth in the prior year.
- Operating cash flow reached an all-time record level of $1,784 million for the year.
- The quarterly dividend rate was increased by 21% in 2005.
- In December 2004, the Company announced a four-year restructuring program projected to result in cumulative charges of between $550 and $650 million aftertax with annual aftertax savings projected to be in the range of $250 to $300 million by the fourth year of the program.

Growth Highlights of Five Divisions

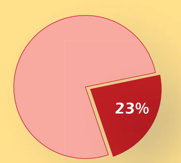
(% of sales)

North America



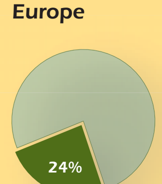
- Sales and unit volume grew 8.0% and 6.5%, respectively, excluding the divested heavy-duty detergent business in North America.
- Colgate expanded its Number One position in the U.S. toothpaste market to a record 35.3% market share.
- Sales and operating profit increased 5.5% and 3%, respectively, as higher sales were partially offset by an increased level of advertising and higher raw and packaging material costs.

Latin America



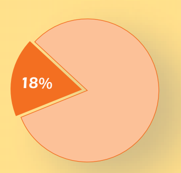
- Unit volume grew 7.5%, excluding divestments.
- Sales and operating profit increased 16.0% and 11%, respectively.
- Growth was boosted by an array of new products, including Colgate Max Fresh and Colgate Sensitive toothpastes and Colgate MicroSonic battery-powered toothbrush.

Europe



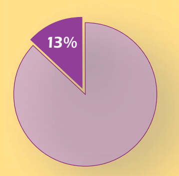
- Unit volume grew 6.5%, excluding divestments, and sales as reported increased 4.5%.
- The GABA acquisition added 4.0% to both sales and volume growth for the region.
- Operating profit increased 2% reflecting volume growth and increased gross profit margins partially offset by an increased level of advertising.

Asia/Africa



- Unit volume grew 6.0% in 2005.
- Sales and operating profit grew 6.5% and 3%, respectively, as a result of volume growth, which more than offset an increased level of advertising and higher shipping and handling costs.
- Colgate Max Fresh and Colgate Vitamin C Fresh toothpastes, and the Colgate 360° manual toothbrush drove growth in oral care throughout the region.

Hill's Pet Nutrition



- World leader in specialty pet food, Hill's increased unit volume 4.0% in 2005.
- Sales and operating profit increased 6.0% and 6%, respectively.
- Veterinary endorsements and innovative new products, including Prescription Diet Canine j/d and Science Diet Lamb & Rice line extensions continue to drive growth at Hill's.

Your Management Team

***Reuben Mark,** 67
Chairman of the Board and Chief Executive Officer
See biographical information, left.

***Ian M. Cook,** 53
President and Chief Operating Officer
Mr. Cook is responsible for all Colgate operating divisions, Global Business Development, Global Sales and Global Advertising. Mr. Cook joined Colgate in the United Kingdom in 1976 and served as the Marketing Director of Colgate-Philippines, General Manager of the Dominican Republic, General Manager of Colgate's Nordic Group and Executive Vice President, Marketing of Colgate-U.S. In addition, Mr. Cook has been President of Colgate-U.S. and President of North America with additional responsibilities for Colgate Oral Pharmaceuticals and the Caribbean. In October 2002 Mr. Cook was appointed Executive Vice President responsible for Colgate-North America and Europe. He was appointed to Chief Operating Officer in July 2004 and appointed President and Chief Operating Officer in July 2005.

***Javier G. Teruel,** 55
Vice Chairman
Mr. Teruel is responsible for the operations of the Hill's Pet Nutrition Division, Global R&D, Global Supply Chain, and Global Information Technology and additionally he leads Colgate's evolving worldwide strategy, which includes overseeing Colgate's business building and restructuring initiative. After joining Colgate in Mexico in 1971, he advanced through marketing and management positions in Latin America, later becoming Vice President of Body Care in Global Business Development in New York, and President and General Manager of Colgate-Mexico. Subsequently, Mr. Teruel served as President of Colgate-Europe, followed by Chief Growth Officer responsible for the Company's growth functions. In October 2002, Mr. Teruel was Executive Vice President responsible for Asia, Central Europe, Africa and Hill's Pet Nutrition. In July 2004, he assumed additional responsibility for reviewing and sharpening Colgate's worldwide strategy.

***Michael J. Tangney,** 61
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,** 56
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,** 58
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.).

Mitchell Abrahamsen
VP, Hill's Pet Nutrition

Esmond Alleyne
VP, Global Information Technology

Todd Atwood
VP, Colgate-Latin America

David P. Bencze
VP, Colgate-North America

Andrea Bernard
VP, Senior Associate General Counsel, Marketing & Trademarks

***Philip A. Berry**
VP, Global Workplace Initiatives

Joseph M. Bertolini
VP, Colgate-North America

Mauricio Boscan
VP, Division General Counsel-Latin America

Peter Brons-Poulsen
VP & GM, Nordic Group

Hans Brouwer
VP & GM, Colgate-South Africa

Don Buchner
VP, Hill's Pet Nutrition

Stuart D. Burkhead
VP, Hill's Pet Nutrition

Nigel B. Burton
President, Global Oral Care

Marsha Butler
VP, Global Oral Care

Antonio Campos-Neto
VP & GM, Colgate-China

Antonio Caro
VP, Global Sales

Jay Cassidy
VP, Audit

Peter C. Chase
VP, Colgate-U.S.

Jim Clark
VP, Global Business Services

Martin J. Collins
VP, Global Human Resources

Stephen J. Conboy
VP, Colgate-U.S.

Michael A. Corbo
VP, Global Oral Care Supply Chain

Graeme D. Dalziel
VP & GM, South Asia Region

S. Peter Dam
President, Colgate-Brazil

Edward C. Davis
VP, Global Budget & Planning

Alec de Guillenchmidt
VP, Colgate-Europe/South Pacific

Robert W. Dietz
VP, Colgate-Europe/South Pacific

***Hector I. Erezuma**
VP, Taxation

Joergen Erichsen
VP & GM, Hill's Pet Nutrition-Europe

Bradley Farr
VP & GM, Colgate-Southern Cone/Latin America

Guillermo M. Fernandez
President & GM, Mexico

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

***Edward J. Filusch**
VP & Corporate Treasurer

Stephen J. Fogarty
VP, Worldwide Shopper Marketing

Chester P.W. Fong
VP, Colgate-Greater Asia

E. Renee Franklin
VP, Human Resources, Global Technologies

Robert E. Frazier
VP, Colgate-Latin America

Abdul Gaffar
VP, Growth Technology Development

***Fabian Garcia**
President, Colgate-Greater Asia

Peggy Gerichter
VP & GM, Colgate-Central American Region

Nina D. Gillman
VP, Senior Associate General Counsel, Corporate Assistant Secretary

Stefan S. Gorkin
VP, Global Labor Relations

Peter Graylin
VP, Division General Counsel, Colgate-Greater Asia

Tom Greene
VP, Global Information Technology

David R. Groener
VP, Global Supply Chain

Karen Guerra
VP & GM, Colgate-France

Jan Guifarro
VP, Corporate Communications

John Guiney
VP, Colgate-Greater Asia

Luis Gutierrez
VP & GM, Colgate-West Andean Region/Latin America

Jack J. Haber
VP, e-Business

Tarek S. Hallaba
President, Global Personal Care

Suzan F. Harrison
VP & GM, Professional Oral Care

Roland Heincke
VP, Colgate-Europe/South Pacific

***Dennis J. Hickey**
VP & Corporate Controller

Sheila A. Hopkins
VP, Global Personal Care

Al Horning
VP, Hill's Pet Nutrition

Stuart A. Hulke
VP, Engineering Supply Chain

***John J. Huston**
VP, Office of The Chairman

N. Jay Jayaraman
VP, Global Oral Care

Scott W. Jeffery, Jr.
President, Colgate-Canada

Malcolm Jones
VP, Global Strategy & Planning

Jules P. Kaufman
VP, Associate General Counsel, Colgate-Europe/South Pacific

Patrick A. Keefe
VP, Global Security

Robert G. Kirkpatrick
VP, Global Media

Joy D. Klemencic
VP, Hill's Pet Nutrition

Donald R. Klock
VP, Chief Procurement Officer

Betty M. Kong
VP, Quality

Yoshio Koshimura
VP & GM, Hill's Pet Nutrition-Asia Pacific

Andrea Lagioia
VP & GM, Colgate-South Pacific

Leo Laitem
VP, Research & Development, Home Care

Irene Lin
VP, Global Human Resources

William H. Lunderman
VP, Strategic Brand Design

***Daniel B. Marsili**
VP, Global Human Resources

***Ronald T. Martin**
VP, Global Business Practices & Corporate Social Responsibility

***Seamus E. McBride**
President, Colgate U.S. & Worldwide Commercial Effectiveness

Donna B. McNamara
VP, Global Human Resources

Beth McQuillan
VP, Global Marketing Counsel, Personal Care

Maria Fernanda Mejia
VP, Colgate-Europe/South Pacific

Richard Mener
President, Colgate-Africa/Middle East Division

***Franck J. Moison**
President, Colgate-Europe/South Pacific

Steven K. Morse
VP, Hill's Pet Nutrition

Josue M. Muñoz
VP, Colgate-Europe/South Pacific

James A. Napolitano
VP, Colgate-U.S.

Jean-Marc Navez
VP, Colgate-France

Rosemary Nelson
VP, Division General Counsel, Colgate-U.S.

Talulla R. Newsome
VP, Finance & Operations, Global Technology

Debra Nichols
VP, Hill's Pet Nutrition

Ellen Park
VP, Chief Patent Counsel

Paul T. Parker
VP, Colgate-North America

Randy Partee
VP, Hill's Pet Nutrition

Chris E. Pedersen
VP & GM, Colgate-United Kingdom & Ireland

Brent Peterson
VP, Colgate-Greater Asia

Joan Pierce
VP, Global Packaging

Robert C. Pierce
VP, Research & Development, Personal Care

Hans L. Pohlschroeder
VP, Treasury

Ricardo Ramos
VP & GM, Colgate-Venezuela

Peter Richardson
VP, Colgate-Greater Asia

Jill H. Rothman
VP, Global Human Resources

Louis Ruggiere
VP & GM, Wal-Mart

Bernal Saborio
VP, Colgate-Latin America

Reuven M. Sacher
VP, Research & Development, Oral Care

Jeff Salguero
VP, Advertising Production

Derrick E.M. Samuel
President, Global Technology

Raffy L. Santos
VP & GM, Hawley & Hazel Taiwan

Scott Sherwood
VP & GM, Colgate-Portugal

Phil Shotts
VP & Assistant Corporate Controller

James H. Shoultz
VP & GM, Colgate-Germany

Barry N. Simpson
VP, Global Information Technology

P. Justin Skala
President, Hill's Pet Nutrition-North America

Michael Sload
VP & GM, Oral Care, Colgate-U.S.

Coleen Smith
VP, Global Human Resources

Leonard D. Smith
VP, Finance, Global Supply Chain

Rick Spann
VP, Global Toothbrush Supply Chain

Paul Stoneham
President, Global Business Development

P. Dorset Sutton
VP & GM, Southeast Asia Region

***Bina H. Thompson**
VP, Investor Relations

Neil Thompson
President, Hill's Pet Nutrition-International

Kathleen A. Thornhill
VP, Global Consumer & Market Knowledge

Heiko Tietke
President & GM, GABA

***Ed Toben**
Chief Information Officer

Panagiotis Tsourapas
VP & GM, Colgate-Greece

Joseph A. Uzzolina
VP, Colgate Africa/Middle East Division

Daniel A. Vettoretti
VP & GM, Colgate-Italy

Anthony R. Volpe
VP, Global Oral Care, Scientific Affairs

Noel R. Wallace
VP & GM, Global Toothbrush Division

Katherine S. Weida
VP, Global Human Resources

***Robert C. Wheeler**
Chief Executive Officer, Hill's Pet Nutrition

Richard J. Wienckowski
VP, Hill's Pet Nutrition

David K. Wilcox
VP, Product Safety Regulatory & Information

Francis M. Williamson
VP, Colgate-Latin America

Paul A. Witmond
VP & GM, Colgate-Malaysia

Gregory P. Woodson
President, Global Home Care

Julie A. Zerbe
VP, Global Human Resources

*Corporate Officer

Accelerating Global Growth

- Connecting With Consumers
- Strengthening Partnerships
- Focusing On Innovation
- Increasing Efficiency
- Working As One Global Team

Contents

About Colgate

Colgate-Palmolive is an $11.4 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, Home Care and Pet Nutrition. Colgate is delivering strong global growth by following a tightly defined strategy to increase market leadership positions for key products, such as toothpaste, toothbrushes, bar and liquid soaps, deodorants/antiperspirants, dishwashing detergents, household cleaners, fabric conditioners and specialty pet food.

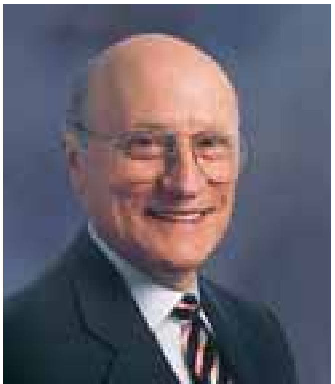
VIETNAM

Reaching More Consumers Everywhere

Colgate is accelerating growth by expanding its distribution networks around the world, especially in emerging markets such as Vietnam. Bringing Colgate products to consumers in even the most remote villages is key to building consumption and driving market share growth worldwide.

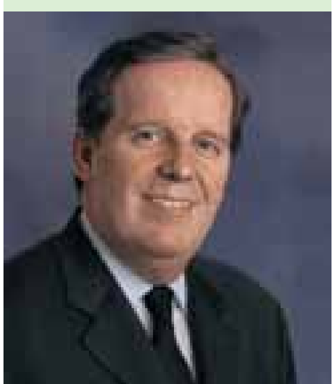
Dear Colgate Shareholder…

Another Year of Strong Top-Line Growth, Widespread Market Share Gains



REUBEN MARK

"Colgate is entering 2006 in an excellent position after a year of strong top-line momentum that built throughout 2005. Our financial strategies are on track and the fundamentals of our business are sound. We are confident that, excluding restructuring charges and accounting changes for stock-based compensation, we will generate double-digit earnings per share growth in 2006."



IAN COOK

"Our focus on new product innovation and our increased level of commercial investment are driving market shares to record levels and generating strong volume increases around the world. These efforts and other brand-building activities are helping Colgate continue to achieve great success."

A Year of Positive Growth Momentum

We are delighted that 2005 was a year of excellent growth momentum for Colgate. Global sales rose 7.5% to an all-time record level and global unit volume from continuing businesses grew 6.5% on top of the outstanding growth achieved in 2004. In fact, every operating division reported sales and profit increases for the year.

We are also encouraged by the 0.5% increase in global pricing that built during the year to 2.0% in the fourth quarter, the largest increase in 21 quarters. This is a good indication that our global focus on more efficient trade spending is beginning to show results.

Advertising spending supporting the Company's brands rose 12% to an all-time record level on top of double-digit growth in 2004, leading to worldwide market share gains and strong volume increases.

Profits in 2005 include $145.1 million of aftertax charges associated with our previously disclosed 2004 Restructuring Program. This four-year restructuring and business-building program was undertaken to help ensure continued long-term solid worldwide growth in sales, unit volume and earnings per share. These charges were partially offset by the net aftertax impact of certain Other Items that increased profits $29.9 million.

We are very pleased that just one year into the 2004 Restructuring Program, we are generating strong gross profit margin increases, up 100 basis points in the fourth quarter, excluding restructuring charges, despite sharply rising energy-related costs worldwide.

The sale of Colgate's North American and Southeast Asian detergent businesses during the year is consistent with our strategy of focusing on our higher margin, faster growing oral, personal and pet care businesses and should further the growth momentum of these businesses going forward.

Cash flow was also strong with operating cash flow reaching an all-time record level for the year. The Company's strong cash generation and positive growth momentum led the Board of Directors to authorize a 21% increase in the quarterly dividend rate effective in the second quarter of 2005.

Overall, Colgate's fundamentals are strong and getting stronger, with all key ratios moving in the right direction.

Colgate People Drive Our Business Success

The commitment of Colgate people to incorporate Colgate's values into their work and lives is a major factor driving our business success worldwide. Our three global values of Caring, Global Teamwork and Continuous Improvement, along with a deep respect for people, shape our culture and give Colgate an important competitive advantage.

As a global company with our sales balanced among four vast geographies, we benefit from a diverse management team representing all areas of the world. Working and living in a number of different countries and cultures broadens their backgrounds and improves their ability to work as one global team. Currently, we have more than 400 managers working outside their home countries to strengthen our business unit results while preparing for increasingly responsible management positions.

At the senior leadership level, we recognize the importance of global goal alignment. Last April, senior management and general managers from all subsidiaries met to establish key priorities and reaffirm proven business strategies. Out of this meeting came key strategies to accelerate Colgate's global growth in the years ahead.

As we look to the future, we will build on the outstanding example of leadership provided by President Bill Shanahan, who retired in 2005 after 40 years with the Company. During his long, esteemed career at Colgate, Bill served in every division around the world. His many roles gave him an in-depth perspective on the Company's operations, which he used in subsequent corporate

leadership roles to establish consistent global processes and strategies focused on key performance measures.

Our Board of Directors and Colgate people everywhere join us in expressing heartfelt thanks to Bill for his expertise, insights and invaluable contributions to our current and future success.

Driving Growth Worldwide

Colgate's growth strategy includes an emphasis on innovation in everything we do, from new products to global distribution, from effective advertising and promotion to valuable partnerships with the dental, veterinary and scientific communities, suppliers and research firms.

This approach has led to continuous strengthening of brand leadership positions and market shares in key product categories. Colgate's global market share leadership in toothpaste expanded during the year to a record level. Our global market share in manual toothbrushes also rose during the year, reaching an all-time record.

To further encourage innovation in all areas of the organization, we have established a program that will fund innovative projects from any department or function. At the same time, we are increasingly working with outside experts to develop ideas for new products and processes.

Our new product pipeline is full with innovations that address diverse consumer needs using new ingredients and innovative packaging and design. Increased focus on consumer and shopper insights is identifying new consumer benefits, helping to anticipate future trends and expanding our knowledge.

We are increasingly benefiting from understanding local consumer habits and preferences and developing products that address them such as Colgate Propolis toothpaste. Colgate Propolis toothpaste combines propolis, a natural ingredient collected by bees believed to have healing properties, with Colgate's oral care expertise.

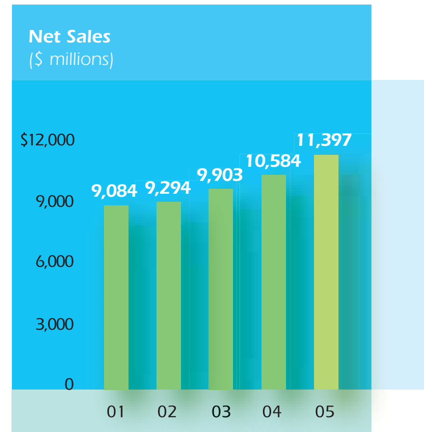
We are also providing new stain removal, cleaning and protection benefits with products like the Colgate 360° manual toothbrush, designed with a unique tongue cleaner, and enamel-reinforcing Colgate Luminous toothpaste. For the many consumers participating in today's fast-growing spa trend, Colgate offers the benefits of a spa-like experience at home with personal care products such as Palmolive Aroma Creme, infused with essential oils and moisturizing cream.

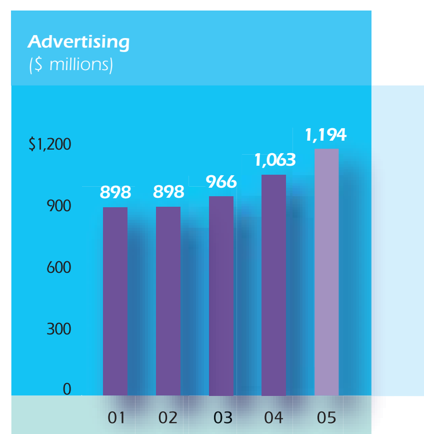
Increasing Brand-Building Activities

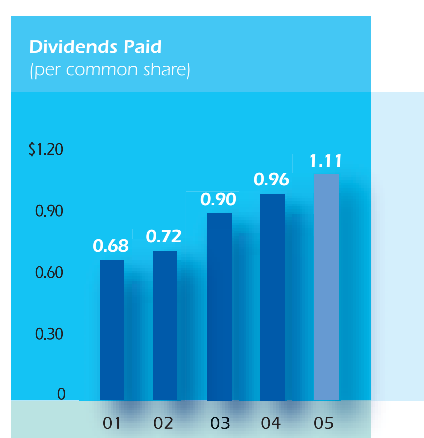
Introducing innovative new products is just one step toward achieving global leadership. Both new and established brands must be supported by effective brand-building activities. These include everything from sufficient investment in advertising to strong professional endorsements, from connecting with consumers in new ways to understanding what affects their purchase decisions.

In 2005, Colgate's advertising spending was at a record high, up 12% versus the prior year, led by a double-digit increase in media. This is generating healthy volume and strong market share gains worldwide.

Strengthening our relationships with the dental and veterinary professions is key to Colgate's strategy to drive increased trial and loyalty in our oral and pet care businesses. In addition to supporting a multitude of oral health care initiatives around the world, Colgate is applying the



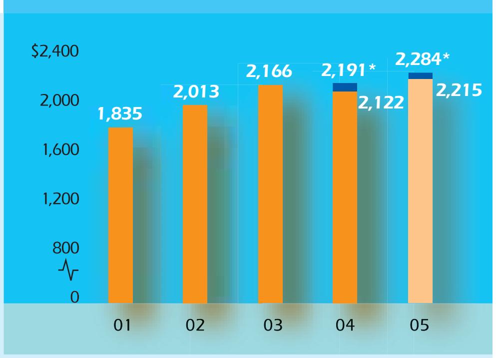




Gross Profit Margin and Additional Information*
(% of sales)

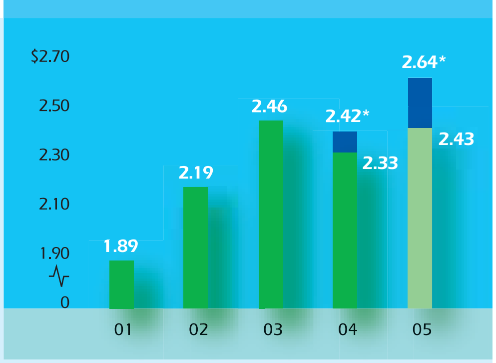
* Excludes restructuring charges which reduced gross profit by $100 million and $3 million in 2005 and 2004, respectively, under the 2004 Restructuring Program. These charges reduced gross profit margin as a percentage of net sales by 90 basis points and 10 basis points in 2005 and 2004, respectively.

Operating Profit and Additional Information*
($ millions)



* Excludes restructuring charges which reduced operating profit by $183 million and $69 million in 2005 and 2004, respectively, under the 2004 Restructuring Program. In addition, 2005 excludes the net impact of certain Other Items which increased operating profit by $114 million.

Diluted Earnings Per Share and Additional Information*



* Excludes restructuring charges which reduced diluted earnings per share by $0.26 and $0.09 in 2005 and 2004, respectively, under the 2004 Restructuring Program. In addition, 2005 excludes the net impact of certain Other Items which increased diluted earnings per share by $0.05.

successful professional strategy of its GABA oral care business in Europe, which has built market-leading positions from close ties with dentists, pharmacies, dental schools and students. In Italy, for example, the GABA brand is recommended by dentists for cavity prevention three times more often than any other brand.

Reaching consumers effectively today means going beyond traditional mass media outlets. Colgate marketing and research people spend time with consumers in their homes to see how they use our products and in stores to see how they shop for them. Focusing on where and how consumers shop has led to placing television commercials in-store and enhancing packaging to allow consumers to touch and feel unique features of our products right at the shelf.

Increasing Efficiency Everywhere

Colgate embarked upon a four-year restructuring and business-building plan just over a year ago, the 2004 Restructuring Program. This program has already begun generating important savings used to further increase marketing spending, accelerate innovation and increase profitability.

Designed to both accelerate growth and generate additional savings, major initiatives of the 2004 Restructuring Program focus on developing a truly global supply chain with fewer, more sophisticated state-of-the-art global and regional manufacturing centers. Additionally, business support functions for subsidiaries around the world are being consolidated into global and regional shared service centers.

Another important element of the 2004 Restructuring Program, globalizing procurement, is achieving significant savings for raw and packaging materials as well as for indirect purchases such as personal computers, telecommunications, printed materials, and advertising and promotion. In the past four years, we have increased our annual savings from these kinds of indirect materials more than tenfold and we expect savings in this area to continue.

Increased efforts to maximize the effectiveness of Colgate's commercial investment with new analytical tools are giving us a better understanding of which programs provide the best return on investment. This major initiative, soon to be aided by a new SAP module, has had great results in the U.S. and Mexico and will be expanded around the world.

Looking Ahead

As we look to the future, we remain firmly committed to our proven focused business strategy which gives priority to our high-margin, fast-growing oral care, personal care and pet care businesses. We continue to invest to build our priority businesses in key consumer markets around the world including the U.S., Brazil, China, India, Mexico and Russia.

With this sharp focus on our strategic priorities, the benefits from our restructuring program and our dedication to effectiveness and efficiency in everything we do, we will continue to aggressively support our leading brands worldwide and expect our current growth momentum to continue. We are confident that, excluding restructuring charges and accounting changes for stock-based compensation, we will generate double-digit earnings per share growth in 2006.

Thank you,

Reuben Mark Chairman and Chief Executive Officer	Ian Cook President and Chief Operating Officer

Colgate's Corporate Governance Commitment

Governance is an ongoing commitment shared by our Board of Directors, our Management and all other Colgate people. At Colgate, we believe strongly that good corporate governance accompanies and greatly aids our long-term business success. This success has been the direct result of Colgate's key business strategies, including its focus on core product categories and global brands, people development programs emphasizing "pay for performance" and the highest business standards. Colgate's Board has been at the center of these key strategies, helping to design and implement them, and seeing that they guide the Company's operations.

Our Board of Directors is independent, experienced and diverse.

The Board believes that an independent director should be free of any relationship with Colgate or its senior management that may in fact or appearance impair the director's ability to make independent judgments, and has adopted strict independence standards based on this principle. Since 1989, Colgate's Board of Directors has consisted entirely of outside independent directors, with the exception of the CEO. As its present directors exemplify, Colgate also values experience in business, education and public service fields, international experience, educational achievement, strong moral and ethical character and diversity. To further enhance the Board's independence, the independent directors of the Board meet regularly in executive session without the CEO present. The role of presiding director at these sessions was recently expanded by the Board and is described in Colgate's Corporate Governance Guidelines. Each independent director will serve a one-year term as presiding director in accordance with an established schedule. See page 52 for biographical information on each of our directors.

Our Board focuses on key business priorities and leadership development.

The Board plays a major role in developing Colgate's business strategy. It reviews the Company's strategic plan and receives detailed briefings throughout the year on critical aspects of its implementation. The Board also has extensive involvement in succession planning and people development with special focus on CEO succession. It discusses potential successors to key executives and examines backgrounds, capabilities and appropriate developmental assignments.

Open communication between and among directors and management fosters effective oversight.

Both inside and outside the boardroom, Colgate's directors have frequent and direct contact with Colgate's management. Key senior managers regularly join the directors during Board meetings and more informal settings, and together they actively participate in candid discussions of various business issues. Between scheduled Board meetings, directors are invited to, and often do, contact senior managers with questions and suggestions. Communication among the directors is enhanced by the relatively small size of Colgate's Board, which fosters openness and active discussion, and by regular meetings of the independent directors without the CEO present.

Established policies guide governance and business integrity.

First formalized in 1996, Colgate's "Guidelines on Significant Corporate Governance Issues" are reviewed annually to ensure that they are state-of-the-art. Formal charters define the duties of each Board committee and guide their execution. Colgate's Corporate Governance Guidelines and all Committee Charters are available on our web site at www.colgate.com. Additionally, the Board sponsors the Company's Code of Conduct and Business Practices Guidelines, which promote the highest ethical standards in all of the Company's business dealings.

Our Board plays an active role overseeing the integrity of the financial statements of the Company.

The Board is committed to the quality, integrity and transparency of Colgate's financial reports. This commitment is reflected in Colgate's long-standing policies and procedures, including an internal audit group monitoring financial controls worldwide, independent auditors who have a broad mandate and an independent Audit Committee overseeing these areas.

Good governance is the responsibility of all Colgate people.

Colgate people worldwide are committed to living our global values of Caring, Global Teamwork and Continuous Improvement in all aspects of our business. By managing with respect, Colgate people create an environment of open communication, teamwork and personal responsibility. A constant dedication to good governance shapes our Colgate culture and ultimately leads to good business results.

Good governance thrives from continuous improvement.

The Board has established a formal procedure to evaluate its overall performance against criteria that the Board has determined are important to its success. These criteria include financial oversight, succession planning, compensation, corporate governance, strategic planning and Board structure and role. The Board then reviews the results of the evaluation and identifies steps to enhance its performance. The Board's committees also conduct self-evaluations, examining their overall performance against their Committee Charters and instituting new practices to strengthen their effectiveness. Complementing the Board and committee evaluations, the Board has also developed an individual director evaluation process, under which directors evaluate their peers. This valuable feedback is shared with each director to identify areas of strength and areas of focus for enhanced effectiveness.

Accelerating Global Growth

Connecting With Consumers

TURKEY

Building on the Success of Colgate Max Fresh Toothpaste

Colgate recognizes the importance of bringing great products to new markets. In Turkey for example, we introduced Colgate Max Fresh, an innovative toothpaste infused with mini-breath strips that dissolve instantly upon brushing. Colgate Max Fresh toothpaste is helping drive Turkey's overall toothpaste market share to record levels.

At Colgate, consumers are at the heart of every decision, every action and every activity. Strengthening Colgate's connection with consumers around the world is accelerating the Company's global growth.

Initiatives to better understand consumers help Colgate gain and strengthen market-leading positions for its brands around the world. In 2005, Colgate strengthened its global market shares in toothpaste, manual toothbrushes, bar soap and fabric conditioners.

To learn more about consumers' tastes, preferences and desires, Colgate goes beyond traditional consumer research by spending time with people in their homes observing the products they use and how they use them. Colgate observes consumers to help identify relevant ways to better serve their needs. For example, "a day in the life" study among younger consumers in the Philippines helped Colgate identify non-traditional media outlets to more effectively launch Colgate Fresh Confidence with Cooling Crystals toothpaste and relaunch Palmolive Naturals shampoo, both targeted at younger consumers. In cooperation with local governments, Colgate sponsored a Palmolive Naturals shampoo tour to local high schools. The tour featured a celebrity hair expert, tips on hair care, free haircuts, styling, makeup demonstrations and product samples. To introduce new Fresh Confidence with Cooling Crystals toothpaste, samples were handed out in internet cafes and popular cinemas.

Since as many as 60% of consumers are making brand choices in-store, Colgate accompanies shoppers to understand more about how they shop, what in-store activities capture their attention and how they make brand choices. From these "shop-alongs," Colgate has learned how important it is for consumers to smell and feel products at the shelf. This has led to such initiatives as scratch-and-sniff strips on the packaging of new Colgate Luminous toothpaste, available in three flavors, and samples of the soft-textured tongue cleaner material on the package for the patented Colgate 360° manual toothbrush.

Colgate's shopper marketing initiatives are designed to ensure that shoppers are exposed to consistent brand advertising messages throughout their full shopping experience to stimulate

B R A Z I L

Reaching Consumers Throughout Their Daily Activities

Colgate markets its brand messages to consumers wherever they are whether in the home, at work or on-the-go. To promote new fragrances for Palmolive Suave bar soap in Brazil, for example, active consumers along a popular biking path were introduced to the new Citrus & Cream scent and offered a free sample.

Connecting With Consumers

(continued from page 7)

increased purchase of Colgate products. After much success in the U.S. and other select countries, these initiatives are now being launched globally. For example, Colgate is running television commercials in-store on the Wal-Mart TV Network, which research shows increases brand recall significantly, and placing advertisements in the produce aisle to introduce and point shoppers to new Palmolive Cucumber & Melon scented dish liquid in the cleaning aisle.

At the state-of-the-art Hill's Sensory Science Center in Topeka, Kansas, consumer insight identifies opportunities for very different consumers and their owners. The Center helps Hill's understand the many factors that influence product acceptance and provides product development teams with information about pet eating behaviors.

Technology is also helping Colgate get closer to consumers by communicating with them in non-traditional ways. Invitation-only interactive online communities of 300-400 people with common interests, managed by Colgate, are yielding deep insights that enhance the speed and quality of new product development and marketing programs. For example, a network of dental hygienists helped Colgate refine a Colgate 360° manual toothbrush advertisement, and a network of mothers has given Colgate valuable insight into grocery shopping behavior.

In Europe, interactive touch screen video units have been placed in veterinary clinics and pet shops so that pet owners can explore Hill's nutritional solutions; and a new interactive Palmolive web site, first launched in the U.K. (www.palmolive.co.uk), is now rolling out globally.

Information gleaned from consumer insights is driving growth across categories. In Personal Care, for example, after learning that consumers want superior moisturization, Colgate added Pure Cashmere to the Palmolive and Softsoap shower gel lines, a premium-priced product with a new technology and advanced moisturizing properties proven to moisturize and hydrate the skin. In Oral Care, Colgate learned that the handles on kids' power brushes were often considered too large for tiny hands. The Company is now relaunching the brushes globally with a comprehensive redesign that better meets a developing child's needs. In addition to being a better fit ergonomically, the new brushes are now more compatible with a child's mouth, providing better comfort and cleaning.

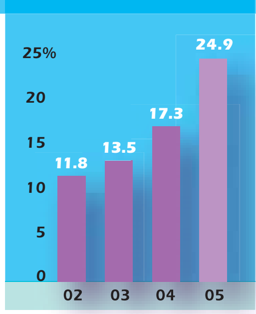
In Home Care, Colgate responded to consumers' desires in Europe for a professional-

RUSSIA

Innovative Products Driving Market Leadership

Key to growing leadership positions for Colgate brands are innovative new product introductions. In Russia, Colgate Propolis toothpaste, containing a substance collected by bees believed to have healing properties, led to record high market shares and new market leadership for Colgate.

Russia Toothpaste Market Share (ACNielsen)



strength cleaning product with Ajax Professional degreaser spray. In the U.S., Colgate launched Palmolive with Bleach Alternative dish liquid after learning that a significant number of consumers add bleach to their dishwashing routine.

Colgate also pays close attention to local and regional consumer habits and preferences and develops products to address them. This strategy has proven to be very effective in Russia, where Colgate Propolis toothpaste has helped drive Colgate's overall toothpaste market share to a record high.

At Colgate, connecting with the consumer means appealing to people at all income levels. For example, in China, with the introduction of Colgate Vitamin C Fresh toothpaste in 2005, consumers who prefer the gel form can choose this new gel toothpaste in the low-priced segment, Colgate Propolis in the medium-priced tier or Darlie Tea Care at the premium level. All of these have contributed to strengthening Colgate's toothpaste leadership in this country of more than one billion people.

Initiatives to build insight into brand usage, brand choices and shopper behavior are ongoing. The resulting in-depth understanding of the consumer is helping Colgate identify which products offer the greatest potential to accelerate growth around the world.

CENTRAL AMERICA

Gaining Insight in Non-Traditional Ways

Around the world, Colgate is taking traditional market research one step further to learn even more about consumer wants and needs by visiting with families right in their homes. Below, one Central American family discusses their choices regarding Colgate's oral and personal care products with Colgate Consumer Insight Specialist Ana Perez.

UNITED STATES

Marketing to Consumers Where They Shop

With as many as 60% of consumers making brand choices in the store, Colgate is expanding its use of shopper marketing worldwide. In the U.S., a variety of activities were used to support the launch of Colgate Luminous toothpaste including in-store demos, large end-aisle displays, promotional materials at the shelf and television commercials on the Wal-Mart TV Network.

Accelerating Global Growth

Strengthening Partnerships

PHILIPPINES

Supporting Oral Health Care Worldwide

Colgate partners with governments, local groups and professional associations to provide oral health care education and treatment to people all around the globe. In the Philippines, Colgate works closely with the Philippine Dental Association and the Department of Education to promote Oral Health Month by offering free dental checkups, providing educational materials and visiting schools directly to promote healthy brushing habits.

Strong external partnerships help Colgate grow volume and increase profitability. Colgate's commitment to strengthening its partnerships around the world is a driving force behind the Company's success.

GLOBAL

Partnering with the Trade for Growth

Colgate managers meet regularly with the Company's largest retail partners worldwide. Together they align goals and collaborate on strategic planning for mutual growth.

Colgate's valued relationships include those with dental and public health professionals and organizations, the veterinary community, our customers and other businesses.

GABA, Colgate's therapeutic oral care company in Europe, has achieved broad consumer acceptance and a leading position in the pharmacy channel by working closely with the oral health care community. In Italy, for example, GABA's pharmacy toothpaste market share has grown from 6.8% to 19.0% over the past six years with a strategy that emphasizes professional endorsement and clinical effectiveness and focuses on developing long-term partnerships. The GABA program targets dental professionals, pharmacists, universities and dental students and is now being expanded throughout the Colgate organization.

In Pet Nutrition, professional endorsement also drives trial, loyalty and market leadership. Around the world, Hill's partners with veterinary associations to obtain their endorsements and with universities to support clinical nutrition while increasing awareness and loyalty among future veterinarians. At the Western University College of Veterinary Medicine in California, for example, Hill's supports the development of student case studies related to pet nutrition.

In developing the Colgate 360° manual toothbrush, which is contributing to higher market shares in the U.S., Europe and Asia/Africa, Colgate partnered with a Swiss company to jointly develop the brush, uniquely designed and manufactured for greater efficacy. A new method of attaching the bristles during production allows for the unusual bristle shape that is clinically proven to offer superior cleaning.

Strong information technology relationships drive business efficiency. Collaborating with information technology partners IBM and SAP, Colgate keeps costs down as its infrastructure grows. Testing new systems and scaling them to their greatest effectiveness results in greater reliability, flexibility and speed, and gives Colgate a competitive advantage.

Working closely with local oral health communities around the world, Colgate is a global leader in organizing national Oral Health Month, now observed in more than 50 countries. The Company is augmenting its efforts by distributing a "tool kit" of best practices to all Colgate subsidiaries. These Oral Health Month promotions, partnerships with National Dental Associations and free dental checkups drive consumption and promote healthy oral care practices.

Strengthening relationships with our customers, the dental profession and other key business partners is at the core of Colgate's business strategy and will continue to play an important role in accelerating the Company's global growth.

ITALY

Strengthening Professional Endorsement

GABA, Colgate's therapeutic oral care business in Europe, built its market-leading position in the pharmacy channel through its strong ties with the dental profession and the academic community. GABA's strategic expertise in this area is now being leveraged to the rest of the Colgate business. Pictured at right, Dr. Charly Ponti consults with dental professors from the Clinica Odontoiatrica in Varese, Italy.

Accelerating Global Growth

Focusing On Innovation

G L O B A L

Unique Technology Providing Super Cleaning Power

Colgate MicroSonic battery-powered toothbrush provides the advanced cleaning power of a battery brush with the ease and comfort of a manual one. The proprietary technology in the brush's head delivers thousands of sonic vibrations per minute to remove more plaque than a manual brush and provide a superior clean. Above, Senior Research Scientist Jeff Graham conducts quality control inspection.

Innovation, a cornerstone of the Company's strategy to drive and fund growth, is encouraged and rewarded at Colgate.

Colgate is building innovation into its culture with the ten category innovation centers located across every geographic region and new external partners to help accelerate new product activity.

For example, all departments and functions are now eligible to apply for funding for development of new products or other innovative projects from an expanded Global Innovation Fund program. Previously open only to the research and development function, the fund received 40 applications within the first two months after being open to all, and approximately 30% of those submitted received funding.

To emphasize the importance of innovation across the entire organization, Colgate introduced a new training course called "Personal Creativity for Innovation." Designed for all employees globally, this course provides the knowledge and skills needed to develop an environment supportive of creativity, to generate and nurture more new ideas.

Colgate is augmenting its internal product development process by working with outside experts to create even more opportunities for growth. The Company has recently entered into new partnerships with outside innovation specialists to collaborate on ideas that should begin bringing a stream of new products to the marketplace in the next few years. Another initiative under way is collaboration with external leaders in packaging, raw materials and technology as well as with "think tanks," institutes and universities where fresh thinking abounds. Working teams have been formed at Colgate to identify these potential partners and define specific projects.

New products have consistently fueled Colgate's growth, and 2005 was no exception. Innovative products contributed to strong market share gains and significant volume increases that gained momentum throughout the year.

For example, innovation was behind the development of Speed Stick 24/7 deodorant with micro-absorber technology, particles that absorb up to 100 times their weight in wetness. Another example is the innovative Colgate MicroSonic battery-powered toothbrush which combines the comfort of a manual brush with the advanced cleaning benefits of a power brush. Supported by clinical research, Colgate MicroSonic is contributing to toothbrush share gains across Europe, Latin America and Asia, with especially strong gains in France and Mexico.

As each of these initiatives demonstrates, Colgate is more focused than ever on accelerating the pace of innovation in all aspects of the business.

HILL'S PET NUTRITION

Innovative Breakthrough in Pet Nutrition

Nutrigenomics, an exciting new technology helping Colgate better understand the relationship between genes, nutrients and health, is the unique science behind Hill's Prescription Diet Canine j/d, a therapeutic dog food clinically proven to improve mobility in dogs with arthritis. This breakthrough product is meeting or exceeding expectations everywhere it has been launched. Pictured below is Dr. Xiangming Gao, Senior Scientist, Life Sciences, Hill's Pet Nutrition.

Accelerating Global Growth

Increasing Efficiency

BRAZIL

Global Sourcing Increasing Savings Worldwide

Toothpaste produced at Colgate's state-of-the-art manufacturing facility in Anchieta, Brazil is exported to over 50 markets around the world bringing greater efficiency and savings to the Company. Pictured here, Frenger Spinelli, Senior Industrial Engineer, monitors raw material being received at the plant's unloading dock.

Colgate's highly focused approach to increasing efficiency spans all functions and contributes to growth by providing funds to build the business and strengthen profitability.

In December 2004, Colgate announced a four-year business-building and restructuring program designed to streamline our business and strengthen Colgate's future profitable growth. In 2005, these initiatives, together with our ongoing savings programs worldwide, began generating additional funds to strongly support Colgate's global business.

Major cost savings are coming from building a truly global supply chain, encompassing everything from global procurement of materials and services to the establishment of regional and global manufacturing and shared service centers.

Modeled after Colgate's industry-leading global approach to information technology, procurement will operate as a single global organization. While continuing to find savings from purchases of raw materials, Colgate has also greatly increased its annual savings from indirect materials and services such as capital expenditures, consumer promotion and media advertising. These savings rose from $5 million in 2001 to over $50 million in 2005 with even more to come.

To find low-cost sources for raw and packaging materials for plants around the world, new on-the-ground procurement teams have been set up in China and India. These teams achieved excellent results in 2005 and have already identified many additional areas for potential savings in the future.

Another initiative, enabled by Colgate's early-on investment in SAP technology, involves the continuing consolidation of our global supply chain into fewer, state-of-the-art, category-focused facilities. For example, by 2007, toothpaste production for the entire European region will come from a single new state-of-the-art plant, soon to be constructed in Poland. This consolidation reduces the number of oral care facilities in Europe from five to one.

Maximizing the return on commercial investment is another area of opportunity. A newly developed and proprietary system based on SAP software that plans, measures and evaluates the effectiveness of commercial investment is undergoing testing in several locations and will be rolled out around the world.

As these initiatives demonstrate, Colgate remains fully committed to steadily improve profit margins to fund investments in its core businesses and build for the future.

UNITED STATES

New Commercial Investment Analytics Driving Greater Efficiency

Colgate's new return-on-investment model focuses on maximizing return on commercial investment. This major initiative, soon to be aided by a new SAP module, has had great results in the U.S. and Mexico and will be expanded around the world. Above, Colgate's U.S. Commercial Effectiveness Team analyzes results from a recent promotion.

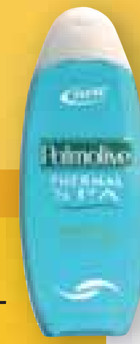
Accelerating Global Growth

Working As One Global Team

GLOBAL

Managers Meet in the U.S. to Participate in Global Goal Alignment

Senior management and general managers from all Colgate subsidiaries participated in a week-long goal alignment meeting early in 2005. Discussions led to the development of key strategies to accelerate Colgate's global growth in the years ahead.



As Colgate evolves even further into one truly global organization, the Company is enhancing its ability to deliver increasingly stronger results from shared experiences and close connections among the Company's 35,800 employees worldwide.

Global goal alignment and a clear long-term strategy are essential to working as a global team. In April 2005, senior management and general managers from all subsidiaries gathered to review and develop Colgate's business strategies for the next five years. Colgate managers worked together as a team, sharing best practices and agreeing on common global business objectives.

When face-to-face meetings are not practical, teams increasingly work virtually, facilitated by the newest technology. Starting just two years ago, Colgate people around the world have now participated in more than 1,100 eTeamRooms and over 60,000 eMeetings, all conducted via Colgate's intranet.

Colgate's more than 150 training courses are designed to emphasize one global approach to many business practices. One example is a new course, "Strategic Sourcing Workshop," in which participants around the world learn Colgate's consistent global approach to procurement and how these best practices drive and fund growth.

To provide continuous 24-hour systems support for Colgate people worldwide, a new Global Information Technology Shared Service Organization was established in Mumbai, India during 2005 to supplement the Company's global data center in Piscataway, New Jersey. The two teams work seamlessly together across time zones to provide resources every hour of the day, everywhere in the world.

As a global company, Colgate has a competitive advantage in having the entire world as a talent pool and capitalizes on this opportunity. To give managers exposure to different businesses in all geographic regions of the world, Colgate ensures that career opportunities include assignments in different countries and cultures across Colgate's core businesses. For example, in 2005, over 400 employees worked outside their home countries, and more than 300 have had three or more such assignments. This not only helps facilitate global collaboration and learning but also builds a strong, diverse management team.

To further reinforce Colgate's global culture, all employees around the world are required to participate in "Valuing Colgate People" workshops and all managers are required to take the training course "Managing With Respect." Both courses, taught by Colgate people globally, reinforce the Company's global values of Caring, Global Teamwork and Continuous Improvement and build skills of respect for colleagues, critical for effective teamwork.

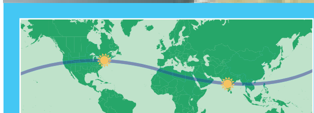
With a strong global culture, shared goals and the tools to work together, Colgate people are collaborating every day to drive the Company's global growth and deliver strong results today and tomorrow.

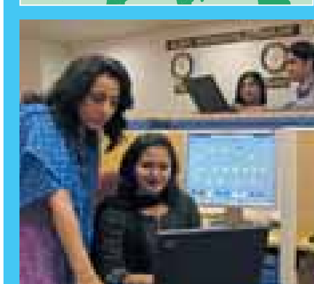
GLOBAL

Global Information Technology Support Across Time Zones

Colgate's global information technology team provides continuous support for Colgate's operations worldwide. Pictured below is the Enterprise Service Center in Piscataway, New Jersey in the U.S. working closely with the new Global Shared Services Organization at the Colgate offices in Mumbai, India. Having two centers on opposite sides of the globe is providing seamless 24-hour global support without additional expense.

PISCATAWAY





MUMBAI

Global Financial Review

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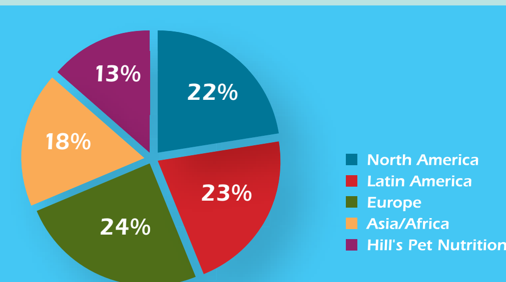
Worldwide Net Sales



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

Executive Overview

Colgate-Palmolive Company seeks to deliver strong, consistent business results and superior shareholder returns by providing consumers, on a global basis, with products that make their lives healthier and more enjoyable.

To this end, the Company is tightly focused on two product segments: Oral, Personal and Home Care; and Pet Nutrition. Within these segments, the Company follows a closely defined business strategy to develop and increase market leadership positions in key product categories. These product categories are prioritized based on their capacity to maximize the use of the organization's core competencies and strong global equities and to deliver sustainable long-term growth.

Operationally, the Company is organized along geographic lines with specific regional management teams having responsibility for the financial results in each region. The Company competes in more than 200 countries and territories worldwide, with established businesses in all regions contributing to the Company's sales and profitability. This geographic diversity and balance helps to reduce the Company's exposure to business and other risks in any one country or part of the world.

The Oral, Personal and Home Care segment is operated through four reportable operating segments, North America, Latin America, Europe and Asia/Africa, which sell to a variety of retail and wholesale customers and distributors. In the Pet Nutrition segment, Hill's also competes on a worldwide basis selling its products principally through the veterinary profession and specialty pet retailers.

On an ongoing basis, management focuses on a variety of key indicators to monitor business health and performance. These indicators include market share, sales (including volume, pricing and foreign exchange components), gross profit margin, operating profit, net income and earnings per share; and measures to optimize the management of working capital, capital expenditures, cash flow and return on capital. The monitoring of these indicators, as well as the Company's corporate governance practices (including the Company's Code of Conduct), are used to ensure that business health and strong internal controls are maintained.

To achieve its financial objectives, the Company focuses the organization on initiatives to drive growth and to fund growth. The Company seeks to capture significant opportunities for growth by identifying and meeting consumer needs within its core categories, in particular by deploying valuable consumer and shopper insights in the development of successful new products regionally which are then rolled out on a global basis. Growth opportunities are enhanced in those areas of the world in which economic development and rising consumer incomes expand the size and number of markets for the Company's products.

The investments needed to fund this growth are developed through continuous, corporate-wide initiatives to lower costs and increase effective asset utilization. The Company also continues to prioritize its investments toward its higher margin businesses, specifically Oral Care, Personal Care and Pet Nutrition. In June 2004, the Company completed its acquisition of GABA Holding AG (GABA), a privately owned European oral care company headquartered in Switzerland. Also, consistent with the Company's strategy to prioritize higher margin businesses, the Company divested its North American and Southeast Asian heavy-duty laundry detergent brands in the third and fourth quarter of 2005, respectively, and certain Latin American and European laundry detergent brands during 2004 and 2003, respectively.

In December 2004, the Company commenced a four-year restructuring and business-building program to enhance the Company's global leadership position in its core businesses (the 2004 Restructuring Program). As part of the 2004 Restructuring Program, the Company anticipates the rationalization of approximately one-third of its manufacturing facilities, closure of certain warehousing facilities and an estimated 12% workforce reduction. The cost of implementing the 2004 Restructuring Program is estimated to result in cumulative pretax charges, once all phases are approved and implemented, totaling between $750 and $900 ($550 and $650 aftertax). Savings are projected to be in the range of $325-$400 ($250-$300 aftertax) annually by 2008.

Given the continued competitive marketplace and high raw and packaging material and energy costs, the Company anticipates that the near-term operating environment will remain challenging. However, the savings and benefits from the 2004 Restructuring Program along with the Company's other ongoing cost-savings and growth initiatives are anticipated to provide additional funds for investment in support of key categories and new product development while also supporting an increased level of profitability.

Dollars in Millions Except Per Share Amounts

Results of Operations

Net Sales

Worldwide sales were $11,396.9 in 2005. Sales increased 7.5% driven by volume gains of 5.5%, an increase in net selling prices of 0.5% and a positive foreign exchange impact of 1.5%. The June 2004 acquisition of GABA contributed 1.0% to worldwide sales and volume growth. Excluding the divestment of non-core product lines, sales increased 8.5% on volume growth of 6.5%.

Sales in the Oral, Personal and Home Care segment were $9,876.7, up 8.0% from 2004 on volume growth of 5.5%, increases in net selling prices of 0.5% and a 2.0% positive impact of foreign exchange. Excluding divestments, sales in this segment increased 9.0% on volume growth of 6.5%.

Sales in Pet Nutrition grew 6.0% to $1,520.2, driven by volume growth of 4.0%, an increase in net selling prices of 1.5% and positive foreign exchange of 0.5%.

In 2004, worldwide sales increased 7.0% to $10,584.2 on volume growth of 5.5%, a decrease in net selling prices of 1.5% and a positive foreign exchange impact of 3.0%.

Gross Profit

Gross profit margin was 54.4% in 2005, 55.1% in 2004 and 55.0% in 2003. The reduction in gross profit during 2005 is driven primarily by costs associated with the Company's ongoing 2004 Restructuring Program. Restructuring charges of $100.2, which related to accelerated depreciation and certain employee termination benefits under the 2004 Restructuring Program, were included in Cost of sales. These charges reduced gross profit margin by approximately 90 basis points (bps) for the year ended 2005. The benefits from higher pricing, the Company's shift towards higher margin oral care products and cost-saving programs in 2005 more than offset the impact of higher raw and packaging material costs. The increase in 2004 from the 2003 level was driven by the Company's focus on its high margin oral and personal care businesses, savings from global sourcing, the regionalization of manufacturing facilities and other cost-reduction initiatives, despite an increase in worldwide materials costs.

For additional information regarding the Company's 2004 Restructuring Program, refer to "Restructuring Activities" below and Note 4 to the Consolidated Financial Statements.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales were 34.4% in 2005, 34.2% in 2004 and 33.3% in 2003. Advertising expense increased by 12% in 2005, an increase of 40 bps as a percent of sales, on top of a 10% increase in 2004. Included in Selling, general and administrative expenses is advertising spending of $1,193.6, $1,063.0 and $965.6 in 2005, 2004 and 2003, respectively, supporting new product launches and helping increase market shares throughout the world. Despite the 40 bps increase in advertising, Selling, general and administrative expenses as a percentage of sales in 2005 only increased by a net 20 bps as ongoing cost-savings programs more than offset increases in shipping and handling costs (30 bps) and selling and marketing costs (10 bps). The increase as a percent of sales in 2004 as compared with 2003 resulted from increases in advertising spending (30 bps), selling and marketing costs (30 bps) and shipping and handling costs (20 bps).

Other (Income) Expense, Net

Other (income) expense, net was $69.2, $90.3 and ($15.0) in 2005, 2004 and 2003, respectively. The components of Other (income) expense, net are presented below:

	2005	2004	2003
Minority interest	$ 55.3	$ 47.9	$ 45.2
Amortization of intangible assets	15.6	14.3	12.3
Equity (income)	(2.0)	(8.5)	(0.3)
Gains on sales of non-core product lines, net	(147.9)	(26.7)	(107.2)
2004 Restructuring Program	80.8	65.3	—
2003 restructuring activities	—	2.8	59.3
Pension and other postretirement charges	34.0	—	—
Investment losses (income)	19.7	(8.7)	(39.6)
Other, net	13.7	3.9	15.3
	$ 69.2	$ 90.3	$ (15.0)

Other (income) expense, net in 2005 included a gain of $147.9 on the sale of heavy-duty laundry detergent businesses in North America and Southeast Asia, which was partially offset by charges related to the Company's 2004 Restructuring Program of $80.8 and pension and other postretirement charges of $34.0. The charges associated with certain pension and other postretirement obligations were primarily a result of the conversion of one of the Company's international pension plans to a defined contribution plan for all eligible participants and a lump sum payment of normal retirement benefits associated with a retirement plan in the U.S. as required by Statement of Financial Accounting Standard (SFAS) No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS 88).

Investment losses (income) consists primarily of gains and losses on foreign currency contracts, which are economic hedges of certain foreign currency debt, but do not qualify for hedge accounting.

Other (income) expense, net in 2004 included charges of $65.3 related to the Company's 2004 Restructuring Program and a gain of $26.7 on the sale of certain detergent businesses in Latin America. Other (income) expense, net in 2003 included gains of $107.2 related to the sale of non-core brands partially offset by $59.3 of costs related to the regionalization of manufacturing facilities.

Operating Profit

In 2005, Operating profit increased 4% to $2,215.0 after a 2% decline in 2004 to $2,122.1 from $2,166.0 in 2003. All years presented benefited from sales growth and cost-savings initiatives. The gain on sale of non-core product lines recognized in 2005 and 2004 was more than offset by pretax restructuring charges related to the Company's 2004 Restructuring Program of $182.8 and $68.7 in 2005 and 2004, respectively, as well as other business realignment costs of $19.7 in 2004. For additional information regarding the Company's 2004 Restructuring Program, refer to

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"Restructuring Activities" below and Note 4 to the Consolidated Financial Statements.

Interest Expense, Net

Interest expense, net was $136.0 in 2005 compared with $119.7 in 2004 and $124.1 in 2003. Higher interest rates and higher average debt levels primarily to finance the GABA acquisition have resulted in increased interest expense in 2005. In 2004 low interest rates allowed the Company to lower its interest expense despite increased debt levels resulting from the GABA acquisition.

Income Taxes

The effective income tax rate was 35.0% in 2005 versus 33.7% in 2004 and 30.4% in 2003. The higher tax rate in 2005 is due to $40.9 of income taxes (200 bps) for the incremental repatriation of $780 of foreign earnings related to the American Jobs Creation Act of 2004 (the AJCA) as well as the impact (130 bps) of the lower effective benefit rate on charges incurred in connection with the Company's 2004 Restructuring Program. These increases were partially offset by the Company's global tax planning strategies which are reflected principally in overseas earnings being taxed at lower rates.

The increase in 2004 is due in part to changes in the mix of income in foreign tax rate jurisdictions and increased costs of remittances, while the effective tax rate was reduced in 2003 through the realization of tax credits and incentives, and as a result of global tax planning strategies including overseas asset revaluations.

The impact of the 2004 Restructuring Program on the effective income tax rate for an individual period will depend upon the projects and the related tax jurisdictions involved. Since the majority of restructuring costs have been incurred in low tax jurisdictions, the tax benefit derived from the charges incurred in 2005 and 2004 for the 2004 Restructuring Program was at a rate of 20.6% and 30.1%, respectively. Over its duration, charges associated with the 2004 Restructuring Program are projected to generate tax benefits at a rate between 25% and 30%.

For additional information refer to Note 11 to the Consolidated Financial Statements.

Net Income

Net income was $1,351.4 in 2005 or $2.43 per share on a diluted basis compared with $1,327.1 in 2004 or $2.33 per share and $1,421.3 in 2003 or $2.46 per share. As discussed above, Net income in 2005 was impacted by a net aftertax charge of $115.2 ($0.21 per share) resulting from restructuring charges, gains on sales of certain non-core brands, income tax expense for the incremental repatriation of foreign earnings related to the AJCA and certain pension charges. Net income in 2004 includes an aftertax charge of $48.0 ($0.09 per share) associated with the initial phase of the 2004 Restructuring Program.

Segment Results

The Company markets its products in over 200 countries and territories throughout the world in two distinct business segments: Oral, Personal and Home Care; and Pet Nutrition. Segment performance is evaluated based on several factors, including operating profit. The Company uses operating profit as a measure of operating segment performance because it excludes the impact of corporate-driven decisions related to restructuring and related costs, interest expense, income taxes, and gains and losses on sales of non-core brands and assets.

Worldwide Net Sales by Business Segment and Geographic Region

	2005	2004	2003
Oral, Personal and Home Care			
North America [1]	**$ 2,509.8**	$ 2,378.7	$2,356.2
Latin America	**2,623.8**	2,266.0	2,179.5
Europe	**2,739.4**	2,621.3	2,304.1
Asia/Africa	**2,003.7**	1,885.1	1,747.5
Total Oral, Personal and Home Care	**9,876.7**	9,151.1	8,587.3
Pet Nutrition [2]	**1,520.2**	1,433.1	1,316.1
Net Sales	**$11,396.9**	$10,584.2	$9,903.4

(1) Net sales in the U.S. for Oral, Personal and Home Care were $2,124.2, $2,000.3 and $1,986.9 in 2005, 2004 and 2003, respectively.
(2) Net sales in the U.S. for Pet Nutrition were $818.1, $781.0 and $752.8 in 2005, 2004 and 2003, respectively.

Worldwide Operating Profit by Business Segment and Geographic Region

	2005	2004	2003
Oral, Personal and Home Care			
North America	**$ 545.7**	$ 530.1	$ 547.4
Latin America	**698.0**	627.7	613.3
Europe	**547.3**	539.0	488.2
Asia/Africa	**318.0**	310.1	280.7
Total Oral, Personal and Home Care	**2,109.0**	2,006.9	1,929.6
Pet Nutrition	**412.8**	389.7	371.0
Corporate	**(306.8)**	(274.5)	(134.6)
Operating Profit	**$2,215.0**	$2,122.1	$2,166.0

North America

Net sales in North America increased 5.5% to $2,509.8 on volume gains of 4.0%, positive foreign exchange of 1.0% and increases in net selling prices of 0.5%. Net sales, excluding the divested heavy-duty laundry detergent business in North America, increased 8.0% on volume gains of 6.5%. Products which contributed to the growth in Oral Care included Colgate Total, Colgate Luminous and Colgate Max Fresh toothpastes and Colgate 360° manual toothbrush. New products which contributed to growth in other categories include Ajax Ruby Red Grapefruit and Palmolive Oxy Plus dish liquids, Irish Spring MicroClean bar soap, and Softsoap Kitchen Fresh Hands and Softsoap Shea Butter liquid hand soaps. In 2004, Net sales in North America increased 1.0% to $2,378.7 on volume gains of 2.5%, positive foreign exchange of 1.0% and declines in net selling prices of 2.5%.

Operating profit in North America increased 3% to $545.7 in 2005 as increased sales were partially offset by declines in gross profit margin reflecting increased raw and packaging material costs. In 2004, Operating profit in North America declined 3% to $530.1 due to increased shipping and handling costs and declines in gross profit margin reflecting increased commercial investment and higher raw material costs.

Latin America

Net sales in Latin America increased 16.0% to $2,623.8 as a result of 7.0% volume growth, increases in net selling prices of 4.0% and a positive foreign exchange impact of 5.0%. Net sales, excluding divested detergent businesses in Ecuador and Peru, increased 16.5% on volume gains of 7.5%. Sales growth was strong in Venezuela, Brazil, Mexico, the Dominican Republic, Central America, Colombia and Argentina. New products which contributed to these gains include Colgate Max Fresh and Colgate Sensitive toothpastes and the relaunch of Colgate Total toothpaste. Other new products which drove growth in Latin America are Colgate MicroSonic battery-powered toothbrush, Colgate Smiles line of manual toothbrushes for kids, Palmolive Nutri-Milk and Protex Oats bar soaps, and Lady Speed Stick and Speed Stick multiform deodorants. In 2004, Net sales in Latin America increased 4.0% to $2,266.0 on 6.0% volume growth, increases in net selling prices of 1.5% and a negative foreign exchange impact of 3.5%.

Operating profit in Latin America increased 11% to $698.0 in 2005 despite an increased level of advertising, reflecting increased sales and gross profit margins and a positive impact from foreign exchange. In 2004, Operating profit in Latin America increased 2% to $627.7 reflecting increased sales and gross profit margins partially offset by higher advertising spending and shipping and handling costs.

Europe

Net sales in Europe increased 4.5% to $2,739.4 on 6.0% volume growth, a 0.5% positive impact of stronger currencies, and a 2.0% decline in net selling prices. Excluding divestments, net sales increased 5.0% on volume gains of 6.5%. The June 2004 acquisition of GABA contributed 4.0% to European sales and volume growth. Volume gains achieved at GABA and in the United Kingdom, Ireland, Denmark, Spain, Russia, Turkey, Ukraine, Romania, the Adria region, Poland and the Baltic States more than offset challenging economic conditions in Italy, France and Germany. New products which contributed to these gains include Colgate Sensitive Plus Whitening, Colgate Oxygen and Colgate Max Fresh toothpastes, Colgate 360° manual toothbrush and Colgate MicroSonic battery-powered toothbrush. Growth in the region was also driven by strong sales of Colgate Total, Colgate Cavity Protection Extra Mint and Colgate Sensitive toothpastes and Colgate Smiles line of manual toothbrushes for kids. Products contributing to growth in other categories include Palmolive Naturals with Olive Milk, Palmolive Thermal Spa Firming shower gels, Palmolive Naturals with Olive Milk shower gel and liquid hand soap, Ajax Professional Degreaser spray cleaner and Lady Speed Stick and Speed Stick multiform deodorants. In 2004, Net sales in Europe increased 14.0% to $2,621.3 on 8.0% volume growth, a 9.0% positive impact of stronger currencies, and a 3.0% decline in net selling prices.

Operating profit in Europe increased 2% to $547.3 in 2005 and 10% to $539.0 in 2004 reflecting in both years volume growth and increased gross profit margins partially offset by an increased level of advertising. Additionally, operating profit in 2004 benefited from stronger currencies.

Asia/Africa

Net sales in Asia/Africa increased 6.5% to $2,003.7 on 6.0% volume growth, a 1.5% positive impact of foreign exchange and a 1.0% decline in net selling prices. Volume gains were achieved in Taiwan, China, India, Hong Kong, Malaysia, Australia and South Africa. New products which contributed to the oral care growth include Colgate Max Fresh and Colgate Vitamin C Fresh toothpastes, Colgate 360° manual toothbrush and Colgate MicroSonic battery-powered toothbrush. New products which contributed to growth in other categories throughout the region include Palmolive Aroma Creme shower gel and liquid hand soap, Protex Sun Care bar soap and Palmolive Naturals shampoo and conditioner. In 2004, Net sales in Asia/Africa increased 8.0% to $1,885.1 on 7.0% volume growth, a 5.5% positive impact of foreign exchange and a 4.5% decline in net selling prices.

Operating profit grew 3% in Asia/Africa to $318.0 in 2005 as a result of volume growth, which more than offset an increased level of advertising and higher shipping and handling costs. In 2004, Operating profit in Asia/Africa increased 10% to $310.1 driven by volume gains and higher gross profit margins as well as strong foreign currencies.

Pet Nutrition

Net sales for Hill's Pet Nutrition increased 6.0% to $1,520.2, driven by volume growth of 4.0%, an increase in net selling prices of 1.5% and positive foreign exchange of 0.5%. Innovative new products which contributed to growth in the U.S. specialty retail channel included Science Diet Canine Lamb & Rice Large Breed, Science Diet Canine Lamb & Rice Small Bites and Science Diet Indoor Cat pet foods. In the U.S. veterinary channel products which contributed to growth were Prescription Diet Canine j/d, a new wet form of Prescription Diet Canine z/d and Prescription Diet Feline z/d and the relaunch of Prescription Diet d/d (Canine and Feline) with an upgraded formulation. Internationally, growth was strong led by Taiwan, Russia, Australia, Spain and South Africa. New products which contributed to international growth included Science Diet Canine Large Breed, Prescription Diet Canine j/d, the wet form of Prescription Diet Canine z/d and Prescription Diet Feline z/d and the relaunch of Prescription Diet d/d. In 2004, Net sales for Pet Nutrition increased 9.0% to $1,433.1 on 3.5% volume growth, an increase of 1.5% in net selling prices and 4.0% in positive foreign currency impact.

Operating profit in Pet Nutrition grew 6% to $412.8 in 2005 on increased sales and gross profit margins partially offset by higher advertising and increased shipping and handling costs. Operating profit for 2004 increased 5% to $389.7 as a result of increased sales and ongoing cost-savings initiatives, partially offset by higher advertising spending and a decline in gross profit margin reflecting a sharp rise in commodity costs early in the year.

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Corporate

Operating profit (loss) for the Corporate segment was ($306.8), ($274.5) and ($134.6) for 2005, 2004 and 2003, respectively. As previously discussed in Other (income) expense, net, the change in 2005 as compared with the prior year was primarily driven by restructuring charges, gains on sales of certain non-core brands and charges relating to certain pension obligations. Corporate operating expenses in 2004 include $68.7 of pretax charges related to the Company's 2004 Restructuring Program and a $26.7 pretax gain on the sale of certain detergent businesses in Latin America.

Restructuring Activities

2004 Restructuring Program

In December 2004, the Company commenced a four-year restructuring and business-building program to enhance the Company's global leadership position in its core businesses (the 2004 Restructuring Program). As part of the 2004 Restructuring Program, the Company anticipates streamlining its global supply chain through the rationalization of approximately one-third of its manufacturing facilities and the closure of certain warehousing facilities and also plans to centralize its purchasing and other business support functions. Business-building initiatives include enhancing and reallocating resources with an increase and upgrade in the sales, marketing and new product organizations in high-potential developing and other key markets, and the consolidation of these organizations in certain mature markets. The 2004 Restructuring Program is expected to result in approximately a 12% workforce reduction.

The cost of implementing the 2004 Restructuring Program is estimated to result in cumulative pretax charges, once all phases are approved and implemented, totaling between $750 and $900 ($550 and $650 aftertax). The estimated cost in 2006 is $300-$350 ($225-$250 aftertax). Savings are projected to be in the range of $325-$400 ($250-$300 aftertax) annually by the fourth year of the program. Over the course of the four-year 2004 Restructuring Program, it is estimated that approximately 50%-60% of the charges will result in cash expenditures. While the Company's initial estimates remain unchanged, charges and savings may vary in a given year. Management's estimates of the cost and savings associated with the 2004 Restructuring Program are forward-looking statements and are subject to revision over time.

During 2004, in connection with the initial phase of the program, the Company announced the closing or reconfiguration of eight manufacturing facilities in North America, Asia/Africa, Europe and Latin America and the realignment of marketing and sales organizations in Europe and Asia/Africa. During 2005, the Company commenced additional projects the more significant of which related to changes being implemented in its European and North American manufacturing networks. These changes will allow the Company to more cost effectively manufacture toothpaste, taking advantage of state-of-the-art technologies, and obtain cost-savings through the transfer of bar soap manufacturing to an established U.S. third party.

The Company plans to consolidate toothpaste production in Europe, which is currently located at five company sites, into a new state-of-the-art manufacturing facility in Europe. Upon completion of the consolidation project over two years, toothpaste manufacturing is expected to cease at the Company's facilities in Salford, United Kingdom; Anzio, Italy; Brasov, Romania; Gebze, Turkey; and Halinow, Poland. Other manufacturing activities will continue at these sites, except the Salford facility, which is expected to be closed. In North America, the Company plans to phase down production at its Jeffersonville, Indiana plant over the next two years, with all production expected to cease by January 2008. The plan calls for transferring production of the Company's market leading Colgate Total toothpaste to a new state-of-the-art facility to be built in Morristown, Tennessee, and the relocation of other production and administrative services currently performed at Jeffersonville to other facilities. Additionally, the Company's Kansas City, Kansas facility, where bar soap is currently produced, is expected to be closed in late 2006 after all production is transitioned to an established U.S. third party manufacturer.

Since the inception of the 2004 Restructuring Program in December 2004, the Company has incurred total charges of $251.5 ($193.1 aftertax) in connection with the implementation of various projects. The majority of costs incurred to date relate to the following significant projects: the consolidation of toothpaste production in Europe; exiting certain manufacturing activities in other categories in Portugal, Belgium, Denmark, Canada and Kansas City; and a realignment of the sales and administrative functions in Germany.

In the year ended December 31, 2005, the Company incurred $182.8 ($145.1 aftertax) of charges in connection with restructuring and implementation related activities, as detailed below:

	Year Ended December 31, 2005				
	Termination Benefits	Incremental Depreciation	Asset Impairments	Other	Total
Restructuring accrual at December 31, 2004	$ 41.7	$ —	$ —	$ 0.4	$ 42.1
Charges	45.8	65.3	30.2	41.5	182.8
Cash payments	(47.8)	—	—	(23.4)	(71.2)
Non-cash activity	—	(65.3)	(30.2)	(15.0)	(110.5)
Foreign exchange	(4.4)	—	—	(0.1)	(4.5)
Restructuring accrual at December 31, 2005	$ 35.3	$ —	$ —	$ 3.4	$ 38.7

Charges in the period related to restructuring activities in Europe (48%), North America (29%), Latin America (4%), Asia/Africa (11%), Pet Nutrition (1%) and Corporate (7%) and are reflected in the Corporate segment in the Consolidated Statements of Income in Cost of sales ($100.2), Selling, general and administrative expenses ($1.8) and Other (income) expense, net ($80.8).

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During 2004 the Company incurred $68.7 ($48.0 aftertax) of charges in connection with the initial phase of the 2004 Restructuring Program, as detailed below:

	Year Ended December 31, 2004				
	Termination Benefits	Incremental Depreciation	Asset Impairments	Other	Total
Charges	$41.6	$ 3.3	$ 22.0	$ 1.8	$ 68.7
Cash payments	(1.4)	—	—	(1.4)	(2.8)
Non-cash activity	—	(3.3)	(22.0)	—	(25.3)
Foreign exchange	1.5	—	—	—	1.5
Restructuring accrual at December 31, 2004	$41.7	$ —	$ —	$ 0.4	$ 42.1

Charges in the period related to restructuring activities in Europe (51%), North America (25%), Latin America (9%), Asia/Africa (7%) and Corporate (8%) and are reflected in the Corporate segment in the Consolidated Statements of Income in Cost of sales ($3.4) and Other (income) expense, net ($65.3).

2003 Restructuring Activities

In connection with the European brand divestments during 2003 and the Company's ongoing focus on the regionalization of manufacturing facilities to streamline and strengthen its operations, the Company realigned certain manufacturing operations and implemented workforce reduction programs primarily in Europe, Latin America and Asia/Africa. The Company incurred $2.8 and $59.3 of costs in 2004 and 2003, respectively, related to these restructuring activities which were substantially complete at the end of 2004. Costs for these restructuring activities are reflected in the Consolidated Statements of Income in Other (income) expense, net primarily in the Corporate segment.

Liquidity and Capital Resources

Net cash provided by operations in 2005 was $1,784.4 as compared with $1,754.3 in 2004 and $1,767.7 in 2003. The increase in 2005 reflects the Company's improved profitability and working capital management despite $38.0 of increased spending related to restructuring activities. The Company's working capital as a percentage of sales decreased to 1.7% of sales in 2005 as compared with 2.4% of sales in 2004. The Company defines working capital as the difference between current assets (excluding cash and marketable securities, the latter of which is reported in other current assets) and current liabilities (excluding short-term debt). As a result of an increased focus on working capital management, the Company's receivable days sales outstanding and inventory days coverage improved from 2004. Additionally, working capital at December 31, 2005 includes an increase of approximately $40 of accrued liabilities related to taxes and other costs associated with the Company's sale of certain non-core brands in 2005.

Investing activities used $220.7 of cash during 2005 compared with $1,090.4 and $117.6 during 2004 and 2003, respectively, with the 2004 period reflecting the Company's acquisition of GABA. In 2005, the Company increased its ownership interests in certain overseas subsidiaries to 100% at a cost of $38.5, primarily related to its Malaysia subsidiary. Investing activities in 2005 reflect $215.6 of proceeds from the sales of the Company's Southeast Asian and North American heavy-duty laundry detergent brands, as compared with 2004 which reflects $37.0 of proceeds from the sale of certain non-core detergent brands in Latin America, and with 2003 when the Company sold various detergent and certain non-core soap brands primarily marketed in Europe for an aggregate sales price of $127.6. Capital expenditures were $389.2, $348.1 and $302.1 for 2005, 2004 and 2003, respectively. Capital spending continues to be focused primarily on projects that yield high aftertax returns. As a result of the Company's multi-year restructuring and business-building program, overall capital expenditures for 2006 are expected to increase to a rate of approximately 4.0% to 4.5% of Net sales.

Financing activities used $1,524.4 of cash during 2005 compared with a use of $611.1 and $1,557.2 of cash during 2004 and 2003, respectively. Financing activities in 2005 reflect increases in the common and preference stock dividend payments as well as higher share repurchases associated with the share repurchase program authorized by the Board of Directors in October 2004. Financing activities in 2004 reflect an increased level of proceeds associated with borrowings related to the GABA acquisition. During 2005, long-term debt decreased to $3,274.7 from $3,540.8 in 2004 and total debt decreased to $3,446.2 in 2005 from $3,675.1 in 2004. The Company's long-term debt is rated AA– by Standard & Poor's and Aa3 by Moody's Investors Service.

Commercial paper outstanding was $621.8 and $844.7 as of December 31, 2005 and 2004, respectively, is denominated in U.S. dollars, Swiss francs and Canadian dollars. The maximum commercial paper outstanding during 2005 and 2004 was $1,715 and $1,519, respectively. These borrowings carry a Standard & Poor's rating of A-1+ and a Moody's rating of P-1. The commercial paper and certain current maturities of notes payable totaling $641.9 are classified as long-term debt at December 31, 2005, as the Company has the intent and ability to refinance such obligations on a long-term basis, including, if necessary, by utilizing its lines of credit that expire in 2010.

The ESOP notes guaranteed by the Company and certain credit facilities contain cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote.

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The Company had a financing subsidiary with outside equity investors the purpose of which was to purchase some of the Company's receivables thereby giving the Company access to additional sources of capital. The subsidiary, including such receivables, was consolidated and the amounts invested by outside investors were reported as a minority interest. During 2005, the subsidiary ceased operations resulting in a cash payment to the outside investors of $89.7.

The Company repurchases common shares in the open market and in private transactions to maintain its targeted capital structure and to fulfill the requirements of its compensation and benefit plans. In October 2004, the Board of Directors authorized the Company to purchase up to 20 million shares of the Company's common stock through December 31, 2005 (the 2004 Program) and, in December 2005, the Board of Directors extended this authorization through March 31, 2006. It is anticipated that the remaining 2.5 million shares under the current program will be repurchased in the first quarter of 2006 and that the Company will implement a new stock repurchase program to take effect upon the conclusion of the 2004 Program. Aggregate repurchases for 2005, including repurchases under the 2004 Program and other Board authorizations, were 15.1 million common shares for a total purchase price of $796.2. Aggregate repurchases for 2004 were 12.4 million common shares for a total purchase price of $637.9. In 2003, 10.2 million common shares and 0.1 million shares of preferred stock were repurchased for a total purchase price of $554.9.

Dividend payments in 2005 were $607.2, up from $536.2 in 2004 and $506.8 in 2003. Common stock dividend payments increased to $1.11 per share in 2005 from $0.96 per share in 2004 and $0.90 per share in 2003. The Series B Preference Stock dividend payments were increased to $8.88 per share in 2005 from $7.68 per share in 2004 and $7.20 per share in 2003. Management currently intends to continue to pay dividends at increasing annual amounts per share from free cash flow.

The Company believes that internally generated cash flows are adequate to support business operations and capital expenditures. Free cash flow before dividends was $1,395.2, $1,406.2 and $1,465.6 in 2005, 2004 and 2003, respectively. The Company defines free cash flow before dividends as net cash provided by operations less capital expenditures. As management uses this measure to evaluate the Company's ability to satisfy current and future obligations, repurchase stock, pay dividends and fund future business opportunities, the Company believes that it provides useful information to investors. Free cash flow before dividends is not a measure of cash available for discretionary expenditures since the Company has certain nondiscretionary obligations, such as debt service, that are not deducted from the measure. Free cash flow before dividends is not a GAAP measurement and may not be comparable with similarly titled measures reported by other companies. A reconciliation of net cash provided by operations to free cash flow before dividends follows:

	2005	2004	2003
Net cash provided by operations	$1,784.4	$1,754.3	$1,767.7
Less: Capital expenditures	(389.2)	(348.1)	(302.1)
Free cash flow before dividends	$1,395.2	$1,406.2	$1,465.6

In December 2004, the Company commenced the 2004 Restructuring Program, a four-year restructuring and business-building program, to enhance the Company's global leadership position in its core businesses. It is anticipated that cash requirements for the restructuring program will continue to be funded from operating cash flow.

The Company has additional sources of liquidity available in the form of lines of credit maintained with various banks and access to financial markets worldwide. The Company believes it has sufficient liquidity to meet its financing needs.

At December 31, 2005, the Company had access to unused domestic and foreign lines of credit of approximately $2,400 and also had $1,754.4 of medium-term notes available for issuance pursuant to effective shelf registration statements. In November 2005, the Company entered into a new five-year revolving credit facility of $1,500.0 with a syndicate of banks. The facility, which expires in November 2010, replaces existing credit facilities of $300.0 and $1,300.0 which were due to expire in December 2005 and May 2007, respectively. These domestic lines are available for general corporate purposes and to support commercial paper issuance. During 2005, the Company also issued 250 million of Swiss franc-denominated five-year bonds (approximately $190 at the year-end exchange rate) at a fixed rate of 1.9%.

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The following represents the scheduled maturities of the Company's contractual obligations as of December 31, 2005:

	Payments Due by Period						
	Total	2006	2007	2008	2009	2010	Thereafter
Long-term debt including current portion	$3,239.1	$ 992.8[1]	$ 701.5	$153.4	$ 95.2	$280.6	$1,015.6
Net cash interest payments on long-term debt[2]	1,263.0	176.0	104.5	79.1	72.8	64.9	765.7
Capitalized leases	35.6	5.8	6.1	6.2	6.4	6.7	4.4
Operating leases	474.7	94.6	86.0	76.5	68.6	54.2	94.8
Purchase obligations[3]	675.8	427.7	155.1	72.7	6.3	5.7	8.3
Total[4]	$5,688.2	$1,696.9	$1,053.2	$387.9	$249.3	$412.1	$1,888.8

(1) Long-term debt due in 2006 includes $641.9 of commercial paper and certain current maturities of notes payable that have been classified as long-term debt as of December 31, 2005, as the Company has the intent and ability to refinance such obligations on a long-term basis, including, if necessary, by utilizing its unused lines of credit that expire in 2010.

(2) Includes the net interest payments on fixed and variable rate debt and associated interest rate swaps. Interest payments associated with floating rate instruments are based on management's best estimate of projected interest rates for the remaining term of variable rate debt.

(3) The Company has outstanding purchase obligations with suppliers at the end of 2005 for raw, packaging and other materials in the normal course of business. These purchase obligation amounts represent only those items which are based on agreements that are enforceable and legally binding and that specify minimum quantity, price and term and do not represent total anticipated purchases.

(4) Long-term liabilities associated with the Company's postretirement plans are excluded from the table above due to the uncertainty of the timing of these cash disbursements. The amount and timing of cash funding related to these benefit plans will generally depend on local regulatory requirements, various economic assumptions (the most significant of which are detailed in "Critical Accounting Policies and Use of Estimates" below) and voluntary Company contributions. Based on current information, the Company does not anticipate having to make any mandatory contributions to its qualified U.S. pension plan until 2014. Management's best estimate of cash requirements to be paid directly from the Company's assets for its postretirement plans for the year ending December 31, 2006 is $126. This estimate includes $77 of expected contributions to the Company's postretirement plans, the majority of which relate to voluntary contributions to the U.S. plans.

As more fully described in Note 13 to the Consolidated Financial Statements, the Company is contingently liable with respect to lawsuits, environmental matters, taxes and other matters arising in the ordinary course of business. While it is possible that the Company's cash flows and results of operations in a particular period could be materially 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 will not have a material impact on the Company's financial position, or ongoing results of operations and cash flows.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet financing or unconsolidated special purpose entities.

Managing Foreign Currency, Interest Rate and Commodity Price Exposure

The Company is exposed to market risk from foreign currency exchange rates, interest rates and commodity price fluctuations. Volatility relating to these exposures is managed on a global basis by utilizing a number of techniques, including working capital management, selective borrowings in local currencies and entering into certain derivative instrument transactions in accordance with the Company's treasury and risk management policies. The Company's treasury and risk management policies prohibit the use of leveraged derivatives or derivatives for trading purposes.

With operations in over 200 countries and territories, the Company is exposed to currency fluctuations related to manufacturing and selling its products in currencies other than the U.S. dollar. The major foreign currency exposures involve the markets in Europe and certain Latin American countries, although all regions of the world are subject to foreign currency changes versus the U.S. dollar. The Company monitors its foreign currency exposures in these markets through a combination of cost-containment measures, selling price increases and foreign currency hedging of certain costs in an effort to minimize the impact on earnings of foreign currency rate movements.

The Company primarily utilizes currency forward contracts, cross currency interest rate swaps, local currency deposits and local currency borrowings to hedge portions of its exposures relating to foreign currency purchases and assets and liabilities created in the normal course of business. From time to time, the Company hedges certain of its forecasted foreign currency transactions using forward contracts with durations no greater than 18 months.

Interest rate swaps and debt issuances are utilized to manage the Company's targeted mix of fixed and floating rate debt and to minimize significant fluctuations in earnings and cash flows that may result from interest rate volatility.

The Company is exposed to price volatility related to raw materials used in production. Futures contracts are used on a limited basis to manage volatility related to anticipated raw material inventory purchases. In 2005 the results of the Company's commodity hedging activities were not material.

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; however, nonperformance by these counterparties is considered remote as it is the Company's policy to contract with diversified counterparties that have a long-term debt rating of AA–/Aa3 or higher.

Value at Risk

The Company's risk management procedures include the monitoring of interest rate and foreign exchange exposures and hedge positions utilizing statistical analyses of cash flows, market value and sensitivity analysis. 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. Market exposures are evaluated using a value-at-risk (VAR) model and an earnings-at-risk (EAR) model that are intended to measure the maximum potential loss in interest rate and foreign exchange financial instruments, assuming adverse market conditions occur, given a 95% confidence level. Historical interest rates and foreign exchange rates 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 in 2005 and 2004. 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 in 2005 and 2004. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

For information regarding the Company's accounting policies for financial instruments and description of financial instrument activities, refer to Notes 2 and 7 to the Consolidated Financial Statements.

Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, "Inventory Costs—An Amendment of Accounting Research Bulletin No. 43, Chapter 4" (SFAS 151). SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be expensed as incurred and not included in overhead. Further, SFAS 151 requires that allocation of fixed production overhead to conversion costs be based on normal capacity of the production facilities. The provisions in SFAS 151 must be applied prospectively to the Company's inventory costs incurred on or after January 1, 2006. The adoption of SFAS 151 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," (SFAS 123R). SFAS 123R replaces SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) by eliminating the choice to account for employee stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards at the date of grant. Currently under APB 25 the value of restricted stock awards is expensed by the Company over the restriction period and, no compensation expense is recognized for stock option grants as all such grants have an exercise price not less than fair market value on the date of grant.

Additionally, certain of the Company's stock options granted to eligible participants have an accelerated vesting feature associated with employee retirement and most of the restricted stock awards specify that participants will continue to vest in the award after retirement. Currently the Company follows the nominal vesting period approach, which requires recognition of the compensation expense over the vesting period except in the instance of the participants' actual retirement. Upon the adoption of SFAS 123R, the Company's policy regarding the timing of expense recognition for new awards to employees eligible for retirement will, as required, be changed to recognize compensation cost over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award.

The Company will adopt the provisions of SFAS 123R effective January 1, 2006 using the modified prospective method which will result in an incremental expense upon adoption. The impact on earnings per share in fiscal year 2006 of these requirements is currently estimated in the range of $0.09 to $0.10. Future expense amounts for any particular quarterly or annual period could be affected by changes in the Company's assumptions or changes in market conditions. Due to the timing of the Company's equity grants the charge will not be spread evenly throughout the year. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as currently required, thereby potentially reducing net operating cash flows and increasing net financing cash flows in periods after adoption. Such amounts cannot be estimated for future periods with certainty because they depend largely on when employees will exercise the stock options and the market price of the Company's stock at the time of exercise.

Refer to Note 2 to the Consolidated Financial Statements for further discussion of recent accounting pronouncements.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires management to use judgment and make estimates. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results could ultimately differ from those estimates. The accounting policies that are most critical in the preparation of the Company's Consolidated Financial Statements are those that are both important to the presentation of the Company's financial condition and results of operations and require significant or complex judgments and estimates on the part of management. The Company's critical accounting policies are reviewed periodically with the Audit Committee of the Board of Directors.

In certain instances, accounting principles generally accepted in the United States of America allow for the selection of alternative accounting methods. The Company's significant policies that involve the selection of alternative methods are accounting for stock options, shipping and handling costs, and inventories.

- During 2005, two alternative methods for accounting for stock options were available, the intrinsic value method and the fair value method. The Company used the intrinsic value method of accounting for stock options, and accordingly, no compensation expense has been recognized. If the fair value method were used, diluted earnings per share for 2005, 2004 and 2003 would have decreased approximately 3%. SFAS 123R will require all companies issuing stock options to implement the fair value method and recognize compensation expense for stock options granted. As noted above, the Company will adopt SFAS 123R effective January 1, 2006 using the modified prospective method. (Refer to Note 2 to the Consolidated Financial Statements.)
- Shipping and handling costs may be reported as either a component of cost of sales or selling, general and administrative expenses. The Company reports such costs, primarily related to warehousing and outbound freight, in the Consolidated Statements of Income as a component of Selling, general and administrative expenses. Accordingly, the Company's gross profit margin is not comparable with the gross profit margin of those companies that include shipping and handling charges in cost of sales. If such costs had been included in cost of sales, gross profit margin as a percent to sales would have decreased by 750 bps from 54.4% to 46.9% in 2005 and decreased by 720 bps and 710 bps in 2004 and 2003, respectively, with no impact on reported earnings.
- The Company accounts for inventories using both the first-in, first-out (FIFO) method (approximately 80% of inventories) and the last-in, first-out (LIFO) method (20% of inventories). There would have been no material impact on reported earnings for 2005, 2004 and 2003 had all inventories been accounted for under the FIFO method.

The areas of accounting that involve significant or complex judgments and estimates are pensions and other postretirement benefits, asset impairment, tax valuation allowances, and legal and other contingencies.

- In pension accounting, the most significant actuarial assumptions are the discount rate and the long-term rate of return on plan assets. The discount rate for U.S. plans was 5.50%, 5.75% and 6.25% as of December 31, 2005, 2004 and 2003, respectively. Discount rates used for the U.S. defined benefit and other postretirement plans are based on a yield curve constructed from a portfolio of high quality bonds for which the timing and amount of cash outflows approximate the estimated payouts of the U.S. plans. For the Company's international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA or better. The assumed long-term rate of return on plan assets for domestic plans was 8.0% as of December 31, 2005, 2004 and 2003. In determining the long-term rate of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies and the historical rate of return. The historical rate of return for the U.S. plans for the most recent 15-year period was 9%. In addition, the current rate of return assumption for the U.S. plans is based upon a targeted asset allocation of approximately 35% in fixed income securities (which are expected to earn approximately 6% in the long term), 61% in equity securities (which are expected to earn approximately 10% in the long term) and 4% in real estate and other (which are expected to earn approximately 6% in the long term). A 1% change in either the discount rate or the assumed rate on plan assets of the U.S. pension plans would impact Net income by approximately $10. A third assumption is the long-term rate of compensation increase, a change in which would partially offset the impact of a change in either the discount rate or the long-term rate of return. This rate was 4.0%, 4.0% and 4.25% as of December 31, 2005, 2004 and 2003, respectively. (Refer to Note 10 to the Consolidated Financial Statements.)
- The most judgmental assumption in accounting for other postretirement benefits is the medical cost trend rate. The Company reviews external data and its own historical trends for health care costs to determine the medical cost trend rate. In 2005, the assumed rate of increase was 10.0% for 2006 and declining 1% per year until reaching the ultimate assumed rate of increase of 5% per year. The effect of a 1% increase in the assumed long-term medical cost trend rate would reduce Net income by approximately $4.5.
- Asset impairment analysis performed for goodwill and intangible assets requires several estimates including future cash flows, growth rates and the selection of a discount rate. Since the estimated fair value of the Company's intangible assets substantially exceeds the recorded book value, significant changes in these estimates would have to occur to result in an impairment charge related to these assets. Asset impairment analysis related to certain fixed assets in connection with the 2004 Restructuring Program requires management's best estimate of net realizable value.
- Tax valuation allowances are established to reduce tax assets such as tax loss carryforwards, to net realizable value. Factors considered in estimating net realizable value include historical results by tax jurisdiction, carryforward periods, income tax strategies and forecasted taxable income. A significant change to the Company's valuation allowances would primarily impact equity and would not materially impact reported earnings.

- Legal and other contingency reserves are based on management's assessment of the risk of potential loss, which includes consultation with outside legal counsel and advisors. Such assessments are reviewed each period and revised, based on current facts and circumstances, if necessary. While it is possible that the Company's cash flows and results of operations in a particular quarter or year could be materially 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 will not have a material impact on the Company's financial position, or ongoing results of operations and cash flows. (Refer to Note 13 to the Consolidated Financial Statements for further discussion of the Company's contingencies.)

The Company generates revenue through the sale of well-known consumer products to trade customers under established trading terms. While the recognition of revenue and receivables requires the use of estimates, there is a short time frame (typically less than 60 days) between the shipment of product and cash receipt, thereby reducing the level of uncertainty in these estimates. (Refer to Note 2 to the Consolidated Financial Statements for further description of the Company's significant accounting policies.)

Outlook

Looking forward into 2006, while the Company expects market conditions to remain highly competitive, it believes it is well positioned for continued growth. It anticipates continuing to prioritize its investments in key categories and markets in order to further strengthen its competitive position and build market share. The 2004 Restructuring Program is designed to enhance the Company's global leadership position in its core businesses. As part of the 2004 Restructuring Program, the Company anticipates streamlining its global supply chain, reallocating resources with an increase and upgrade in the sales, marketing and new product organizations in high-potential developing and other key markets and the consolidation of these organizations in certain mature markets. The savings and benefits from the 2004 Restructuring Program, along with the Company's other ongoing cost-savings and growth initiatives, are anticipated to provide additional funds for investment in support of key categories and new product development while also supporting an increased level of profitability.

However, as noted above, the Company operates in a highly competitive global marketplace that is experiencing increased trade concentration and industry consolidation. In addition, changes in economic conditions, movements in commodity prices and foreign currency exchange rates can impact future operating results as measured in U.S. dollars. In particular, economic and political uncertainty in some countries in Latin America and changes in the value of Latin American and European currencies may impact the overall results of these regions. Historically, the consumer products industry has been less susceptible to changes in economic growth than many other industries. 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 increase profitability and shareholder value.

Cautionary Statement on Forward-Looking Statements

In this report and from time to time, we may make statements that constitute or contain "forward-looking" information as that term is defined in the Private Securities Litigation Reform Act of 1995 or by the United States Securities and Exchange Commission in its rules, regulations and releases. Such statements may relate, for example, to sales or volume growth, earnings growth, financial goals, cost-reduction plans, estimated charges and savings associated with the 2004 Restructuring Program, and new product introductions among other matters. These statements are made on the basis of our views and assumptions as of the time the statements are made and we undertake no obligation to update these statements. We caution investors that any such forward-looking statements we make are not guarantees of future performance and that actual results may differ materially from anticipated results or expectations expressed in our forward-looking statements. For some of the factors that could impact our business and cause actual results to differ materially from forward-looking statements see Item 1A – Risk Factors of our annual report on Form 10-K for the year ended December 31, 2005 filed with the SEC on February 24, 2006.

Report of Independent Registered Public Accounting Firm

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

We have completed integrated audits of Colgate-Palmolive Company's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions on Colgate-Palmolive Company's 2005, 2004, and 2003 consolidated financial statements and on its internal control over financial reporting as of December 31, 2005, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts and cash flows present fairly, in all material respects, the financial position of Colgate-Palmolive Company and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with the standards of the Public Company Accounting Oversight Board (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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

New York, New York
February 22, 2006

Report of Management

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management evaluates the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 and concluded that it is effective.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company's internal control over financial reporting and management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, and has expressed unqualified opinions in their report which appears on page 30.

Management's Responsibility for Consolidated Financial Statements

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

The consolidated financial statements included in this annual report have been audited by PricewaterhouseCoopers LLP and their report, in which they express their unqualified opinion on such financial statements, appears on page 30.

Audits

The Board of Directors engaged PricewaterhouseCoopers LLP to audit the effectiveness of the Company's internal control over financial reporting, management's assessment of the effectiveness of such internal controls over financial reporting as of December 31, 2005 and the consolidated financial statements for each of the three years ended December 31, 2005. Their report was based on an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States of America) and included tests of accounting records and system of internal control and such other procedures to enable them to render opinions on the effectiveness of the Company's internal control over financial reporting and management's assessment of the effectiveness of the Company's such internal control over financial reporting as of December 31, 2005 and on the Company's consolidated financial statements.

The Board of Directors has an Audit Committee comprised entirely of independent directors. The Committee meets periodically and independently throughout the year with management, internal auditors and the independent public accountants to discuss the Company's internal controls, auditing and financial reporting matters. The internal auditors and independent public accountants have unrestricted access to the Audit Committee.

Reuben Mark
Chairman and
Chief Executive Officer

Stephen C. Patrick
Chief Financial Officer

Dollars in Millions Except Per Share Amounts

Consolidated Statements of Income

For the years ended December 31,	2005	2004	2003
Net sales	$11,396.9	$10,584.2	$9,903.4
Cost of sales	5,191.9	4,747.2	4,456.1
Gross profit	6,205.0	5,837.0	5,447.3
Selling, general and administrative expenses	3,920.8	3,624.6	3,296.3
Other (income) expense, net	69.2	90.3	(15.0)
Operating profit	2,215.0	2,122.1	2,166.0
Interest expense, net	136.0	119.7	124.1
Income before income taxes	2,079.0	2,002.4	2,041.9
Provision for income taxes	727.6	675.3	620.6
Net income	$ 1,351.4	$ 1,327.1	$1,421.3
Earnings per common share, basic	$ 2.54	$ 2.45	$ 2.60
Earnings per common share, diluted	$ 2.43	$ 2.33	$ 2.46

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

Consolidated Balance Sheets

As of December 31,	2005	2004
Assets		
Current Assets		
Cash and cash equivalents	$ 340.7	$ 319.6
Receivables (less allowances of $41.7 and $47.2, respectively)	1,309.4	1,319.9
Inventories	855.8	845.5
Other current assets	251.2	254.9
Total current assets	2,757.1	2,739.9
Property, plant and equipment, net	2,544.1	2,647.7
Goodwill	1,845.7	1,891.7
Other intangible assets, net	783.2	832.4
Other assets	577.0	561.2
Total assets	$ 8,507.1	$ 8,672.9
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	$ 171.5	$ 134.3
Current portion of long-term debt	356.7	451.3
Accounts payable	876.1	864.4
Accrued income taxes	215.5	153.1
Other accruals	1,123.2	1,127.6
Total current liabilities	2,743.0	2,730.7
Long-term debt	2,918.0	3,089.5
Deferred income taxes	554.7	509.6
Other liabilities	941.3	1,097.7
Shareholders' Equity		
Preference stock	253.7	274.0
Common stock, $1 par value (1,000,000,000 shares authorized, 732,853,180 shares issued)	732.9	732.9
Additional paid-in capital	1,064.4	1,093.8
Retained earnings	8,968.1	8,223.9
Accumulated other comprehensive income	(1,804.7)	(1,806.2)
	9,214.4	8,518.4
Unearned compensation	(283.3)	(307.6)
Treasury stock, at cost	(7,581.0)	(6,965.4)
Total shareholders' equity	1,350.1	1,245.4
Total liabilities and shareholders' equity	$ 8,507.1	$ 8,672.9

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

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

	Common Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income
	Shares	Amount		Shares	Amount			
Balance, January 1, 2003	536,001,784	$732.9	$1,133.9	196,873,236	$(6,152.3)	$6,518.5	$(1,865.6)	
Net income						1,421.3		$1,421.3
Other comprehensive income:								
Cumulative translation adjustment							4.0	4.0
Other							(5.2)	(5.2)
Total comprehensive income								$1,420.1
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(25.5)		
Preferred stock						(0.2)		
Common stock						(481.1)		
Shares issued for stock options	4,928,861		(20.9)	(4,928,861)	96.9			
Treasury stock acquired	(10,146,986)			10,250,146	(554.9)			
Other	2,913,518		13.2	(3,038,518)	110.4			
Balance, December 31, 2003	533,697,177	$732.9	$1,126.2	199,156,003	$(6,499.9)	$7,433.0	$(1,866.8)	
Net income						1,327.1		$1,327.1
Other comprehensive income:								
Cumulative translation adjustment							75.4	75.4
Other							(14.8)	(14.8)
Total comprehensive income								$1,387.7
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(25.9)		
Common stock						(510.3)		
Shares issued for stock options	2,142,895		2.1	(2,142,895)	60.5			
Treasury stock acquired	(12,383,273)			12,383,273	(637.9)			
Other	3,168,259		(34.5)	(3,168,259)	111.9			
Balance, December 31, 2004	526,625,058	$732.9	$1,093.8	206,228,122	$(6,965.4)	$8,223.9	$(1,806.2)	
Net income						1,351.4		$1,351.4
Other comprehensive income:								
Cumulative translation adjustment							17.7	17.7
Other							(16.2)	(16.2)
Total comprehensive income								$1,352.9
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(28.2)		
Common stock						(579.0)		
Shares issued for stock options	1,533,768		(4.8)	(1,533,768)	61.2			
Treasury stock acquired	(15,126,263)			15,126,263	(796.2)			
Other	3,138,394		(24.6)	(3,138,394)	119.4			
Balance, December 31, 2005	516,170,957	$732.9	$1,064.4	216,682,223	$(7,581.0)	$8,968.1	$(1,804.7)	

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

Consolidated Statements of Cash Flows

For the years ended December 31,	2005	2004	2003
Operating Activities			
Net income	$ 1,351.4	$ 1,327.1	$ 1,421.3
Adjustments to reconcile net income to net cash provided by operations:			
Restructuring, net of cash	111.6	38.3	53.8
Depreciation and amortization	329.3	327.8	315.5
Gain before tax on sale of non-core product lines and other investment activities	(147.9)	(26.7)	(107.2)
Deferred income taxes	30.8	57.7	(48.8)
Cash effects of changes in:			
Receivables	(24.1)	(5.6)	(14.4)
Inventories	(46.8)	(76.1)	(3.1)
Accounts payable and other accruals	193.8	109.4	188.7
Other non-current assets and liabilities	(13.7)	2.4	(38.1)
Net cash provided by operations	1,784.4	1,754.3	1,767.7
Investing Activities			
Capital expenditures	(389.2)	(348.1)	(302.1)
Payment for acquisitions, net of cash acquired	(38.5)	(800.7)	—
Sale of non-core product lines	215.6	37.0	127.6
Purchases of marketable securities and investments	(20.0)	(127.7)	(43.2)
Proceeds from sales of marketable securities and investments	10.0	147.3	85.1
Other	1.4	1.8	15.0
Net cash used in investing activities	(220.7)	(1,090.4)	(117.6)
Financing Activities			
Principal payments on debt	(2,100.3)	(753.9)	(804.0)
Proceeds from issuance of debt	2,021.9	1,246.5	229.2
Payments to outside investors	(89.7)	—	—
Dividends paid	(607.2)	(536.2)	(506.8)
Purchases of treasury shares	(796.2)	(637.9)	(554.9)
Proceeds from exercise of stock options	47.1	70.4	79.3
Net cash used in financing activities	(1,524.4)	(611.1)	(1,557.2)
Effect of exchange rate changes on cash and cash equivalents	(18.2)	1.5	4.5
Net increase in cash and cash equivalents	21.1	54.3	97.4
Cash and cash equivalents at beginning of year	319.6	265.3	167.9
Cash and cash equivalents at end of year	$ 340.7	$ 319.6	$ 265.3
Supplemental Cash Flow Information			
Income taxes paid	$ 584.3	$ 593.8	$ 498.1
Interest paid	149.9	123.2	131.5
Principal payments on ESOP debt, guaranteed by the Company	37.0	29.8	23.5

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

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 Home Care; and Pet Nutrition. Oral, Personal and Home Care products include toothpaste, oral rinses and toothbrushes, bar and liquid hand soaps, shower gels, shampoos, conditioners, deodorants and antiperspirants, shave products, laundry and dishwashing detergents, fabric conditioners, 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 and regional trademarks include Colgate, Palmolive, Kolynos, Sorriso, Elmex, Mennen, Protex, Softsoap, Irish Spring, Ajax, Axion, Soupline, Suavitel, Hill's Science Diet and Hill's Prescription Diet in addition to several other regional trademarks.

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

	2005	2004	2003
Oral Care	**38%**	35%	34%
Home Care	**26**	28	29
Personal Care	**23**	23	24
Pet Nutrition	**13**	14	13

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. The Company's investments in consumer products companies with interests ranging between 20% and 50% are accounted for using the equity method. As of December 31, 2005 and 2004, equity method investments included in Other assets were $5.1 and $3.8, respectively. Investments with less than a 20% interest are accounted for using the cost method. Unrelated third parties hold the remaining ownership interest in these investments. Net income (loss) from such investments is recorded in Other (income) expense, net in the Consolidated Statements of Income.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to use judgment and make estimates 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. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. As such, the most significant uncertainty in the Company's assumptions and estimates involved in preparing the financial statements includes pension and other retiree benefit cost assumptions, asset impairment, tax valuation allowances, and legal and other contingency reserves. Additionally, the Company uses available market information and other valuation methodologies in assessing the fair value of financial instruments. Judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, changes in assumptions or the estimation methodologies may affect the fair value estimates. Actual results could ultimately differ from those estimates.

Revenue Recognition

Sales are recorded at the time products are shipped to trade customers and when risk of ownership transfers. Net sales reflect units shipped at selling list prices reduced by sales returns and the cost of current and continuing promotional programs. Current promotional programs, such as product listing allowances and co-operative advertising arrangements, are recorded in the period incurred. Continuing promotional programs are predominantly consumer coupons and volume-based sales incentive arrangements with trade customers. The redemption cost of consumer coupons is based on historical redemption experience and is recorded when coupons are distributed. Volume-based incentives offered to trade customers are based on the estimated cost of the program and are recorded as products are sold.

Shipping and Handling Costs

Shipping and handling costs are classified as Selling, general and administrative expenses and were $860.2, $767.4 and $700.8 for the years ended December 31, 2005, 2004 and 2003, respectively.

Marketing Costs

The Company markets its products through advertising and other promotional activities. Advertising costs are included in Selling, general and administrative expenses and are expensed as incurred. Certain consumer and trade promotional programs, such as consumer coupons, are recorded as a reduction of sales.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. The cost of approximately 80% of inventories is determined using the first-in, first-out (FIFO) method. The cost of all other inventories, predominantly in the U.S. and Mexico, is determined using the last-in, first-out (LIFO) method.

Dollars in Millions Except Per Share Amounts

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 15 years for machinery and equipment and up to 40 years for buildings.

Goodwill and Other Intangibles

Goodwill and indefinite life intangible assets, such as the Company's global brands, are subject to annual impairment tests. These tests were performed and did not result in an impairment charge. Other intangible assets with finite lives, such as trademarks, local brands and non-compete agreements, are amortized over their useful lives, ranging from 5 to 40 years.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based upon the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates that will be in effect at the time such differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. 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.

Financial Instruments

Derivative instruments are recorded as assets and liabilities at estimated fair value based on available market information. The Company's derivative instruments that qualify for hedge accounting are primarily designated as either fair value hedges or cash flow hedges. For fair value hedges, changes in fair value of the derivative, as well as the offsetting changes in fair value of the hedged item, are recognized in earnings each period. For cash flow hedges, changes in fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the offsetting effect of the hedged item is also recognized in earnings. Cash flows related to fair value hedges and cash flow hedges are classified in the same category as the cash flows from the hedged item in the Consolidated Statements of Cash Flows.

The Company may also enter into certain foreign currency and interest rate instruments that economically hedge certain of its risks but do not qualify for hedge accounting. Changes in fair value of these derivative instruments, based on quoted market prices, are recognized in earnings each period.

Stock-Based Compensation

Stock-based compensation plans, more fully described in Note 8, are accounted for under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations. The value of restricted stock awards, based on market prices, is amortized over the restriction period. No compensation expense has been recognized for stock option grants as all such grants had an exercise price not less than fair market value on the date of grant. The following illustrates the effect on net income and earnings per share if the Company had applied the fair value method of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS 123):

	2005	2004	2003
Net income, as reported	$1,351.4	$1,327.1	$1,421.3
Less: pro forma stock option compensation expense, net of tax	42.9	42.3	44.2
Pro forma net income	$1,308.5	$1,284.8	$1,377.1
Earnings per share:			
Basic – as reported	$ 2.54	$ 2.45	$ 2.60
Basic – pro forma	2.46	2.37	2.52
Diluted – as reported	2.43	2.33	2.46
Diluted – pro forma	2.35	2.26	2.38

Pro forma stock option compensation expense above is the estimated fair value of options granted amortized over the vesting period. The weighted average estimated fair value of stock options granted in 2005, 2004 and 2003 was $9.59, $12.48 and $13.46, respectively. Fair value is estimated using the Black-Scholes option-pricing model with the following assumptions: option term until exercise ranging from 4 to 5 years, volatility ranging from 20% to 30%, risk-free interest rate ranging from 3.2% to 4.0% and an expected dividend yield of 2.0%. See Note 8 for a discussion of changes made to the Company's stock option plans in 2003.

The Company will adopt the provisions of SFAS No. 123R, "Share-Based Payment," (SFAS 123R) effective January 1, 2006 using the modified prospective method. See Recent Accounting Pronouncements for a discussion of the estimated impact in 2006.

Translation of Overseas Currencies

The assets and liabilities of foreign 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 translated 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.

Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, "Inventory Costs—An Amendment of Accounting Research Bulletin No. 43, Chapter 4" (SFAS 151). SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be expensed as incurred and not included in overhead. Further, SFAS 151 requires that allocation of fixed production overhead to conversion costs be based on normal capacity of the production facilities. The provisions in SFAS 151 must be applied prospectively to the Company's inventory costs incurred on or after January 1, 2006. The adoption of SFAS 151 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In December 2004, the FASB issued SFAS 123R. SFAS 123R replaces SFAS 123 by eliminating the choice to account for employee stock options under APB 25 and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards at the date of grant. Currently under APB 25 the value of restricted stock awards is expensed by the Company over the restriction period and, no compensation expense is recognized for stock option grants as all such grants have an exercise price not less than fair market value on the date of grant.

Additionally, certain of the Company's stock options granted to eligible participants have an accelerated vesting feature associated with employee retirement and most of the restricted stock awards specify that participants will continue to vest in the award after retirement. Currently the Company follows the nominal vesting period approach, which requires recognition of the compensation expense over the vesting period except in the instance of the participants' actual retirement. Upon the adoption of SFAS 123R, the Company's policy regarding the timing of expense recognition for new awards to employees eligible for retirement will, as required, be changed to recognize compensation cost over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award.

The Company will adopt the provisions of SFAS 123R effective January 1, 2006 using the modified prospective method which will result in an incremental expense upon adoption. The impact on earnings per share in fiscal year 2006 of these requirements is currently estimated in the range of $0.09 to $0.10. Future expense amounts for any particular quarterly or annual period could be affected by changes in the Company's assumptions or changes in market conditions. Due to the timing of the Company's equity grants the charge will not be spread evenly throughout the year. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as currently required, thereby potentially reducing net operating cash flows and increasing net financing cash flows in periods after adoption. Such amounts cannot be estimated for future periods with certainty because they depend largely on when employees will exercise the stock options and the market price of the Company's stock at the time of exercise.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Acquisitions and Divestitures

Consistent with the Company's strategy to prioritize higher margin businesses, the Company sold its North American and Southeast Asian heavy-duty laundry detergent brands in 2005. The North American brands were sold in August 2005 and included the detergent brands Fab, Dynamo, Artic Power, ABC, Cold Power and Fresh Start, and the license of the Ajax brand for laundry detergents, marketed in the U.S., Canada and Puerto Rico. The Southeast Asian brands, marketed in Thailand, Malaysia, Singapore and Hong Kong, were sold effective December 31, 2005. The transaction included the sale of the detergent brands Fab, Trojan, Dynamo and Paic. These operations accounted for less than 2% of the Company's annual Net sales. The aggregate proceeds from these sales were $215.6, resulting in a gain of $147.9 ($93.5 net of tax) included in Other (income) expense, net.

The Company increased its ownership interests in certain overseas subsidiaries to 100% during 2005 at a cost of $38.5, primarily related to its Malaysia subsidiary.

On June 1, 2004, the Company completed the purchase of 100% of the outstanding shares of GABA Holding AG (GABA), a privately owned European oral care company headquartered in Switzerland. The cost of GABA, net of cash acquired, was $729 plus acquisition costs. The results of GABA's operations have been included in the Company's European segment in the Consolidated Financial Statements since the date of acquisition. The aggregate purchase price for all other acquisitions in 2004 was approximately $60. The Company did not make any significant acquisitions in 2003.

During 2004, the Company sold its detergent businesses in Ecuador and Peru resulting in a pretax gain of $26.7 included in Other (income) expense, net for the year ended December 31, 2004. The aggregate sale price of all 2003 divestitures was $127.6 related to the sale of European soap brands marketed in France, and the sale of various European detergent brands marketed primarily in France, Italy and Scandinavia, resulting in a pretax gain of $107.2 included in Other (income) expense, net for the year ended December 31, 2003.

Dollars in Millions Except Per Share Amounts

4. Restructuring Activities

In December 2004, the Company commenced a four-year restructuring and business-building program (the 2004 Restructuring Program) to enhance the Company's global leadership position in its core businesses. As part of this program the Company anticipates the rationalization of approximately one-third of the Company's manufacturing facilities, closure of certain warehousing facilities and an estimated 12% workforce reduction.

In the year ended December 31, 2005, the Company incurred $182.8 ($145.1 aftertax) of charges in connection with restructuring and implementation related activities, as detailed below:

Year Ended December 31, 2005

	Termination Benefits	Incremental Depreciation	Asset Impairments	Other	Total
Restructuring accrual at December 31, 2004	$ 41.7	$ —	$ —	$ 0.4	$ 42.1
Charges	45.8	65.3	30.2	41.5	182.8
Cash payments	(47.8)	—	—	(23.4)	(71.2)
Non-cash activity	—	(65.3)	(30.2)	(15.0)	(110.5)
Foreign exchange	(4.4)	—	—	(0.1)	(4.5)
Restructuring accrual at December 31, 2005	$ 35.3	$ —	$ —	$ 3.4	$ 38.7

Charges in the period related to restructuring activities in Europe (48%), North America (29%), Latin America (4%), Asia/Africa (11%), Pet Nutrition (1%) and Corporate (7%) and are reflected in the Consolidated Statements of Income in Cost of sales ($100.2), Selling, general and administrative expenses ($1.8) and Other (income) expense, net ($80.8).

During 2004 the Company incurred $68.7 ($48.0 aftertax) of charges in connection with the initial phase of the 2004 Restructuring Program, as detailed below:

Year Ended December 31, 2004

	Termination Benefits	Incremental Depreciation	Asset Impairments	Other	Total
Charges	$41.6	$ 3.3	$ 22.0	$ 1.8	$ 68.7
Cash payments	(1.4)	—	—	(1.4)	(2.8)
Non-cash activity	—	(3.3)	(22.0)	—	(25.3)
Foreign exchange	1.5	—	—	—	1.5
Restructuring accrual at December 31, 2004	$41.7	$ —	$ —	$ 0.4	$ 42.1

Charges in the period related to restructuring activities in Europe (51%), North America (25%), Latin America (9%), Asia/Africa (7%) and Corporate (8%) and are reflected in the Consolidated Statements of Income in Cost of sales ($3.4) and Other (income) expense, net ($65.3).

Since the inception of the 2004 Restructuring Program in December 2004, the Company has incurred total charges of $251.5 ($193.1 aftertax) in connection with the implementation of various projects. The majority of costs incurred to date relate to the following significant projects: the consolidation of toothpaste production in Europe; exiting certain manufacturing activities in other categories in Portugal, Belgium, Denmark, Canada and Kansas City; and a realignment of the sales and administrative functions in Germany.

Restructuring costs are recorded in the Corporate segment as these decisions are corporate-driven and are not included in internal measures of segment operating performance.

Termination benefits are calculated based on long-standing benefit practices, local statutory requirements and, in certain cases, voluntary termination arrangements. Incremental depreciation was recorded to reflect changes in useful lives and estimated residual values for long-lived assets that will be taken out of service prior to the end of their normal service period. Asset impairments have been recorded to write down assets held for sale or disposal to their fair value based on amounts expected to be realized.

In connection with the Company's announcement in October 2005 to phase down toothpaste production in Jeffersonville, Indiana, the Company announced in January 2006, its plan to construct a new state-of-the-art dental cream facility in Morristown, Tennessee.

5. Goodwill and Other Intangible Assets

The net carrying value of Goodwill as of December 31, 2005 and 2004 by segment is as follows:

	2005	2004
Oral, Personal and Home Care		
North America	$ 276.6	$ 276.9
Latin America	539.1	502.0
Europe	843.8	936.5
Asia/Africa	171.2	161.3
Total Oral, Personal and Home Care	1,830.7	1,876.7
Pet Nutrition	15.0	15.0
Total Goodwill	$1,845.7	$1,891.7

Dollars in Millions Except Per Share Amounts

Other intangible assets as of December 31, 2005 and 2004 are comprised of the following:

	2005			2004		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks	$418.5	$(158.2)	$260.3	$432.1	$(147.0)	$285.1
Other finite life intangible assets	11.9	(10.6)	1.3	10.2	(8.4)	1.8
Indefinite life intangible assets	521.6	—	521.6	545.5	—	545.5
Total Other intangible assets	$952.0	$(168.8)	$783.2	$987.8	$(155.4)	$832.4

The changes in the net carrying amounts of Goodwill and Other intangible assets during 2005 are mainly due to the impact of foreign currency translation adjustments.

Amortization expense of the above trademarks and other finite life intangible assets was $15.6 for the year ended December 31, 2005. Annual estimated amortization expense for each of the next five years is expected to approximate $16.

6. Long-Term Debt and Credit Facilities

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

	Weighted Average Interest Rate	Maturities	2005	2004
Notes	5.8%	2006-2078	$1,824.5	$1,813.3
Payable to banks	4.3	2006-2008	555.7	563.9
ESOP notes, guaranteed by the Company	8.7	2006-2009	237.1	274.1
Commercial paper	3.0	2006	621.8	844.7
Capitalized leases			35.6	44.8
			3,274.7	3,540.8
Less: current portion of long-term debt			356.7	451.3
			$2,918.0	$3,089.5

Commercial paper and certain current maturities of notes payable totaling $641.9 are classified as long-term debt as the Company has the intent and ability to refinance such obligations on a long-term basis. Scheduled maturities of long-term debt and capitalized leases outstanding as of December 31, 2005, excluding commercial paper and certain current maturities of notes payable reclassified, are as follows: 2006—$356.7; 2007—$707.6; 2008—$159.6; 2009—$101.6; 2010—$287.3 and $1,020.0 thereafter. The Company has entered into interest rate swap agreements and foreign exchange contracts related to certain of these debt instruments (see Note 7).

At December 31, 2005, the Company had unused credit facilities amounting to approximately $2,400 and also had $1,754.4 of medium-term notes available for issuance pursuant to effective shelf registration statements. In November 2005, the Company entered into a new five-year revolving credit facility of $1,500.0 with a syndicate of banks. The facility, which expires in November 2010, replaces existing credit facilities of $300.0 and $1,300.0 which were due to expire in December 2005 and May 2007, respectively. Commitment fees related to credit facilities are not material. The weighted average interest rate on short-term borrowings, included in Notes and loans payable in the Consolidated Balance Sheets, as of December 31, 2005 and 2004, was 4.0% and 3.7%, respectively.

The ESOP notes guaranteed by the Company and certain credit facilities contain cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote.

7. Fair Value of Financial Instruments

The Company uses available market information and other valuation methodologies in assessing the fair value of financial instruments. Judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, changes in assumptions or the estimation methodologies may affect the fair value estimates.

Derivative Instruments

Following are the notional amounts and net recorded fair values of the Company's derivative instruments:

	2005		2004	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swap contracts	$138.0	$4.8	$ 152.2	$ 4.8
Foreign currency contracts	875.0	3.6	1,468.4	(8.5)

The Company utilizes interest rate swap contracts to manage its targeted mix of fixed and floating rate debt. Forward and swap contracts are utilized to hedge a portion of the Company's foreign currency purchases and assets and liabilities created in the normal course of business. Forward contracts used in hedging forecasted foreign currency purchases have durations no greater than 18 months. It is the Company's policy to enter into derivative instruments with terms that match the underlying exposure being hedged. As such, the Company's derivative instruments are considered highly effective and the net gain or loss from hedge ineffectiveness was not material.

Cumulative losses related to foreign currency contracts designated as cash flow hedges which are expected to be recognized in earnings over the next 12 months, when the offsetting effects of the hedged item are also recorded in earnings, are not material.

Other Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivables, marketable securities, long-term investments and short-term debt approximated fair value as of December 31, 2005 and 2004. The estimated fair value of the Company's long-term debt, including current portion, as of December 31, 2005 and 2004, was $3,161.1 and $3,522.7, respectively, and the related carrying value was $3,274.7 and $3,540.8, respectively.

Credit Risk

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; however, nonperformance by these counterparties is considered remote as it is the Company's policy to contract with diversified counterparties that have a long-term debt rating of AA–/Aa3 or higher.

8. Capital Stock and Stock Compensation Plans

Preferred Stock

Preferred Stock consists of 250,000 authorized shares without par value. During 2003, the Company redeemed and retired all outstanding shares of its $4.25 Preferred Stock at the stated redemption price of $100 per share.

Preference Stock

In 1988, the Company authorized the issuance of 50,000,000 shares of Series B Convertible Preference Stock (the Preference Stock), without par value. The Preference Stock is convertible into eight shares of common stock. As of December 31, 2005 and 2004, 3,902,988 and 4,215,246 shares of Preference Stock, respectively, were outstanding and issued to the Company's Employee Stock Ownership Plan.

Stock Repurchases

In October 2004 the Company announced that the Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to 20 million shares of the Company's common stock through December 31, 2005. The Board also authorized at that time share repurchases on an ongoing basis associated with certain employee elections under the Company's compensation and benefit programs. On December 1, 2005 the Board of Directors authorized the extension of the share repurchase program through March 31, 2006. Stock purchases in 2005 were $796.2.

Incentive Stock Plan

The Company has a plan that provides for grants of restricted stock awards for officers and other employees of the Company and its major subsidiaries. A committee of independent members of the Board of Directors administers the plan. The awarded shares are made in common stock and vest at the end of the restriction period, generally between three and five years. During 2005 and 2004, approximately 1,153,000 and 1,142,000 shares, respectively, were awarded to employees in accordance with the provisions of the plan. The Company recognized compensation expense for the plan of $45.1, $38.4 and $30.1 for the years ended December 31, 2005, 2004 and 2003, respectively. As of December 31, 2005, there were approximately 2,949,000 restricted shares awarded but not vested.

Stock Option Plans

The Company's Stock Option Plans (the Stock Option Plans) provide for the issuance of non-qualified stock options to officers and other employees that generally vest over three to five years. In September 2003, the Company reduced the contractual term of the grants from ten years to six years and eliminated the reload feature described below. As of December 31, 2005, approximately 35,753,000 shares of common stock were available for future stock option grants.

Prior to September 2003, the Stock Option Plans contained a reload feature that provided for the grant of new options when previously owned shares of Company stock were used to exercise existing options. The number of new options granted under this feature was 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 were granted at a price equal to the fair market value on the date of the new grant and had shorter expected lives as they had the same expiration date as the original options exercised and vested over six months.

Stock option plan activity is summarized below:

	2005		2004		2003	
	Shares (in thousands)	**Weighted Average Exercise Price**	Shares (in thousands)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
Options outstanding, January 1	41,041	$52	40,348	$51	43,054	$46
Granted	4,666	53	4,545	54	5,458	57
Exercised	(1,607)	32	(2,270)	34	(7,315)	29
Canceled or expired	(2,325)	57	(1,582)	57	(849)	57
Options outstanding, December 31	41,775	52	41,041	52	40,348	51
Options exercisable, December 31	31,999	$52	29,702	$50	28,371	$49

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 2005:

Range of Exercise Prices	Weighted Average Remaining Contractual Life (in years)	Options Outstanding (in thousands)	Weighted Average Exercise Price	Options Exercisable (in thousands)	Weighted Average Exercise Price
\$20.31–\$25.90	1	507	\$20	507	\$20
\$25.91–\$32.37	2	744	31	744	31
\$32.38–\$38.85	2	2,191	35	2,191	35
\$38.86–\$45.32	2	1,184	42	1,156	42
\$45.33–\$51.80	4	3,682	48	3,373	48
\$51.81–\$58.27	4	31,619	55	22,333	55
\$58.28–\$64.75	2	1,848	60	1,695	60
	4	41,775	\$52	31,999	\$52

9. Employee Stock Ownership Plan

In 1989, the Company expanded its Employee Stock Ownership Plan (ESOP) through the introduction of a leveraged ESOP that funds certain benefits for employees who have met eligibility requirements. The ESOP issued \$410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. The remaining balance of the long-term notes, which are guaranteed by the Company, is reflected in the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 million shares of the Preference Stock from the Company. The Preference Stock, which is convertible into eight shares of common stock, has a minimum redemption price of \$65 per share and pays semiannual dividends equal to the higher of \$2.44 or the current dividend paid on eight common shares for the comparable six-month period. 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 the Preference Stock, as well as on the common shares also held by the ESOP, are paid to the ESOP trust and, together with cash contributions and advances from the Company, are used by the ESOP to repay principal and interest on the outstanding notes. Preference Stock is 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 loans. As of December 31, 2005, 1,644,365 shares were allocated to participant accounts and 2,258,623 shares were available for future allocation.

Dividends on the Preference Stock 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 original notes, plus the higher of either principal payments or the historical cost of Preference Stock allocated, less dividends received on the shares held by the ESOP and advances from the Company, was \$11.9 in 2005, \$14.9 in 2004 and \$5.3 in 2003. Unearned compensation, which is shown as a reduction in shareholders' equity, represents the amount of ESOP debt outstanding reduced by the difference between the cumulative cost of Preference Stock allocated and the cumulative principal payments.

Interest incurred on the ESOP's notes was \$21.7 in 2005, \$24.7 in 2004 and \$27.1 in 2003. The Company paid dividends on the shares held by the ESOP of \$36.9 in 2005, \$34.4 in 2004 and \$34.5 in 2003. Company contributions to the ESOP were \$11.9 in 2005, \$14.5 in 2004 and \$19.0 in 2003.

10. 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. The Company's pension plan asset allocations at December 31 are as follows:

	2005	2004	**2005**	2004
	United States		**International**	
Asset Category				
Equity securities	63%	62%	50%	46%
Debt securities	33	32	43	45
Real estate and other	4	6	7	9
Total	100%	100%	100%	100%

Equity securities in the U.S. plans include investments in the Company's common stock representing 7% of plan assets at December 31, 2005 and 2004.

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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 to offset its current service cost. Additionally, during 2005 and 2004 the Company made contributions of $5.6 and $5.1, respectively, to fund the payment of future postretirement medical benefits, the maximum permitted under U.S. tax regulations.

The Company uses a December 31 measurement date for its defined benefit retirement plans and postretirement benefit plans. Summarized information for the Company's defined benefit retirement plans and postretirement plans are as follows:

	Pension Benefits				Other Retiree Benefits	
	2005	2004	**2005**	2004	**2005**	2004
	United States		**International**			
Change in Benefit Obligation						
Benefit obligation at beginning of year	**$1,368.3**	$1,232.4	**$ 675.8**	$ 518.3	**$ 332.9**	$ 238.2
Service cost	**47.4**	43.8	**20.0**	18.0	**(3.6)**	(4.3)
Interest cost	**76.1**	75.7	**33.3**	31.5	**26.4**	22.7
Participants' contributions	**2.6**	2.7	**3.6**	3.5	**—**	—
Acquisitions/plan amendments	**2.6**	—	**—**	69.8	**10.2**	—
Actuarial loss	**83.4**	93.0	**49.4**	20.5	**63.7**	90.5
Foreign exchange impact	**—**	—	**(62.5)**	49.9	**(0.8)**	3.2
Termination benefits	**11.4**	—	**—**	—	**1.4**	—
Curtailments and settlements	**(34.0)**	—	**(27.7)**	(8.0)	**(0.1)**	—
Benefit payments	**(95.4)**	(79.3)	**(33.1)**	(27.7)	**(17.1)**	(17.4)
Benefit obligations at end of year	**$1,462.4**	$1,368.3	**$ 658.8**	$ 675.8	**$ 413.0**	$ 332.9
Change in Plan Assets						
Fair value of plan assets at beginning of year	**$1,148.2**	$1,059.6	**$ 360.0**	$ 269.1	**$ 5.5**	$ —
Actual return on plan assets	**92.4**	102.6	**41.8**	22.6	**1.1**	0.4
Company contributions	**123.0**	62.6	**41.6**	29.9	**22.7**	22.5
Participants' contributions	**2.6**	2.7	**3.6**	3.5	**—**	—
Foreign exchange impact	**—**	—	**(33.0)**	24.8	**—**	—
Acquisitions/plan amendments	**—**	—	**—**	41.1	**—**	—
Settlements	**(34.0)**	—	**(25.1)**	(3.3)	**—**	—
Benefit payments	**(95.4)**	(79.3)	**(33.1)**	(27.7)	**(17.1)**	(17.4)
Fair value of plan assets at end of year	**$1,236.8**	$1,148.2	**$ 355.8**	$ 360.0	**$ 12.2**	$ 5.5
Funded Status						
Funded status at end of year	**$ (225.6)**	$ (220.1)	**$(303.0)**	$(315.8)	**$ (400.8)**	$ (327.4)
Unrecognized net actuarial loss	**470.8**	430.6	**150.8**	148.5	**198.8**	148.4
Unrecognized transition/prior service costs	**9.7**	12.0	**10.0**	14.4	**1.5**	(2.3)
Net amount recognized	**$ 254.9**	$ 222.5	**$(142.2)**	$(152.9)	**$ (200.5)**	$ (181.3)
Amounts Recognized in Balance Sheet						
Prepaid benefit cost	**$ 400.0**	$ 368.9	**$ 14.4**	$ 23.5	**$ —**	$ —
Accrued benefit liability	**(224.7)**	(199.7)	**(245.2)**	(267.6)	**(200.5)**	(181.3)
Accumulated other comprehensive income	**79.6**	53.3	**88.6**	91.2	**—**	—
Net amount recognized	**$ 254.9**	$ 222.5	**$(142.2)**	$(152.9)	**$ (200.5)**	$ (181.3)
Weighted Average Assumptions Used to Determine Benefit Obligations						
Discount rate	**5.50%**	5.75%	**4.83%**	5.53%	**5.50%**	5.75%
Long-term rate of compensation increase	**4.00%**	4.00%	**3.42%**	3.63%	**—**	—
ESOP growth rate	**—**	—	**—**	—	**10.00%**	10.00%

The overall investment objective is to balance risk and return so that obligations to employees are met. The Company evaluates its long-term rate of return on plan assets on an annual basis. In determining the long-term rate of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies and the historical rates of return. The assumed rate of return for 2005 for the U.S. plans was 8.0%. Historical rates of return for the U.S. plans for the most recent 15-year period were 9%. In addition, the current rate of return assumption for the U.S. plans is based upon a targeted asset allocation of approximately 35% in fixed income securities (which are expected to earn approximately 6% in the long term), 61% in equity securities (which are expected to earn approximately 10% in the long term) and 4% in real estate and other (which are expected to earn approximately 6% in the long term). Similar assessments were performed in determining rates of returns on international pension plan assets, to arrive at the Company's current weighted average rate of return of 7.5%.

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The U.S. pension benefits include funded qualified plans covering most domestic employees and certain unfunded non-qualified plans. As of December 31, 2005 and 2004, the U.S. qualified pension plans had benefit obligations of $1,211.8 and $1,131.6, and plan assets of $1,233.8 and $1,145.0, respectively.

	Pension Benefits						Other Retiree Benefits		
	2005	2004	2003	**2005**	2004	2003	**2005**	2004	2003
	United States			International					
Components of Net Periodic Benefit Costs									
Service cost	**$ 47.4**	$ 43.8	$ 39.4	**$ 20.0**	$ 18.0	$ 13.7	**$ 10.3**	$ 8.7	$ 6.3
Interest cost	**76.1**	75.7	74.5	**33.3**	31.5	25.7	**26.4**	22.7	19.8
Annual ESOP allocation	**—**	—	—	**—**	—	—	**(13.9)**	(13.0)	(10.8)
Expected return on plan assets	**(90.0)**	(83.4)	(73.2)	**(23.7)**	(21.3)	(17.3)	**(0.8)**	—	—
Amortization of transition/prior service costs	**4.8**	3.3	3.2	**1.3**	1.3	0.2	**(0.4)**	(1.0)	(1.0)
Amortization of actuarial loss (gain)	**26.6**	24.2	26.4	**6.6**	5.2	4.3	**9.5**	4.5	1.1
Net periodic benefit cost	**$ 64.9**	$ 63.6	$ 70.3	**$ 37.5**	$ 34.7	$ 26.6	**$ 31.1**	$ 21.9	$ 15.4
Other postretirement charges	**25.6**	—	—	**12.6**	—	—	**10.7**	—	—
Total pension cost	**$ 90.5**	$ 63.6	$ 70.3	**$ 50.1**	$ 34.7	$ 26.6	**$ 41.8**	$ 21.9	$ 15.4
Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs									
Discount rate	**5.75%**	6.25%	6.75%	**5.53%**	6.03%	6.51%	**5.75%**	6.25%	6.75%
Long-term rate of return on plan assets	**8.00%**	8.00%	8.00%	**7.50%**	8.10%	8.48%	**8.00%**	—	—
Long-term rate of compensation increase	**4.00%**	4.25%	4.25%	**3.63%**	3.79%	3.84%	**—**	—	—
ESOP growth rate	**—**	—	—	**—**	—	—	**10.00%**	10.00%	10.00%

Other postretirement charges include certain charges required by SFAS 88 totaling $26.9 which primarily relate to the conversion of one of the Company's international pension plans to a defined contribution plan for all eligible participants for $10.6 and a lump sum payment of normal retirement benefits associated with a retirement plan in the U.S. for $14.2. Additionally, other postretirement charges above includes $12.8 of one-time termination benefits associated with the Company's 2004 Restructuring Program and a non-cash charge of $9.2 associated with an international postretirement obligation.

The accumulated benefit obligation for the U.S. pension plans was $1,381.1 and $1,274.3, respectively, as of December 31, 2005 and 2004. The accumulated benefit obligation for the International plans was $572.5 and $587.6, respectively, as of December 31, 2005 and 2004. Plans with accumulated benefit obligations in excess of plan assets and plans with projected benefit obligations in excess of plan assets as of December 31 consist of the following:

Benefit Obligation Exceeds Fair Value of Plan Assets

Years ended December 31,	2005	2004
Projected benefit obligation	**$958.0**	$941.9
Fair value of plan assets	**387.4**	378.5
Accumulated benefit obligation	**696.2**	675.4
Fair value of plan assets	**236.0**	223.0

These amounts represent non-qualified U.S. plans and certain plans at foreign locations that are primarily unfunded; as such, liabilities equal to the unfunded amounts have been recorded.

The assumed medical cost trend rate used in measuring the postretirement benefit obligation was 10% for 2006, 9% for 2007, 8% for 2008, 7% for 2009, 6% for 2010 and 5% for years thereafter. Changes in this rate can have a significant effect on amounts reported. The effect of a 1% increase in the assumed medical cost trend rate would increase the accumulated postretirement benefit obligation by approximately $75 and increase the annual expense by approximately $7. The effect of a 1% decrease in the assumed medical cost trend rate would decrease the accumulated postretirement benefit obligation by approximately $60 and decrease the annual expense by approximately $5.

Management's best estimate of cash requirements to be paid directly from the Company's assets for its postretirement plans for the year ending December 31, 2006 is $126, including $31 for other retiree benefit plans. These estimated cash requirements include $77 of projected contributions to the Company's postretirement plans and $49 of projected benefit payments made directly to participants of unfunded plans. Expected contributions are dependent on many variables, including the variability of the market value of the assets as compared to the obligation and other market or regulatory conditions. Accordingly, actual funding may differ from current estimates.

Total benefit payments expected to be paid to participants, which include payments directly from the Company's assets to participants of unfunded plans, as discussed above, as well as payments paid from the plans are as follows:

Dollars in Millions Except Per Share Amounts

Expected Benefit Payments

	Pension Benefits		Other
	United States	International	Retiree Benefits
Years ended December 31,			
2006	$106.2	$28.4	$24.8
2007	108.4	28.2	25.5
2008	99.4	29.6	26.1
2009	99.3	31.3	26.7
2010	101.6	39.7	27.3
2011 – 2015	576.1	186.7	142.4

11. Income Taxes

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

	2005	2004	2003
United States	**$215.5**	$164.6	$209.2
International	**512.1**	510.7	411.4
	$727.6	$675.3	$620.6

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

	2005	2004	2003
United States	**$ 556.8**	$ 511.1	$ 602.0
International	**1,522.2**	1,491.3	1,439.9
	$2,079.0	$2,002.4	$2,041.9

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	**2005**	2004	2003
Tax at United States statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefit	**0.9**	1.0	0.9
Effect of American Jobs Creation Act	**2.0**	—	—
Effect of overseas asset revaluations	**—**	—	(3.1)
Earnings taxed at other than United States statutory rate	**(1.5)**	(1.1)	(1.4)
Other, net	**(1.4)**	(1.2)	(1.0)
Effective tax rate	**35.0%**	33.7%	30.4%

In addition, net tax benefits of $12.0 in 2005, $27.1 in 2004 and $34.3 in 2003 recorded directly through equity predominantly include tax benefits related to certain employee benefit plans, as well as exchange losses on U.S. dollar-denominated investments in foreign subsidiaries.

Temporary differences between accounting for financial statement purposes and accounting for tax purposes result in taxes currently payable being higher (lower) than the total provision for income taxes as follows:

	2005	2004	2003
Intangible assets	**$(60.2)**	$(46.9)	$ 22.1
Property, plant and equipment	**34.2**	(9.8)	(5.8)
Pension and other postretirement benefits	**(19.8)**	4.8	(24.5)
Other, net	**8.3**	(8.4)	69.5
	$(37.5)	$(60.3)	$ 61.3

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

	2005	2004
Deferred Taxes – Current:		
Accrued liabilities	**$ 75.2**	$ 71.7
Other, net	**17.9**	49.9
Total deferred taxes, current	**93.1**	121.6
Deferred Taxes – Long-term:		
Intangible assets	**(338.1)**	(278.0)
Property, plant and equipment	**(257.8)**	(288.9)
Tax loss and tax credit carryforwards	**193.3**	178.6
Other, net	**(18.3)**	(2.5)
Valuation allowance	**(133.8)**	(118.8)
Total deferred taxes, long-term	**(554.7)**	(509.6)
Net deferred taxes	**$(461.6)**	$(388.0)

The major component of the 2005 and 2004 valuation allowance relates to tax benefits in certain jurisdictions arising from net operating losses not expected to be realized.

Applicable U.S. income and foreign withholding taxes have not been provided on approximately $1,200 of undistributed earnings of foreign subsidiaries at December 31, 2005. These earnings have been and are currently considered to be permanently invested and are currently not subject to such taxes. Determining the tax liability that would arise if these earnings were remitted is not practicable.

The American Jobs Creation Act of 2004 (the AJCA) created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividends received deduction for qualifying dividends received prior to December 31, 2005. This deduction results in an approximate 5.25% federal tax rate on qualifying repatriated earnings. During 2005, the Company's Chairman and CEO, together with the Board of Directors, approved domestic reinvestment plans as required by the AJCA to repatriate $780 in foreign earnings. The Company recorded tax expense in 2005 of $40.9 related to these dividends received. The related earnings were repatriated in the second half of 2005.

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12. Earnings Per Share

	For the Year Ended 2005			For the Year Ended 2004			For the Year Ended 2003		
	Income	Shares (millions)	Per Share	Income	Shares (millions)	Per Share	Income	Shares (millions)	Per Share
Net income	$1,351.4			$1,327.1			$1,421.3		
Preferred dividends	(28.2)			(25.9)			(25.7)		
Basic EPS	1,323.2	520.5	$2.54	1,301.2	530.9	$2.45	1,395.6	537.2	$2.60
Stock options and restricted stock		3.8			3.9			4.9	
Convertible preference stock	28.2	32.2		25.9	34.5		25.5	36.7	
Diluted EPS	$1,351.4	556.5	$2.43	$1,327.1	569.3	$2.33	$1,421.1	578.8	$2.46

In determining the dilutive effect of the stock options, the number of shares resulting from the assumed exercise of the options is reduced by the number of shares that could have been purchased by the Company with the proceeds from the exercise of such options.

13. Commitments and Contingencies

Minimum rental commitments under noncancellable operating leases, primarily for office and warehouse facilities, are $94.6 in 2006, $86.0 in 2007, $76.5 in 2008, $68.6 in 2009, $54.2 in 2010 and $94.8 thereafter. Rental expense amounted to $130.6 in 2005, $124.5 in 2004 and $113.1 in 2003. 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, packaging and other materials totaling $675.8.

The Company is contingently liable with respect to lawsuits, environmental matters, taxes and other matters arising out of the normal course of business.

As a matter of course, the Company is regularly audited by the Internal Revenue Service (IRS). The IRS has completed its examination of the Company's federal income tax returns for 1996 through 2003 and has proposed an assessment that challenges the Company's tax deductions for compensation in connection with expatriate executives. During 2005 the Company and the IRS reached agreement with respect to the compensation tax deduction for 1996 through 1998, and the amount of additional tax involved did not have a material impact on the financial position, results of operations or ongoing cash flows of the Company. For the remaining years under audit, 1999 through 2003, the tax in connection with the challenged deductions is $62. Estimated incremental tax payments related to the potential disallowances for subsequent periods could be an additional $11. While the Company believes that its tax position complies with applicable tax law and intends to continue to defend its position, potential settlement discussions with the IRS for the later years are underway. It is the opinion of management that the ultimate disposition of this and other tax matters, to the extent not previously provided for, will not have a material impact on the financial position, results of operations or ongoing cash flows of the Company.

Management proactively reviews and monitors its exposure to, and the impact of, environmental matters. The Company is a potentially responsible party to various environmental matters and as such may be responsible for all or a portion of the cleanup, restoration and post-closure monitoring of several sites. Substantially all of the Company's potential liability for these matters relates to a single superfund site associated with a prior acquisition. Substantially all of the Company's potential liability that may arise in connection with this site has been acknowledged in writing as being covered by the Company's insurance carriers which are presently making all their required payments and are expected to continue to do so in the future. While it is possible that the nonperformance of other potentially responsible parties or the Company's insurance carriers could affect the cash flows and results of operations in any particular quarter or year, 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 financial position, or ongoing results of operations and cash flows of the Company.

In 1995, the Company acquired the Kolynos oral care business from Wyeth (formerly American Home Products) (the Seller), 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 foreign exchange 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 in this administrative proceeding to impose a fine, which, at the current exchange rate, approximates $110. The Company has appealed the decision to the Brazilian Monetary System Appeals Council (the Council), resulting in the suspension of the fine pending the decision of the Council. If the fine is affirmed, interest and penalties will also be assessed. Further appeals are available within the Brazilian federal courts. Although there can be no assurances, 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 and that the Company should either prevail on appeal (at the Council level or if necessary in Brazilian federal court) or succeed in having the fine reduced significantly. The Company intends to challenge this proceeding vigorously.

In addition, the Brazilian internal revenue authority has disallowed interest deductions and foreign exchange losses taken by the Company's Brazilian subsidiary for certain years in connection with the financing of the Kolynos acquisition. The tax assessments with interest, at the current exchange rate, approximate $90. The Company has been disputing the disallowances by appealing the assessments within the internal revenue authority's appellate process, with the following results to date:

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- In June 2005, the First Board of Taxpayers ruled in the Company's favor and allowed all of the previously claimed deductions for 1996 through 1998, which represent more than half of the total exposure. It is possible the tax authorities will appeal this decision.
- For the remaining exposure related to subsequent years, the assessment is still outstanding, and the Company is also appealing this assessment to the First Board of Taxpayers.

In the event of an adverse decision within the internal revenue authority's appellate process, further appeals are available within the Brazilian federal courts. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel and other experts, that the disallowances are without merit and that the Company should prevail on appeal before the First Board of Taxpayers or if necessary in the Brazilian federal courts. The Company intends to challenge these assessments vigorously.

In addition, Brazilian prosecutors reviewed the foregoing transactions as part of an overall examination of all international transfers of reais through non-resident current accounts during the 1992 to 1998 time frame, a review which the Company understands involved hundreds and possibly thousands of other individuals and companies unrelated to the Company. At the request of these prosecutors, in February 2004, a federal judge agreed to authorize criminal charges against certain current and former officers of the Company's Brazilian subsidiary based on the same allegations made in the Central Bank and tax proceedings discussed above. Management believes, based on the opinion of its Brazilian legal counsel, that these officers behaved in all respects properly and in accordance with law in connection with the financing of the Kolynos acquisition. Management intends to support and defend these officers vigorously.

In 2002, the Brazilian Federal Public Attorney filed a civil action against the federal government of Brazil, Laboratorios Wyeth-Whitehall Ltda., the Brazilian subsidiary of the Seller, and the Company, as represented by its Brazilian subsidiary, seeking to annul an April 2000 decision by the Brazilian Board of Tax Appeals that found in favor of the Seller's subsidiary on the issue of whether it had incurred taxable capital gains as a result of the divestiture of Kolynos. The action seeks to make the Company's Brazilian subsidiary jointly and severally liable for any tax due from the Seller's subsidiary. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the Company should ultimately prevail in this action. The Company intends to challenge this action vigorously.

In December 2005, the Brazilian internal revenue authority issued to the Company's Brazilian subsidiary a tax assessment with interest and penalties of approximately $45 at the current rate of exchange, based on a claim that certain purchases of U.S. Treasury bills by the subsidiary and their subsequent sale during the period 2000 to 2001 were subject to a tax on foreign exchange transactions. The Company is disputing the assessment within the internal revenue authority's administrative appeals process. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the tax assessment is without merit and that the Company should prevail either through administrative appeal or if necessary through further appeal in the Brazilian federal courts. The Company intends to challenge this assessment vigorously.

French competition authorities have initiated an inquiry into potential competition law violations in France involving exchanges of competitive information and agreements on selling terms and conditions among a number of consumer goods companies in France, including the Company's French subsidiary. The Company intends to cooperate fully with the authorities in their inquiry. At this time, no formal claim for a fine or penalty has been made. The Company cannot at this time predict the financial impact of this matter.

While it is possible that the Company's cash flows and results of operations in a particular quarter or year could be materially 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 will not have a material impact on the Company's financial position, or ongoing results of operations and cash flows.

14. Segment Information

The Company operates in two product segments: Oral, Personal and Home Care; and Pet Nutrition. The operations of the Oral, Personal and Home Care segment are managed geographically in four reportable operating segments: North America, Latin America, Europe and Asia/Africa. Management evaluates segment performance based on several factors, including operating profit. The Company uses operating profit as a measure of operating segment performance because it excludes the impact of corporate-driven decisions related to interest expense and income taxes.

The accounting policies of the operating segments are generally the same as those described in Note 2. Intercompany sales have been eliminated. Corporate operations include restructuring and related costs, research and development costs, unallocated overhead costs, and gains and losses on sales of non-core brands and assets. Corporate assets primarily include benefit plan assets. Segment information regarding Net sales, Operating profit, Capital expenditures, Depreciation and amortization, and Identifiable assets is detailed below:

Net Sales	**2005**	2004	2003
Oral, Personal and Home Care			
North America [(1)]	$ 2,509.8	$ 2,378.7	$2,356.2
Latin America	2,623.8	2,266.0	2,179.5
Europe	2,739.4	2,621.3	2,304.1
Asia/Africa	2,003.7	1,885.1	1,747.5
Total Oral, Personal and Home Care	9,876.7	9,151.1	8,587.3
Pet Nutrition [(2)]	1,520.2	1,433.1	1,316.1
Total Net Sales	$11,396.9	$10,584.2	$9,903.4

(1) Net sales in the U.S. for Oral, Personal and Home Care were $2,124.2, $2,000.3 and $1,986.9 in 2005, 2004 and 2003, respectively.

(2) Net sales in the U.S. for Pet Nutrition were $818.1, $781.0 and $752.8 in 2005, 2004 and 2003, respectively.

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Operating Profit	2005	2004	2003
Oral, Personal and Home Care			
North America	$ 545.7	$ 530.1	$ 547.4
Latin America	698.0	627.7	613.3
Europe	547.3	539.0	488.2
Asia/Africa	318.0	310.1	280.7
Total Oral, Personal and Home Care	2,109.0	2,006.9	1,929.6
Pet Nutrition	412.8	389.7	371.0
Corporate	(306.8)	(274.5)	(134.6)
Total Operating Profit	$2,215.0	$2,122.1	$2,166.0

Capital Expenditures	2005	2004	2003
Oral, Personal and Home Care			
North America	$ 39.3	$ 55.4	$ 48.3
Latin America	104.1	75.4	72.9
Europe	57.3	71.2	47.4
Asia/Africa	123.7	79.9	58.1
Total Oral, Personal and Home Care	324.4	281.9	226.7
Pet Nutrition	28.5	30.4	38.3
Corporate	36.3	35.8	37.1
Total Capital Expenditures	$389.2	$348.1	$302.1

Depreciation and Amortization	2005	2004	2003
Oral, Personal and Home Care			
North America	$ 71.2	$ 74.9	$ 83.3
Latin America	67.1	58.8	55.6
Europe	70.4	76.5	65.7
Asia/Africa	55.7	54.0	49.7
Total Oral, Personal and Home Care	264.4	264.2	254.3
Pet Nutrition	30.1	31.1	31.9
Corporate	34.8	32.5	29.3
Total Depreciation and Amortization	$329.3	$327.8	$315.5

Identifiable Assets	2005	2004	2003
Oral, Personal and Home Care			
North America	$1,918.0	$2,001.4	$2,081.8
Latin America	2,084.3	1,825.1	1,757.2
Europe	2,118.9	2,544.4	1,542.2
Asia/Africa	1,337.9	1,329.8	1,123.9
Total Oral, Personal and Home Care	7,459.1	7,700.7	6,505.1
Pet Nutrition	614.3	614.0	587.2
Corporate	433.7	358.2	386.5
Total Identifiable Assets[1]	$8,507.1	$8,672.9	$7,478.8

(1) Long-lived assets in the U.S., primarily property, plant and equipment and goodwill and other intangibles, represented approximately one-third of total long-lived assets of $5,225.7, $5,808.0 and $4,826.7 in 2005, 2004 and 2003, respectively.

15. Supplemental Income Statement Information

Other (Income) Expense, Net	2005	2004	2003
Minority interest	$ 55.3	$ 47.9	$ 45.2
Amortization of intangible assets	15.6	14.3	12.3
Equity (income)	(2.0)	(8.5)	(0.3)
Gains on sales of non-core product lines, net	(147.9)	(26.7)	(107.2)
2004 Restructuring Program	80.8	65.3	—
2003 restructuring activities	—	2.8	59.3
Pension and other postretirement charges	34.0	—	—
Investment losses (income)	19.7	(8.7)	(39.6)
Other, net	13.7	3.9	15.3
	$ 69.2	$ 90.3	$ (15.0)

Interest Expense, Net	2005	2004	2003
Interest incurred	$ 145.0	$ 126.0	$132.1
Interest capitalized	(2.5)	(2.3)	(4.0)
Interest income	(6.5)	(4.0)	(4.0)
	$ 136.0	$ 119.7	$124.1
Research and development	$ 246.3	$ 229.2	$204.8
Advertising	$1,193.6	$1,063.0	$965.6

16. Supplemental Balance Sheet Information

Inventories	2005	2004
Raw materials and supplies	$208.1	$212.4
Work-in-process	37.5	37.3
Finished goods	610.2	595.8
	$855.8	$845.5

Inventories valued under LIFO amounted to $191.7 and $176.5 at December 31, 2005 and 2004, respectively. The excess of current cost over LIFO cost at the end of each year was $29.5 and $26.3, respectively. The liquidations of LIFO inventory quantities had no effect on income in 2005, 2004 and 2003.

Property, Plant and Equipment, Net	2005	2004
Land	$ 134.5	$ 149.9
Buildings	896.5	919.9
Manufacturing machinery and equipment	3,540.9	3,599.8
Other equipment	775.2	782.0
	5,347.1	5,451.6
Accumulated depreciation	(2,803.0)	(2,803.9)
	$ 2,544.1	$ 2,647.7

Other Accruals	2005	2004
Accrued advertising	$ 344.9	$ 342.6
Accrued payroll and employee benefits	305.6	319.0
Accrued taxes other than income taxes	72.3	92.3
Restructuring accrual	38.7	42.1
Accrued interest	17.5	22.4
Other	344.2	309.2
	$1,123.2	$1,127.6

Other Liabilities	2005	2004
Minority interest	$103.3	$ 216.0
Pension and other retiree benefits	670.4	648.6
Other	167.6	233.1
	$941.3	$1,097.7

Dollars in Millions Except Per Share Amounts

Accumulated Other Comprehensive Income

Accumulated other comprehensive income is comprised of cumulative foreign currency translation gains and losses, minimum pension liability adjustments, unrealized gains and losses from derivative instruments designated as cash flow hedges, and unrealized gains and losses from available-for-sale securities. As of December 31, 2005 and 2004, accumulated other comprehensive income primarily consisted of cumulative foreign currency translation adjustments.

The 2005 cumulative translation adjustment reflects a weakening euro and its effect primarily on euro-denominated long-term debt, similar effects from a weakening Swiss franc, together with a strengthening Brazilian real and Mexican peso. The 2004 cumulative translation adjustment reflects stronger currencies in Brazil and South Africa, the devaluation of the Venezuelan bolivar and the impact of the strengthening euro.

17. Quarterly Financial Data *(Unaudited)*

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2005				
Net sales	$2,743.0	$2,837.5	$2,911.8	$2,904.6
Gross profit	1,503.6	1,539.1	1,577.6	1,584.7
Net income	300.1(1)	342.9(2)	347.2(3)	361.2(4)
Earnings per common share:				
Basic	0.56	0.64	0.66	0.68
Diluted	0.53(1)	0.62(2)	0.63(3)	0.65(4)
2004				
Net sales	$2,513.5	$2,571.7	$2,695.7	$2,803.3
Gross profit	1,399.6	1,423.6	1,476.7	1,537.1
Net income	338.5	373.9	329.0	285.7(5)
Earnings per common share:				
Basic	0.62	0.69	0.61	0.53
Diluted	0.59	0.66	0.58	0.50(5)

(1) Net income and diluted earnings per share for the first quarter of 2005 were reduced by a net aftertax charge of $44.6 and $0.08, respectively, reflecting charges related to the 2004 Restructuring Program.

(2) Net income and diluted earnings per share for the second quarter of 2005 were reduced by a net aftertax charge of $28.7 and $0.05, respectively, reflecting charges related to the 2004 Restructuring Program.

(3) Net income and diluted earnings per share for the third quarter of 2005 were reduced by a net aftertax charge of $22.5 and $0.04, respectively, reflecting the net impact of a gain on the sale of the Company's heavy-duty laundry detergent brands in North America, charges related to the 2004 Restructuring Program, income taxes for incremental repatriation of foreign earnings related to the American Jobs Creation Act and charges related to certain pension obligations as required by SFAS 88.

(4) Net income and diluted earnings per share for the fourth quarter of 2005 were reduced by a net aftertax charge of $19.4 and $0.04, respectively, reflecting the net impact of charges related to the 2004 Restructuring Program, a gain on the sale of the Company's heavy-duty laundry detergent brands in Southeast Asia, income taxes for incremental repatriation of foreign earnings related to the American Jobs Creation Act and a non-cash charge related to an international postretirement obligation.

(5) Net income and diluted earnings per share for the fourth quarter of 2004 include an aftertax charge of $48.0 and $0.09, respectively, related to the initial phase of the 2004 Restructuring Program.

Market and Dividend Information

The Company's common stock is 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 Company's regular common stock dividend payments have increased for 43 consecutive years.

Market Price of Common Stock

Quarter Ended	2005		2004	
	High	**Low**	High	Low
March 31	$55.20	$48.55	$56.55	$49.62
June 30	53.95	48.60	58.92	53.56
September 30	54.06	49.55	58.73	45.15
December 31	56.39	51.78	51.26	43.06
Closing Price	$54.85		$51.16	

Dividends Paid Per Common Share

Quarter Ended	2005	2004
March 31	$0.24	$0.24
June 30	0.29	0.24
September 30	0.29	0.24
December 31	0.29	0.24
Total	$1.11	$0.96

Eleven-Year Financial Summary[1]

	2005	2004	2003	2002
Continuing Operations				
Net sales[2]	**$11,396.9**	$10,584.2	$9,903.4	$9,294.3
Results of operations:				
Net income	**1,351.4**[3]	1,327.1[4]	1,421.3	1,288.3
Per share, basic	**2.54**[3]	2.45[4]	2.60	2.33
Per share, diluted	**2.43**[3]	2.33[4]	2.46	2.19
Depreciation and amortization expense	**329.3**	327.8	315.5	296.5
Financial Position				
Current ratio	**1.0**	1.0	1.0	1.0
Property, plant and equipment, net	**2,544.1**	2,647.7	2,542.2	2,491.3
Capital expenditures	**389.2**	348.1	302.1	343.7
Total assets	**8,507.1**	8,672.9	7,478.8	7,087.2
Long-term debt	**2,918.0**	3,089.5	2,684.9	3,210.8
Shareholders' equity	**1,350.1**	1,245.4	887.1	350.3
Share and Other				
Book value per common share	**2.67**	2.43	1.71	0.69
Cash dividends declared and paid per common share	**1.11**	0.96	0.90	0.72
Closing price	**54.85**	51.16	50.05	52.43
Number of common shares outstanding (in millions)	**516.2**	526.6	533.7	536.0
Number of common shareholders of record	**35,000**	36,500	37,700	38,800
Average number of employees	**35,800**	36,000	36,600	37,700

Glossary of Terms

- **Category Innovation Centers:** dedicated teams of Colgate marketing and consumer insight professionals focused on identifying opportunities for new products from unmet consumer wants and needs or from unique local practices or behaviors that can be transferred to broader geographies.
- **Commercial Investment:** includes media, promotion and other consumer and trade incentives, some of which reduce reported net sales.
- **Corporate Governance:** the practices, principles and values that guide our Company and its business every day, at all levels of the organization.
- **eTeamRooms:** a centralized, virtual workplace on Colgate's intranet where Colgate teams and departments can coordinate people, tasks, project plans, documents and calendars all in one location.
- **Market Share:** the percentage of a category or segment's retail sales obtained by one brand or company. In this report, market shares are based on value share data provided primarily by ACNielsen. Global or regional shares are a weighted average of markets where Colgate competes and purchases third-party syndicated data.
- **Nutrigenomics:** an emerging field of nutritional research which focuses on the interaction between genes and nutrients.
- **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 efficiencies and smooth running of the business. SAP is a trademark of SAP Aktiengesellschaft.
- **Shopper Marketing Initiatives:** Colgate accompanies shoppers as they shop to determine how and why they make their brand choices and then develops brand advertising messages specifically for in-store use.
- **Unit Volume Growth:** growth in product units sold, weighted to reflect price per unit.

Dollars in Millions Except Per Share Amounts

2001	2000	1999	1998	1997	1996	1995
$9,084.3	$9,004.4	$8,801.5	$8,660.8	$8,786.8	$8,493.1	$8,201.5
1,146.6	1,063.8	937.3	848.6	740.4	635.0	172.0[5]
2.02	1.81	1.57	1.40	1.22	1.05	0.26[5]
1.89	1.70	1.47	1.30	1.13	0.98	0.25[5]
336.2	337.8	340.2	330.3	319.9	316.3	300.3
1.0	1.0	1.0	1.1	1.1	1.2	1.3
2,513.5	2,528.3	2,551.1	2,589.2	2,441.0	2,428.9	2,155.2
340.2	366.6	372.8	389.6	478.5	459.0	431.8
6,984.8	7,252.3	7,423.1	7,685.2	7,538.7	7,901.5	7,642.3
2,812.0	2,536.9	2,243.3	2,300.6	2,340.3	2,786.8	2,992.0
846.4	1,468.1	1,833.7	2,085.6	2,178.6	2,034.1	1,679.8
1.54	2.57	3.14	3.53	3.65	3.42	2.84
.675	0.63	0.59	0.55	0.53	0.47	0.44
57.75	64.55	65.00	46.44	36.75	23.06	17.56
550.7	566.7	578.9	585.4	590.8	588.6	583.4
40,900	42,300	44,600	45,800	46,800	45,500	46,600
38,500	38,300	37,200	38,300	37,800	37,900	38,400

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

(2) Net sales amounts for 2001 and prior have been revised to reflect the reclassification of certain sales incentives and promotional expenses from selling, general and administrative expenses to a reduction of net sales and cost of sales in accordance with new accounting standards.

(3) Net income and earnings per share in 2005 include a gain for the sale of heavy-duty laundry detergent brands in North America and Southeast Asia of $93.5 aftertax. This gain was more than offset by $145.1 of aftertax charges associated with the 2004 Restructuring Program, $40.9 of income taxes for incremental repatriation of foreign earnings related to the American Jobs Creation Act and $22.7 aftertax of non-cash pension and other postretirement charges.

(4) Net income and earnings per share in 2004 include a provision for the 2004 Restructuring Program of $48.0 aftertax.

(5) Net income and earnings per share in 1995 include a net provision for restructured operations of $369.2 aftertax.

SOUTH AFRICA

Colgate Delivers Oral Health Education to Children Around the World

Colgate reaches millions of children annually through its sampling and oral education programs. In South Africa, these consumption building programs include free dental treatments and teach good oral care habits.

Your Board of Directors

Colgate's commitment to good governance begins with an independent, experienced and diverse Board of Directors that focuses on key business priorities and leadership development. To learn more about Colgate's Corporate Governance Commitment, see page 5 of this report.

REUBEN MARK

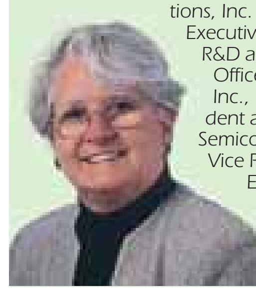
Chairman of the Board and Chief Executive Officer of Colgate-Palmolive Company. Mr. Mark joined Colgate in 1963 and held a series of significant positions in the United States and abroad before being elected CEO in 1984. Elected director in 1983. Age 67

JILL K. CONWAY

Visiting Scholar, Program in Science, Technology and Society at Massachusetts Institute of Technology since 1985. Mrs. Conway was President of Smith College from 1975 to 1985. Elected director in 1984. Age 71

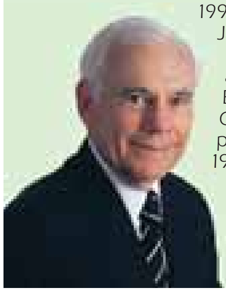
ELLEN M. HANCOCK

President and Chief Operating Officer of Acquicor Technology Inc. Mrs. Hancock previously was the Chairman and Chief Executive Officer of Exodus Communications, Inc. from 1998 to 2001, Executive Vice President of R&D and Chief Technology Officer at Apple Computer Inc., Executive Vice President and COO at National Semiconductor, and Senior Vice President at IBM. Elected director in 1988. Age 62



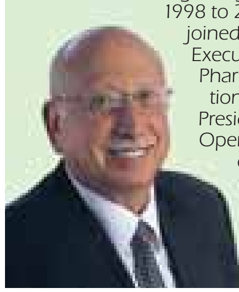
DAVID W. JOHNSON

Chairman Emeritus of Campbell Soup Company. Mr. Johnson previously was Campbell Chairman from 1993 to 1999 and President and Chief Executive Officer from 1990 to 1997 and March 2000 to January 2001. From 1987 to 1989, he served as Chairman and Chief Executive Officer of Gerber Products Company. Elected director in 1991. Age 73



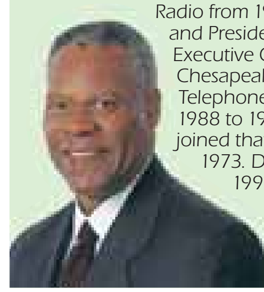
RICHARD J. KOGAN

Former President and Chief Executive Officer of Schering-Plough Corporation from 1996 to 2003. Mr. Kogan was also Chairman of Schering-Plough Corporation from 1998 to 2002. Mr. Kogan joined Schering-Plough as Executive Vice President, Pharmaceutical Operations in 1982 and became President and Chief Operating Officer of that company in 1986. Elected director in 1996. Age 64



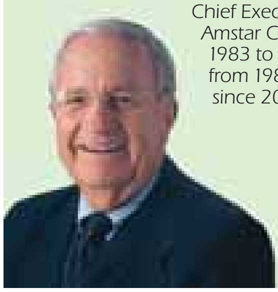
DELANO E. LEWIS

Former U.S. Ambassador to South Africa from December 1999 to July 2001. Mr. Lewis served as the Chief Executive Officer and President of National Public Radio from 1994 to 1998, and President and Chief Executive Officer of Chesapeake & Potomac Telephone Company from 1988 to 1993, having joined that company in 1973. Director from 1991 to 1999 and since 2001. Age 67



HOWARD B. WENTZ, JR.

Former Chairman of Tambrands, Inc. from 1993 to 1996. Mr. Wentz was Chairman of ESSTAR Incorporated from 1989 to 1995, and Chairman, President and Chief Executive Officer of Amstar Company from 1983 to 1989. Director from 1982 to 2004 and since 2005. Age 76



WELCOME, JOHN T. CAHILL

Chairman and Chief Executive Officer, The Pepsi Bottling Group, Inc. Since 1989, Mr. Cahill has held multiple senior financial and operating leadership positions at PepsiCo and The Pepsi Bottling Group, Inc. (PBG). In 1998 he became Chief Financial Officer of PBG and subsequently President and COO. Mr. Cahill was named Chairman and CEO in 2003. Elected director in 2005. Age 48

WELCOME, J. PEDRO REINHARD

Former Executive Vice President and Chief Financial Officer of The Dow Chemical Company. Mr. Reinhard previously held a series of senior international financial and operating positions at The Dow Chemical Company serving as CFO from 1995 to 2005 and Executive Vice President since 1996. Elected director in 2006. Age 60

Audit Committee: David W. Johnson, Chair, Jill K. Conway, Ellen M. Hancock, Richard J. Kogan, Howard B. Wentz, Jr.
Nominating and Corporate Governance Committee: Delano E. Lewis, Chair, Jill K. Conway, Ellen M. Hancock, David W. Johnson, Howard B. Wentz, Jr.
Finance Committee: Howard B. Wentz, Jr., Chair, John T. Cahill, Ellen M. Hancock, Richard J. Kogan, Delano E. Lewis, Reuben Mark, J. Pedro Reinhard
Personnel and Organization Committee: Richard J. Kogan, Chair, John T. Cahill, Jill K. Conway, David W. Johnson, Delano E. Lewis, J. Pedro Reinhard