

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 1-644



COLGATE-PALMOLIVE COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of incorporation or organization)

13-1815595  
(I.R.S. Employer Identification No.)

300 Park Avenue, New York, New York  
(Address of principal executive offices)

10022  
(Zip Code)

Registrant's telephone number, including area code 212-310-2000  
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$1.00 par value

New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [  ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes  No

The aggregate market value of Colgate-Palmolive Company Common Stock held by non-affiliates as of June 30, 2005 (the last business day of the most recently completed second quarter) was approximately \$25.6 billion.\*

There were 515,356,385 shares of Colgate-Palmolive Company Common Stock outstanding as of January 31, 2006.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents

Form 10-K Reference

Portions of Proxy Statement for the  
2006 Annual Meeting

Part III, Items 10 through 14

\* For purposes of this calculation only, Colgate-Palmolive Company Common Stock held by individuals who were directors of the Company as of June 30, 2005 has been treated as owned by affiliates.

## PART I

### ITEM 1. BUSINESS

#### *(a) General Development of the Business*

Colgate-Palmolive Company is a leading consumer products company whose products are marketed in over 200 countries and territories throughout the world. Colgate-Palmolive Company (together with its subsidiaries, the “Company” or “Colgate”) was founded in 1806 and incorporated under the laws of the State of Delaware in 1923.

For recent business developments and other information, refer to the information set forth under the captions “Executive Overview”, “Results of Operations”, “Restructuring Activities”, “Liquidity and Capital Resources” and “Outlook” in Part II, Item 7 of this report.

#### *(b) Financial Information about Industry Segments*

Worldwide net sales and operating profit by business segment and geographic region during the last three years appear under the caption “Results of Operations” in Part II, Item 7 of this report and in Note 14 to the Consolidated Financial Statements.

#### *(c) Narrative Description of the Business*

The Company manages its business in two product segments: Oral, Personal and Home Care; and Pet Nutrition. Colgate is a global leader in Oral Care with the leading toothpaste brand throughout many parts of the world, including the U.S., according to value share data provided by ACNielsen. Colgate’s Oral Care products include toothpaste, toothbrushes, mouth rinses and dental floss, and pharmaceutical products for dentists and other oral health professionals. Significant recent product launches in this segment include Colgate Max Fresh, Colgate Luminous, Colgate Total Plus Whitening, Colgate Propolis Whitening and Colgate Sensitive toothpastes, and Colgate 360° manual toothbrushes, Colgate MicroSonic battery-powered toothbrush and Colgate Smiles line for kids toothbrushes.

Colgate is a leader in many areas of the Personal Care market with several products including shower gels, shampoos, conditioners and deodorants and antiperspirants, as well as liquid hand soaps in which Colgate is the market leader in the U.S. Significant recent product launches include Palmolive Naturals shampoo and conditioner, Irish Spring Micro Clean and Protex Oats bar soaps and Lady Speed Stick 24/7 and Speed Stick 24/7 multiform deodorants.

Colgate manufactures and markets a wide array of products for Home Care. Major products include Palmolive and Ajax dishwashing liquids, Fabuloso and Ajax household cleaners and Murphy’s Oil soap. Colgate is a market leader in fabric conditioners, with leading brands including Suavitel in Latin America and Soupline in Europe. Significant recent product launches in Home Care include Palmolive with Bleach Alternative and Palmolive Oxy Plus dishwashing liquids and Fabuloso Orange Burst liquid cleaner.

Sales of Oral, Personal and Home Care products accounted for 38%, 23% and 26%, respectively, of total worldwide sales in 2005. Geographically, Oral Care is a significant part of the Company’s business in Asia/Africa, comprising approximately 56% of sales in that region for 2005. For more information regarding the Company’s worldwide sales by product categories, refer to Notes 1 and 14 to the Consolidated Financial Statements.

Colgate, through its Hill’s Pet Nutrition segment, is the world leader in specialty pet nutrition products for dogs and cats with products marketed in 87 countries around the world. Hill’s markets pet foods primarily under two trademarks: Science Diet, which is sold by authorized pet supply retailers, breeders and veterinarians for every day nutritional needs; and Prescription Diet, a range of therapeutic products sold by veterinarians to help

nutritionally manage disease conditions in dogs and cats. Significant recent product launches and geographic expansions in this segment include Science Diet Puppy and Science Diet Kitten pet foods, Prescription Diet Canine j/d, Science Diet Canine Lamb & Rice Large Breed and Science Diet Indoor Cat pet foods. Sales of Pet Nutrition products accounted for 13% of the Company's total worldwide sales in 2005.

### **Research and Development**

Strong research and development capabilities and alliances enable Colgate to support its many brands with technologically sophisticated products to meet consumers' oral, personal and home care and pet nutrition needs. Company spending related to research and development activities was \$246.3 million, \$229.2 million and \$204.8 million during 2005, 2004 and 2003, respectively.

### **Distribution; Raw Materials; Competition; Trademarks and Patents**

The Company's products are generally marketed by a direct sales force at each individual operating subsidiary or business unit. In some instances, distributors or brokers are used. No single customer accounts for as much as 10% of the Company's sales.

Most raw and packaging materials are purchased from other companies and are available from several sources. For certain materials, however, new suppliers may have to be qualified under industry and government standards, which can require additional investment and take some period of time. Raw and packaging material commodities such as resins, tallow, corn and soybeans are subject to wide price variations. No single raw or packaging material represents a significant portion of the Company's total material requirements.

The Company's products are sold in a highly competitive global marketplace which is experiencing increased trade concentration and the growing presence of large-format retailers and discounters. Products similar to those produced and sold by the Company are available from competitors in the U.S. and overseas. Certain of the Company's competitors are larger and have greater resources than the Company. In addition, private label brands sold by retail trade chains are a source of competition for certain product lines of the Company. Product quality and innovation, brand recognition, marketing capability and acceptance of new products largely determine success in the Company's business segments.

Trademarks are considered to be of material importance to the Company's business. The Company follows a practice of seeking trademark protection by all available means in the U.S. and throughout the world where the Company's products are sold. Principal global and regional trademarks include Colgate, Palmolive, Kolynos, Sorriso, Elmex, Mennen, Protex, Softsoap, Irish Spring, Ajax, Axion, Fabuloso, Soupline, Suavitel, Hill's Science Diet and Hill's Prescription Diet in addition to several other regional trademarks. The Company's rights in these trademarks endure for as long as they are used and registered. Although the Company actively develops and maintains a portfolio of patents, no single patent is considered significant to the business as a whole.

### **Employees**

At year-end, the Company employed approximately 35,800 employees.

### **Environmental Matters**

It is the Company's policy to fully comply with environmental rules and regulations. The Company has programs that are designed to ensure that its operations and facilities meet or exceed applicable rules and regulations. Capital expenditures for environmental control facilities totaled \$15.6 million for 2005. For future years, expenditures are expected to be in the same range. For additional information regarding environmental matters refer to Note 13 to the Consolidated Financial Statements.

*(d) Financial Information about Foreign and Domestic Operations and Export Sales*

Effective January 1, 2006, the Company modified the geographic reporting structure of its Oral, Personal and Home Care segment in order to address evolving markets and more closely align countries with similar consumer needs and retail trade structures. Management of certain Eastern European countries, including Russia, was combined with Asia/Africa and management of South Pacific countries, including Australia, was transferred to Europe. Segment information will be reclassified during 2006 for all periods presented to reflect the following four reportable operating segments: North America, Latin America, Europe/South Pacific and Greater Asia/Africa. Financial information contained herein is based on the reportable segments as of and for the year ended December 31, 2005.

For financial data by geographic region refer to the information set forth under the caption "Results of Operations" in Part II, Item 7 of this report and in Note 14 to the Consolidated Financial Statements.

*(e) Available Information*

The Company's website address is [www.colgate.com](http://www.colgate.com). The information contained on the Company's website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. The Company makes available, free of charge on its Internet website, its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after the Company has electronically filed such material with, or furnished it to, the United States Securities and Exchange Commission. Also available on the Company's website are the Company's Code of Conduct and Corporate Governance Guidelines, the charters of the Committees of the Board of Directors and reports under Section 16 of the Exchange Act of transactions in Company stock by directors and officers.

**ITEM 1A. RISK FACTORS**

Set forth below is a summary of the material risks to an investment in our securities.

***We face risks associated with significant international operations***

We operate on a global basis, with approximately 74% of our net sales coming from operations outside the U.S. While geographic diversity helps to reduce the Company's exposure to risks in any one country or part of the world, it also means that we are subject to the full range of risks associated with significant international operations, including, but not limited to:

- changes in exchange rates for foreign currencies, which may reduce the U.S. dollar value of revenue we receive from non-U.S. markets or increase our labor or supply costs in those markets,
- political or economic instability or changing macroeconomic conditions in our major markets, and
- changes in foreign or domestic legal and regulatory requirements resulting in the imposition of new or more onerous trade restrictions, tariffs, embargoes, exchange or other government controls.

We monitor our foreign currency exposure to minimize the impact on earnings of foreign currency rate movements through a combination of cost-containment measures, selling price increases and foreign currency hedging of certain costs. We cannot assure you, however, that these measures will succeed in offsetting any negative impact of foreign currency rate movements.

***Significant competition in our industry could adversely affect our business***

We face vigorous competition around the world, including from other large, multinational consumer product companies, some of which have greater resources than we do. We face this competition in several aspects of our business, including, but not limited to:

- the pricing of products,

- promotional activities,
- advertising, and
- new product introductions.

We may be unable to anticipate the timing and scale of such activities or initiatives by competitors or to successfully counteract them, which could harm our business. In addition, the cost of responding to such activities and initiatives may affect our financial performance in the relevant period. Our ability to compete also depends on the strength of our brands, whether we can attract and retain key talent, and our ability to protect our patent, trademark and trade dress rights and to defend against related challenges brought by competitors. A failure to compete effectively could adversely affect our growth and profitability.

***Changes in the policies of our retail trade customers and increasing dependence on key retailers in developed markets may adversely affect our business***

Our products are sold in a highly competitive global marketplace which is experiencing increased trade concentration and the growing presence of large-format retailers and discounters. With the growing trend toward retail trade consolidation, especially in developed markets such as the U.S. and Europe, we are increasingly dependent on key retailers, and some of these retailers, including large-format retailers, may have greater bargaining strength than we do. They may use this leverage to demand higher trade discounts, allowances or slotting fees which could lead to reduced sales or profitability. We may also be negatively affected by changes in the policies of our retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of our products and other conditions. In addition, private label brands sold by retail trade chains, which are typically sold at lower prices, are a source of competition for certain of our product lines.

***The growth of our business depends on the successful development and introduction of new products***

Our growth depends on the continued success of existing products, as well as the successful development and introduction of new products and line extensions, which face the uncertainty of retail and consumer acceptance and reaction from competitors. In addition, our ability to create new products and line extensions and to sustain existing products is affected by whether we can

- develop and fund technological innovations,
- receive and maintain necessary patent and trademark protection,
- obtain governmental approvals and registrations of regulated products,
- comply with Food and Drug Administration (FDA) and other governmental regulations, and
- anticipate successfully consumer needs and preferences.

The failure to develop and launch successful new products could hinder the growth of our business. Also, any delay in the development or launch of a new product could result in our not being the first to market, which could compromise our competitive position.

***Rising material and other costs and our increasing dependence on key suppliers could adversely impact our profitability***

Raw and packaging material commodities such as resins, tallow, corn and soybeans are subject to wide price variations. Increases in the costs of these commodities and other costs, such as energy costs, may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution. In addition, our move to global suppliers, to achieve cost reductions and simplify our business, has resulted in an increasing dependence on key suppliers. For certain materials, new suppliers may have to be qualified under industry and government standards, which can require additional investment and take some period of time.

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***Our results could suffer if we do not implement our 2004 Restructuring Program according to our expectations***

In December 2004, we commenced the 2004 Restructuring Program, a four-year restructuring and business-building program to enhance our global leadership position in our core businesses. This program presents significant organizational challenges and in many cases will require successful negotiations with third parties, including labor organizations and business partners who may provide us manufacturing or administrative services. We cannot assure you that:

- the 2004 Restructuring Program will be implemented in accordance with the planned timetable,
- the actual charges incurred will not exceed the estimated charges, or
- the full extent of the expected savings will be realized.

A failure to implement the 2004 Restructuring Program in accordance with our expectations could adversely affect our profitability.

***Our business is subject to regulation in the U.S. and abroad***

The manufacture and sale of consumer products is subject to extensive regulation in the U.S. and abroad. This regulation includes, but is not limited to, the following:

- in the U.S., our products and the manufacture of our products are subject to regulation, by the Food and Drug Administration, as well as by the Consumer Product Safety Commission, and the Environmental Protection Agency,
- also in the U.S., claims and advertising with respect to our products are regulated by the Federal Trade Commission,
- we are also subject to regulation in the foreign countries in which we manufacture and sell our products and by state and local agencies in the U.S. that regulate in parallel to the above agencies, and
- our selling practices are regulated by competition authorities both in the U.S. and abroad.

A finding that we are in violation of, or out of compliance with, applicable laws or regulations could subject us to civil remedies, including fines, injunctions or product recalls, or criminal sanctions, any of which could have a material adverse effect on our business.

We have obtained all required regulatory approvals to manufacture and sell our products. New or more restrictive regulations, however, could have an adverse impact on our business. For example, while the FDA has approved the use of triclosan in Colgate Total toothpaste, the use of triclosan in certain consumer products is under regulatory review in Europe and in certain other countries. Also, in the U.S., the FDA is examining the use of certain anti-microbials, including triclosan, in anti-microbial hand soaps. A finding by the FDA or an overseas regulatory authority that triclosan should not be used in certain consumer products could have an adverse impact on our business, as could negative reactions to triclosan from consumers, our trade customers or non-governmental organizations.

***Our business is subject to the risks inherent in global manufacturing activities***

As a company engaged in manufacturing on a global scale, we are subject to the risks inherent in such activities, including, but not limited to:

- availability of key raw materials,
- industrial accidents or other occupational health and safety issues,
- environmental events,
- strikes and other labor disputes,

- disruptions in logistics,
- loss or impairment of key manufacturing sites,
- product quality or safety issues,
- licensing requirements and other regulatory issues,
- as well as natural disasters, acts of war or terrorism and other external factors over which we have no control.

While we have business continuity and contingency plans for our manufacturing sites which are strategically located around the world, significant disruption of manufacturing for any of the above reasons could interrupt product supply and, if not remedied, have an adverse impact on our business.

#### ***Acquisitions may not be successful***

From time to time, we make strategic acquisitions, such as the June 2004 acquisition of GABA, a European oral care company. Acquisitions have inherent risks, including, but not limited to, whether we can:

- successfully integrate the acquired business,
- achieve projected synergies and performance targets, and
- retain key personnel.

Depending on the significance of the acquisition, the failure to achieve expected synergies or projections could have an adverse effect on our results.

***The risks described above are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also have an adverse effect on us. If any of the above risks actually occur, our business, results of operations, cash flows or financial condition could suffer, which might cause the value of our securities to decline.***

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

The Company owns or leases a total of 314 properties which include manufacturing, distribution, research and office facilities worldwide. Corporate headquarters is located in leased property at 300 Park Avenue, New York, New York.

In the U.S., the Company operates 51 properties, of which 13 are owned. Major U.S. manufacturing and warehousing facilities used by the Oral, Personal and Home Care segment are located in Morristown, New Jersey; Jeffersonville, Indiana; Cambridge, Ohio; and Kansas City, Kansas. The Pet Nutrition segment has major facilities in Bowling Green, Kentucky; Topeka, Kansas; Commerce, California; and Richmond, Indiana. The primary research center for Oral, Personal and Home Care products is located in Piscataway, New Jersey and the primary research center for Pet Nutrition products is located in Topeka, Kansas. Other research facilities are located in select overseas locations.

Overseas, the Company operates 263 properties, of which 79 are owned, in over 70 countries. Major overseas facilities used by the Oral, Personal and Home Care segment are located in Australia, Brazil, China, Colombia, France, Italy, Mexico, South Africa, Thailand, the United Kingdom, Venezuela and elsewhere throughout the world.

All of the facilities we operate are well maintained and adequate for the purpose for which they are intended.

We have announced plans to close or phase out production at certain of our facilities under the 2004 Restructuring Program. We also announced plans to build two new, state-of-the-art plants to produce toothpaste, one in the U.S. and Europe. For additional information on how the 2004 Restructuring Program will impact our properties, refer to "Restructuring Activities" in Part II, Item 7 of this report.

### **ITEM 3. LEGAL PROCEEDINGS**

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 million. 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 million. 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:

- 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 million 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 under the French Commercial Code and Article 81-1 of the Treaty of Rome 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.

For additional discussion of the Company's legal proceedings refer to Note 13 to the Consolidated Financial Statements.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

The following is a list of executive officers as of February 22, 2006:

<u>Name</u>	<u>Age</u>	<u>Date First Elected Officer</u>	<u>Present Title</u>
Reuben Mark	67	1974	Chairman of the Board and Chief Executive Officer
Ian M. Cook	53	1996	President and Chief Operating Officer
Javier G. Teruel	55	1996	Vice Chairman
Stephen C. Patrick	56	1990	Chief Financial Officer
Andrew D. Hendry	58	1991	Senior Vice President General Counsel and Secretary
Michael J. Tangney	61	1993	Executive Vice President President, Colgate-Latin America
Dennis J. Hickey	57	1998	Vice President and Corporate Controller
Robert C. Wheeler	64	1991	Chief Executive Officer Hill's Pet Nutrition, Inc.
Ronald T. Martin	57	2001	Vice President Global Business Practices and Corporate Social Responsibility
John J. Huston	51	2002	Vice President Office of the Chairman
Franck J. Moison	52	2002	President, Colgate-Europe/South Pacific
Delia H. Thompson	56	2002	Vice President, Investor Relations
Philip A. Berry	56	2003	Vice President Global Workplace Initiatives
Edward J. Filusch	58	2003	Vice President and Corporate Treasurer
Fabian T. Garcia	46	2003	President, Colgate-Greater Asia
Edmund D. Toben	57	2003	Chief Information Officer
Daniel B. Marsili	45	2005	Vice President Global Human Resources
Hector I. Erezuma	61	2005	Vice President, Taxation

Each of the executive officers listed above has served the registrant or its subsidiaries in various executive capacities for the past five years, with the exception of Fabian T. Garcia, who joined Colgate in August 2003 as President, Asia/Pacific Division, and was elected an officer of the Company in December 2003. He previously served as Senior Vice President—International for the Timberland Company from April 2002 to August 2003, and was President of the Asia Pacific Region of Chanel from August 1996 to December 2001.

Under the Company's By-Laws, the officers of the corporation hold office until their respective successors are chosen and qualified, or until they have resigned, retired or been removed by the affirmative vote of a majority of the Board of Directors.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Refer to the information regarding the market for the Company's common stock and the quarterly market price information appearing under the caption "Market and Dividend Information" included on page 67 of this report; the information under "Capital Stock and Stock Compensation Plans" in Note 8 to the Consolidated Financial Statements; and the "Number of common shareholders of record" and "Cash dividends declared and paid per common share" under the caption "Historical Financial Summary" included on page 68 of this report.

#### Issuer Purchases of Equity Securities

The Company repurchases its common stock under a share repurchase program that was approved by the Board of Directors and publicly announced in October 2004 (the 2004 Program). Under the 2004 Program, the Company was authorized to purchase up to 20 million shares of the Company's common stock through December 31, 2005. As the Company had not repurchased the full amount authorized under the 2004 Plan, in December 2005 the Board extended the term of the 2004 Plan through March 31, 2006. The Board's October 2004 authorization also authorized share repurchases on an ongoing basis associated with certain employee elections under the Company's compensation and benefit programs.

The following table shows the stock repurchase activity for each of the three months in the quarter ended December 31, 2005:

Month	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number of Shares that May Yet be Purchased Under the 2004 Program <sup>(3)</sup>
October 1 through 31, 2005	818,388	\$ 52.42	780,000	4,433,783
November 1 through 30, 2005	944,807	\$ 53.24	940,000	3,493,783
December 1 through 31, 2005	1,011,052	\$ 55.45	1,010,000	2,483,783
<b>Total</b>	<b>2,774,247</b>		<b>2,730,000</b>	

<sup>(1)</sup> Includes share repurchases under the Company's 2004 Program and those associated with certain employee elections under the Company's compensation and benefit programs.

<sup>(2)</sup> The difference between the total number of shares purchased and the total number of shares purchased as part of publicly announced plans or programs is 44,247 shares, all of which were repurchased by the Company in connection with certain employee elections under its compensation and benefit programs. Such share repurchases were approved by the Board in October 2004.

<sup>(3)</sup> The maximum number of shares reflects the 20 million shares authorized for repurchase under the 2004 Program less the cumulative number of shares that were purchased under that program.

### ITEM 6. SELECTED FINANCIAL DATA

Refer to the information set forth under the caption "Historical Financial Summary" included on page 68 of this report.

## ITEM 7. 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.

## **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
	<u>\$ 69.2</u>	<u>\$ 90.3</u>	<u>\$ (15.0)</u>

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 "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
<b>Oral, Personal and Home Care</b>			
North America <sup>(1)</sup>	\$ 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
<b>Total Oral, Personal and Home Care</b>	<b>9,876.7</b>	<b>9,151.1</b>	<b>8,587.3</b>
Pet Nutrition <sup>(2)</sup>	1,520.2	1,433.1	1,316.1
<b>Net Sales</b>	<b>\$ 11,396.9</b>	<b>\$ 10,584.2</b>	<b>\$ 9,903.4</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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
<b>Oral, Personal and Home Care</b>			
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
<b>Total Oral, Personal and Home Care</b>	<b>2,109.0</b>	<b>2,006.9</b>	<b>1,929.6</b>
Pet Nutrition	412.8	389.7	371.0
Corporate	(306.8)	(274.5)	(134.6)
<b>Operating Profit</b>	<b>\$2,215.0</b>	<b>\$2,122.1</b>	<b>\$2,166.0</b>

*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.

### *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).

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.

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%.

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

	Total	Payments Due by Period					Thereafter
		2006	2007	2008	2009	2010	
Long-term debt including current portion	\$ 3,239.1	\$ 992.8 <sup>(1)</sup>	\$ 701.5	\$ 153.4	\$ 95.2	\$ 280.6	\$ 1,015.6
Net cash interest payments on long-term debt <sup>(2)</sup>	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 <sup>(3)</sup>	675.8	427.7	155.1	72.7	6.3	5.7	8.3
Total <sup>(4)</sup>	\$ 5,688.2	\$ 1,696.9	\$ 1,053.2	\$ 387.9	\$ 249.3	\$ 412.1	\$ 1,888.8

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 on page 3.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See “Managing Foreign Currency, Interest Rate and Commodity Price Exposure” and “Value at Risk” located on pages 22 and 23 of this report.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See the “Index to Financial Statements” which is located on page 33 of this report.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES****Disclosure Controls and Procedures**

The Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 31, 2005 (the “Evaluation”). Based upon the Evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective in ensuring that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities as appropriate to allow timely decisions regarding required disclosure, particularly during the period in which this annual report was being prepared.

**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 34.

**Changes in Internal Control over Financial Reporting**

There was no change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

## PART III

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Certain information required by this Item relating to directors and executive officers of the registrant which is set forth in the Proxy Statement for the 2006 Annual Meeting is incorporated herein by reference, as is the text in Part I of this report under the caption "Executive Officers of the Registrant".

**Code of Ethics**

The Company's Code of Conduct promotes the highest ethical standards in all of the Company's business dealings. The Code of Conduct satisfies the SEC's requirements for a Code of Ethics for senior financial officers and applies to all Company employees, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, and also the Company's Directors. The Code of Conduct is available on the Company's Internet website at [www.colgate.com](http://www.colgate.com). Any amendment to the Code of Conduct will promptly be posted on the Company's website. It is the Company's policy not to grant waivers of the Code of Conduct. In the extremely unlikely event that the Company grants an executive officer a waiver from a provision of the Code of Conduct, the Company will promptly post such information on its Internet website or by other appropriate means in accordance with SEC rules.

**ITEM 11. EXECUTIVE COMPENSATION**

The information regarding executive compensation set forth in the Proxy Statement for the 2006 Annual Meeting is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

- (a) Security ownership of certain beneficial owners and management set forth in the Proxy Statement for the 2006 Annual Meeting is incorporated herein by reference.
- (b) There are no arrangements known to the registrant that may at a subsequent date result in a change in control of the registrant.
- (c)

**Equity Compensation Plan Information  
as of December 31, 2005**

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (in thousands)	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (in thousands)
Equity compensation plans approved by security holders	44,724 <sup>(1)</sup>	\$49 <sup>(2)</sup>	35,753 <sup>(3)</sup>
Equity compensation plans not approved by security holders	Not applicable	Not applicable	Not applicable
<b>Total</b>	<b>44,724</b>	<b>\$49</b>	<b>35,753</b>

<sup>(1)</sup> Consists of 41,775 options outstanding and 2,949 restricted shares awarded but not yet vested under the Company's Stock Option and Incentive Stock Plans, respectively, which are more fully described in Note 8 to the Consolidated Financial Statements.

- (2) Includes weighted average exercise price of stock options outstanding of \$52 and restricted shares of \$0.
- (3) Amount related to options available for issuance under the Company's Stock Option Plans. The amount of restricted shares available for issuance under the Incentive Stock Plan during any given calendar year is 0.25% of the Company's common stock outstanding as of January 1<sup>st</sup> of such calendar year, plus any available restricted shares from prior years that were not granted.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information regarding certain relationships and related transactions set forth in the Proxy Statement for the 2006 Annual Meeting is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information regarding auditor fees and services set forth in the Proxy Statement for the 2006 Annual Meeting is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) *Financial Statements and Financial Statement Schedules*

See the “Index to Financial Statements” which is located on page 33 of this report.

(b) *Exhibits.*

See the exhibit index which begins on page 69 of this report.

**COLGATE-PALMOLIVE COMPANY**  
**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COLGATE-PALMOLIVE COMPANY  
(Registrant)

Date: February 24, 2006

By \_\_\_\_\_ /S/ REUBEN MARK

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 24, 2006 by the following persons on behalf of the registrant and in the capacities indicated.

(a) Principal Executive Officer

/S/ REUBEN MARK

\_\_\_\_\_  
Reuben Mark  
*Chairman of the Board  
and Chief Executive Officer*

(c) Principal Accounting Officer

/S/ DENNIS J. HICKEY

\_\_\_\_\_  
Dennis J. Hickey  
*Vice President and  
Corporate Controller*

(b) Principal Financial Officer

/S/ STEPHEN C. PATRICK

\_\_\_\_\_  
Stephen C. Patrick  
*Chief Financial Officer*

(d) Directors:

John T. Cahill, Jill K. Conway,  
Ellen M. Hancock, David W. Johnson,  
Richard J. Kogan, Delano E. Lewis,  
Reuben Mark, J. Pedro Reinhard,  
Howard B. Wentz, Jr.

/S/ ANDREW D. HENDRY

\_\_\_\_\_  
Andrew D. Hendry  
*as Attorney-in-Fact*



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United States  
Securities and Exchange Commission  
Washington, D.C. 20549

# FORM 10-K

## CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2005

COLGATE-PALMOLIVE COMPANY  
NEW YORK, NEW YORK 10022

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All other financial statements and schedules not listed have been omitted since the required information is included in the financial statements or the notes thereto or is not applicable or required.

## 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 December 31, 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 and financial statement schedules

In our opinion, the consolidated financial statements listed in the accompanying index 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. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules 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 Management's Report on Internal Control over Financial Reporting, appearing under Item 9A, 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.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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.

/S/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
February 22, 2006

**COLGATE-PALMOLIVE COMPANY**

**Consolidated Statements of Income**

**For the years ended December 31,**

*(Dollars in Millions Except Per Share Amounts)*

	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.

**COLGATE-PALMOLIVE COMPANY**

**Consolidated Balance Sheets**

**As of December 31,**

*(Dollars in Millions Except Per Share Amounts)*

	2005	2004
	<u>          </u>	<u>          </u>
<b>Assets</b>		
<b>Current Assets</b>		
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
	<u>          </u>	<u>          </u>
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
	<u>          </u>	<u>          </u>
Total assets	\$ 8,507.1	\$ 8,672.9
	<u>          </u>	<u>          </u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
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
	<u>          </u>	<u>          </u>
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
<b>Shareholders' Equity</b>		
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)
	<u>          </u>	<u>          </u>
	9,214.4	8,518.4
Unearned compensation	(283.3)	(307.6)
Treasury stock, at cost	(7,581.0)	(6,965.4)
	<u>          </u>	<u>          </u>
Total shareholders' equity	1,350.1	1,245.4
	<u>          </u>	<u>          </u>
Total liabilities and shareholders' equity	\$ 8,507.1	\$ 8,672.9
	<u>          </u>	<u>          </u>

See Notes to Consolidated Financial Statements.

**COLGATE-PALMOLIVE COMPANY**

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

(Dollars in Millions Except Per Share Amounts)

	Common Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Compre- hensive 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)
<b>Total comprehensive income</b>								<b>\$ 1,420.1</b>
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)
<b>Total comprehensive income</b>								<b>\$ 1,387.7</b>
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)
<b>Total comprehensive income</b>								<b>\$ 1,352.9</b>
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.

**COLGATE-PALMOLIVE COMPANY**

**Consolidated Statements of Cash Flows**

**For the years ended December 31,**

*(Dollars in Millions Except Per Share Amounts)*

	2005	2004	2003
<b>Operating Activities</b>			
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	<u>1,784.4</u>	<u>1,754.3</u>	<u>1,767.7</u>
<b>Investing Activities</b>			
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	<u>(220.7)</u>	<u>(1,090.4)</u>	<u>(117.6)</u>
<b>Financing Activities</b>			
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	<u>(1,524.4)</u>	<u>(611.1)</u>	<u>(1,557.2)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(18.2)</u>	<u>1.5</u>	<u>4.5</u>
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	<u>\$ 340.7</u>	<u>\$ 319.6</u>	<u>\$ 265.3</u>
<b>Supplemental Cash Flow Information</b>			
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.



**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements**

*(Dollars in Millions Except Per Share Amounts)*

**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.

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

**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.

**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

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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
<b>Pro forma net income</b>	<b>\$ 1,308.5</b>	<b>\$ 1,284.8</b>	<b>\$ 1,377.1</b>
<b>Earnings per share:</b>			
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.

**COLGATE-PALMOLIVE COMPANY**

**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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.

**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.

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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)
	\$ 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
	\$ 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

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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
<b>Total Goodwill</b>	<b>\$1,845.7</b>	<b>\$1,891.7</b>

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
<b>Total Other intangible assets</b>	<b>\$ 952.0</b>	<b>\$ (168.8)</b>	<b>\$783.2</b>	<b>\$ 987.8</b>	<b>\$ (155.4)</b>	<b>\$832.4</b>

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.

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**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

**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
			<u>3,274.7</u>	<u>3,540.8</u>
Less: current portion of long-term debt			356.7	451.3
			<u>\$2,918.0</u>	<u>\$3,089.5</u>

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)



**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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.

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

**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

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**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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.

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**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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:

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

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.

**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.

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

(Dollars in Millions Except Per Share Amounts)

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			
<b>Change in Benefit Obligation</b>						
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	<u>\$1,462.4</u>	<u>\$1,368.3</u>	<u>\$ 658.8</u>	<u>\$ 675.8</u>	<u>\$ 413.0</u>	<u>\$ 332.9</u>
<b>Change in Plan Assets</b>						
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	<u>\$1,236.8</u>	<u>\$1,148.2</u>	<u>\$ 355.8</u>	<u>\$ 360.0</u>	<u>\$ 12.2</u>	<u>\$ 5.5</u>
<b>Funded Status</b>						
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	<u>\$ 254.9</u>	<u>\$ 222.5</u>	<u>\$(142.2)</u>	<u>\$(152.9)</u>	<u>\$(200.5)</u>	<u>\$(181.3)</u>
<b>Amounts Recognized in Balance Sheet</b>						
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	<u>\$ 254.9</u>	<u>\$ 222.5</u>	<u>\$(142.2)</u>	<u>\$(152.9)</u>	<u>\$(200.5)</u>	<u>\$(181.3)</u>
<b>Weighted Average Assumptions Used to Determine Benefit Obligations</b>						
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%

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**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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%.

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 Cost**

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
<b>Net periodic benefit cost</b>	<b>\$ 64.9</b>	<b>\$ 63.6</b>	<b>\$ 70.3</b>	<b>\$ 37.5</b>	<b>\$ 34.7</b>	<b>\$ 26.6</b>	<b>\$ 31.1</b>	<b>\$ 21.9</b>	<b>\$ 15.4</b>
Other postretirement charges	25.6	—	—	12.6	—	—	10.7	—	—
<b>Total pension cost</b>	<b>\$ 90.5</b>	<b>\$ 63.6</b>	<b>\$ 70.3</b>	<b>\$ 50.1</b>	<b>\$ 34.7</b>	<b>\$ 26.6</b>	<b>\$ 41.8</b>	<b>\$ 21.9</b>	<b>\$ 15.4</b>

**Weighted Average Assumptions**

**Used to Determine Net Periodic Benefit Cost**

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%

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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:

	Years ended December 31,	
	2005	2004
<b>Benefit Obligation Exceeds Fair Value of Plan Assets</b>		
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.

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**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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:

Years ended	Expected Benefit Payments December 31,	Pension Benefits		Other Retiree Benefits
		United States	International	
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
	<u>\$727.6</u>	<u>\$675.3</u>	<u>\$620.6</u>

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
	<u>\$ 2,079.0</u>	<u>\$ 2,002.4</u>	<u>\$ 2,041.9</u>

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	<u>35.0%</u>	<u>33.7%</u>	<u>30.4%</u>

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.



**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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
	<u>\$(37.5)</u>	<u>\$(60.3)</u>	<u>\$ 61.3</u>

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

	2005	2004
<b>Deferred Taxes—Current:</b>		
Accrued liabilities	\$ 75.2	\$ 71.7
Other, net	17.9	49.9
<b>Total deferred taxes, current</b>	<u>93.1</u>	<u>121.6</u>
<b>Deferred Taxes—Long-term:</b>		
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)
<b>Total deferred taxes, long-term</b>	<u>(554.7)</u>	<u>(509.6)</u>
<b>Net deferred taxes</b>	<u><u>\$(461.6)</u></u>	<u><u>\$(388.0)</u></u>

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.

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

**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

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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:

- 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.

**COLGATE-PALMOLIVE COMPANY**

**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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.

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

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:

	2005	2004	2003
<b>Net Sales</b>			
Oral, Personal and Home Care			
North America <sup>(1)</sup>	\$ 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
<b>Total Oral, Personal and Home Care</b>	<b>9,876.7</b>	<b>9,151.1</b>	<b>8,587.3</b>
Pet Nutrition <sup>(2)</sup>	1,520.2	1,433.1	1,316.1
<b>Total Net Sales</b>	<b>\$ 11,396.9</b>	<b>\$ 10,584.2</b>	<b>\$ 9,903.4</b>

<sup>(1)</sup> 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.

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

	2005	2004	2003
<b>Operating Profit</b>			
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
<b>Total Oral, Personal and Home Care</b>	<b>2,109.0</b>	<b>2,006.9</b>	<b>1,929.6</b>
Pet Nutrition	412.8	389.7	371.0
Corporate	(306.8)	(274.5)	(134.6)
<b>Total Operating Profit</b>	<b>\$2,215.0</b>	<b>\$2,122.1</b>	<b>\$2,166.0</b>

	2005	2004	2003
<b>Capital Expenditures</b>			
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
<b>Total Oral, Personal and Home Care</b>	<b>324.4</b>	<b>281.9</b>	<b>226.7</b>
Pet Nutrition	28.5	30.4	38.3
Corporate	36.3	35.8	37.1
<b>Total Capital Expenditures</b>	<b>\$389.2</b>	<b>\$348.1</b>	<b>\$302.1</b>

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(Dollars in Millions Except Per Share Amounts)*

	2005	2004	2003
<b>Depreciation and Amortization</b>			
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	<u>\$ 329.3</u>	<u>\$ 327.8</u>	<u>\$ 315.5</u>
<b>Identifiable Assets</b>			
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 <sup>(1)</sup>	<u>\$ 8,507.1</u>	<u>\$ 8,672.9</u>	<u>\$ 7,478.8</u>

<sup>(1)</sup> 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**

	2005	2004	2003
<b>Other (Income) Expense, Net</b>			
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
	<u>\$ 69.2</u>	<u>\$ 90.3</u>	<u>\$ (15.0)</u>

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**  
*(Dollars in Millions Except Per Share Amounts)*

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

**16. Supplemental Balance Sheet Information**

	2005	2004
<b>Inventories</b>		
Raw materials and supplies	\$ 208.1	\$ 212.4
Work-in-process	37.5	37.3
Finished goods	610.2	595.8
	<u>\$ 855.8</u>	<u>\$ 845.5</u>

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.

	2005	2004
<b>Property, Plant and Equipment, Net</b>		
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
	<u>5,347.1</u>	<u>5,451.6</u>
Accumulated depreciation	(2,803.0)	(2,803.9)
	<u>\$ 2,544.1</u>	<u>\$ 2,647.7</u>

	2005	2004
<b>Other Accruals</b>		
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
	<u>\$ 1,123.2</u>	<u>\$ 1,127.6</u>

	2005	2004
<b>Other Liabilities</b>		
Minority interest	\$ 103.3	\$ 216.0
Pension and other retiree benefits	670.4	648.6
Other	167.6	233.1
	<u>\$ 941.3</u>	<u>\$ 1,097.7</u>

**COLGATE-PALMOLIVE COMPANY**  
**Notes to Consolidated Financial Statements—(continued)**

*(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
<b>2005</b>				
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 <sup>(1)</sup>	342.9 <sup>(2)</sup>	347.2 <sup>(3)</sup>	361.2 <sup>(4)</sup>
Earnings per common share:				
Basic	0.56	0.64	0.66	0.68
Diluted	0.53 <sup>(1)</sup>	0.62 <sup>(2)</sup>	0.63 <sup>(3)</sup>	0.65 <sup>(4)</sup>
<b>2004</b>				
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 <sup>(5)</sup>
Earnings per common share:				
Basic	0.62	0.69	0.61	0.53
Diluted	0.59	0.66	0.58	0.50 <sup>(5)</sup>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.



**COLGATE-PALMOLIVE COMPANY**  
**SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS**  
**For the Year Ended December 31, 2005**  
*(Dollars in Millions)*

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Other</u>		
Allowance for doubtful accounts and estimated returns	\$ 47.2	\$ 4.5	\$ —	\$ 10.0 <sup>(1)</sup>	\$ 41.7
Valuation allowance for deferred tax assets	\$ 118.8	\$ 2.5	\$14.9 <sup>(2)</sup>	\$ 2.4 <sup>(3)</sup>	\$ 133.8

<sup>(1)</sup> Uncollectible accounts written off.

<sup>(2)</sup> Increase in allowance related to tax benefit on exchange losses on U.S. dollar-denominated investments in foreign subsidiaries recorded directly through equity.

<sup>(3)</sup> Decrease in allowance due to utilization of tax loss and tax credit carryforwards.

**COLGATE-PALMOLIVE COMPANY**  
**SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS**  
**For the Year Ended December 31, 2004**  
*(Dollars in Millions)*

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Other		
Allowance for doubtful accounts and estimated returns	\$ 43.6	\$ 8.3	\$ 0.9	\$ 5.6 <sup>(1)</sup>	\$ 47.2
Valuation allowance for deferred tax assets	\$ 111.6	\$ —	\$ 9.3 <sup>(2)</sup>	\$ 2.1 <sup>(3)</sup>	\$ 118.8

<sup>(1)</sup> Uncollectible accounts written off.

<sup>(2)</sup> Increase in allowance related to tax benefit on exchange losses on U.S. dollar-denominated investments in foreign subsidiaries recorded directly through equity.

<sup>(3)</sup> Decrease in allowance due to utilization of tax loss and tax credit carryforwards.

**COLGATE-PALMOLIVE COMPANY**  
**SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS**  
**For the Year Ended December 31, 2003**  
*(Dollars in Millions)*

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Other		
Allowance for doubtful accounts and estimated returns	\$ 45.9	\$ 6.6	\$ —	\$ 8.9 <sup>(1)</sup>	\$ 43.6
Valuation allowance for deferred tax assets	\$ 101.3	\$ —	\$13.9 <sup>(2)</sup>	\$ 3.6 <sup>(3)</sup>	\$ 111.6

<sup>(1)</sup> Uncollectible accounts written off.

<sup>(2)</sup> Increase in allowance related to tax benefit on exchange losses on U.S. dollar-denominated investments in foreign subsidiaries recorded directly through equity.

<sup>(3)</sup> Decrease in allowance due to utilization of tax loss and tax credit carryforwards.

**COLGATE-PALMOLIVE COMPANY**

**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

**COLGATE-PALMOLIVE COMPANY**

**Historical Financial Summary<sup>(1)</sup>**

*(Dollars in Millions Except Per Share Amounts)*

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>Continuing Operations</b>										
Net sales <sup>(2)</sup>	\$ 11,396.9	\$ 10,584.2	\$ 9,903.4	\$ 9,294.3	\$ 9,084.3	\$ 9,004.4	\$ 8,801.5	\$ 8,660.8	\$ 8,786.8	\$ 8,493.1
Results of operations:										
Net income	1,351.4 <sup>(4)</sup>	1,327.1 <sup>(3)</sup>	1,421.3	1,288.3	1,146.6	1,063.8	937.3	848.6	740.4	635.0
Per share, basic	2.54 <sup>(4)</sup>	2.45 <sup>(3)</sup>	2.60	2.33	2.02	1.81	1.57	1.40	1.22	1.05
Per share, diluted	2.43 <sup>(4)</sup>	2.33 <sup>(3)</sup>	2.46	2.19	1.89	1.70	1.47	1.30	1.13	0.98
Depreciation and amortization expense	329.3	327.8	315.5	296.5	336.2	337.8	340.2	330.3	319.9	316.3
<b>Financial Position</b>										
Current ratio	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2
Property, plant and equipment, net	2,544.1	2,647.7	2,542.2	2,491.3	2,513.5	2,528.3	2,551.1	2,589.2	2,441.0	2,428.9
Capital expenditures	389.2	348.1	302.1	343.7	340.2	366.6	372.8	389.6	478.5	459.0
Total assets	8,507.1	8,672.9	7,478.8	7,087.2	6,984.8	7,252.3	7,423.1	7,685.2	7,538.7	7,901.5
Long-term debt	2,918.0	3,089.5	2,684.9	3,210.8	2,812.0	2,536.9	2,243.3	2,300.6	2,340.3	2,786.8
Shareholders' equity	1,350.1	1,245.4	887.1	350.3	846.4	1,468.1	1,833.7	2,085.6	2,178.6	2,034.1
<b>Share and Other</b>										
Book value per common share	2.67	2.43	1.71	0.69	1.54	2.57	3.14	3.53	3.65	3.42
Cash dividends declared and paid per common share	1.11	0.96	0.90	0.72	0.675	0.63	0.59	0.55	0.53	0.47
Closing price	54.85	51.16	50.05	52.43	57.75	64.55	65.00	46.44	36.75	23.06
Number of common shares outstanding (in millions)	516.2	526.6	533.7	536.0	550.7	566.7	578.9	585.4	590.8	588.6
Number of common shareholders of record	35,000	36,500	37,700	38,800	40,900	42,300	44,600	45,800	46,800	45,500
Average number of employees	35,800	36,000	36,600	37,700	38,500	38,300	37,200	38,300	37,800	37,900

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Net income and earnings per share in 2004 include a provision for the 2004 Restructuring Program of \$48.0 aftertax.

<sup>(4)</sup> 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.

**COLGATE-PALMOLIVE COMPANY**

**EXHIBITS TO FORM 10-K**

**YEAR ENDED DECEMBER 31, 2005**

**Commission File No. 1-644**

<u>Exhibit No.</u>	<u>Description</u>
3-A	Restated Certificate of Incorporation, as amended.*
3-B	By-laws, as amended.*
4-B	a) Indenture, dated as of November 15, 1992, between the Company and the Bank of New York as Trustee. (Registrant hereby incorporates by reference Exhibit 4.1 to its Registration Statement on Form S-3 and Post-Effective Amendment No. 1 filed on June 26, 1992, Registration No. 33-48840.)** b) Colgate-Palmolive Company Employee Stock Ownership Trust Note Agreement dated as of June 1, 1989, as amended. (Registrant hereby incorporates by reference Exhibit 4-B (b) to its Quarterly report on Form 10-Q for the quarter ended June 30, 2000, File No. 1-644-2.)
10-A	a) Colgate-Palmolive Company Executive Incentive Compensation Plan, amended and restated as of March 11, 1999. (Registrant hereby incorporates by reference Appendix D to its 2004 Notice of Meeting and Proxy Statement.) b) Colgate-Palmolive Company Executive Incentive Compensation Plan Trust, as amended. (Registrant hereby incorporates by reference Exhibit 10-B (b) to its Annual Report on Form 10-K for the year ended December 31, 1987, File No. 1-644-2.)
10-B	a) Colgate-Palmolive Company Supplemental Salaried Employees Retirement Plan. (Registrant hereby incorporates by reference Exhibit 10-E (Plan only) to its Annual Report on Form 10-K for the year ended December 31, 1984, File No. 1-644-2.) b) Colgate-Palmolive Company Supplemental Salaried Employees Retirement Plan Trust. (Registrant hereby incorporates by reference Exhibit 10-C (b) to its Annual Report on Form 10-K for the year ended December 31, 1987, File No. 1-644-2.)
10-C	a) Colgate-Palmolive Company Executive Severance Plan, as amended and restated. (Registrant hereby incorporates by reference Exhibit 10-A to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, File No. 1-644.) b) Colgate-Palmolive Company Executive Severance Plan Trust. (Registrant hereby incorporates by reference Exhibit 10-E (b) to its Annual Report on Form 10-K for the year ended December 31, 1987, File No. 1-644-2.)
10-D	Colgate-Palmolive Company Pension Plan for Outside Directors, as amended and restated. (Registrant hereby incorporates by reference Exhibit 10-D to its Annual Report on Form 10-K for the year ended December 31, 1999, File No. 1-644-2.)
10-E	Colgate-Palmolive Company Stock Plan for Non-Employee Directors, as amended. (Registrant hereby incorporates by reference Exhibit 10-E to its Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-644.)
10-F	Colgate-Palmolive Company Restated and Amended Deferred Compensation Plan for Non-Employee Directors, as amended. (Registrant hereby incorporates by reference Exhibit 10-H to its Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-644.)

Exhibit No.	Description
10-G	Colgate-Palmolive Company Above and Beyond Plan—Officer Level. (Registrant hereby incorporates by reference Exhibit 10-A to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, File No. 1-644-2.)
10-H	Colgate-Palmolive Company 1987 Stock Option Plan, as amended. (Registrant hereby incorporated by reference Exhibit 10-J to its Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-644.)
10-I	Stock Incentive Agreement between Colgate-Palmolive Company and Reuben Mark, Chairman and Chief Executive Officer, dated November 7, 1997, pursuant to the Colgate-Palmolive Company 1997 Stock Option Plan. (Registrant hereby incorporates by reference Exhibit 10-K (b) to its Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-644.)
10-J	a) Colgate-Palmolive Company Non-Employee Director Stock Option Plan, as amended. (Registrant hereby incorporates by reference Exhibit 10-L to its Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-644.) b) Amendment to the Colgate-Palmolive Company Non-Employee Director Stock Option Plan, as amended.*
10-K	U.S. \$1,500,000,000 Five Year Credit Agreement dated as of November 3, 2005 among Colgate-Palmolive Company as Borrower, the Banks named therein as Banks, Bank of America, N.A., BNP Paribas, HSBC Bank USA, N.A. and JPMorgan Chase Bank, N.A. as Co-Syndication Agents, Citibank, N.A. as Administrative Agent and Citigroup Global Markets Inc. as Arranger. (Registrant hereby incorporates by reference Exhibit 10-A to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, File No. 1-644.)
10-L	Colgate-Palmolive Company 1996 Stock Option Plan, as amended. (Registrant hereby incorporates by reference Exhibit 10-N to its Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-644.)
10-M	a) Colgate-Palmolive Company 1997 Stock Option Plan. (Registrant hereby incorporates by reference appendix A to its 1997 Notice of Meeting and Proxy Statement.) b) Amendment to the Colgate-Palmolive Company 1997 Stock Option Plan.*
10-N	Description of the Colgate-Palmolive Company Supplemental Savings & Investment Plan. (Registrant hereby incorporates by reference Exhibit 10-N to its Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-644.)
10-O	Form of Indemnification Agreement between Colgate-Palmolive Company and its directors, executive officers and certain key employees. (Registrant hereby incorporates by reference Exhibit 10-B to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, File No. 1-644.)
10-P	Share Purchase Agreement by and among Colgate-Palmolive Company, as purchaser, and the Sellers party thereto regarding GABA Holding AG, dated December 18, 2003. (Registrant hereby incorporates by reference Exhibit 99.1 to its Current Report on Form 8-K dated June 16, 2004, File No. 1-644.)
10-Q	Form of Stock Incentive Agreement used in connection with grants to employees under the Colgate-Palmolive Company 1997 Stock Option Plan. (Registrant hereby incorporates by reference Exhibit 10-O to its Current Report on Form 8-K dated September 8, 2004, File No. 1-644.)

Exhibit No.	Description
10-R	Form of Restricted Stock Award Agreement used in connection with grants to employees under the Colgate-Palmolive Company Executive Incentive Compensation Plan, amended and restated as of March 11, 1999. (Registrant hereby incorporates by reference Exhibit 10-R to its Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-644.)
10-S	a) Colgate-Palmolive Company 2005 Non-Employee Director Stock Option Plan. (Registrant hereby incorporates by reference appendix C to its 2005 Notice of Meeting and Proxy Statement.) b) Form of Award Agreement used in connection with grants to non-employee directors under the Colgate-Palmolive Company 2005 Non-Employee Director Stock Option Plan. (Registrant hereby incorporates by reference Exhibit 10-B to its Current Report on Form 8-K dated May 4, 2005, File No. 1-644-2.)
10-T	a) Colgate-Palmolive Company 2005 Employee Stock Option Plan. (Registrant hereby incorporates by reference appendix B to its 2005 Notice of Meeting and Proxy Statement.) b) Form of Award Agreement used in connection with grants to employees under the Colgate-Palmolive Company 2005 Employee Stock Option Plan. (Registrant hereby incorporates by reference Exhibit 10-A to its Current Report on Form 8-K dated May 4, 2005, File No. 1-644-2.)
10-U	Consulting Agreement, dated as of July 27, 2005, between Colgate-Palmolive Company, Antares Star, Inc. and William S. Shanahan. (Registrant hereby incorporates by reference Exhibit 10 to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, File No. 1-644.)
12	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends.*
21	Subsidiaries of the Registrant.*
23	Consent of Independent Registered Public Accounting Firm*
24	Powers of Attorney.*
31-A	Certificate of the Chairman and Chief Executive Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.*
31-B	Certificate of the Chief Financial Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.*
32	Certificate of the Chairman and Chief Executive Officer and the Chief Financial Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.*

\* Filed herewith.

\*\* Registrant hereby undertakes upon request to furnish the Commission with a copy of any instrument with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis.

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

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



COLGATE-PALMOLIVE COMPANY

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RESTATED

CERTIFICATE OF INCORPORATION

OF

COLGATE-PALMOLIVE COMPANY

Pursuant to Section 245 of the General Corporation Law  
of the State of Delaware

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Colgate-Palmolive Company, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Colgate-Palmolive Company and the name under which the corporation was originally incorporated is Eastern Operating Company. The date of filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was July 25, 1923.

2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Restated Certificate of Incorporation of the corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

3. This Restated Certificate of Incorporation was duly adopted by the board of directors of the corporation in accordance with Section 245 of the General Corporation Law of the State of Delaware.

4. The text of the Restated Certificate of Incorporation of the corporation, as heretofore amended or supplemented, is hereby restated without further amendments or changes to read as follows:

FIRST: The name of the corporation (hereinafter sometimes called "the Company") is

COLGATE-PALMOLIVE COMPANY.

SECOND: Its registered office in the State of Delaware is located at number 1209 Orange Street, in the City of Wilmington, in the County of New Castle. The name and address of its resident agent in charge thereof are THE CORPORATION TRUST COMPANY, number 1209 Orange Street, Wilmington, Delaware.

THIRD: The nature of the business, and the objects and purposes for which, and for any of which, the Company is formed, are to do any or all of the things herein set forth to the same extent as natural persons might or could do, viz:—

1. To carry on a general mercantile and manufacturing business; and particularly to manufacture, handle, buy and sell, at wholesale and retail, deal in, license the manufacture of, export and import, soap, detergents and cleansing compounds of every character and description, cosmetics, washes, perfumes, and toilet preparations, and all products and supplies in any manner used in, or incidental to the manufacture or production of the same or any of them; and also particularly to mill, refine, handle, buy and sell, at wholesale and retail, deal in, license the milling and refining of, export and import, vegetable, animal and mineral oils, fats, greases and similar products, which may be manufactured into commodities for human or animal use or consumption; and also particularly to manufacture, handle, buy and sell, at wholesale and retail, deal in, license the manufacture of, export and import, food products and supplies of all kinds for human or animal consumption, including the products manufactured or acquired from nuts, cereals, fruits, oil and milk and kindred products, such as butter, nut butter, oleomargarine, cheese, cream, and the products thereof, as well as all dairy, plantation, farm, orchard and food products of every kind and nature, and manufacture and prepare articles produced or resulting therefrom; and also particularly to carry on the work of experimenting in, promoting and encouraging the manufacture, milling, refining and production, use and perfecting of the articles aforesaid, and of articles entering into the composition of the same; and also particularly to manufacture, handle, buy and sell, at wholesale and retail, deal in, license the manufacture of, export and import, receptacles, containers and appliances for holding, keeping, storing, shipping and handling the products aforesaid, or any of them;

2. To acquire, construct, equip, operate, maintain, and use manufacturing and other plants, factories, warehouses, stores, shops, offices, branch establishments and other conveniences pertaining to the conduct of such business;

3. To manufacture, purchase, or otherwise acquire, own, hold, mortgage, pledge, sell, assign and transfer, or otherwise dispose of, to invest, trade and deal in, goods, wares, merchandise and personal property of every class and description; and to purchase or otherwise acquire, own, hold, mortgage, pledge, sell, assign and transfer, or otherwise dispose of, to invest, trade and deal in mortgages, shares, stocks, debentures, securities, produce, policies, book debts and claims, and any interest in real or personal property and any claims against such property, or against any person, firm, association or corporation; and to purchase or otherwise acquire, hold, own, improve, develop, operate, mortgage, sell, assign, and transfer or otherwise dispose of, to invest, trade and deal in, lands, buildings, concessions, plantations, farms, orchards and real estate or any interest therein

of every kind and nature, in any part of the world, and to promote and encourage the production of the commodities used or usable in any business or businesses of the Company or in which it may be interested;

4. To acquire the good-will, property, assets and rights of any person, firm, association or corporation; to pay for the same in cash, in the stock or bonds of the Company, or otherwise; to undertake or assume the whole, or any part of the obligations or liabilities of any person, firm, association or corporation; to conduct in any lawful manner the whole, or any part, of any business so acquired, and to exercise all the powers necessary or convenient in and about the conduct and management of such business;

5. To purchase, subscribe for, or otherwise acquire, own, hold, mortgage, pledge, sell, assign and transfer, or otherwise dispose of shares of capital stock, or any bonds, mortgages, notes, securities, or other evidences of indebtedness, of any person, firm, association or corporation organized under the laws of this state, or of any other state, country, nation or government, and also bonds and evidences of indebtedness of the United States, or of any state, county or municipality therein, and of any foreign government or municipality therein, and of any foreign government or municipality, and while the owner thereof to exercise all the rights, powers and privileges of ownership, including the right to vote on every such share of stock, or other interest, so far as such right to vote shall exist;

6. To guarantee or assume the payment of principal, dividends or interest of or on any shares of stock, bonds, notes, mortgages, securities, or other evidences of indebtedness of any person, firm, association or corporation in which the Company shall have a lawful interest, either directly, or indirectly, either as a holder of stock, notes, bonds, securities, or evidences of indebtedness, or otherwise, or any participating interest, and to guarantee the payment or faithful performance of any contract or other obligation of any person, firm, association or corporation, as may be necessary or convenient for the transaction of the business of the Company;

7. To lend and advance money, or give credit to such persons, firms, associations and corporations as it shall be deemed advisable, and upon such terms and security as shall be deemed expedient; and in any manner to aid any association or corporation, any bonds, notes, or other securities or evidences of indebtedness of which, or shares of stock in which, are held by or for the Company, or in which, or in the welfare of which, the Company shall have any interest, and to do any acts or things designed to protect or preserve, improve or enhance the value of any such bonds, notes, or other securities or evidences of indebtedness, or any such shares of stock, or other property of the Company;

8. To acquire, own, hold, use, sell, assign, lease, grant licenses in respect of, mortgage, or otherwise dispose of letters patent of the United States, or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business of the Company;

9. To enter into, make, perform, and carry out contracts of every kind, for any lawful purpose, without limit as to amount, with any person, firm, association or corporation;

10. To draw, make, accept, endorse, discount, execute and issue promissory notes, bills of exchange, warrants, scrip and other negotiable or transferable instruments or obligations; and to issue bonds, debentures or obligations of the Company from time to time, for any of the objects or purposes of the Company, and to secure the same by mortgage, pledge, deed of trust or otherwise;

11. To purchase, hold, sell, reissue and transfer the shares of its own capital stock, provided that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly;

12. To have one or more offices, to carry on all or any of its operations and business, and without restriction or limit as to amount to purchase, or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description in any of the States, Districts, territories or possessions of the United States, and in any and all foreign countries, subject to the laws of such State, District, territory, possession, or country;

13. The foregoing clauses shall be construed both as objects and powers; and it is hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the powers of the Company;

14. In general, to carry on any other business in connection with the foregoing, whether manufacturing, merchandising, or otherwise, and to have and exercise all of the powers conferred by the laws of Delaware upon corporations formed under the act hereinafter referred to, and to do any or all of the things herein set forth to the same extent as natural persons might or could do.

PROVIDED HOWEVER, that nothing contained shall be deemed to authorize or permit the Company to carry on any business or to exercise any power or to do any act which a corporation formed under the act hereinafter referred to, or any amendment thereof or supplement thereto or substitute therefor, may not at the time lawfully carry on or do. It is the intention that the purposes, objects and powers specified in each of the sections of this Article Third of this Certificate of Incorporation shall, except as otherwise expressly provided, in no wise be limited or restricted by reference to or inference from the terms of any other clause or section of this article, or of any other article of this Certificate of Incorporation.

FOURTH: 1. The total number of shares of all classes of stock which the Company shall have authority to issue is 300,262,150 shares, divided into 250,000 shares of Preferred Stock without par value, 12,150 shares of \$3.00 Convertible Second Preferred Stock without par value, 50,000,000 shares of Preference Stock without par value and 250,000,000 shares of Common Stock of the par value of \$1 per share.

2. Subject to the limitations and provisions contained in this Article Fourth, the shares of capital stock without par value may be issued by the Company from time to time for such consideration as may be fixed from time to time by the board of directors of the Company. Any and all shares so issued for which the consideration so fixed has been paid or delivered to the Company shall be deemed full paid stock and shall not be liable to any further call or assessments thereon and the holders of such shares shall not be liable for any further payments in respect of such shares.

3. Subject to the limitations and provisions contained in this Article Fourth, the Preferred Stock may be issued from time to time in one or more series and in such amounts as may be determined by the board of directors. The designations, powers, preferences and relative, participating, optional, conversion and other special rights, and the qualifications, limitations and restrictions thereof, of the Preferred Stock of each series shall be such as are fixed herein and, to the extent not fixed herein, shall be such, not inconsistent with the provisions of this Article Fourth, as may be fixed by the board of directors (authority so to do being hereby expressly granted) and stated in a resolution or resolutions providing for the issue of Preferred Stock of such series.

4. The holders of Preferred Stock of each series shall be entitled to receive, when and as declared by the board of directors, out of any funds legally available for that purpose, preferential cumulative dividends in cash at the rate fixed with respect to such series and shall not be entitled to receive any dividends over and above such preferential dividends, except as may be specifically fixed with respect to such series. No such preferential dividend rate shall exceed \$8 per share per annum. Such preferential dividends shall be payable quarterly on March 31, June 30, September 30, and December 31 in each year except that with respect to any Preferred Stock issued within 30 days preceding any of such dates, the initial preferential dividend may be paid on the next succeeding dividend payment date. Such preferential dividends shall accrue and be cumulative from the date or dates fixed with respect to such series. Such preferential dividends shall be declared and paid or set apart for payment in full for all previous quarterly dividend periods before the declaration of or payment of or setting apart for payment of any dividends on, or the making of or the setting apart of any funds or assets for any distribution with respect to, any class of stock ranking after the Preferred Stock as to dividends or assets or any series of Preferred Stock in respect of any rights to dividends or assets over and above the preferential rights fixed in accordance with the provisions of this Section 4 or of Section 6 of this Article Fourth, and before or concurrently with any purchase, redemption or other acquisition of any class of stock ranking after the Preferred Stock as to dividends or assets, or the setting apart of any funds or assets for such purchase, redemption or acquisition. Each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, irrespective of series, with respect to the preferential dividends at the respective rates fixed for such

series, and no preferential dividend shall be declared or paid or set apart for payment on any series unless at the same time a dividend in like proportion to the preferential dividends accrued upon the Preferred Stock of each other series, shall be declared or paid or set apart for payment, as the case may be, on each other series then outstanding. An accumulation of dividends on the Preferred Stock shall not bear interest.

5. At any time after all preferential dividends on the Preferred Stock of all series for all previous quarterly dividend periods shall have been declared and paid or set apart for payment the board of directors may, after or concurrently with, but not before, the declaration of full preferential dividends on the Preferred Stock of all series for the current quarterly dividend period, declare and pay or set apart for payment dividends on the \$3.00 Convertible Second Preferred Stock and, subject to the prior preferential rights of the \$3.00 Convertible Second Preferred Stock, declare and pay dividends (payable in cash, property or stock) on the Preference and Common Stock and participating dividends on such Preferred Stock, if any, as may be entitled to participate with the Common Stock, out of any assets legally available for that purpose; provided, however, that no dividends on the Preference or Common Stock and no participating dividends on Preferred Stock shall be paid, set apart for payment, or be payable, before full preferential dividends shall have been paid or set apart for payment on the Preferred Stock of all series and on the \$3.00 Convertible Second Preferred Stock for the quarterly dividend period within which such dividends on the Preference Stock and Common Stock or participating dividend shall have been declared. All dividends declared upon the Preference Stock and Common Stock and all participating dividends declared upon such Preferred Stock, if any, as may be entitled to participate in dividends with the Common Stock shall be subject to the provisions of this Section 5 and to the provisions of Section 4 of this Article Fourth. Each share of Common Stock shall share concurrently and in like amount in such dividends, and shares of Preferred Stock shall be entitled to participate therein only if and to the extent authorized in the respective provisions fixing the terms of any series.

6. In the event of any voluntary liquidation, dissolution or winding up of the Company, the holders of Preferred Stock of each series shall be entitled to receive from the assets of the Company, whether represented by capital, surplus, reserves or earnings, such preferential amount, in cash, not exceeding \$120 per share, as may be specifically fixed with respect to such series, and in the event of any involuntary liquidation, dissolution or winding up on the Company, the holders of Preferred Stock of all series shall be entitled to receive from the assets of the Company, whether represented by capital, surplus, reserves or earnings, a preferential amount in cash equal to \$100 per share, and in each case, whether voluntary or involuntary, a further preferential amount equal to all accrued and unpaid preferential dividends thereon to the date payment is made available to the Preferred Stockholders; all of which shall be paid or set apart for payment before or concurrently with the payment of or setting apart for payment of any amount for, or the distribution of any assets of the Company to, the holders of any class of stock ranking after the Preferred Stock as to dividends or assets or the holders of Preferred Stock of any series in respect of any rights to dividends or assets over and above the preferential amounts fixed in accordance with the provisions of Section 4 or of this Section 6 of this Article Fourth. Each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, irrespective of series, with respect to the preferential amounts payable

upon any distribution of assets by way of liquidation, dissolution or winding up of the Company, and no such amounts shall be paid or set apart for payment on any series unless at the same time amounts in like proportion to the respective preferential amounts to which the shares of each other series are entitled, shall be paid or set apart for payment on each other series then outstanding. After payment or the setting apart for payment to the holders of Preferred Stock and \$3.00 Convertible Second Preferred Stock of the preferential amounts payable to them, all the remaining assets of the Company shall belong to and be distributable among the holders of Common Stock, except to the extent, if any, that the holders of Preferred Stock of any series or Preference Stock of any series may be entitled to participate therein.

7. Subject to the provisions of this Section 7, the whole or any part of the Preferred Stock of any series which is redeemable may, unless preferential dividends on Preferred Stock not then to be redeemed are in arrears on the date on which notice of redemption is given, be redeemed at the option of the Company at any time or from time to time at such redemption price or prices per share, not exceeding \$120 per share, as may be fixed with respect to such series, plus an amount equal to accrued and unpaid preferential dividends thereon to the date designated for redemption, and upon such other terms and conditions as may be fixed with respect to such series. In the event that at any time less than all the Preferred Stock of any series outstanding is to be redeemed, the shares to be redeemed may be selected pro rata, or by lot, or by such other equitable method as may be determined by the board of directors. Notice of redemption shall be given by the Company by mailing notice thereof to each holder of record of stock to be redeemed at his last address as the same appears on the books of the Company, such notice to be mailed at least 30 days prior to the date designated for redemption. If such notice of redemption shall have been duly given, and if on or before the redemption date named in such notice all funds necessary for such redemption shall have been set aside by the Company in trust for the account of the holders of the Preferred Stock to be redeemed, so as to be available therefor, then, from and after the giving of such notice and the setting aside of such funds, notwithstanding that any certificate for shares of Preferred Stock so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, and the holder of such certificate or certificates shall have with respect to such stock no rights in or with respect to the Company except the right to receive the redemption price thereof and an amount equal to accrued and unpaid preferential dividends thereon to the date designated for redemption, without interest, upon the surrender of such certificate or certificates, and the right, if any, to convert such stock not later than the date designated for redemption to the extent fixed with respect to any series; and after the date designated for redemption such stock shall not be transferable on the books of the Company except to the Company.

8. Unless preferential dividends on the Preferred Stock are in arrears, the Company shall have the right from time to time to purchase on the open market or at private sale, or otherwise acquire, outstanding Preferred Stock of any series at a price not exceeding the price at which such stock might at the time be redeemed at the option of the Company, plus an amount equal to accrued and unpaid preferential dividends to the date of acquisition or, if such stock is not redeemable, at a price not exceeding the preferential amounts per share payable thereon in the event of voluntary liquidation of the Company as of the date of acquisition.

9. Except as otherwise provided by law or by the provisions of this Article Fourth, each holder of Preferred Stock, each holder of \$3.00 Convertible Second Preferred Stock and each holder of Common Stock shall be entitled to one vote for all purposes for each share of stock held by him and all of them shall vote together as a single class.

10. (a) If at any time preferential dividends on any Preferred Stock shall be in arrears in an amount equal to four quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until all accrued and unpaid preferential dividends for all previous quarterly dividend periods on all shares of Preferred Stock at the time outstanding shall have been declared and paid or set apart for payment. During each default period, the holders of Preferred Stock, voting as a class, irrespective of series, shall have the right to elect the smallest number of the directors necessary to constitute one-fifth of the board of directors, provided, however, that if the authorized number of directors be fifteen or less the holders of Preferred Stock, voting as a class, irrespective of series, shall have the right to elect four directors (such one-fifth or minimum number, as the case may be, being hereinafter sometimes referred to as the "required proportion"). In the event that the holders of Preferred Stock shall exercise such right, the holders of \$3.00 Convertible Second Preferred Stock, and Common Stock, voting as a single class, shall have the right to elect the remaining members of the board of directors.

(b) During any default period such voting right of the holders of Preferred Stock may be exercised initially at a special meeting called pursuant to paragraph (c) of this Section 10 or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of Preferred Stock as hereinafter provided to increase in certain cases the authorized number of directors shall be exercised unless the holders of 25% in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of \$3.00 Convertible Second Preferred Stock, Preference Stock and Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies in the board of directors, if any, as may then exist up to such number of directors as amounts to the required proportion and, if the number which may be so elected does not amount to the required proportion, to make such increase in the number of directors as shall be necessary to permit the election by them of the required proportion but no greater increase than shall be necessary for that purpose, and to elect directors to the offices so created. An increase in the number of directors by the holders of Preferred Stock shall not prevent a subsequent increase or decrease in the number of directors by appropriate amendment of the by-laws made in any manner provided therein by the board of directors or the holders of Preferred, \$3.00 Convertible Second Preferred and Common Stocks, voting irrespective of classes, provided that during a default period no such amendment shall (1) reduce the number of directors elected by the holders of Preferred Stock to less than the required proportion or (2) terminate the office of a director prior to the first annual meeting of stockholders subsequent to his election at which directors are elected,



except with the written consent of such director. At no time shall the by-laws be amended so as to be inconsistent with the rights of the holders of the Preferred Stock set forth in this Section 10.

(c) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the board of directors may order, or any stockholder or stockholders owning in the aggregate not less than 5% of the total number of shares of Preferred Stock outstanding, irrespective of series, may request the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Company. Notice of such meeting shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Company. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request; or in default of the calling of such meeting within 30 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than 5% of the total number of shares of Preferred Stock outstanding. Such meeting shall be held at the place appointed by the Company as the place for the holding of its annual stockholders' meetings.

(d) In any default period the holders of Preferred, \$3.00 Convertible Second Preferred and Common Stocks, voting irrespective of classes, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Stock shall have exercised their right to elect directors as a class, after the exercise of which right (1) the directors so elect by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (2) any vacancies in the board of directors shall (except as provided in paragraph (b) of this Section 10) be filled only by vote of a majority of the remaining directors theretofore elected by the holders of the class or classes of stock which elected the director whose office shall have become vacant. References in this Section 10 to directors elected by the holders of a particular class or classes of stock shall include directors elected by such directors to fill vacancies as provided in clause (2) of the foregoing sentence.

(e) Immediately upon the expiration of a default period (1) the right of the holders of Preferred Stock as a class to elect directors shall cease, (2) the term of any directors elected by the holders of Preferred Stock as a class shall terminate, and (3) the number of directors shall be such number as may be provided for in the by-laws irrespective of any increase made pursuant to the provisions of paragraph (b) of this Section 10 (such number being subject, however, to alteration then or thereafter in any manner provided in the by-laws). Any vacancies in the board of directors effected by the provisions of clauses (2) and (3) in the preceding sentence, may be filled by the directors elected by the holders of \$3.00 Convertible Second Preferred Stock and Common Stock, or by the directors elected by the holders of Preferred, \$3.00 Convertible Second Preferred and Common Stocks, voting irrespective of classes, as the case may be.

11. As long as any Preferred Stock is outstanding the Company shall not without the consent of the holders of two-thirds in number of shares of the outstanding Preferred Stock, irrespective of series, either given by vote in person or by proxy at a meeting of stockholders called for that purpose, or given in writing:

(a) amend or repeal any provision of, or add any provision to, this Certificate of Incorporation, if such action would alter or change the preferences, special rights or powers of the Preferred Stock so as to affect such Preferred Stock adversely; or

(b) increase the authorized amount of the Preferred Stock, or authorize or create any class of stock of the Company having any preference or priority as to dividends or assets superior to or on an equality with any such preference or priority of the Preferred Stock, or authorize or create any stock, security, debt, or obligation convertible into any stock of the Company having any such preference, priority or equality; or

(c) reclassify outstanding shares of stock of any class ranking after the Preferred Stock as to assets or dividends into shares of stock of any class ranking on a parity with or having any preference over the Preferred Stock as to assets or dividends;

provided, however, that if any action described in the foregoing paragraph (a) would affect adversely Preferred Stock of less than all series, such action shall require the consent of the holders of two-thirds in number of shares of the outstanding Preferred Stock of such series only as may be so affected, acting as a class, given as aforesaid; and provided further that any action specified in this Section 11 as requiring such consent of the holders of Preferred Stock, irrespective of series, or of the holders of Preferred Stock of less than all series, as the case may be, may be taken with such consent and with such additional vote or consent, if any, of stockholders as may from time to time be required by law.

12. As long as any Preferred Stock is outstanding the Company shall not without the consent of the holders of a majority in number of shares of the outstanding Preferred Stock, irrespective of series, either given by vote in person or by proxy at a meeting of stockholders called for that purpose, or given in writing: (1) by voluntary action dissolve, liquidate, or wind up the Company; or (2) sell or dispose of all or substantially all the assets of the Company or effect the merger or consolidation of the Company into or with any other corporation unless the holders of Preferred Stock of each series shall thereafter have, or shall be offered in exchange, stock having in all material respects the same powers, preferences and rights to which shares of Preferred Stock of such series were entitled prior to such sale, disposition, and merger or consolidation; provided, however, that the purchase or acquisition by the Company of all or any part of the assets, stock or securities of another corporation or corporations shall not be deemed to be a merger or consolidation within the meaning of this Section 12; and provided, further, that any action specified in this Section 12 as requiring such consent of the holders of Preferred Stock, irrespective of series, may be taken with such consent and with such additional vote or consent, if any, of stockholders as may from time to time be required by law.

13. The Company shall have authority to issue a series of Preferred Stock, without par value, as follows: (a) the shares of such series shall be designated “\$4.25 Preferred Stock”; (b) such series shall consist initially of 125,000 shares; (c) \$4.25 is hereby fixed as the rate per share per annum at which the holders of the \$4.25 Preferred Stock shall be entitled to receive preferential dividends; (d) such preferential dividends shall accrue and be cumulative from March 31, 1983; (e) the \$4.25 Preferred Stock shall be subject to redemption in whole or in part at a redemption price of \$100.00 per share; plus, as provided in Section 7 of this Article Fourth, an amount equal to accrued and unpaid preferential dividends thereon to the date designated for redemption; (f) any redemption of shares of \$4.25 Preferred Stock shall be effected in the manner and in accordance with the terms set forth in Section 7 of this Article Fourth; and (g) the preferential amount which the holders of the \$4.25 Preferred Stock shall be entitled to receive from the assets of the Company in the event of any voluntary liquidation, dissolution or winding up of the Company shall be the redemption price per share payable at the time payment is made available to the holders of such \$4.25 Preferred Stock plus, as provided in Section 6 of this Article Fourth, an amount equal to all accrued and unpaid preferential dividends to such time.

14. (a) Subject to the prior preferential rights of the holders of Preferred Stock and any other class of stock ranking prior to \$3.00 Convertible Second Preferred Stock as to dividends or assets, the holders of \$3.00 Convertible Second Preferred Stock shall be entitled to receive, when, as and if declared by the directors, out of funds legally available for the purpose, cash dividends at the rate of \$3.00 per share per annum, payable quarterly on the first days of January, April, July and October of each year. Such dividends shall be cumulative and accrue from the dividend date next preceding the date of issue, or from the date of issue if that be a dividend date. Each share of \$3.00 Convertible Second Preferred Stock shall rank on a parity with each other share of \$3.00 Convertible Second Preferred Stock in respect of payment of dividends.

(b) So long as any shares of \$3.00 Convertible Second Preferred Stock are outstanding, the Company shall not:

(i) declare or pay any dividends (other than dividends payable in Common Stock of the Company) upon, or make any distribution in respect of,

(A) Preference Stock, Common Stock or any other class of stock ranking after \$3.00 Convertible Second Preferred Stock as to dividends or assets, or

(B) Preferred Stock or any other class of stock ranking prior to the \$3.00 Convertible Second Preferred Stock as to dividends or assets in respect of any rights to dividends or assets over and above the preferential amounts fixed in accordance with the provisions of this Article Fourth, or

(ii) purchase or redeem or otherwise retire any shares of Preference Stock, Common Stock or of any other class of stock ranking after \$3.00 Convertible Second Preferred Stock as to dividends or assets,

unless all dividends accrued for all previous dividend periods shall have been paid on all outstanding shares of \$3.00 Convertible Second Preferred Stock.

15. (a) Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of shares of \$3.00 Convertible Second Preferred Stock shall be entitled, before any distribution or payment is made upon Preference Stock, Common Stock or any other class of stock ranking after \$3.00 Convertible Second Preferred Stock as to dividends or assets or upon Preferred Stock or any other class of stock ranking prior to \$3.00 Convertible Second Preferred Stock as to dividends or assets in respect of any rights to dividends or assets over and above the preferential amounts fixed in accordance with the provisions of this Article Fourth, but subject to the prior preferential rights of the holders of Preferred Stock and any other class of stock ranking prior to \$3.00 Convertible Second Preferred Stock as to dividends or assets, to be paid in cash the sum of \$110 per share plus dividends accrued on each share to the date fixed for payment thereof, and to no further payment.

(b) In the event that the assets of the Company available for distribution to holders of \$3.00 Convertible Second Preferred Stock shall not be sufficient to pay in full the amount herein required to be paid, such assets shall be distributed to the holders of shares of \$3.00 Convertible Second Preferred Stock pro rata.

(c) After payment in full shall have been made to all holders of \$3.00 Convertible Second Preferred Stock as herein provided, then, but not prior thereto, distributions may be made upon Preference Stock, Common Stock and any other class of stock ranking after \$3.00 Convertible Second Preferred Stock as to dividends or assets and upon Preferred Stock or any other class of stock ranking prior to \$3.00 Convertible Second Preferred Stock as to dividends or assets in respect of any rights as to dividends or assets over and above the preferential amounts fixed in accordance with this Article Fourth.

(d) Neither the consolidation or merger of the Company into or with any other corporation or corporations, nor the sale or transfer by the Company of all or substantially all of its assets in connection with or incident to such a consolidation or merger, nor the reduction of the capital stock of the Company shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of any of the provisions of this paragraph 15.

16. The \$3.00 Convertible Second Preferred Stock shall be subject to redemption, at the option of the board of directors, at any time on or after October 1, 1974, in whole or in part, upon notice given as hereinafter provided, by paying for each share, in cash, the sum of \$110 plus an amount equal to dividends accrued thereon to the date fixed for redemption, such sum being herein sometimes referred to as the redemption

price, provided, however, that no shares of \$3.00 Convertible Second Preferred Stock shall be redeemed unless all dividends for all previous dividend periods shall have been paid on all shares of \$3.00 Convertible Second Preferred Stock which are to remain outstanding after such redemption, and on any other class of preferred stock ranking equally therewith in respect of the payment of dividends. In case of the redemption of only a part of the outstanding shares, the shares to be redeemed shall be selected by lot or pro rata in such manner as the board of directors shall determine. Not less than 30 days' prior written notice shall be given by mail, postage prepaid, to the holders of record of the shares to be redeemed, such notice to be addressed to each stockholder at his post office address as shown by the records of the Company. If such notice of redemption shall have been duly given and if, on or before the redemption date specified in such notice, there shall have been deposited with the transfer agent for the \$3.00 Convertible Second Preferred Stock, in trust for the account of the holders of the shares so called for redemption, the funds necessary for such redemption, then, upon the making of such deposit, the shares with respect to which such deposit shall have been made shall no longer be deemed to be outstanding, and all rights with respect to such shares, including the rights, if any, to receive notices, shall forthwith cease and terminate except only the right of the holders thereof to receive, out of the funds so deposited, the redemption price thereof. Any interest accrued on such funds shall belong to the Company and be paid to it from time to time. Any funds so set aside or deposited and unclaimed at the end of six years from the date fixed for such redemption shall be repaid to the Company upon its request, after which repayment the holders of the shares so called for redemption shall look only to the Company for the payment of the redemption price thereof. Subject to the provisions hereof, the board of directors shall have authority to prescribe the manner in which \$3.00 Convertible Second Preferred Stock shall be redeemed from time to time. Any shares so redeemed shall be permanently retired and shall not under any circumstances be reissued.

Holders of shares of \$3.00 Convertible Second Preferred Stock shall not be entitled to any sinking fund for the purchase or redemption of such shares.

17. (a) Subject to and upon compliance with the following provisions of this paragraph 17, at the option of the holder, each share of \$3.00 Convertible Second Preferred Stock may at any time be converted into Common Stock of the Company as set forth below:

(i) At any time prior to October 1, 1974, each share of \$3.00 Convertible Second Preferred Stock shall be convertible into 3.40 shares of Common Stock;

(ii) On and after October 1, 1974 but prior to October 1, 1975, each share of \$3.00 Convertible Second Preferred Stock shall be convertible into 3.35 shares of Common Stock;

(iii) On and after October 1, 1975 but prior to October 1, 1976, each share of \$3.00 Convertible Stock Preferred Stock shall be convertible into 3.30 shares of Common Stock;

(iv) On and after October 1, 1976 but prior to October 1, 1977, each share of \$3.00 Convertible Second Preferred Stock shall be convertible into 3.25 shares of Common Stock;

(v) On and after October 1, 1977 but prior to October 1, 1978, each share of \$3.00 Convertible Second Preferred Stock shall be convertible into 3.20 shares of Common Stock;

(vi) On and after October 1, 1978, each share of \$3.00 Convertible Second Preferred Stock shall be convertible into 3.15 shares of Common Stock.

(b) In order to exercise the conversion privilege, the holder of any shares of \$3.00 Convertible Second Preferred Stock to be converted shall surrender his certificate or certificates therefor at the principal office of the transfer agent for the \$3.00 Convertible Second Preferred Stock (or if no transfer agent be at the time appointed, then to the Company at its executive offices in New York, New York), and shall give written notice to the Company at such office that the holder elects to convert the shares represented by such certificates, or any number thereof. Such notice shall also state the name or names (with address) in which the certificate or certificates for shares of Common Stock issuable on such conversion shall be issued. Certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or by his attorney duly authorized in writing. As soon as practicable after receipt of such notice and the surrender of the certificate or certificates for shares of \$3.00 Convertible Second Preferred Stock as aforesaid, the Company shall cause to be issued and delivered at such office to such holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and cash as provided in subparagraph (d) below in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion. No adjustment shall be made for dividends accrued on any shares of \$3.00 Convertible Second Preferred Stock or for dividends on any shares of Common Stock issued on such conversion.

(c) If shares of \$3.00 Convertible Second Preferred Stock are called for redemption, the right to convert such shares shall cease and terminate at the close of business on the business day next preceding the date fixed for redemption, unless default shall thereafter be made in payment of the redemption price.

(d) The Company shall not issue fractions of shares of Common Stock upon conversion of shares of \$3.00 Convertible Second Preferred Stock or fractional share bearer warrants in lieu thereof. If any fraction of a share of Common

Stock would, except for the provisions of this subparagraph (d), be issuable upon such conversion, the Company shall in lieu thereof pay to the person entitled thereto an amount in cash equal to the current value of such fraction, calculated to the nearest one-hundredth (1/100) of a share, (i) computed, if the Common Stock shall be listed on the New York Stock Exchange or on any other national securities exchange, on the basis of the last sales price of the Common Stock on such Exchange (or the quoted closing bid price if there shall have been no sales) on the date of conversion, or (ii) computed, if the Common Stock shall not be so listed, on the basis of the average of the closing bid and asked prices for the Common Stock on the date of conversion as reported by The National Quotation Bureau, Inc., or its successor, or such other reporting service as the Company shall determine.

(e) (i) The number of shares of Common Stock into which shares of \$3.00 Convertible Stock Preferred Stock shall at any time be convertible into Common Stock shall be subject to adjustment from time to time and such number as so adjusted shall likewise be subject to further adjustment all as hereinafter set forth.

(ii) In case the Company shall at any time when shares of \$3.00 Convertible Second Preferred Stock are outstanding subdivide or combine the outstanding shares of Common Stock, the number of shares of Common Stock into which each share of \$3.00 Convertible Second Preferred Stock is then convertible and the number of shares of Common Stock into which each share of \$3.00 Convertible Second Preferred Stock will be convertible during those of the periods specified in subparagraph (a) above which remain unexpired shall forthwith be proportionately increased in the case of subdivision or decreased in the case of combination (in each case as of the effective date of the subdivision or combination), the resultant number of shares of Common Stock to be rounded to the nearest one-hundredth (1/100) of a share.

(iii) In case of any reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of subdivision or combination), or in the case of any consolidation of the Company with, or merger of the Company into, another corporation (other than merger or consolidation in which the Company is the continuing corporation and which does not result in any reclassification or change in the outstanding shares of Common Stock), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Company, or such successor or purchasing corporation, as the case may be, shall make appropriate provision so that a holder of shares of the \$3.00 Convertible Second Preferred Stock, or of the shares of capital stock of such successor or purchasing corporation into which the \$3.00 Convertible Second Preferred Stock shall be converted or which shall be offered in exchange therefor, as the case may be, shall thereafter have the right to convert such \$3.00 Convertible Second Preferred Stock or such other capital stock into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which such holder of shares of \$3.00 Convertible Second Preferred Stock might have converted immediately prior to such

reclassification, change, consolidation, merger, sale or conveyance, subject however, to later adjustments comparable to those required by subparagraph (a) above and this subparagraph (e).

(f) The Company shall reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of all outstanding shares of the \$3.00 Convertible Second Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect such conversion. The Company will not take any action which would cause the aggregate liquidation value of the then outstanding shares of \$3.00 Convertible Second Preferred Stock to be below the aggregate par value of the number of shares of Common Stock issuable upon conversion of all then outstanding shares of \$3.00 Convertible Second Preferred Stock or, in case the Common Stock shall have no par value, below the amount for which such number of shares of Common Stock could be issued as fully paid and nonassessable upon conversion of all the then outstanding shares of \$3.00 Convertible Second Preferred Stock.

(g) Shares of \$3.00 Convertible Second Preferred Stock surrendered to the Company for conversion pursuant to this paragraph 17 shall be permanently retired and shall not under any circumstances be reissued.

18. (a) Subject to the limitations and provisions contained in this Article Fourth, the Preference Stock may be issued from time to time in one or more series and in such amounts as may be determined by the board of directors. All shares of any one series of the Preference Stock shall be identical in all respects, except that shares of any one series providing for cumulative dividends issued at different times may differ as to the dates from which dividends are cumulative, and each series thereof shall be distinctively designated by letter or descriptive words. If any of the Preference Stock is subject to redemption, any redeemed Preference Stock shall have the status of authorized but unissued Preference Stock unless the Board of Directors otherwise determines in connection with the issuance or redemption of such Preference Stock.

(b) All series of the Preferred Stock and the \$3.00 Convertible Second Preferred Stock shall have preference and priority over all series of the Preference Stock in the payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding up of the Company and the Preference Stock shall be subject to all the powers, preferences and rights of the Preferred Stock and the \$3.00 Convertible Second Preferred Stock as set forth in this Article Fourth. Subject to the foregoing, authority is hereby expressly granted to the board of directors from time to time to issue in the Preference Stock as Preference Stock of any series and in connection with the creation of each such series to fix by the resolution or resolutions providing for the issue of shares thereof the designations and the powers, preferences and rights, and the qualifications, limitations or restricts thereof, of such series, to the full extent now or hereafter permitted by the laws of the State of Delaware, including, without limitation, the matters set forth in the following subdivisions (i) to (xi), inclusive:

(i) The series to which such Preference Stock shall belong;



(ii) The amount and timing of the declaration and payment of dividends, if any (including any dividends which may be determined from time to time at the discretion of the board of directors), which shall be payable on the shares of such series, whether the dividends, if any, of such series shall be cumulative and, if so, the date from which they shall be cumulative, and any preferences as to dividends of the shares of such series over the Common Stock or over any other series of Preference Stock;

(iii) Whether or not the shares of such series shall be subject to redemption and, if so, the date or dates upon or after which the shares of such series shall be subject to redemption at the election of the Company, the redemption price or prices per share of such series on such redemption and any other terms or conditions relating to such redemption;

(iv) Any preferences of the shares of such series over the Common Stock or over any other series of Preference Stock or any other class of stock ranking after the Preference Stock as to assets in the event of any liquidation, dissolution or winding up of the Company and whether or not shares of such series are to participate in any distribution of assets in the event of any such liquidation, dissolution or winding up after the payment of any preference of such shares as to such assets.

(v) Whether or not the shares of such series shall be entitled to the benefit of a sinking fund or purchase fund to be applied to the redemption or purchase of such series and, if so entitled, the amount of such fund and the manner of its application;

(vi) Whether or not the shares of such series shall be subject to mandatory redemption and, if so, the amount of such redemption and the manner of its application;

(vii) Whether or not the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class or of any series of any other class or classes of stock of the Company or other securities and, if so convertible or exchangeable, the conversion price or prices or rate or rates, or the rate or rates of exchange, and the adjustments, if any, in the price or prices or rate or rates at which such conversion or exchange may be made;

(viii) Whether the holders of shares of such series shall have voting powers and, if they are to have such voting powers, the extent thereof;

(ix) The limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Company of, the Common Stock or any other series of Preference Stock.

(x) The conditions or restrictions, if any, upon the creation of indebtedness of the corporation or upon the issue of any additional stock, including additional shares of such series or of any other series of this class or of any other class; and

(xi) Any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof.

19. There shall be subject to issue or transfer no fractional share of Common, Preferred, \$3.00 Convertible Second Preferred or Preference Stock; and in respect to future issues or stock dividends resulting in one or more fractional shares of Common, Preferred, \$3.00 Convertible Second Preferred or Preference Stock, the board of directors may provide for the issue of fractional share bearer warrants which shall not draw dividends or be entitled to vote, but which shall entitle the holders thereof to have issued to them an integral number of shares of Common, Preferred, \$3.00 Convertible Second Preferred or Preference Stock, as the case may be, for an aggregate number of fractions amounting to such integral number of shares of Common, Preferred, \$3.00 Convertible Second Preferred or Preference Stock, as the case may be, if presented to the Company within such time not less than three months after issue as the directors may deem advisable; or the directors may provide, if the fractional share of Common, Preferred, \$3.00 Convertible Second Preferred or Preference Stock is one-half share or less than one-half share, that such fractional share shall be extinguished by payment to the holder of the value of such fractional share as determined by the board of directors; and if the fractional share is more than one-half, that the holder thereof shall be required to pay to the Company, according to the value fixed by the board of directors, an amount sufficient to make his holdings an integral number, and until he shall so pay, he shall not be entitled to vote such fractional share or receive dividends thereupon; provided that any fractional shares of Common Stock resulting from conversion of \$3.00 Convertible Second Preferred Stock shall be extinguished by payment to the holders of the value of such fractional shares as determined in accordance with paragraph 17(d) of this Article Fourth.

20. Nothing contained in this Article Fourth shall prejudice any power which the board of directors may otherwise have to close the stock transfer books of the Company or prejudice any right which the Company may otherwise have to fix in its by-laws, or provide in its by-laws that the directors shall be authorized to fix, record dates for the determination of stockholders entitled to notice of, and to vote at, meetings of stockholders or any adjournment thereof, or entitled to receive payment of dividends, or to any allotment of rights, or to exercise rights in respect of any change, conversion or exchange of capital stock, or to give a consent for any purpose, and to provide that in

such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of and to vote at such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Company after any such record date fixed as aforesaid.

FIFTH: The number of shares with which the Company will commence business is ten (10), which shares are without par value.

SIXTH: The Company is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

EIGHTH: 1. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized, subject to the provisions of Article Fourth hereof:

(a) To make, alter, or repeal the by-laws of the Company; to fix such proportion, if any, of the amounts paid into the Company for its capital stock as they may determine to treat as surplus available for dividends; to fix and change from time to time the amount to be reserved as working capital over and above its capital stock paid in; to authorize and cause to be executed mortgages and liens upon the real and personal property of the Company; subject only to the limitations, restrictions and provisions hereinbefore set forth and as otherwise provided by law.

(b) From time to time to determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the Company (other than the stock ledger) or any of them shall be open to inspection of stockholders; and no stockholder shall have any right of inspecting any account, book or document of the Company, except as conferred by statute, unless authorized by resolution of the stockholders or directors.

(c) By resolution or resolutions passed by a majority of the whole board of directors to designate one or more committees, each committee to consist of two or more directors of the Company, which to the extent provided in such resolution or resolutions or in the by-laws of the Company shall have and may exercise the powers of the board of directors in the management of the business and affairs of the Company and shall have power to authorize the seal of the Company to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the Company or as may be determined from time to time by resolution adopted by the board of directors.

2. Both stockholders and directors shall have the power, if the by-laws so provide, to hold their meetings and to have one or more offices within or without the State of Delaware, and to keep the books of the Company (subject to the provisions of the statutes) outside of the State of Delaware at such place or places as may be from time to time designated by the board of directors.

3. No contract or other transaction between the Company and any other corporation, and no act of the Company shall in any way be affected or invalidated by the fact that any of the directors of the Company are pecuniarily or otherwise interested in or are directors or officers of such corporation; any director individually, or any firm of which such director may be a member, may be a party to or may be pecuniarily or otherwise interested in any contract or transaction of the Company, provided that the fact that he or such firm is so interested shall be disclosed or shall have been known to the board of directors or a majority thereof; and any director of the Company, who is also a director or officer of such other corporation, or is so interested, may be counted in determining the existence of a quorum at any meeting of the board of directors of the Company, which shall authorize such contract or transaction, and may vote thereat to authorize any such contract or transaction, with like force and effect, as if he were not such director or officer of such other corporation or not so interested.

NINTH: Subject to the provisions of Article Fourth hereof, the Company reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

TENTH: 1. A Director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

2. (a) Each person who was or is made a party or is threatened to be made a party to or involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees,

judgments, fines, including excise taxes with respect to an employee benefit plan, or penalties and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (b) hereof, the Company shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the Company. The right to indemnification conferred in this paragraph (a) of Section 2 shall include the right to be paid by the Company the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Company of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise.

(b) If a claim under paragraph (a) of this Section 2 is not paid in full by the Company within thirty days after written claim has been received by the Company the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Company) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Company (including its board of directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

(d) The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation,

partnership, joint venture, trust or other enterprise, including an employee benefit plan, against any such expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

(e) Upon resolution passed by the board of directors, the Company may establish a trust or other designated account, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of certain of its obligations arising under this Article Tenth.

(f) If any part of this Article Tenth shall be found, in any action, suit or proceeding or appeal therefrom or in any other circumstances or as to any particular officer, director or employee to be unenforceable, ineffective or invalid for any reason, the enforceability, effect and validity of the remaining parts or of such parts in other circumstances shall not be affected, except as otherwise required by applicable law.

IN WITNESS WHEREOF, said Colgate-Palmolive Company has caused this Certificate to be signed by Reuben Mark, its Chairman of the Board, and attested by Harold Obstler, its Secretary, this 15<sup>th</sup> day of June, 1988.

By /s/ Reuben Mark  
Reuben Mark  
Chairman of the Board

[CORPORATE SEAL]

Attest:

By /s/ Harold Obstler  
Harold Obstler  
Secretary

## CERTIFICATE OF DESIGNATIONS

of

## SERIES A JUNIOR PARTICIPATING PREFERENCE STOCK

of

## COLGATE-PALMOLIVE COMPANY

(Pursuant to Section 151 of the  
Delaware General Corporation Law)

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Colgate-Palmolive Company, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on October 13, 1988:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Preference Stock, without par value (the "Preference Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preference Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preference Stock" (the "Series A Preference Stock") and the number of shares constituting the Series A Preference Stock shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preference Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preference Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of preferred stock, \$3.00 Convertible Second Preferred Stock, without par value, or Preference Stock (or any similar stock) ranking prior and superior to the Series A

Preference Stock with respect to dividends, the holders of shares of Series A Preference Stock, in preference to the holders of Common Stock, \$1 par value (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share of Series A Preference Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preference Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preference Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preference Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preference Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preference Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date



or is a date after the record date for the determination of holders of shares of Series A Preference Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preference Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preference Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preference Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preference Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preference Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preference Stock, preferred stock or any similar stock, or by law, the holders of shares of Series A Preference Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preference Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preference Stock as provided in Section 2 are in arrears,

thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preference Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preference Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preference Stock, except dividends paid ratably on the Series A Preference Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preference Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preference Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preference Stock, or any shares of stock ranking on a parity with the Series A Preference Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preference Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preference Stock and may be reissued as part of a new series of Preference Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preference Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preference Stock unless, prior thereto, the holders of shares of Series A Preference Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preference Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preference Stock, except distributions made ratably on the Series A Preference Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preference Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preference Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preference Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preference Stock shall not be redeemable.

Section 9. Rank. The Series A Preference Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preference Stock.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preference Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preference Stock, voting together as a single class.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by a Vice President and attested by an Assistant Secretary this 25<sup>th</sup> day of October, 1988.

\_\_\_\_\_  
/s/ Harold Obstler  
Vice President

Attest:

\_\_\_\_\_  
/s/ William R. Peters  
Assistant Secretary

CERTIFICATE OF DESIGNATIONS  
OF  
SERIES B CONVERTIBLE PREFERENCE STOCK  
OF  
COLGATE-PALMOLIVE COMPANY

Pursuant to Section 151 of the General Corporation Law  
of the State of Delaware

We, Robert M. Agate, Executive Vice President and Chief Financial Officer, and Harold Obstler, Vice President and Secretary, of Colgate-Palmolive Company, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation, as amended, of said Corporation, the said Board of Directors on June 19, 1989, at a meeting duly called and held, adopted the following resolution creating a series of 6,315,149 shares of Preference Stock designated as Series B Convertible Preference Stock:

RESOLVED, that creation of a series of Preference Stock of the Corporation, to be designated Series B Convertible Preference Stock (the "Series B Preference Stock"), with the designation and amount thereof and the voting powers, preferences and relative, participating, optional or other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof as set forth below, be, and the same hereby is, approved:

Series B Convertible Preference Stock

Section 1. Designation and Amount; Special Purpose Restricted Transfer Issue.

(A) The shares of this series of Preference Stock shall be designated as "Series B Convertible Preference Stock" and the number of shares constituting such series shall be 6,315,149.

(B) Shares of Series B Preference Stock shall be issued only to a trustee acting on behalf of an employee stock ownership plan or other employee benefit plan of

the Corporation. In the event of any transfer of shares of Series B Preference Stock, including a distribution to participants of an employee benefit plan, to any person other than the Corporation or the trustee of any such plan, the shares of Series B Preference Stock so transferred, upon such transfer and without any further action by the Corporation or the holder, shall be automatically converted into shares of the Corporation's Common Stock, par value \$1 per share (the "Common Stock"), pursuant to Section 5 hereof and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to shares of Series B Preference Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of Series B Preference Stock shall be so converted. In the event of such a conversion, the transferee of the shares of Series B Preference Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of Series B Preference Stock have been automatically converted as of the date of such transfer; provided, however, that the pledge of Series B Preference Stock as collateral under any credit agreement for the financing or refinancing of the initial purchase of the Series B Preference Stock by such employee stock ownership plan or other employee benefit plan of the Corporation shall not constitute a transfer for purposes of this Section 1. Certificates representing shares of Series B Preference Stock shall be legended to reflect such restrictions on transfer. Notwithstanding the foregoing provisions of this Section 1(B), shares of Series B Preference Stock (i) may be converted into shares of Common Stock pursuant to Section 5 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Corporation upon the terms and conditions provided by Sections 6, 7 and 8 hereof.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of preferred stock or Preference Stock (or any similar stock) ranking prior and superior to the Series B Preference Stock with respect to dividends, and subject to the provisions for adjustment hereinafter set forth, the holders of shares of Series B Preference Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount per share equal to \$4.88 per share per annum, payable semi-annually in arrears, one-half on the 28<sup>th</sup> day of December and one-half on the 28<sup>th</sup> day of June of each year (each a "Dividend Payment Date") commencing on June 28, 1990, to holders of record at the start of business on such Dividend Payment Date; provided, however, that the first two dividends shall be paid on July 25, 1989 and December 28, 1989 calculated as set forth in the penultimate sentence of this paragraph (A); and provided, further, that if as of a given Dividend Payment Date \$2.44 is less than an amount (the "Common Stock Equivalent Dividend") equal to (i) the aggregate amount of all cash dividends (excluding an amount equal to the Fair Market Value of any Extraordinary Distribution made during such period as defined in Section 9(F)(ii)) declared per share of Common Stock since the immediately preceding Dividend Payment Date multiplied by (ii) the number of shares of Common Stock into which such share of Series B Preference Stock was convertible on the appropriate dividend payment date for the Common Stock, then the Preferred

Dividend payable for such period shall equal the Common Stock Equivalent Amount. In the event that any Dividend Payment Date shall occur on any day other than a "Business Day" (as defined in Section 9(F)(i)), the dividend payment due on such Dividend Payment Date shall be paid without interest on the Business Day immediately following such Dividend Payment Date. Preferred Dividends shall begin to accrue on outstanding shares of Series B Preference Stock from the date of issuance of such shares of Series Preference Stock. Preferred Dividends shall accrue on a daily basis whether or not the Corporation shall have earnings or surplus at the time. Preferred Dividends accrued after the date of issuance for any period less than a full semi-annual period shall be computed on the basis of a 360-day year of 30-day months and in the case of each of the first two dividends, such a proportional dividend shall accrue for the period from the date of issuance until July 25, 1989, in respect of the first dividend, and from July 26, 1989 until December 28, 1989, in respect of the second dividend, and shall be calculated based upon the fixed Preferred Dividend amount rather than the Common Stock Equivalent Dividend amount. Accrued but unpaid Preferred Dividends shall cumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

(B) So long as any Series B Preference Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the Series B Preference Stock as to dividends ("Parity Stock"), unless there shall also be or have been declared and paid or set apart for payment on the Series B Preference Stock dividends for all dividend payment periods of the Series B Preference Stock ending on or before the dividend payment date of such Parity Stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend payment period on the Series B Preference Stock, and accumulated and unpaid on such Parity Stock through the dividend payment period on such Parity Stock next preceding such dividend payment period. So long as any Series B Preference Stock shall be outstanding, in the event that full cumulative dividends on the Series B Preference Stock have not been declared and paid or set apart for payment when due, the Corporation shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement of any other class of stock or series thereof of the Corporation ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Series B Preference Stock ("Junior Stock") until full cumulative and unpaid dividends on the Series B Preference Stock shall have been paid or declared and set apart for payment; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any Junior Stock, or (ii) the acquisition of shares of any Junior Stock either (x) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted or (y) in exchange solely for shares of any other Junior Stock. Subject to the foregoing provisions of this Section 2 (B), the Board of Directors may declare and the Corporation may pay or set apart for payment dividends and other distributions on any other Junior Stock or Parity Stock, and may purchase or otherwise redeem any of the Junior Stock or Parity Stock or any warrants, rights, or options or other securities exercisable for or convertible into any of the Junior Stock or Parity Stock and the holders of shares of the Series B Preference Stock shall not be entitled to share therein.

Section 3. Voting Rights. Subject to the provisions of Section 10 of Article FOURTH of the Restated Certificate of Incorporation, the holders of shares of Series B Preference Stock shall have the following voting rights:

(A) The holders of Series B Preference Stock shall be entitled to vote on all matters submitted to a vote of the holders of Common Stock of the Corporation, voting together with the holders of Common Stock as one class. Each share of the Series B Preference Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which such share of Series B Preference Stock could be converted on the record date for determining the stockholders entitled to vote, rounded to the nearest one-tenth of a vote.

(B) Except as otherwise required by law or set forth herein, holders of Series B Preference Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for the taking of any corporate action ; provided, however, that the vote of at least 66 2/3% of the outstanding shares of Series B Preference Stock, voting separately as a series, shall be necessary to adopt any alteration, amendment or repeal of any provision of the Restated Certificate of Incorporation of the Corporation (the "Certificate") or this Certificate of Designations, if such amendment, alteration or repeal would alter or change the powers, preferences or special rights of the shares of Series B Preference Stock so as to affect them adversely.

Section 4. Liquidation, Dissolution or Winding-Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of Series B Preference Stock shall be entitled to receive out of assets of the Corporation which remain after satisfaction in full of all valid claims of creditors of the Corporation and which are available for payment to the stockholders, and subject to the rights of the holders of any stock of the Corporation ranking senior to or on a parity with the Series B Preference Stock in respect of distributions upon liquidation, dissolution or winding-up of the Corporation, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the Series B Preference Stock in respect of distributions upon liquidation, dissolution or winding-up of the Corporation, liquidating distributions in the amount of \$65 per share (the "Liquidation Preference"), plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding-up of the Corporation, the amounts payable with respect to the Series B Preference Stock and any other stock ranking as to any such distribution on a parity with the Series B Preference Stock are not paid in full, the holders of the Series B Preference Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which they are entitled as provided



by the foregoing provisions of this Section 4(A), the holders of shares of Series B Preference Stock shall not be entitled to any further right or claim to any of the remaining assets of the Corporation.

(B) Neither the merger, consolidation or combination of the Corporation with or into any other corporation, nor the sale, lease, transfer or other exchange of all or any portion of the assets of the Corporation (or any purchase or redemption of some or all of the shares of any class or series of stock of the Corporation), shall be deemed to be a dissolution, liquidation or winding-up of the affairs of the Corporation for purposes of this Section 4, but the holders of Series B Preference Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by Section 8 hereof.

(C) Written notice of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of Series B Preference Stock in such circumstances shall be payable, and stating that such payment will be made only after the surrender of such holder's certificates representing shares of Series B Preference Stock, shall be given by first-class mail, postage prepaid, mailed not less than twenty (20) days prior to any payment date stated therein, to the holders of Series B Preference Stock, at the address shown on the books of the Corporation or any transfer agent for the Series B Preference Stock; provided, however, that a failure to give notice as provided above or any defect therein shall not affect the Corporation's ability to consummate a voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.

Section 5. Conversion into Common Stock.

(A) A holder of shares of Series B Preference Stock shall be entitled, at any time prior to the close of business on the date fixed for redemption of such shares pursuant to Section 6, 7 or 8 hereof, to cause any or all of such shares to be converted into shares of Common Stock, initially at a conversion rate equal to one share of Common Stock for each one share of Series B Preference Stock, and which shall be adjusted as hereinafter provided (and, as so adjusted, rounded to the nearest ten-thousandth, is hereinafter sometimes referred to as the "Conversion Ratio").

(B) Any holder of shares of Series B Preference Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of Series B Preference Stock being converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Corporation or the offices of the transfer agent for the Common Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of Series B Preference Stock, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of Series B Preference Stock to be converted and the name or names in which such holder wishes the certificate or certificates for Common Stock and for any shares of Series B Preference Stock not to be so converted to be issued, and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(C) Upon surrender of a certificate representing a share or shares of Series B Preference Stock for conversion, the Corporation or the transfer agent for the Common Stock shall issue and send by hand delivery (with receipt to be acknowledged) or by first class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of Series B Preference Stock, only part of which are to be converted, the Corporation or the transfer agent for the Common Stock shall issue and deliver to such holder or such holder's designee a new certificate or certificates representing the number of shares of Series B Preference Stock which shall not have been converted.

(D) The issuance by the Corporation of shares of Common Stock upon a conversion of shares of Series B Preference Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof and (ii) the commencement of business on the second Business Day after the surrender of the certificate or certificates for the shares of Series B Preference Stock to be converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) as provided herein. On and after the effective date of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date.

(E) The Corporation shall not be obligated to deliver to holders of Series B Preference Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of Series B Preference Stock, but in lieu thereof may issue fractional share bearer warrants or make a cash payment in respect thereof in any manner permitted by law and the Certificate.

(F) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of Series B Preference Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series B Preference Stock then outstanding. Nothing contained herein shall preclude the Corporation from issuing shares of Common Stock held in its treasury upon the conversion of shares of Series B Preference Stock into Common Stock pursuant to the terms thereof. The Corporation shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all requirements as to registration or qualification of the Common Stock, in order to enable the Corporation

lawfully to issue and deliver to each holder of record of Series B Preference Stock such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Series B Preference Stock then outstanding and convertible into shares of Common Stock.

(G) Whenever the Corporation shall issue shares of Common Stock upon any conversion of shares of Series B Preference Stock as contemplated by this Section 5, the Corporation shall issue together with each share of Common Stock one right to purchase Series A Junior Participating Preference Stock of the Corporation pursuant to the Rights Agreement by and between the Corporation and Morgan Shareholder Services Trust Company, dated as of October 13, 1988, as the same may be amended from time to time thereafter (the "Rights Agreement"), or any rights issued to holders of the Common Stock in addition thereto or in replacement therefor, whether or not such rights shall be exercisable or tradeable separately from the Common Stock at such time, but only if the rights issued pursuant to such Rights Agreement are outstanding and have not expired or been redeemed or exchanged.

Section 6. Redemption At the Option of the Company.

(A) The Series B Preference Stock shall be redeemable, in whole or in part, at the option of the Corporation (i) at any time after June 19, 1992, (ii) at any time prior to June 19, 1992 if permitted by paragraph (C) or (iii) at any time after the date of issuance if permitted by paragraphs (D) of this Section 6, at the following percentages of the Liquidation Preference:

<u>During the Twelve Month Period Beginning June 19,</u>	<u>Percentage of Liquidation Preference</u>
1989	107.5
1990	106.75
1991	106.0
1992	105.25
1993	104.5
1994	103.75
1995	103.0
1996	102.25
1997	101.5
1998	100.75

and thereafter at the Liquidation Preference, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Corporation in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (E) of this Section 6. Notice having been given as provided in Paragraph B below, from and after the date fixed for redemption, unless the Corporation shall have failed to set aside sufficient funds for such

redemption, dividends on shares of Series B Preference Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Corporation shall cease, except the right to receive the redemption price. No interest shall accrue on the redemption price after the date fixed for redemption. If less than all of the outstanding shares of Series B Preference Stock are to be redeemed, the Corporation shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Corporation.

(B) Unless otherwise required by law, notice of redemption pursuant to paragraphs (A), (C) or (D) of this Section 6 will be sent to the holders of Series B Preference Stock at the address shown on the books of the Corporation or any transfer agent for the Series B Preference Stock by first class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the Series B Preference Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Ratio in effect at the time. Upon surrender of the certificate for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the redemption price set forth pursuant to this Section 6.

(C) Notwithstanding anything to the contrary in paragraph (A) of this Section 6, the Corporation may elect to redeem any or all of the shares of Series B Preference Stock at any time on or prior to June 19, 1992 on the terms and conditions set forth in paragraphs (A) and (B) of this Section 6, if the last reported sales price, regular way, or if no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, of a share of Common Stock, in each case as reported on the Composite Tape for New York Stock Exchange transactions (the "Composite Tape") or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange (the "NYSE"), on the principal national securities exchange on which such stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ National Market System") or, if the Common Stock is not quoted on such NASDAQ National Market System, the average of the closing bid and asked prices in overthecounter market as reported by NASDAQ, for at least twenty (20) trading days within a period of thirty (30) consecutive trading days ending within five (5) days of the notice of redemption equals or exceeds one hundred fifty percent (150%) of an amount equal to (x) the Liquidation Preference divided by (y) the Conversion Ratio (giving effect in making such calculation to any adjustments required by Section 9 hereof).

(D) Notwithstanding anything to the contrary in paragraph (A) of this Section 6, the Corporation may elect to redeem any or all of the shares of Series B Preference Stock at any time on or prior to June 19, 1992 on the terms and conditions set forth in paragraphs (A) and (B) of this Section 6, if the Corporation terminates an employee stock ownership plan pursuant to which shares of Series B Preference Stock are then held by a trustee (in which case only the shares held pursuant to such plan may be so redeemed).

(E) The Corporation, at its option, may make payment of the redemption price required upon redemption of shares of Series B Preference Stock pursuant to Section 6 or 7 hereof in cash or, provided that the Fair Market Value of a share of Preference Stock (as defined in Section 9(F)(iii)) is less than the Fair Market Value of the shares of Common Stock (as defined in Section 9 (F)(iii)) into which it is then convertible, in shares of Common Stock, or in a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose at their Fair Market Value (as defined in Section 9(F)(iii)); provided, however, that in calculating their Fair Market Value for this purpose the Adjustment Period (as defined in Section 9(F)(v)) shall be deemed to be the five (5) consecutive trading days preceding, and including, the date of redemption).

Section 7. Other Redemption Rights.

(A) In the event (i) there is a change in the federal income tax laws of the United States of America or a determination by a court of competent jurisdiction, in either case, which has the effect of precluding the Corporation from claiming any of the tax deductions for dividends paid on the Series B Preference Stock when such dividends are used as provided under Section 404(k)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), as in effect on the date shares of Series B Preference Stock are initially issued, or (ii) the Colgate-Palmolive Employees' Savings and Investment Plan, as the same may be amended, or any successor plan (the "Plan") is determined by the Internal Revenue Service not to be qualified within the meaning of Sections 401(a) and 4975(e)(7) of the Code, the Corporation may, in its sole discretion and notwithstanding anything to the contrary in Section 6(A), elect to redeem any or all of the shares of Series B Preference Stock at a redemption price equal to the Liquidation Preference plus an amount equal to accrued and unpaid dividends thereon to the date fixed for redemption, and otherwise on the terms and conditions set forth in paragraphs (A) and (B) of Section 6.

(B) Subject to the restrictions of the General Corporation Law of the State of Delaware (the "Delaware Law"), shares of Series B Preference Stock shall be redeemed by the Corporation for cash or, if the Corporation so elects, in shares of Common Stock, or a combination of such shares and cash (any such shares of Common Stock to be valued for such purpose in accordance with the formula set forth in Section 6(E)), at a redemption price equal to the Liquidation Preference plus an amount equal to accrued and unpaid dividends thereon to the date fixed for redemption, at the option of

the holder, at any time and from time to time upon notice to the Corporation given not less than five (5) business days prior to the date fixed by the holder in such notice for such redemption, (i) when and to the extent necessary for such holder to provide for distributions required to be made under, or to satisfy an investment election provided to participants in accordance with, the Plan to participants in the Plan or (ii) in the event that the Plan is not determined by the Internal Revenue Service to be qualified within the meaning of Sections 401(a) and 4975(e)(7) of the Code.

Section 8. Consolidation, Combination, Merger, etc.

(A) In the event that the Corporation shall consummate any consolidation, combination, merger or similar business combination transaction, pursuant to which the outstanding shares of Common Stock are exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting company (including the Corporation) that constitutes "qualifying employer securities" with respect to a holder of Series B Preference Stock within the meaning of Section 409(1) of the Code and Section 407(d) (5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of Series B Preference Stock shall by virtue of such consolidation, combination, merger or similar business combination transaction be converted into and exchanged for preferred stock of such successor or resulting company (or in the event such successor or resulting company is the Corporation, such shares shall remain outstanding as shares of Series B Preference Stock of the Corporation) in each case, having in respect of such company insofar as possible the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7 and 8 hereof), and the qualifications, limitations or restrictions thereon, that the Series B Preference Stock had immediately prior to such transaction, except that after such transaction each share of the Series B Preference Stock shall be convertible, otherwise on the terms and conditions provided by Section 5 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preference Stock could have been converted immediately prior to such transaction; provided, however, that if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the Series B Preference Stock, then the shares of preferred stock of the successor or resulting company issued in exchange for the Series B Preference Stock shall be convertible into or exchangeable for (or if the Corporation be the surviving corporation of such transaction each share of Series B Preference Stock shall thereafter be convertible into) the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which a share of Series B Preference Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of

qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the preferred stock of such successor or resulting company issued in exchange for the Series B Preference Stock or if the Corporation be the surviving corporation of such transaction the Series B Preference Stock, shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent as practicable to the adjustments provided for by such Section prior to such transaction. The Corporation shall not consummate any such merger, consolidation or similar transaction unless the successor or resulting company shall make appropriate provision for the authorization and issuance of preferred stock in exchange for the Series B Preference Stock as aforesaid.

(B) In the event that the Corporation shall consummate any consolidation, combination, merger or similar business combination transaction, pursuant to which the outstanding shares of Common Stock are exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in Section 8(A)) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of Series B Preference Stock shall by virtue of such merger, consolidation, combination or similar business combination transaction be converted into and exchanged for the right to receive the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preference Stock could have been converted immediately prior to such transaction; provided, however, that if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the Series B Preference Stock, then the shares of Series B Preference Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the right to receive the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preference Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-election shares). The Corporation shall not consummate any such merger, consolidation or similar transaction unless appropriate provision shall have been made for the conversion of such Series B Preference Stock into such other stock or securities, cash or other property receivable by a holder of Common Stock.

(C) In the event the Corporation shall enter into any agreement providing for any consolidation, combination, merger or similar business combination transaction described in Section 8(B), then the Corporation shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction)

give notice of such agreement and the material terms thereof to each holder of Series B Preference Stock and each such holder shall have the right, subject to the restrictions of the Delaware Law, to elect, by written notice to the Corporation, to receive, immediately prior to the consummation of such transaction (and only if such transaction is consummated), from the Corporation or the successor of the Corporation, in redemption and retirement of such Series B Preference Stock and in lieu of the consideration provided in Section 8(B) hereof, a cash payment equal to the amount payable in respect of shares of Series B Preference Stock upon redemption pursuant to Section 6(A) hereof. No such notice of redemption shall be effective unless given to the Corporation prior to the close of business on the second Business Day prior to consummation of such transaction, unless the Corporation or the successor of the Corporation shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Corporation prior to the close of business on the second Business Day prior to consummation of such transaction.

Section 9. Anti-dilution Adjustments.

(A) In the event the Corporation shall, at any time or from time to time while any of the shares of the Series B Preference Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the Corporation (including a recapitalization effected by a merger or consolidation to which Section 8 hereof does not apply) or otherwise, the Conversion Ratio in effect immediately prior to such action shall be adjusted by multiplying such Conversion Ratio by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock outstanding immediately before such event. An adjustment made pursuant to this Section 9(A) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of shareholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(B) In the event the Corporation shall, at any time or from time to time while any of the shares of Series B Preference Stock are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to (i) any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), (ii) the Rights Agreement and (iii) any employee or director incentive, compensation or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted) for a consideration having a Fair Market Value on the date of issuance, sale or exchange less than the Fair Market Value of such shares on the date of issuance, sale or exchange, then, subject to the provisions of paragraphs (D) and (E) of this Section 9, the Conversion Ratio in effect immediately prior to such issuance, sale or exchange shall be adjusted by multiplying such Conversion Ratio by a fraction, the numerator of which shall be the product of (i) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange and (ii) the sum of the number of shares of Common Stock outstanding on such day plus



the number of shares of Common Stock so issued, sold or exchanged by the Corporation, and the denominator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange and (ii) the Fair Market Value of the consideration on the date received by the Corporation in respect of such issuance, sale or exchange of shares of Common Stock. In the event the Corporation shall, at any time or from time to time while any shares of Series B Preference Stock are outstanding issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Corporation) and other than pursuant to (i) the Rights Agreement or (ii) any employee or director incentive, compensation or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, for a consideration having a Fair Market Value on the date of such issuance, sale or exchange less than the Non-Dilutive Amount (as defined in Section 9(F)(vi)), then, subject to the provisions of paragraphs (D) and (E) of this Section 9, the Conversion Ratio shall be adjusted by multiplying such Conversion Ratio by a fraction, the numerator of which shall be the product of (i) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange and (ii) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time), and the denominator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange, (ii) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of such right or warrant and (iii) the Fair Market Value as of the time of such issuance of the consideration which the Corporation would receive upon exercise, in full of all such rights or warrants.

(C) In the event the Corporation shall at any time or from time to time while any of the shares of Series B Preference Stock are outstanding, make an Extraordinary Distribution (as defined in Section 9(F)(ii)) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Corporation (other than a recapitalization or reclassification effected by a merger, combination or consolidation to which Section 8 hereof applies) or effect a Pro Rata Repurchase (as defined in Section 9(F)(vii)) of Common Stock, the Conversion Ratio in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs (D) and (E) of this Section 9, be adjusted by multiplying such Conversion Ratio by a fraction, the numerator of which shall be the product of (i) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Corporation and (ii) the Fair Market Value of a share of Common Stock on the Valuation Date (as defined in Section 9(F)(viii)) with respect to an Extraordinary Distribution or on the Effective Date (as

defined in Section 9(F)(vii)) of a Pro Rata Repurchase, as the case may be, and the denominator of which shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase and (y) the Fair Market Value of a share of Common Stock on the Valuation Date with respect to an Extraordinary Distribution, or on the Effective Date of a Pro Rata Repurchase, as the case may be, minus (ii) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be; provided, however, that no Pro Rata Repurchase shall cause an adjustment to the Conversion Ratio unless the amount of all cash dividends and distributions made during the period of 12 months preceding the Effective Date of such Pro Rata Repurchase, when combined with the aggregate amount of all Pro Rata Repurchases including such Pro Rata Repurchase (for this purpose, including only that portion of the aggregate purchase price of each Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the Effective Date of each such Pro Rata Repurchase), the Effective Dates of which fall within such twelve month period, exceeds twelve percent (12%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the Effective Date of such Pro Rata Repurchase. The Corporation shall send each holder of Series B Preference Stock (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Corporation to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Corporation pursuant to such offer, and the Conversion Ratio in effect at such time.

(D) Notwithstanding any other provisions of this Section 9, the Corporation shall not be required to make any adjustment of the Conversion Ratio unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Ratio. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) in the Conversion Ratio.

(E) If the Corporation shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Corporation or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Ratio pursuant to the foregoing provisions of this Section 9, the Board of Directors of the Corporation shall in its sole discretion consider whether such action is of such a nature that it adversely affects the holders of the Series B Preference Stock and that an adjustment to the Conversion Ratio should equitably be made in respect of such transaction. If in such case the Board of Directors of the Corporation determines that an adjustment to the Conversion Ratio should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors of the Corporation. The determination of the Board of Directors

of the Corporation as to whether an adjustment to the Conversion Ratio should be made pursuant to the foregoing provisions of this Section 9(E), and, if so, as to what adjustment should be made and when, shall be final and binding on the Corporation and all stockholders of the Corporation. The Corporation shall be entitled to make such additional adjustments in the Conversion Ratio, in addition to those required by the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Corporation, subdivision, reclassification or combination of shares of stock of the Corporation or any recapitalization of the Corporation shall not be taxable to holders of the Common Stock.

(F) For purposes of this Resolution, the following definitions shall apply:

(i) "Business Day" shall mean each day that is not a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York City are required or authorized to be closed.

(ii) "Extraordinary Distribution" shall mean any dividend or other distribution (effected while any of the shares of Series B Preference Stock are outstanding) of (x) cash, where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of 12 months (for this purpose, including only those cash dividends made during the preceding period of 12 months with respect to which no payment of a Common Stock Equivalent Dividend Amount shall have been paid pursuant to Section 2(A)), when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of each such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the Effective Date of such Pro Rata Repurchase), the Effective Dates of which fall within such twelve-month period, exceeds twelve percent (12%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the shareholders entitled to receive such Extraordinary Distribution and/or (y) any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation), or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of Section 9(C) shall be equal to the sum of the Fair Market Value of such Extraordinary Distribution as of the date made plus the amount of any cash dividends which are not Extraordinary Distributions made during such twelve-month period and not previously included either in (i) the calculation of an adjustment pursuant to Section 9(C) or (ii) the payment of a Common Stock Equivalent Dividend amount pursuant to Section 2(A).

(iii) "Fair Market Value" shall mean, as to shares of Common Stock or any other class of publicly traded capital stock or securities of the Corporation or any other issuer which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal

firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Corporation or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Corporation or such committee.

(iv) "Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for a day shall mean the last reported sales price, regular way, or, if no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the Composite Tape for New York Stock Exchange ("NYSE") transactions (the "Composite Tape") or, if such security is not listed or admitted to trading on the NYSE, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ National Market System") or, if such security is not quoted on the NASDAQ National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any NYSE member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Corporation or a committee thereof, in each case, on each trading day during the Adjustment Period.

(v) "Adjustment Period" shall mean the period of five (5) consecutive trading days preceding, and including, the date as of which the Fair Market Value of a security is to be determined.

(vi) "Non-Dilutive Amount" in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean (x) the product of (I) the Fair Market Value of a share of Common Stock on the trading day immediately preceding the first public announcement of such issuance, sale or exchange and (II) the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, minus (y) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

(vii) "Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of a subsidiary of the Corporation), or any combination thereof, effected while any of the shares of Series B Preference Stock are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Corporation or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this Section 9(F), shares shall be deemed to have been purchased by the Corporation or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18, as such rule is in effect under the Exchange Act on the date shares of Series B Preference Stock are initially issued by the Corporation, or on such other terms and conditions as the Board of Directors of the Corporation or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock. The "Effective Date" of a Pro Rata Repurchase shall mean the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer.

(viii) "Valuation Date" with respect to an Extraordinary Distribution shall mean the date that is five business days prior to the record date for such Extraordinary Distribution.

(G) Whenever an adjustment to the Conversion Ratio and the related voting rights of the Series B Preference Stock is required pursuant hereto, the Corporation shall forthwith deliver to the transfer agents(s) for the Common Stock and the Series B Preference Stock if there be one, and file with the Secretary of the Corporation, a statement signed by two officers of the Corporation stating the adjusted Conversion Ratio determined as provided herein, and the voting rights (as appropriately adjusted), of the Series B Preference Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Ratio and the related voting rights of the Series B Preference Stock, the Corporation shall mail a notice thereof and of the then prevailing Conversion Ratio to each holder of Series B Preference Stock.

Section 10. Ranking; Attributable Capital and Adequacy of Surplus; Retirement of Shares.

(A) The Series B Preference Stock shall rank senior to the Series A Junior Participating Preference Stock of the Corporation and to the Common Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution and

winding-up of the Corporation, and, unless otherwise provided in the Certificate, as the same may be amended, or a Certificate of Designations relating to a subsequent series of Preference Stock, without par value, of the Corporation, the Series B Preference Stock shall rank junior to all other series of the Corporation's Preference Stock, without par value, as to payment of dividends and the distribution of assets on liquidation, dissolution or winding-up. The Series B Preference Stock shall rank junior to all series of the Corporation's Preferred Stock, without par value, and the Corporation's \$3.00 Convertible Second Preferred Stock, without par value, as to payment of dividends and the distribution of assets on liquidation, dissolutions or winding-up.

(B) Any shares of Series B Preference Stock acquired by the Corporation by reason of the conversion or redemption of such shares as provided hereby, or otherwise so acquired, shall be retired as shares of Series B Preference Stock and, upon the filing of any certificate then required under applicable Delaware law, be restored to the status of authorized but unissued shares of Preference Stock, without par value, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preference Stock as permitted by law.

Section 11. Miscellaneous.

(A) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) Business Days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Resolution) with postage prepaid, addressed: (i) if to the Corporation, to its office at 300 Park Avenue, New York, New York 10022 (Attention: Secretary) or to the transfer agent for the Series B Preference Stock, or other agent of the Corporation designated as permitted by this Resolution of (ii) if to any holder of the Series B Preference Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the Series B Preference Stock or Common Stock, as the case may be) or (iii) to such other address as the Corporation or any such holder, as the case may be, shall have designated by notice similarly given.

(B) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series B Preference Stock or share of Common Stock or other securities issued on account of Series B Preference Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Series B Preference Stock or Common Stock or other securities in a name other than that in which the shares of Series B Preference Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(C) In the event that a holder of shares of Series B Preference Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series B Preference Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the holder of such Series B Preference Stock as shown on the records of the Corporation and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Corporation.

(D) Unless otherwise provided in the Certificate, as the same may be amended, all payments in the form of dividends, distributions on voluntary or involuntary dissolution, liquidation or winding-up or otherwise made upon the shares of Series B Preference Stock and any other stock ranking on a parity with the Series B Preference Stock with respect to such dividend or distribution shall be made pro rata, so that amounts paid per share on the Series B Preference Stock and such other stock shall in all cases bear to each other the same ratio that the required dividends, distributions or payments, as the case may be, then payable per share on the shares of the Series B Preference Stock and such other stock bear to each other.

(E) The Corporation may appoint, and from time to time discharge and change, a transfer agent for the Series B Preference Stock. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by first-class mail, postage prepaid, to each holder of record of Series B Preference Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate of Designations and do affirm the foregoing as true under the penalties of perjury this 19<sup>th</sup> day of June, 1989.

/s/ Robert M. Agate

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Robert M. Agate

Title: Executive Vice President  
and Chief Financial Officer

Attest:

/s/ Harold Obstler

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Harold Obstler

Title: Vice President and  
Secretary

CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
COLGATE-PALMOLIVE COMPANY

COLGATE-PALMOLIVE COMPANY, a corporation organized and existing under any by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of Colgate-Palmolive Company, resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and directing that the proposed amendment be considered at the next annual meeting of the stockholders. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the first paragraph of Article Fourth thereof to read as follows:

FOURTH: 1. The total number of shares of all classes of stock which the Company shall have authority to issue is 550,262,150 shares, divided into 250,000 shares of Preferred Stock without par value, 12,150 shares of \$3.00 Convertible Second Preferred Stock without par value, 50,000,000 shares of Preference Stock without par value and 500,000,000 shares of Common Stock of the par value of \$1 per share.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, such annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute was voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of General Corporation Law of the State of Delaware.



IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by Roderick L. Turner, Senior Executive Vice President, and attested by William R. Peters, an Assistant Secretary, this 8<sup>th</sup> day of May, 1991.

By: /s/ Roderick L. Turner

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Roderick L. Turner  
Senior Executive  
Vice President

ATTEST:

By: /s/ William R. Peters

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Assistant Secretary  
William R. Peters

CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
COLGATE-PALMOLIVE COMPANY

COLGATE-PALMOLIVE COMPANY, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That a meeting of the Board of Directors of Colgate-Palmolive Company, resolutions were duly adopted setting forth a proposed amendment to the Restated Certificate of Incorporation of said corporation, declaring said amendment to be advisable and directing that the proposed amendment be considered at the next annual meeting of stockholders. The Board of Directors approved the following proposed amendment to the Restated Certificate of Incorporation:

The first paragraph of Article Fourth is amended to read as follows:

FOURTH: 1. The total number of shares of all classes of stock which the Company shall have authority to issue is 1,050,262,150 shares, divided into 250,000 shares of Preferred Stock without par value, 12,150 shares of \$3.00 Convertible Second Preferred Stock without par value, 50,000,000 shares of Preference Stock without par value and 1,000,000,000 shares of Common Stock of the par value of \$1 per share.

SECOND: That thereafter, pursuant to the resolution of its Board of Directors, such annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute was voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this Certificate to be signed by Andrew D. Hendry, its Sr. VP, and attested by Michele Coleman Mayes Assistant Secretary, this 13<sup>th</sup> day of May, 1997.

By: /s/ Andrew D. Hendry  
Senior Vice President

ATTEST:

By: /s/ Michele Coleman Mayes  
Assistant Secretary

AMENDED CERTIFICATE OF DESIGNATIONS  
INCREASING DESIGNATED SHARES  
OF  
SERIES A JUNIOR PARTICIPATING PREFERENCE STOCK  
(DESIGNATED NOVEMBER 9, 1988)  
OF  
COLGATE-PALMOLIVE COMPANY  
(PURSUANT TO SECTION 151 OF THE  
DELAWARE GENERAL CORPORATION LAW)

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Colgate-Palmolive Company, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Company"), hereby certifies that the following resolution was adopted by the Board of Directors of the Company as required by Section 151 of the General Corporation Law of Unanimous Written Consent of the Board of Directors as of October 22, 1998:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Company in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby increases the number of shares of Series A Preference Stock, without par value, of the Corporation designated as "Series A Junior Participating Preference Stock" from 1,000,000 to 5,000,000.

IN WITNESS WHEREOF, this Certificate is executed on behalf of the Corporation by its Senior Vice President, General Counsel and Secretary and attested by its Assistant Secretary this 23<sup>rd</sup> day of October, 1998.

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

Attest:

/s/ Michele C. Mayes  
Assistant Secretary

CERTIFICATE OF ELIMINATION  
OF  
SERIES A JUNIOR PARTICIPATING PREFERENCE STOCK  
OF  
COLGATE-PALMOLIVE COMPANY

The undersigned, Andrew D. Hendry, does hereby certify that:

1. The undersigned is the duly elected and acting Senior Vice President, General Counsel and Secretary of Colgate-Palmolive Company, a Delaware corporation (the "Company").

2. Pursuant to the authority conferred by the Restated Certificate of Incorporation of the Company upon the Board of Directors of the Company (the "Board"), the Board on March 10, 2005 adopted the following resolutions:

RESOLVED, that none of the authorized shares of the Company's Series A Junior Participating Preference Stock (the "Series A Preference Stock") are outstanding, and none of the authorized shares of Series A Preference Stock will be issued pursuant to that certain Certificate of Designations of Series A Junior Participating Preference Stock of the Company filed with the Secretary of State of the State of Delaware (the "Filing Office") on November 9, 1988, as amended by the Amended Certificate of Designations Increasing Designated Shares of Series A Junior Participating Preference Stock filed with the Filing Office on October 23, 1998 (as so amended, the "Certificate of Designations"); and be it further

RESOLVED, that the Company be, and hereby is, authorized and directed to file with the Secretary of State of Delaware a certificate containing these resolutions, with the effect under the General Corporation Law of the State of Delaware of eliminating from the Restated Certificate of Incorporation of the Company all matters set forth in the Certificate of Designations with respect to the Series A Preference Stock; and be it further

RESOLVED, that the Chairman of the Board and Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer and the Senior Vice President, General Counsel and Secretary of the Company (the "Authorized Officers") be, and each of them hereby is, authorized and directed, jointly and severally, for and on behalf of the Company, to execute and deliver any and all certificates, agreements, instruments and other documents, and to take any and all steps and to do any and all things which they may deem necessary or desirable to effectuate the purposes of each and all of the foregoing resolutions, including without limitation any such documents, steps or things necessary or appropriate to de-register, de-list or de-qualify the Rights referred to in the Rights Agreement or the Series A Preference Stock; and be it further

RESOLVED, that any actions taken by the Authorized Officers prior to the date of these resolutions that are within the authority conferred hereby are hereby ratified, confirmed and approved in all respects as the act and deed of the Company.

3. I further declare under penalty of perjury that the matters set forth in this Certificate are true and correct of my own knowledge.

This Certificate was executed in New York, New York on March 10, 2005.

COLGATE-PALMOLIVE COMPANY

By           /s/ Andrew D. Hendry          

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

COLGATE-PALMOLIVE COMPANY

BY-LAWS

OFFICES

1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the registered agent in charge thereof is THE CORPORATION TRUST COMPANY.

The corporation may also have offices at such other places within or without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

SEAL

2. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "CORPORATE SEAL, DELAWARE".

STOCKHOLDERS' MEETINGS

3. Meetings of stockholders may be held at such place within or without the State of Delaware as shall be determined from time to time by the board of directors.

4. The annual meeting of the stockholders shall be held on such date and at such time as shall from time to time be fixed by the board of directors. At the annual meeting, the stockholders shall elect by plurality vote by ballot a board of directors and transact such other business as may properly be brought before the meeting.

5. Notice of the place, if any, date, and time of all meetings of the stockholders, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given, not less than ten nor more than sixty days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the certificate of incorporation of the corporation).

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; *provided, however*, that if the date of any adjourned meeting is more than thirty days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

6. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chief executive officer of the corporation, and shall be called by the president or secretary upon resolution of a majority of the entire board of directors, or at the request in writing of a majority of the entire board of directors. Such request shall state the purpose or purposes of the proposed meeting. Special meetings of holders of preferred stock held pursuant to the provisions of Section 10 of Article Fourth of the certificate of incorporation may be called in accordance with the provisions of paragraph (c) of said Section 10.

7. (A) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (2) otherwise properly brought before the meeting by or at the direction of the board of directors, or (3) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation, not less than 60 days nor more than 90 days prior to the meeting; *provided, however*, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (1) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (3) the class and number of shares of the corporation which are beneficially owned by the stockholder, and (4) any material interest of the stockholder in such business. Notwithstanding anything in the by-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this by-law 7(A). In the event that a stockholder seeks to bring one or more matters before an annual meeting, the board of directors shall establish a committee consisting of non-management directors for the purpose of reviewing compliance with this by-law 7(A); *provided, however*, that if the business to be brought before the meeting by a stockholder relates to the removal, replacement or election of one or more directors, the secretary of the corporation shall appoint two or more inspectors, who shall not be affiliated with the corporation, to act in lieu of such committee to review compliance with this by-law 7(A). If the committee or the inspectors (as the case may be) shall determine that a stockholder has not complied with this by-law 7(A), the committee or the inspectors (as the case may be) shall direct the chairman of the annual meeting to declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this by-law 7(A); and the chairman shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(B) Only persons who are nominated in accordance with the procedures set forth in this by-law 7(B) shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of stockholders by or at the direction of the board of directors or by any stockholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this by-law 7(B). Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the secretary of the corporation.



To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than 60 days nor more than 90 days prior to the meeting; *provided, however*, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (1) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of the corporation which are beneficially owned by such person and (d) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (2) as to the stockholder giving the notice, (a) the name and address, as they appear on the corporation's books, of such stockholder and (b) the class and number of shares of the corporation which are beneficially owned by such stockholder. At the request of the board of directors, any person nominated by the board of directors for election as a director shall furnish to the secretary of the corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this by-law 7(B). In the event that a stockholder seeks to nominate one or more directors, the secretary shall appoint two inspectors, who shall not be affiliated with the corporation, to determine whether a stockholder has complied with this by-law 7(B). If the inspectors shall determine that a stockholder has not complied with this by-law 7(B), the inspectors shall direct the chairman of the meeting to declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the by-laws; and the chairman shall so declare to the meeting and the defective nomination shall be disregarded.

(C) (1) Whenever any action is required or permitted to be taken at any meeting of stockholders of the corporation, unless the certificate of incorporation otherwise provides, and subject to the provisions of clauses (2) and (3) of this by-law 7(C), the action may be taken without a meeting, without prior notice and without a vote, if a written consent setting forth the action so taken shall have been signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and voted; *provided, however*, that prompt notice of the taking of corporate action without a meeting and by less than unanimous written consent must be given to those stockholders who have not consented in writing.

(2) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be fixed by the board of directors of the corporation. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent without a meeting shall, by written notice, request the board of directors to fix a record date. Upon receipt of such a request, the secretary shall place such request before the board of directors at its next regularly scheduled meeting, *provided, however*, that if the stockholder represents in such request that he intends, and is prepared, to commence a consent solicitation as soon as is permitted by the Securities Exchange Act of 1934 and the regulations thereunder and other applicable law, the secretary shall, as promptly as practicable, call a special meeting of the board of directors, which meeting shall be held as promptly as practicable. At such regular or special meeting, the board of directors shall fix a record date as

provided in Section 213(a) (or its successor provision) of the Delaware General Corporation Law. Should the board fail to fix a record date as provided for in this clause (2), then the record date shall be the day on which the first written consent is expressed.

(3) In the event of the delivery to the corporation of a written consent or consents purporting to represent the requisite voting power to authorize or take corporate action and/or related revocations, the secretary of the corporation shall provide for the safekeeping of such consents and revocations and shall, as promptly as practicable, engage nationally recognized independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. No action by written consent and without a meeting shall be effective until such inspectors have completed their review, determined that the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents, and certified such determination for entry in the records of the corporation kept for the purpose of recording the proceedings of meetings of stockholders.

8. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation on the record date fixed for such meeting, or, if no record date has been fixed, on such date as may be provided for by law. The vote for directors and, upon the demand of any stockholder, the vote upon any question before the meeting, shall be by ballot.

9. The holders of a majority of the stock issued and outstanding, and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by law, by the certificate of incorporation, or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of voting stock shall be present. At such adjourned meeting at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

10. At each meeting of stockholders the presence or lack of a quorum shall be ascertained and all voting by ballot shall be conducted by two inspectors appointed for the purpose by the board of directors or, if not so appointed, designated by the meeting. If for any reason any of the inspectors previously appointed shall fail to attend or be unable to serve, a replacement shall be appointed in like manner. The inspectors shall decide upon the qualifications of the voters and the validity of proxies, report on the presence or lack of a quorum, take charge of the ballots at said meeting, and after the balloting thereat on any question shall count the ballots cast thereon and shall report the result in writing to the secretary of the corporation or to the chairman of the meeting.

11. A complete list of the stockholders entitled to vote at any meeting, arranged in alphabetical order, giving the address of each, and the number of voting shares held by each,

shall be prepared by the treasurer. Such list shall be open to the examination of any stockholder for a period of at least ten days prior to the meeting in the manner provided by law. The stock list also shall be open to the examination of any stockholder during the whole time of the meeting as required by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

## DIRECTORS

12. (A) The property and business of this corporation shall be managed by its board of directors. The number of directors shall be no less than seven nor more than twelve, as determined from time to time by the board of directors, but no reduction in the number of directors shall terminate the office of any director prior to the first annual meeting of the stockholders subsequent to his election at which directors are elected except with the written consent of such director, and provided further that the number of directors may be increased by action of the holders of preferred stock as contemplated in by-law 12(B), and that no reduction in the number of directors shall be in violation of the provisions of by-law 12(B). Except to the extent otherwise provided in the certificate of incorporation or the by-laws, they shall be elected at the annual meeting of the stockholders, and each director shall be elected to serve until his successor shall be elected and shall qualify. No person who has attained the age of sixty-five shall be initially elected to the board of directors. No director shall be re-elected as a member of the board after he or she has reached his or her 72nd birthday, except if his or her nomination for re-election has been approved in each instance by a majority of the other directors of the corporation. Additionally, no former Chief Executive Officer of the corporation shall be re-elected as a member of the board after he or she has reached his or her 65th birthday, except if his or her nomination for re-election has been approved in each instance by a majority of the non-employee directors of the corporation.

(B) So long as any preferred stock shall be outstanding and there shall exist a "default period" as defined in paragraph (a) of Section 10 of Article Fourth of the certificate of incorporation, the holders of the preferred stock, voting as a class, irrespective of series, shall have the voting right set forth in said Section 10. At any meeting at which the holders of preferred stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies in the board of directors, if any, as may then exist up to such number of directors as amounts to the "required proportion" as defined in paragraph (a) of said Section 10, and if the number which may be so elected does not amount to the required proportion, to make such increase in the number of directors as shall be necessary to permit the election by them of the required proportion but no greater increase than shall be necessary for that purpose, and to elect directors to the offices so created. An increase in the number of directors by the holders of preferred stock shall not prevent a subsequent increase or decrease in the number of directors made in any manner provided herein by the board of directors or the holders of preferred and common stock voting irrespective of classes, provided that during a default period no such amendment shall (1) reduce the number of directors elected by the holders of preferred stock to less than the required proportion or (2) terminate the office of a director prior to the first annual meeting of stockholders subsequent to his election at which directors are elected, except with the written consent of such director.

13. The directors may hold their meetings and have one or more offices, and keep the books of the corporation outside of Delaware, at the office of the corporation in the City of New York, or at such other places as they may from time to time determine.

14. In addition to the powers and authority by these by-laws expressly conferred upon it, the board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

#### COMMITTEES

15. The board of directors shall appoint such committees as are required by these by-laws, and may appoint such committees as are permitted by these by-laws, from among their members.

16. Appointment of committees shall be by the affirmative vote of a majority of the whole board.

17. The board may, but need not, designate one member of each committee as the chairman thereof and one member of each committee as the deputy chairman thereof.

18. The board of directors shall appoint a personnel and organization committee consisting of not less than four members. Such committee shall consider and monitor the corporation's organization, personnel and compensation policies, practices and implementation. In addition, such committee shall review the compensation of the officers of the corporation and senior management. Such committee shall also administer such plans under which stock of the corporation is issuable to employees upon exercise of stock options, and all executive incentive compensation plans.

19. The board of directors shall appoint an audit committee consisting of not less than three members. Such committee shall review internal and external audit conditions, procedures and results and formulate and report to the board of directors policies with regard thereto.

20. The board of directors shall appoint a corporate governance committee consisting of not less than three members. Such committee shall recommend to the board of directors qualified individuals to become board members and develop, implement and monitor the corporation's corporate governance principles.

21. The board of directors shall appoint a finance committee consisting of not less than three members. Such committee, if and when appointed, shall consider and take account of the financial affairs of the corporation, and formulate and suggest the financial policies of the corporation for submission to the board of directors.

22. The board of directors may in its discretion appoint from time to time other committees for other purposes or assign additional duties to the existing committees.

23. Each committee shall have the right to determine its own rules of procedure, not inconsistent with the action of the board of directors, or with these by-laws, or with the certificate of incorporation.

24. Vacancies in the committees shall be filled by the board of directors.

25. The time and place of regular meetings of the committees shall be fixed by the board of directors, or if not so fixed, then by the committee, and prompt notice thereof shall be given to each member of the committee, *provided, however*, that the board may authorize the committee or the chairman thereof to postpone any such committee meeting upon two days notice to each member of the committee. Special meetings of the committee may be called by the chairman of the committee or the chief executive officer upon two days notice to each member of the committee. Each such committee may meet at such stated times and places and otherwise upon notice and at such places as it shall provide.

26. A majority of the members of each such committee shall constitute a quorum; and in each instance the affirmative vote of a majority of the members of the committee present at the meeting shall be necessary for the adoption of any resolution, except that, upon request of the chief executive officer or the chairman of the committee, any action required or permitted to be taken at any meeting of such committee may be taken without a meeting, if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or the electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. The committee may designate one of its members as secretary of the committee, and may in addition, call upon the secretary or one of the assistant secretaries of the corporation, or any other person, as may be determined by the committee, to perform all or part of the duties of secretary of the committee; and minutes shall be kept of all meetings and proceedings of the committee, which shall be reduced to writing by either the secretary of the committee or the secretary or one of the assistant secretaries of the corporation, or such other person, as the committee shall direct.

27. Each member of each such committee shall continue to be a member thereof at the pleasure of the board of directors and, unless otherwise ordered by the board of directors or otherwise specified in the plan providing for such committee, until such time as he ceases to be a member of the board of directors.

28. The minutes and proceedings of each such committee shall from time to time be reported to the board of directors, as by the board of directors required.

#### COMPENSATION OF DIRECTORS

29. The compensation of directors as such shall be fixed by the board of directors but no additional compensation shall be paid to regular employees of the corporation for service as directors or as members of any committee of the board. Nothing herein contained shall be construed to preclude any director from serving the corporation as an officer or in any other capacity and receiving compensation therefor.

30. Pursuant to resolution of the board of directors, members of any one or more committees may receive fixed fees or other compensation for their services.

#### CHAIRMAN OF THE BOARD

31. At its first meeting after each annual meeting of the stockholders the board of directors shall choose a chairman of the board from among its members who may, but need not, be the chief executive officer or another officer of the corporation. The chairman of the board

shall preside at all meetings of the board of directors and the stockholders, unless the board otherwise determines, and shall perform such other duties as may be specified in the by-laws. The chairman of the board shall be deemed to be a corporate officer if designated by the board as the chief executive officer or another officer of the corporation.

#### PRESIDING DIRECTOR

32. In the absence of the chairman of the board from any meeting(s) of the directors, the board of directors may designate one or more directors to preside at such meeting(s).

#### MEETINGS OF THE BOARD

33. Regular meetings of the board may be held without notice at such time and place as shall from time to time be determined by resolution of the board.

34. Special meetings of the board may be called by the chairman of the board or the chief executive officer (1) on three days' notice to each director, either personally or by mail, or (2) on twenty-four hours' notice to each director by telephone or by telegraphing or telexing or by facsimile or electronic transmission of the same; and special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors.

35. At all meetings of the board the presence of a majority of the directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business, provided that in no event shall a quorum consist of less than one-third of the total number of directors, and the act of a majority of the directors present at any meeting at which there is a quorum, shall be the act of the directors, except as may be otherwise specifically provided by statute, or by the certificate of incorporation, or by these by-laws. If a quorum shall not be present at any meeting the directors present thereat may adjourn the meeting from time to time, without notice, other than at the meeting, until a quorum shall be present.

36. Action may be taken by the board without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

37. Members of the board, or of any committee thereof, may participate in a meeting of such board or committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

#### OFFICERS

38. At its first meeting after each annual meeting of the stockholders the board of directors shall elect a chief executive officer, a president, a secretary and a treasurer. At the same meeting the board may also elect one or more vice presidents, one or more of whom may be given designations based on level (e.g., executive or senior vice president) or responsibilities (e.g., chief operating officer, chief financial officer or general counsel) and a controller. Any two or more offices may be held by the same person.

39. The board of directors may also create and provide for additional offices and assistant offices and prescribe the duties of the respective incumbents thereof and appoint such further officers and agents as it shall deem necessary or advisable, such as assistant secretaries and assistant treasurers, who shall hold their respective offices for such term and shall exercise such powers and perform such duties as shall be determined from time to time by the chief executive officer or the board of directors. By direction of the chief executive officer, other personnel may be designated by titles, such as "assistant vice president," "divisional vice president," "assistant treasurer" or "assistant controller" but only persons elected by the board of directors shall be deemed officers of the corporation.

40. Except as provided in employee benefit or incentive plans approved by the board of directors or the stockholders, the compensation of all officers of the corporation shall be fixed by the board of directors or by any committee of the board of directors as the board of directors designates.

41. The officers of the corporation shall hold office until their respective successors are chosen and qualified in their stead, or until they have resigned, retired or been removed in the manner hereinafter provided. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors.

#### CHIEF EXECUTIVE OFFICER

42. The chief executive officer shall have the general and active management of the business, property and affairs of the corporation, subject to the control of the board of directors, and shall have the powers and perform the duties customarily exercised by the chief executive officer of a business corporation, including the authority to sign on behalf of the corporation deeds, leases, contracts, powers of attorney and other documents, and the duty to execute all directions and resolutions of the board of directors. He shall perform such other duties as may be specified in the by-laws or prescribed by the board of directors.

#### THE PRESIDENT

43. The president shall have such powers and duties as may be specified in the by-laws, prescribed by the board of directors or delegated by the chief executive officer. In the event of the absence or disability of the chief executive officer, his duties shall be performed and his powers shall be exercised by the president to the extent designated by the board of directors.

#### THE VICE PRESIDENTS

44. Each vice president shall perform such duties and exercise such powers as may be delegated to him by the chief executive officer, and shall perform such further duties and exercise such further powers as the board of directors shall prescribe; and in the absence or disability of the president his duties shall be performed and his powers shall be exercised by one or more vice presidents to the extent designated by the chief executive officer or by the board of directors.

#### THE SECRETARY

45. (a) The secretary shall attend all sessions of the board of directors and all meetings of the stockholders and record all votes and minutes of all proceedings in a book to be kept for

that purpose; and shall perform like duties for other committees as required. He shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors, and shall perform such other duties as shall be prescribed by the board of directors or chief executive officer.

(b) Such assistant secretary or assistant secretaries as may be appointed by the board of directors, shall, to the extent authorized by the board of directors, participate with the secretary and assist him in the performance of his duties, and exercise all the powers and discharge all the duties of the secretary to the extent prescribed by the board of directors; and in the event of the absence or disability of the secretary or any assistant secretary the duties of the secretary or of such assistant secretary shall be performed by the assistant secretary designated by the chief executive officer or the board of directors.

#### THE TREASURER

46. (a) The treasurer shall perform such duties in relation to the finances of the corporation as shall be prescribed by the board of directors, and in relation to such duties shall be subject to the supervision and direction of the board of directors and the chief executive officer, as circumstances may require.

(b) Such assistant treasurer or assistant treasurers as may be appointed by the board of directors shall, to the extent authorized by the board of directors, participate with the treasurer and assist him in the performance of his duties, and exercise all the powers and discharge all the duties of the treasurer to the extent prescribed by the board of directors; and in the event of the absence or disability of the treasurer or of any assistant treasurer, the duties of the treasurer or of such assistant treasurer shall be performed by the assistant treasurer designated by the chief executive officer or the board of directors.

#### THE CONTROLLER

47. It shall be the duty of the controller, subject and pursuant to the authority of the board of directors and of the chief executive officer, to provide for the keeping of full and accurate records and accounts of receipts, disbursements and all other transactions of the corporation, to make proper report thereof as required and to perform such other duties as may be designated by the board of directors or the chief executive officer.

#### VACANCIES

48. If the office of any director or officer becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, or if the authorized number of directors be increased, the resulting vacancy or vacancies may be filled by a majority of the directors then in office, although less than a quorum, provided notice of intention to fill a vacancy in the board shall have been included in the notice of the meeting. The persons so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, unless sooner displaced. The provisions of this by-law with respect to the filling of vacancies in the office of any director are subject to the provisions of Section 10 of Article Fourth of the certificate of incorporation.



## DUTIES OF OFFICERS MAY BE DELEGATED

49. In case of the absence of any officer of the corporation, or for any other reason that the board of directors may deem sufficient, the board may delegate, for the time being, the powers or duties, or any of them, of such officer to any other officer, or to any directors.

## CERTIFICATES OF STOCK

50. The certificates of stock of the corporation shall be numbered and entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the chairman of the board or the president or a vice president and by the treasurer or an assistant treasurer or the secretary or an assistant secretary. Any or all signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature shall have been used on any such certificate shall cease to be such officer, transfer agent or registrar of the corporation before such certificate is issued, such certificate may be issued as though such person who signed such certificate or whose facsimile signature shall have been used thereon had not ceased to be such officer, transfer agent or registrar of the corporation.

## TRANSFERS OF STOCKS

51. Transfers of stock shall be made on the books of the corporation only by the person named in the certificate or by attorney, lawfully constituted in writing, and upon surrender of the certificate therefor.

## FIXING RECORD DATE

52. The board of directors shall have power to fix in advance a date, not exceeding sixty nor less than ten days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotments of rights, or the date when any redemption, selection for redemption, or change or conversion or exchange of capital stock shall go into effect, or the date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such redemption, selection for redemption, change, conversion or exchange of capital stock, or to give the consent of stockholders for any purpose or for the purpose of any other lawful action and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payments of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid; and such power shall be applicable to both preferred and common stocks together or to either separately.

## REGISTERED STOCKHOLDERS

53. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Delaware.

## LOST CERTIFICATE

54. Any person claiming a certificate of stock to be lost, stolen or destroyed shall furnish the corporation with such evidence of the ownership thereof and of such loss, theft or destruction as shall be satisfactory to the corporation and shall, unless the board of directors shall waive the same, give to the corporation a bond of indemnity with one or more sureties satisfactory to the board, in such an amount as the board may require, to indemnify the corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of a new certificate in lieu thereof; and thereupon the board or any officer or officers designated by the board may cause a new certificate to be issued of the same tenor and for the same number of shares as the one alleged to be lost, stolen or destroyed.

## INSPECTION OF BOOKS

55. To the extent permitted by law, the directors shall determine from time to time whether, and if allowed, when and under what conditions and regulations, the accounts and books of the corporation (except such as may by statute be specifically open to inspection) or any of them shall be open to the inspection of the stockholders, and the stockholders' rights in this respect are and shall be restricted and limited accordingly.

## CHECKS

56. Notes of the corporation shall be signed by such officer or officers and checks or demands for money shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

## FISCAL YEAR

57. The fiscal year shall begin the first day of January in each year.

## DIVIDENDS

58. Dividends upon the capital stock of the corporation, when earned, may be declared by the board of directors at any regular or special meeting.

Before payment of any dividend or making any distribution of profits, there may be set aside out of the surplus or net profits of the corporation such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interests of the corporation.

## NOTICES

59. If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 (or its successor provision) of the Delaware General Corporation Law. A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting to the timeliness of notice.

## AMENDMENTS

60. These by-laws of the corporation may be altered or amended by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, at any regular meeting of the stockholders, without notice of the proposed alteration or amendment, and at any special meeting of the stockholders, if notice of the proposed alteration or amendment be contained in the notice of the meeting, or by the affirmative vote of a majority of the board of directors at any regular meeting of the board, or at any special meeting of the board, provided notice of the proposed amendment shall have been included in the notice of such regular or special meeting. At no time shall the by-laws be amended so as to be inconsistent with the rights of the holders of the preferred stock set forth in Section 10 of Article Fourth of the certificate of incorporation.

## EMERGENCY PROVISIONS

61. In the event of a disaster of sufficient severity to prevent the business and affairs of the corporation from being managed and its corporate powers from being exercised by the board of directors in accordance with the foregoing by-laws, whether by reason of multiple deaths or incapacity of directors and officers, destruction of property, failure of communications or other catastrophe, then, notwithstanding any other provision of the by-laws, the following provisions shall apply:

(a) An emergency meeting or meetings of the board of directors or of the surviving members thereof shall be called by the chief executive officer, if available, and otherwise by one or more directors; such meetings to be held at such times and places and upon such notice, if any, as the person or persons calling the meeting shall deem proper. The board may take any action at such meetings which it deems necessary and appropriate to meet the emergency.

(b) Vacancies in the board of directors shall be filled as soon as practicable in the manner specified in Article 48 of the by-laws.

(c) The presence of the smallest number of directors permitted by law to constitute a quorum, but not less than three, shall be sufficient for the transaction of business at emergency meetings of the board of directors, except that if there be less than three surviving directors, the surviving director or directors, although less than a quorum, may fill vacancies in the board.

(d) The by-laws may be amended by the board of directors without notice of the proposed amendment being given in the notice of the meeting.

(e) Without limiting the generality of the foregoing, the board of directors is authorized to make all necessary determinations of fact regarding the extent and severity of the disaster and the availability of members thereof; to designate and replace officers, agents and employees of the corporation and otherwise provide for continuity of management; and to elect a chairman, adopt rules of procedure, and fill vacancies.

(f) The emergency powers provided in this by-law 61 shall be in addition to any powers provided by law.

\* \* \*

[Excerpt from Colgate-Palmolive Company Non-Employee Director Stock Option Plan,  
as amended on December 29, 2005]

Section 5(c)(vii) of the Colgate-Palmolive Company Non-Employee Director Stock Option Plan as amended read in full as follows:

Section 5(c)(vii): Limited Change in Control Rights. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change of Control (the "Exercise Period"), a Participant shall have the right, whether or not a Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive Common Stock or, if a committee of the Board comprised solely of two or more Non-Employee Directors so determines, cash, within 30 days of such notice, in an amount having a Fair Market Value (in the case of Common Stock) equal to or equal (in the case of cash) to the amount by which the Change of Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option (the "Spread") multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this clause (vii) shall have been exercised. Notwithstanding any other provision hereof, if the end of such 60-day period from and after a Change of Control is within six months of the date of grant of a Stock Option held by a Participant who is subject to Section 16(b) of the Exchange Act, such Stock Option shall be canceled in exchange for Common Stock having a Fair Market Value equal to, or if a committee of the Board comprised solely of two or more Non-Employee Directors so determines, a cash payment to the Participant, equal to, the Spread multiplied by the number of shares of Common Stock granted under the Stock Option, effected on the day which is six months and one day after the date of grant of such Stock Option or on such earlier date as has been previously approved either by (i) the Board, (ii) a committee of the Board comprised solely of two or more Non-Employee Directors or (iii) the shareholders of the Company.

[Excerpt from Colgate-Palmolive Company 1997 Stock Option Plan, as amended on December 29, 2005]

Sections 1(n) and 5(i) of the Colgate-Palmolive Company 1997 Stock Option Plan as amended read in full as follows:

Section 1 (n): "Fair Market Value" of the Common Stock or any other Security (as defined in Section 5(i)) means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock or such Security, as the case may be, on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national securities exchange on which the Security is listed. If there is no regular public trading market for the Security, the Fair Market Value of the Security shall be determined by the Committee in good faith.

. . .

Section 5(i): Limited Change in Control Right. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant, an optionee shall have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive Common Stock or such other securities as the Committee may have determined to substitute therefor pursuant to Section 3 (such Common Stock and other securities being referred to collectively as "Securities" and individually as a "Security"), or, if the Committee so determines, cash, within 30 days of such notice, in an amount having a Fair Market Value (in the case of Securities) equal to or equal (in the case of cash) to the amount by which the Change in Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option (the "Spread") multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this Section 5(i) shall have been exercised.

**COLGATE-PALMOLIVE COMPANY**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS**  
*(Dollars in Millions Except Per Share Amounts)*

	Years Ended December 31,				
	2005	2004	2003	2002	2001
<b>Earnings:</b>					
Income before income taxes	\$2,079.0	\$2,002.4	\$2,041.9	\$1,870.3	\$1,668.7
<b>Add:</b>					
Interest on indebtedness and amortization of debt expense and discount or premium	142.5	123.7	128.1	150.8	178.0
Portion of rents representative of interest factor	43.5	41.5	37.7	32.6	32.3
Interest on ESOP notes in excess of dividends on Preference Stock	—	—	—	—	1.0
Loss on equity investments	—	—	—	0.6	—
<b>Less:</b>					
Gain on equity investments	(2.0)	(8.5)	(0.3)	—	(0.2)
Income as adjusted	<u>\$2,263.0</u>	<u>\$2,159.1</u>	<u>\$2,207.4</u>	<u>\$2,054.3</u>	<u>\$1,879.8</u>
<b>Fixed Charges:</b>					
Interest on indebtedness and amortization of debt expense and discount or premium	\$ 142.5	\$ 123.7	\$ 128.1	\$ 150.8	\$ 178.0
Portion of rents representative of interest factor	43.5	41.5	37.7	32.6	32.3
Interest on ESOP notes in excess of dividends on Preference Stock	—	—	—	—	1.0
Capitalized interest	2.5	2.3	4.0	7.4	14.4
Total fixed charges	<u>\$ 188.5</u>	<u>\$ 167.5</u>	<u>\$ 169.8</u>	<u>\$ 190.8</u>	<u>\$ 225.7</u>
<b>Preferred Dividends:</b>					
Dividends declared on \$4.25 Preferred Stock, adjusted to pretax amount	\$ —	\$ —	\$ 0.3	\$ 0.6	\$ 0.6
Dividends declared on Preference Stock	35.3	32.8	32.7	27.9	27.6
Total preferred dividends	<u>\$ 35.3</u>	<u>\$ 32.8</u>	<u>\$ 33.0</u>	<u>\$ 28.5</u>	<u>\$ 28.2</u>
<b>Ratio of earnings to fixed charges</b>	<u>12.0</u>	<u>12.9</u>	<u>13.0</u>	<u>10.8</u>	<u>8.3</u>
<b>Ratio of earnings to fixed charges and preferred dividends</b>	<u>10.1</u>	<u>10.8</u>	<u>10.9</u>	<u>9.4</u>	<u>7.4</u>

COLGATE-PALMOLIVE COMPANY  
SUBSIDIARIES OF THE REGISTRANT

Name of Company	State in which Incorporated or Country in which Organized
Colgate (Guangzhou) Co. Ltd	China
Colgate Flavors and Fragrances, Inc.	Delaware
Colgate Oral Pharmaceuticals, Inc	Delaware
Colgate Palmolive (Middle East Exports) Ltd	BVI
Colgate Palmolive Europe Sarl	Switzerland
Colgate Palmolive Industrial Unipessoal, Lda.	Portugal
Colgate Palmolive Peru S.A.	Peru
Colgate Sanxiao Company Limited	China
Colgate-Palmolive S.p.A.	Italy
Colgate-Palmolive (America) Inc. Moscow Representative Office	Russia
Colgate-Palmolive (America), Inc.	Delaware
Colgate-Palmolive (Asia) Pte. Ltd.	Singapore
Colgate-Palmolive (Caribbean) Inc.	Delaware
Colgate-Palmolive (Central America), Inc.	Delaware
Colgate-Palmolive (Centro America) S.A.	Guatemala
Colgate-Palmolive (Dominican Republic), Inc.	Delaware
Colgate-Palmolive (Eastern) Pte. Ltd.	Singapore
Colgate-Palmolive (Guangzhou) Co., Ltd.	China
Colgate-Palmolive (H.K.) Ltd.	Hong Kong
Colgate-Palmolive (Hellas) S.A.I.C.	Greece
Colgate-Palmolive (Hungary) Manufacturing KFT	Hungary
Colgate-Palmolive (India) Limited	India
Colgate-Palmolive (Malaysia) Sdn Bhd	Malaysia
Colgate-Palmolive (Marketing) Sdn Bhd	Malaysia
Colgate-Palmolive (Poland) Sp. z 0.0.	Poland
Colgate-Palmolive (Pty) Limited	South Africa
Colgate-Palmolive (Thailand) Ltd.	Thailand
Colgate-Palmolive A/S	Denmark
Colgate-Palmolive AB	Sweden
Colgate-Palmolive Argentina S.A.	Argentina
Colgate-Palmolive Belgium S.A./N.V.	Belgium
Colgate-Palmolive Beteiligungsgesellschaft mbH	Germany
Colgate-Palmolive Canada, Inc.	Canada
Colgate-Palmolive Ceska Republika, s.r.o.	Czech Republic
Colgate-Palmolive Chile S.A.	Chile
Colgate-Palmolive Cia.	Delaware
Colgate-Palmolive Compania Anonima	Venezuela
Colgate-Palmolive Company, Distr.	Puerto Rico
Colgate-Palmolive de Puerto Rico, Inc.	Delaware
Colgate-Palmolive del Ecuador S.A.I.C.	Ecuador
Colgate-Palmolive Deutschland Holding GmbH	Germany
Colgate-Palmolive España, S.A./N.V.	Spain



Name of Company	State in which Incorporated or Country in which Organized
Colgate-Palmolive Europe S.A.	Belgium
Colgate-Palmolive G.m.b.H.	Germany
Colgate-Palmolive Holding Inc.	Delaware
Colgate-Palmolive Holding S. Com. p.a.	Spain
Colgate-Palmolive Holdings (UK) Limited	United Kingdom
Colgate-Palmolive Inc. S.A.	Uruguay
Colgate-Palmolive Industria e Comercio Ltda.	Brazil
Colgate-Palmolive International LLC	Delaware
Colgate-Palmolive Investments, Inc.	Delaware
Colgate-Palmolive Ltd.	New Zealand
Colgate-Palmolive Moroc S.A.	Morocco
Colgate-Palmolive Nederland BV	Netherlands
Colgate-Palmolive Norge A/S	Norway
Colgate-Palmolive Operations (Ireland) Limited	Ireland
Colgate-Palmolive Philippines, Inc.	Philippines
Colgate-Palmolive Pty Limited	Australia
Colgate-Palmolive Senegal N.S.O.A.	Senegal
Colgate-Palmolive Services, S.A.	France
Colgate-Palmolive Temizlik Urunleri Sanayi ve Ticaret, A.S.	Turkey
Colgate-Palmolive Vietnam	Vietnam
Colgate-Palmolive, S.A. de C.V.	Mexico
Cotelle S.A.	France
CPIF Venture, Inc.	Delaware
GABA Holding A.G.	Switzerland
GABA Holdings Delaware, LLC	Delaware
Hawley & Hazel Chemical (Taiwan) Corporation Ltd.	Taiwan
Hawley & Hazel Chemical Company (HK) Limited	Hong Kong
Hawley & Hazel Chemical Company (Zhongshou) Limited	China
Hill's Pet Nutrition Indiana, Inc.	Delaware
Hill's Pet Nutrition Limited	United Kingdom
Hill's Pet Nutrition Manufacturing, B.V.	Netherlands
Hill's Pet Nutrition Sales, Inc.	Delaware
Hill's Pet Nutrition SNC	France
Hill's Pet Nutrition, Inc.	Delaware
Hill's Pet Products, Inc.	Delaware
Hill's-Colgate (Japan) Ltd.	Japan
Inmobiliara Hills, S.A. de C.V.	Mexico
Kolynos Corporation	Delaware
Mission Hills, S.A. de C.V.	Mexico
Norwood International Incorporated	Delaware
Softsoap Enterprises, Inc.	Massachusetts

There are a number of additional subsidiaries in the United States and foreign countries which, considered in the aggregate, do not constitute a significant subsidiary.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (Nos. 33-15515, 33-43395, 33-48832, 33-48840, 33-53447, 33-58887, 33-78424, 333-33644, 333-72340, and 333-126987) and S-8 (Nos. 2-76922, 2-96982, 33-17136, 33-27227, 33-34952, 33-58231, 33-58746, 33-61038, 33-64753, 333-23685, 333-38251, 333-45679, 333-72342, 333-79411), of Colgate-Palmolive Company of our report dated February 22, 2006 relating to the financial statements, financial statement schedules, management's assessment of the effectiveness of internal control over financing reporting, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York  
February 23, 2006

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, John T. Cahill, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 20 day of February, 2006.

/s/ JOHN T. CAHILL

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Name: John T. Cahill

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, Jill K. Conway, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ JILL K. CONWAY

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Name: Jill K. Conway

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, Ellen M. Hancock, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ ELLEN M. HANCOCK

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Name: Ellen M. Hancock

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, David W. Johnson, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ DAVID W. JOHNSON

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Name: David W. Johnson

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, Richard J. Kogan, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ RICHARD J. KOGAN

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Name: Richard J. Kogan

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, Delano E. Lewis, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ DELANO E. LEWIS

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Name: Delano E. Lewis



**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, J. Pedro Reinhard, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ J. PEDRO REINHARD

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Name: J. Pedro Reinhard

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, Howard B. Wentz, Jr., do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ HOWARD B. WENTZ, JR.

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Name: Howard B. Wentz, Jr.

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS:

I, Reuben Mark, do hereby make, constitute and appoint Andrew D. Hendry and Nina D. Gillman, and each of them, as my attorneys-in-fact and agents with full power of substitution for me and in my name, place and stead, in any and all capacities, to execute for me and on my behalf the Annual Report of Colgate-Palmolive Company on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and any other documents in connection therewith, and to file the same with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and proper to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and/or either of them may lawfully do or cause to be done by virtue hereof.

In witness whereof, I have executed this Power of Attorney this 22 day of February, 2006.

/s/ REUBEN MARK

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Name: Reuben Mark

I, Reuben Mark, certify that:

1. I have reviewed this annual report on Form 10-K of Colgate-Palmolive Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2006

/s/ REUBEN MARK

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Reuben Mark

Chairman and Chief Executive Officer

I, Stephen C. Patrick, certify that:

1. I have reviewed this annual report on Form 10-K of Colgate-Palmolive Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2006

/s/ STEPHEN C. PATRICK

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Stephen C. Patrick

Chief Financial Officer

The undersigned Chairman and Chief Executive Officer and Chief Financial Officer of Colgate-Palmolive Company each certify, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, that:

- (1) the Annual Report on Form 10-K for the year ended December 31, 2005 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and
- (2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Colgate-Palmolive Company.

Dated: February 24, 2006

/s/ REUBEN MARK

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Reuben Mark  
Chairman and Chief Executive Officer

/s/ STEPHEN C. PATRICK

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Stephen C. Patrick  
Chief Financial Officer

A signed original of this written statement has been provided to Colgate-Palmolive Company and will be retained by Colgate-Palmolive Company and furnished to the Securities and Exchange Commission or its staff upon request.