

Colgate's Growing Success

- STRONGER MARKET LEADERSHIP
- GREATER PROFITABILITY
- THE POWER OF GLOBAL TEAMWORK



ANOTHER YEAR OF STRONG PROGRESS

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About Colgate

Colgate-Palmolive is a \$9 billion global company serving people in more than 200 countries and territories with consumer products that make lives healthier and more enjoyable. The Company focuses on strong global brands in its core businesses—Oral Care, Personal Care, Household Care, Fabric Care and Pet Nutrition. Colgate is following a tightly defined strategy to increase global market leadership positions for key products, such as toothpaste, toothbrushes, bar and liquid soap, deodorants/antiperspirants, dishwashing detergents, household cleaners, fabric softeners and pet nutrition.

On the Cover

The young girl wearing a big smile and toting Colgate toothpaste in her backpack was photographed in Warsaw, Poland.

Highlights

Dollars in Millions Except Per Share Amounts	1998	1997	Change
Worldwide Sales	\$8,971.6	\$9,056.7	- .9%
Unit Volume			+3.5%
Gross Profit Margin	52.2%	50.7%	+ 1.5 points
Earnings Before Interest & Taxes	\$1,423.0	\$1,285.8	+ 11%
Percent of Sales	15.9%	14.2%	+ 1.7 points
Net Income	\$ 848.6	\$ 740.4	+ 15%
Percent of Sales	9.5%	8.2%	+ 1.3 points
Basic Earnings Per Share	\$ 2.81	\$ 2.44	+ 15%
Dividends Paid Per Share	\$ 1.10	\$ 1.06	+ 4%
Operating Cash Flow	\$1,178.8	\$1,097.8	+ 7%
Return on Capital	20.4%	18.0%	+ 2.4 points
Return on Equity	39.8%	35.2%	+ 4.6 points
Number of Registered Common Shareholders	45,800	46,800	- 2%
Number of Common Shares Outstanding	292.7	295.4	- 1%
Year-end Stock Price	\$ 92.88	\$ 73.50	+ 26%

- Net income increased 15 percent to a record \$848.6 million, also setting a record as a percentage of sales, 9.5 percent versus 8.2 percent in 1997, reflecting growing productivity.
- Gross profit margin reached a record as well, rising 1.5 percentage points to 52.2 percent.
- Unit volume growth was driven by strong performances in North America, up 5 percent, Latin America, up 7 percent, and Hill's Pet Nutrition, up 4 percent.
- Sales would have increased 6 percent without the impact of translating foreign currencies into the stronger dollar and divestments.
- New products contributed a record \$3 billion of sales, or 33 percent of the total, from introductions in the most recent five years.
- Total return from stock price appreciation and dividends was 28 percent for 1998.

Colgate's Growing Success



Colgate is continuing its record of strong growth and increased profitability through an aggressive strategy which takes the Company well into the next century. Central to this growth doctrine is strengthening market leadership in Colgate's core categories while increasing the returns from all aspects of the business. Colgate people worldwide are using the latest business tools, working together as an efficient team, to achieve specific growth and shareholder value goals.

EXCELLENT DOUBLE-DIGIT EARNINGS GROWTH; 1998 WAS A RECORD YEAR

"Colgate people can be justly proud of achieving strong market shares here and abroad while driving down costs sharply in a disciplined fashion. I am delighted with our strong 1998 performance, even during economic uncertainty in many areas of the world. We are looking forward to another good year in 1999."
Reuben Mark



We achieved in 1998 another year of strong progress for Colgate. Net income, earnings per share, gross profit margin and operating profit margin established new records. Fundamental to our success—present and future—is our commitment to people working together. Training and global sharing of ideas enable Colgate to maximize its best resource: the 38,000 Colgate people worldwide.

Colgate people strengthened our market leadership positions. We are proud that Colgate-U.S. decisively gained the Number One spot in the domestic toothpaste market in 1998. We strengthened Colgate's toothpaste market



"I take deep satisfaction from Colgate's having become Number One in the U.S. toothpaste market, a key objective for several years. From a global perspective, I am pleased that we achieved our strongest growth in Oral Care, Personal Care and Hill's Pet Nutrition. These are our most profitable categories."
Bill Shanahan

share in many other countries as well. At the same time, Colgate's strong Personal Care positions were improved, targeting the fast-growing liquid soap, deodorant and hair care segments. Broad gains in other core categories encompassed cleaners, fabric softeners and dishwashing liquids.

Our leadership strategy is supported by a powerful but simple financial approach that enables Colgate to achieve record profits. In 1998, your Company increased net income 15 percent to a record \$849 million, or \$2.81 versus \$2.44 per basic share. Gross profit margin improved by 1.5 percentage points to 52.2 percent, and operating profit margin improved by 1.7 points to 15.9 percent. Both ratios were records.

Cash flow from operations reached a new record as well: \$1.2 billion. This healthy cash flow also helped us maintain debt capitalization in the optimum 50 to 55 percent range. During 1998, Colgate repurchased 7.1 million shares at a cost of \$542.5 million, as part of our previously announced share buyback programs.

Like other multinationals, Colgate has faced negative currency translation and reduced purchasing power in some regions. Still, unit volume grew 3.5 percent for 1998, driven by strong performance in North America, Latin America and Hill's Pet Nutrition. Sales were \$9.0 billion, a decrease of less than 1 percent. Excluding foreign currency translation and divestments, sales increased 6 percent.

Colgate's financial performance is strong. And we believe that Colgate's proven business strategies and global experience will serve us well into the next century. This confidence is based on experience. Year after year, we have added to the number of leading brands in our portfolio. Moreover, Colgate people are highly adept at transferring successful programs and products from one country to others. For Colgate shareholders, this has translated into consistent, favorable total return.

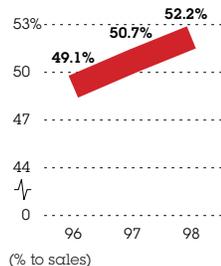
Powerful Strategy Produces Leadership Positions

Colgate's leadership strategy begins with introducing innovative new products, and then quickly realizing their worldwide potential with the most effective advertising, promotions and distribution.

In addition to capturing toothpaste leadership in the U.S., we strengthened our Number One rankings in such countries as Canada, the U.K. and Mexico, and hold leadership positions in toothpaste in 175 countries. Colgate whitening toothpaste, for example, has captured almost 50 percent of the world's whitening segment and has been expanded to 75 countries. Colgate's global market share for toothpaste is at a record high.

Importantly, our leadership positions extend throughout all core categories. Colgate also leads the market in liquid soaps, men's stick deodorant, liquid cleaners and fabric

Gross Profit Margin



Earnings Per Share Growth



(Basic Earnings Per Share)

Charts: Gross profit margin continues to increase as a percentage of sales, a key goal. Basic earnings per share have increased by 34% over the past two years.

softeners in scores of countries. New variants of Palmolive shower gel introduced in Europe helped increase market shares in nine countries. Halfway around the globe, in Argentina, new variants of the same shower gel quickly achieved an 11 percent share of this segment after launch. In the U.S., we restaged and introduced a new line of Softsoap brand body washes, capitalizing on the demand for colorful, scented shower gels. Worldwide, our liquid soaps saw continued double-digit volume growth in 1998.

Around the world, a record \$3.0 billion of sales, or 33 percent of the total, came from new products introduced during the last five years. And our pipeline is full of new products that will offer consumers real value and benefits in the months to come.

Building consumption often is as important as increasing

market share, especially where incomes are low. We are working to encourage more purchases per household through special-size packaging, innovative distribution and education. For instance, our programs to increase home usage in Colombia have helped to more than triple household penetration of fabric softener in just five years. As the market leader, with 80 percent of the category, Colgate-Colombia benefits. Similar programs are working to build consumption in Asia.

Leaders Have the Advantage

In addition to its financial rewards, market leadership provides us with other competitive advantages. The money we commit to advertising and consumer research is spread over a larger sales base, thereby making it a more efficient investment for Colgate. Being Number One also provides leverage with trade customers, and recognition value with consumers.

Effective, sustained advertising is key to our continued growth. Total ad spending increased again in 1998, rising to its highest level ever in relation to sales. Media advertising is augmented with promotions that reach consumers in their daily lives. Linking with popular Disney film characters, for example, is building sales of Colgate children's toothbrushes in 32 countries, from Australia to Germany to Venezuela.

Cost Savings Continue

To support leadership, we rely on a financial strategy of reducing overhead and increasing gross profit margin. We focus on profitable growth by allocating 60 percent of capital expenditures to cost-savings programs. The money we save is invested back into new products and advertising and is returned to shareholders in the form of increased profits.

Savings will continue to come from a number of areas. For several years, we have been telling you about the benefits of the high-tech global software called SAP. This integrated software reinforces streamlining of our business at every level. Starting with the purchasing of raw materials, right through to getting products on store shelves, SAP provides Colgate people with a real-time overview of the supply chain. Through SAP, they track each process, reduce warehouse inventories, control waste and save millions of dollars.

Installation of SAP is complete in the U.S. and expected to be fully operational in Western Europe in mid-1999. Now being implemented in other regions as well, this system offers opportunities for significant future savings. And it is helping to ensure our readiness for year 2000 issues.

Another important source of savings is the increase in regional cooperation. Anticipating this trend, Colgate established a firm foundation for



New Colgate Total Fresh Stripe—United States

Colgate enters 1999 having just announced an exciting new toothpaste for the large U.S. market. Colgate Total Fresh Stripe, a striped gel, is the second variant of the Colgate Total line to receive U.S. Food and Drug Administration approval—the only toothpastes cleared to make claims for gingivitis and plaque reduction. Early reaction from the trade is excellent.

Colgate's Growing Success

regionalization years ago. Colgate-Europe managers are well prepared to take advantage of economic integration, including the transition toward a common currency in 11 countries—the euro.

All Colgate divisions rely increasingly on expert Regional Purchasing Councils, which meet several times a year to document best practices and negotiate the best prices. In creating these groups, we aggregate volume in large contracts with fewer suppliers and save on raw material costs. This program, in combination with globally driven supply initiatives, has saved over \$150 million during the past three years. There are opportunities for additional savings, as only a portion of such expenditures are now made regionally or globally.

Regional trade areas have also helped Colgate consolidate manufacturing and reduce costs. Today, we are supplying products to wider geographic areas from fewer factories, each of which specializes in a specific manufacturing process. Stellar results from the developed world indicate further savings ahead, as consolidation unfolds in Latin America and Asia. Already, in just two years, the number of factories in Latin America has declined to 18 from 32.

Work in this area is far from done, and we will continue to benefit from new technologies and improved efficiencies,

including new ways of standardizing products and packaging. We are well aware that every Colgate activity represents a link of efficiency, starting with the purchase of raw materials, all the way to the last step, purchase by the consumer at store checkout.

38,000 People Working As One Global Team
Experienced Colgate people across all disciplines and regions are working in a collective commitment to drive our profitable growth. For instance, teamwork is at the heart of reaping the benefits of SAP. Colgate salespeople are also sharing best practices with their peers as we move to team-based selling for large multi-country trade customers. Collaboration is equally important for new tightly focused groups of research scientists and marketing experts working together from various locations to develop tomorrow's products.

Colgate people in the U.S., sharing knowledge and learning to work in teams, are the first to have been trained in "Valuing Colgate People," an award-winning program recognized by the U.S. Department of Labor. Beginning this year, Colgate people worldwide are participating in this program. Its principles of managing with respect are part of our promotion and performance appraisal system.

We also strive to build our future management team as intently as we grow our prof-

itability. High performers serve in different countries and jobs, experience different business conditions and embrace Colgate's core values. It is programs and practices like these that add an extra dimension to the talents of all Colgate people, whose dedicated efforts have produced another year of record performance. Colgate shareholders benefit as well from an exceptional Board of Directors, whom we thank for their expert guidance.

Colgate continually reinforces its core values to develop the best qualities for people performance. This is the foundation of Colgate's worldwide leadership and consumer trust. Our history of managing all people with respect, and in turn their commitment to profitable growth and shareholder value, should assure that your Company will continue to grow and succeed.

Thank You.



Reuben Mark
Chairman and
Chief Executive Officer



William S. Shanahan
President and
Chief Operating Officer

I. STRONGER MARKET LEADERSHIP

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Glossary of Terms

Foreign currency translation—the effect of translating sales or expenses in a non-U.S. currency into U.S. dollar results.

Global market position—is based on external market share information in major markets. Where external data is not available, primarily in smaller markets, management estimates market position based upon its understanding of the business and in relation to competitors. Leadership and world ranking reflect countries where Colgate has established its brands and are in relation to competitors in those markets.

Market share—percentage of the category's retail sales obtained by one brand or company. In this report, unless otherwise stated, market shares are based on value shares provided by either ACNielsen or IRI.

SAP—computer software that helps companies link all of their business processes into one integrated system, tying together disparate business functions and facilitating the smooth running of the business.

Supply chain—the process that encompasses every effort involved in producing and delivering a final product from the supplier of ingredients to the retail customer, including planning, sourcing, making and delivering goods.

Unit volume growth—growth in product units sold, weighted to reflect price per unit.

I. STRONGER MARKET LEADERSHIP

Building Number One Positions in Core Categories— Colgate's Big Brands Generate Market Share Growth and Increased Profitability

Colgate's powerful global brands performed like stars in 1998. Global market shares increased for toothpaste, liquid soaps & shower gels, deodorants/antiperspirants, liquid cleaners, dishwashing products and fabric softeners. Fully \$3.0 billion of sales—a record 33 percent of total 1998 revenues—came from new products that did not exist five years ago.

Growing Leadership in Oral Care

The huge success of Colgate Total toothpaste, coupled with the expansion of Colgate Total Fresh Stripe and Colgate whitening, has catapulted Colgate's global toothpaste leadership to an all-time high. The key achievement of all, capturing annual leadership of the \$1.6 billion U.S. toothpaste market, occurred in 1998.

Gaining almost half of the fast-growing whitening segment, Colgate whitening toothpaste is now sold in 75 countries.

Colgate Total Fresh Stripe, a mint-flavored gel, has been introduced in 58 markets as a second variant of the Colgate Total line. Higher toothpaste market shares often resulted. In Canada, Colgate Total Fresh Stripe helped raise overall toothpaste market share, which was almost 40 percent for 1998. Its U.S. launch early in 1999 adds further impetus to domestic leadership.



Colgate's growing leadership in Oral Care extends beyond toothpaste. New toothbrushes are selling briskly. The premium Colgate Total Professional cleans down and around teeth. It has added incremental U.S. toothbrush market share since its mid-1998 launch. New brushes for children are also doing well worldwide, including

(continued on page 7)

Most Successful Toothpaste—United States

The only toothpaste to gain FDA approval to prevent gingivitis, plaque and cavities, Colgate Total was one of *Business Week's* "Best New Products of 1998." Explaining its therapeutic benefits from behind the counter are Julia Reyes and Clark Wylly of Colgate Oral Pharmaceuticals, with Dr. Noel Capestany of Alexandria, VA, and Dr. Sara Cohen of Washington, DC.

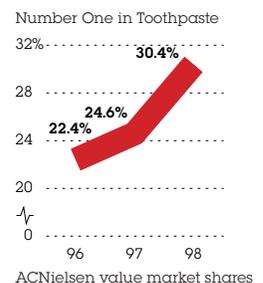


Chart: Colgate's share of the U.S. toothpaste market is up almost six share points over 1997, reflecting strong new products.

STRONGER MARKET LEADERSHIP

(continued from page 6)

My First Colgate with Barney,* Colgate Grip-em's and Disney character brushes.

tions in Poland, Vietnam, Lebanon and Senegal were significantly expanded in 1998.

Starting with France in 1997, Ajax Fête des Fleurs has been introduced in 30 countries, quickly boosting liquid cleaner leadership in most. And Hill's expansion into 17 new countries in the past five years has accelerated its growth in pet nutrition.

Having the Right Product Mix for Each Country

The Company's dual strategy is to create innovative new products and offer choices for consumers across the price spectrum. Often, both premium and budget products are offered in the same country. In Mexico, new premium styling aids under the Palmolive Optimis brand brought incremental market share. So did new varieties of Caprice hair care, a family value brand. In China, Colgate introduced an entry-level toothbrush while simultaneously launching Colgate Total to more prosperous consumers.

The same holds true for distribution. For small shops, Colgate adapts its package designs to offer single-size sachets, small refillable bottles and paperboard cartons. Yet around the corner, giant superstores stack huge displays of the same brands in larger sizes.

Colgate excels at identifying big opportunities early, developing innovative new products to fulfill those needs, and quickly bringing them to market worldwide. In a changing marketplace, Colgate possesses the core strengths to continue to increase its global leadership positions.

Focus on Global Brands

Strong returns from Oral Care and other core categories help fund business-building investments. Total advertising spending rose again in relation to sales in 1998. Media investment is concentrated on our global brand equities, which bring in 70 percent of sales. Consumer research increased too, with Colgate conducting more than 500,000 in-country interviews.

Finding new trends enables Colgate to capitalize on relevant consumer benefits. Such insight generated the success of Colgate Total early on. Personal Care growth is being boosted by the experiential Palmolive Botanicals line.

Having quickly added incremental share to the Palmolive brand in Australia, Brazil and the Philippines, this line will roll out broadly in 1999. In Household Care, understanding the trend to combination dishwashing liquid & antibacterial hand soap products has helped gain dishwashing share in such markets as the U.S., France, Greece, Canada, Denmark, Australia and Venezuela. And reinforcing Hill's close association with veterinarians is Prescription Diet n/d, the first product clinically proven to improve both the quality and length of life for dogs undergoing cancer treatment.

Market leadership also entails geographic expansion. Toothpaste has been introduced into 250 cities in China, 100 of which have populations of more than one million people. Also, Colgate opera-



Number One Toothpaste Brand — Brazil

Colorful in-store displays, sweepstakes promotions and youth-oriented advertising help make popular-priced Sorriso Brazil's leading toothpaste.



Softsoap Brand Body Wash, Five Varieties — United States

When research indicated that consumers wanted more experiential bathing products, Softsoap, the fast-growing body wash, added new mood-evoking varieties at affordable prices. The line includes Hydrating, Nourishing, Relaxing, Refreshing and Soothing variants. Double-digit volume growth resulted in 1998.



Record Advertising Levels — Hill's — United States

New advertising reinforces Hill's close ties with veterinarians, elevating the image of Science Diet brand pet food. Also adding to Hill's strong performance in 1998 was a series of new products, including the new Science Diet dry and canned varieties.

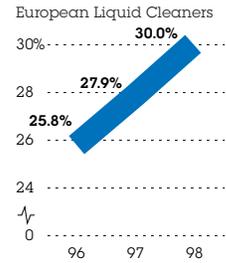
WHAT VETS FEED THEIR PETS

*The name and character Barney are trademarks of The Lyons Group. Barney is Reg. U.S. Pat. & TM. Off.



Ajax Part of Biggest Floral Fiesta—Greece

Sales of Ajax Fête des Fleurs rose sharply after a winning promotion in Greece. Bottles of the fragrant cleaner were packed with flower seed packs, and consumers received free product samples and coupons. Ajax Fête des Fleurs is a major new global brand for Colgate.



ACNielsen/IRI value market shares

Chart: Increasing its share of the liquid cleaners market in Western Europe, Colgate has added more than four share points in two years.

Excellent Response to Palmolive Botanicals—Philippines

Colgate-Philippines, one of five lead markets for a new line of Personal Care products, has increased its shampoo market share to 28 percent, further strengthening Palmolive as the country's top brand. The Palmolive Botanicals line offers natural ingredients and a renewing experience. It will soon include skin cleansers, linked by colors and principal ingredients.



ACNielsen value market shares

Chart: Strongly increasing its shampoo market share since the final quarter of 1997: Colgate-Philippines.



II. GREATER PROFITABILITY

Bringing Colgate's Products to Consumers Faster and More Cost-Efficiently than Ever Before



High-Tech Software Boosts Global Effectiveness

Colgate's state-of-the-art data center in Piscataway, NJ, has replaced over 25 individual processing centers worldwide. From here, the Company manages communication networks and the advanced software—SAP—that monitors activities across the entire supply chain. Left to right: Arthur Fleiss, Maria Zuliani, Ann Marie Spiller, Deighton Weekes, Joe Spitaleri and Anthony Cernuto, Division Coordinators.

Cutting order-cycle time means having the right amount of the right product at the right place at the right time. This saves money for Colgate and provides better service to customers. For example, when an order arrived at Colgate-U.S. five years ago, it took ten days to move products to the store shelf. Today, it takes four days, saving money and serving customers better. This improvement is happening around the world. In Brazil and Australia, for example, shelf delivery of Colgate products is comparable to that of Colgate-United States.

Colgate's increasingly efficient supply chain is central to its financial strategy—increasing profit margins and reducing overhead. Meeting these objectives enhances financial power to invest in new products, increase advertising and provide a healthy return to shareholders. Profitability set new all-time records for Colgate in 1998. Gross profit margin, earnings before interest and taxes (EBIT), and return on capital all improved strongly.

Contributions came from across geographies and cate-

gories. For example, streamlined operations enabled Colgate-Europe to increase 1998 operating earnings by 12 percent despite negative currency translation. The gross margin for Colgate's toothpaste category has increased six percentage points since 1995, through global sourcing, regional manufacturing and other initiatives. Recent changes in Colgate's fabric softener business helped generate record sales and operating profits for that category in 1998.

Opportunities Ahead
 Significant profit potential lies ahead—from technology, from regionalization, from standardization and from creation of new processes for multi-country use.

Colgate has implemented high-tech global software, SAP, in the U.S., most of Europe, and part of Asia. The process is now under way in Latin America and the rest of Asia. In every Colgate area where SAP has been installed, customer service performance is better, inventory levels are down, the cycle time of deliveries has improved and working capital is lower.

At Colgate-U.S., for example, supply chain inventory has been reduced to half that required just a few years ago, while customer service levels have improved to 99 percent. The end result is a nearly 10 percent reduction in the average cost of a delivered case of Colgate product.

The outstanding success of Colgate Total toothpaste also reflects the faster information flow SAP makes possible. Within four weeks of its launch, Colgate Total attained 90 percent distribution throughout the United States.

Importantly, we expect greater future benefits, since as SAP is expanded globally, implementation is faster and smarter. In addition, we are partnering with SAP on developing new systems that reap more benefits from Colgate's existing investment.

Regional/Global Efficiencies
 Manufacturing consolidation, efficient purchasing, product harmonization and better service to different types of retailers all contribute to fulfilling Colgate's goal of being

the world's most efficient global marketer of consumer products.

Global negotiation is Colgate's first priority for efficient purchasing. When this is not possible, Colgate Regional Purchasing Councils negotiate with a limited number of suppliers. Their objective is to get the highest quality raw materials at the lowest prices in the various trade blocks where Colgate does business. Approximately half of purchasing expenditures are made through these Councils, with significant additional contributions expected as this effort grows.

Consolidation of North American and European manufacturing at focused factories has strengthened profit margins for both regions. Similar

(continued on page 11)

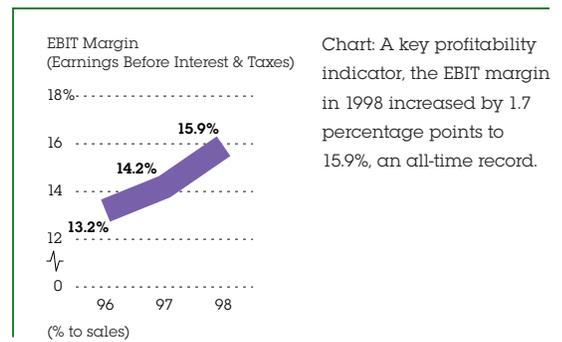


Chart: A key profitability indicator, the EBIT margin in 1998 increased by 1.7 percentage points to 15.9%, an all-time record.

Speed Stick in Multi-Language Packs — United States

Global manufacturing for Mennen Speed Stick deodorant at a single location in Morristown, NJ, serves 48 different countries. Inspecting the multi-language labeling, which enables the same product to be sold in broad regions, is Operator Technician Marie Honachefsky.



GREATER PROFITABILITY

Speed-to-Market— United States

Working closely with its largest retail customers, Colgate schedules shipments that enable truck-to-truck transfers to place product directly on store shelves, often arriving within 24 hours. This speed-to-market reduces the amount of money tied up in inventory and results in higher sales and greater efficiency for Colgate and its trade partners.



Distribution to Small Store—China

Selling to small retail outlets is central to Colgate's success in this country of 1.3 billion people. Rapid expansion to secondary and tertiary cities has helped make Colgate the leading Western brand in toothpaste and toothbrushes.



(continued from page 10)

savings are beginning in other parts of the world. Today, in Latin America, toothpaste is made in nine factories, down from 15, and toothbrushes are made in three facilities, compared with nine locations two years ago. A single facility in Mexico supplies liquid products for that country and part of Central America.

Colgate has also taken steps to increase efficiency in the ASEAN region. In December 1998, a regional research center was established in the Philippines. Regional sourcing of toothpaste and soap will begin in spring 1999.

The Company is becoming better at servicing all of its customers, particularly in changing markets like Asia, where multinational retailers are joining traditional stores on the retail landscape. Meeting the different requirements of the modern trade, such as more frequent deliveries and exclusive consumer promotions, positions Colgate as the supplier of choice.

Continuous Improvement
Colgate continues to focus on profitable growth by allocating 60 percent of the capital expenditure budget to programs that pay back quickly. Projected rates of return average over 40 percent. New cap injection molds for shampoo

and shower gel in Europe will pay for themselves in less than four years. And installation of laminate tube-making lines in Brazil, where Colgate leads the toothpaste market, also will pay back in under four years.

All over the world, Colgate people are finding and implementing new and better processes. In the U.K. plant, an engineering team designed an enhanced system for guiding bottles through the line changeover process, reducing downtime from 1½ hours to 15 minutes. In Indiana, a team replaced the mechanical fingers used to transfer empty tubes to the toothpaste line with a simple gravity feed system, an efficiency with potential cost savings of \$700,000.

The new ideas coming from the minds of Colgate people everywhere are never-ending, and they provide ongoing savings to meet aggressive profitability improvement targets to continue Colgate's record of strong performance.

Cost Savings from Structural Bottle

Under development for use around the world, this unique bottle saves Colgate both time and money. It uses 20 percent less plastic and lends itself to efficient filling line and labeling procedures. It will be used for such products as Ajax Fête des Fleurs cleaner as it is rolled out globally.



Streamlined Production—Mexico

Colgate benefits from economies of scale at this integrated liquids plant—a showcase for low-cost production and technical excellence.

The modern four-year-old facility supplies liquid products, such as market-leading Suavitel fabric softener, for Mexico and part of Central America. Monitoring quality control is Alfredo Hernández García, Operator.



The World's Largest and Most Efficient Toothpaste Cap Mold—Global

This steel mold is one of seven units around the world producing 1.4 billion flip-top toothpaste caps every year. Developed in partnership with a global supplier, the unit, the largest flip-top closure mold ever built, weighs one ton and efficiently produces 128 caps in a single 15-second cycle.



III. THE POWER OF GLOBAL TEAMWORK

Colgate's 38,000 Employees Sharing Across Borders— Delivering Results and Enhancing Shareholder Value



Creating Multi-Country Advertising — Europe

At Colgate's European headquarters in Paris, a single advertising campaign was developed to re-launch Colgate Total across 16 countries in the European division. This approach conveys the same key benefits everywhere and saves on creative and production costs. Left to right: Helen Landau, Philippe Sandt and Arturo Garcia, Directors involved in the marketing launch.

Colgate people are at the heart of the Company's growing success. With 38,000 dedicated employees across all major geographies, Colgate benefits from diverse cultural and market expertise. Colgate people exchange proprietary knowledge and work in multi-country teams to develop the best products, best manufacturing and best distribution.

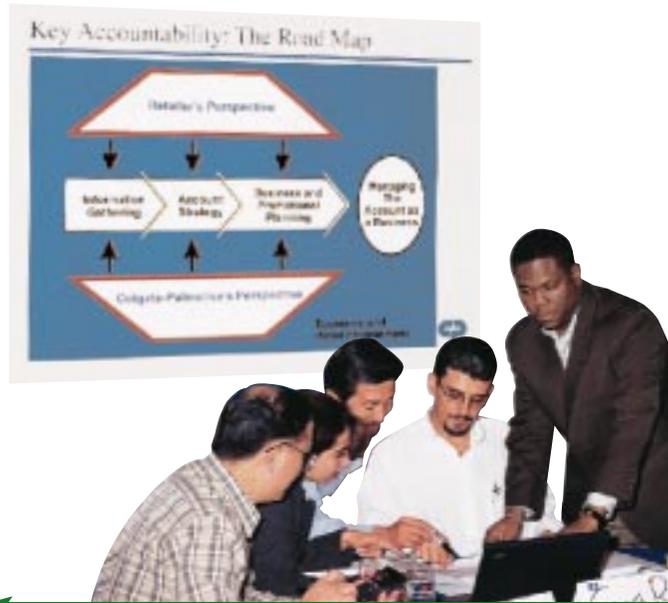
Colgate teams are using SAP integrated software and

saving millions of dollars. And as the experience of one region is transferred to another, so too are the best practices. For example, when employees at the liquids plant in France developed a more efficient way to switch production between products, reducing the changeover process to one-fifth the time, that knowledge was passed along to benefit liquids production in Ohio.

Colgate marketers across Europe also teamed up to tell

Key Account Training— Asia/Latin America

Colgate sales executives from 11 countries in Asia and Latin America assembled in Mexico City for a four-day seminar on team-based selling to "Modern Trade" accounts. In the developing world, larger retailers are joining small stores as places where people increasingly shop. Aligning the objectives of Colgate with those of its customers improves customer satisfaction, sales and profitability. Left to right: Cheng Feng, Taiwan; Patricia Cano, Mexico; Lim Kim Seng, China; Luis Manuel Ocampo Arias, Costa Rica, and Ian Wilson, Jamaica.



the story of Colgate Total, stressing its unique benefit of working both above and below the gum line to fight gingivitis. Citing new clinical support, the message was carried across the continent. This 16-country campaign has helped to add an average of one to two share points to European market shares for Colgate Total.

The power of global teamwork is also seen in the cross-training that occurs Company-wide. The average Colgate person took part in seven days of training in 1998, such as:

- Key Account Management training program, held in Mexico City. Colgate executives from Europe and North America —experienced in selling to large trade customers such as Wal-Mart—made presentations to sales directors from Asia and Latin America, markets that large chains are beginning to enter.

- Total Productive Maintenance training, held at factories. The user-friendly courses help reduce equipment downtime, increase productivity and improve safety.

- Marketing Training programs, held everywhere. Managers hone their skills in advertising, consumer insight, effective promotions and media selection.

Global teamwork goes way beyond market data and technology. Developing the best qualities in Colgate people means embracing core values, which involve caring for colleagues, customers, consumers and the communities where Colgate does business. Colgate is recognized by many organizations, including the U.S. Department of Labor, for effective programs that enhance interpersonal skills, and promote respect and workforce diversity. This culture flows through to the bottom line and benefits all shareholders.



In-Factory Training— North America

Colgate people at the Cambridge, OH, liquids plant share production techniques with their counterparts at Colgate's liquids plant in Compiègne, France. Clockwise, from left: Sheri Cooley, Victor Okotcha, Craig Stoneburner, Jocelyn Cheeks, Don Palmer, Bob Farrar and Karen Froment.

GLOBAL BUSINESS REVIEW

Colgate's growing success reflects the Company's ability to increase market leadership positions in the 213 countries and territories where it does business. New products, aggressively supported by advertising, were a major contributor to Colgate's 1998 growth. Most important launches cut across several or all geographic regions. In keeping with a desirable geographic balance — approximately 55 percent of sales comes from Developed Markets and 45 percent from High Growth Markets — sales from new products are also balanced between these two areas.

Colgate-Latin America

Latin America contributed 27% of sales, or \$2.4 billion, in 1998. Unit volume grew 7% and sales increased 2%, affected by currency translation. The region includes Mexico, Central America, South America and the Caribbean.

Colgate-Latin America had an excellent year, with market share gains, successful new product introductions and innovative programs to build consumption. Contributing to strong Oral Care market shares across the region were Colgate Sensation whitening and Colgate Double Cool Stripe toothpastes, plus new herbal variants for Sorriso in Brazil. Innovations in toothbrushes and rinses, for example, the Colgate Sensation brush and Sorriso herbal mouthwash, drove category growth in Oral Care as well.

In fast-growing Personal Care, Palmolive Botanicals shampoo, Lady Speed Stick gel deodorant and Optims hair care products added incremental market share in various countries. Global initiatives in home care also helped drive Latin America business

growth, most notably Ajax Fiesta de Flores fragranced cleaner and Suavitel vanilla fabric softener.

Seven decades of history in Latin America, leading market shares and considerable positive momentum should stand Colgate in good stead in the face of current economic uncer-

tainty in Brazil. In Latin America's other large country, Mexico, Colgate market shares are healthy, and sales and operating profits continue to rise. New product activity and consumption building are also strong, as they are throughout all of Latin America.



Mexico

Colgate- North America



United States

North America contributed 23% of sales, or \$2.0 billion, in 1998. Unit volume grew 5% and sales rose 6% from continuing operations. The region includes the United States, Canada and Puerto Rico.

Colgate-North America had its fourth consecutive year of strong, profitable growth in the world's most competitive marketplace. Increased U.S. market shares were achieved for 8 of the 12 categories in which Colgate competes, driven by record new product sales. Importantly, Colgate won impressive share gains in toothpaste, dishwashing liquid, bar and liquid soaps and deodorants/antiperspirants.

Colgate-U.S. decisively gained leadership of the \$1.6 billion domestic toothpaste market in 1998, benefit-

ing not only from Colgate Total, but also Colgate tartar control plus whitening. Toothbrush market shares moved up with the launch of the premium Colgate Total Professional brush at mid-year. In Canada, Colgate's leadership toothpaste market share increased to almost 40 percent with the help of the recent Colgate Total Fresh Stripe entry.

The steady stream of innovative new products will continue in 1999. Colgate Total Fresh Stripe, the second Colgate Total offering to receive U.S. Food and Drug Administration approval, starts shipping in March. Colgate plans to launch the premium-priced Colgate Navigator toothbrush

with a flexible head in June and has already shipped Colgate's new Star Wars® line of children's toothpaste and toothbrushes.

Gross profit margin improved by three full percentage points in 1998, and overhead costs declined as a percent to sales. Colgate initiated its strategic profitability improvement programs in North America, which as a result now leads Colgate geographic divisions in gross profit margin. The same programs, fine-tuned by North American experience, are being expanded worldwide.

*Star Wars is a trademark of Lucasfilms Ltd.

Colgate- Europe



Europe contributed 23% of sales, or \$2.1 billion, in 1998. Sales were unchanged and would have grown 1% without the effect of currency translation and Russian economic collapse. Unit volume for Western Europe rose 2%.

New product activity strengthened Colgate's European market shares and leading positions, especially in the higher margin segments of Oral, Personal and Household Care. A relaunch of Colgate Total toothpaste, advertised with new clinical support, has added market share to the brand following its introduction. Colgate Sensation whitening toothpaste also had a very strong year.

In other categories, Ajax Fête des Fleurs liquid cleaner, Palmolive shower gels, Palmolive dishwashing products and Soupline peach fabric

softener all performed well. In Germany, the launch of Palmolive Pots & Pans helped put Colgate in the Number One position in dishwashing liquids.

In the U.K., the addition of three Palmolive shower gel variants strengthened Colgate's market position. The line also succeeded especially well in Italy, Belgium, Portugal and Germany.

All categories contributed to the outstanding increase in operating profits. Colgate continues to make improvements throughout its European supply chain with the implementation of SAP integrated software.

Efficiencies from regional manufacturing and purchasing, as well as lower distribution costs should provide savings well into the future.



France

Colgate- Asia/Africa



Asia/Africa contributed 16% of sales, or \$1.5 billion, in 1998. Unit volume decreased 1% on 12% lower sales, reflecting currency translation. This region covers Asia, the South Pacific, Africa and the Mid-East.

Colgate continues to build consumption in Asia/Africa, protect strong franchises and focus activities in areas of strength. The very strong growth Colgate is achieving in China helped in 1998 to partially offset economic weakness in the ASEAN countries of Malaysia, the Philippines and Thailand. Already the leading Western marketer of toothpaste and toothbrushes, Colgate-China plans to



Malaysia



increase its distribution area from the current 250 cities to 400 in 1999. The Colgate Sensation whitening toothpaste and toothbrush were launched late in 1998.

Consumption in the ASEAN countries showed signs of recovery towards year-end. Colgate has taken steps to further enhance its strong market shares and improve efficiency in this area.

Senegal

A regional research center opened in the Philippines in December. Regional sourcing of toothpaste and soap begins in spring 1999. Market shares are generally healthy. In the Philippines, Colgate has added market share in shampoo and toothpaste. Malaysian shares are up in toothpaste, laundry bars and liquid soaps.

In the South Pacific, as a result of new product activity, Colgate-Australia increased key market shares in all major categories. Palmolive Naturals became the leading shower gel brand, and Colgate-Australia became Number

One overall in body cleaning products. Toothbrush market share moved up five percentage points, making Colgate Number One.

Senegal is a good example of the Company's consumption-building programs throughout Africa. Colgate has developed a unique indirect distribution system to assure that 8,000 retail shops get a visit from a salesperson at least weekly. Both sales and key market shares improved strongly in 1998.

Hill's Pet Nutrition



Hill's had an excellent year. Record new product activity, increased advertising and geographic expansion all fueled growth. A global leader in pet nutrition, Hill's continues to strengthen its ties to veterinarians. Efficiency and customer service improved, reflecting greater productivity at the Hill's-Europe factory and the benefits of SAP, especially in inventory management.

Record levels of advertising supported a U.S. campaign for Science Diet, themed "What Vets Feed Their Pets." New Science Diet products include dry varieties for cats, new canned varieties in chunk and gravy form for cats, and dry varieties for dogs. A new product, Prescription Diet n/d for dogs undergoing cancer treatment, received tremendous veterinarian acceptance.

The Prescription Diet pet food line was also expanded to include new nutritional products for pets with allergy and gastrointestinal problems.

Outside the U.S., Hill's had excellent market share growth in Europe and Japan and benefited from continued extension of Science Diet in Australia and New Zealand. Expansion of television advertising and new products tailored specifically for the Japanese market are strengthening Hill's leadership position. Hill's has the Number One dry dog food market share in Japan.

The Hill's business contributed 11% of sales, or \$1.0 billion, in 1998. Unit volume grew 4% and sales rose 3%. Selling its products in 68 countries, Hill's has almost all its sales in the developed world.

Hill's-Japan



Global Financial Review



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Results of Operations

Worldwide Net Sales by Business Segment and Geographic Region	1998	1997	1996
Oral, Personal and Household Care			
North America ⁽¹⁾	\$2,047.5	\$1,992.5	\$1,869.0
Latin America	2,407.9	2,363.8	2,124.8
Europe	2,067.7	2,078.8	2,173.4
Asia/Africa	1,452.6	1,656.3	1,713.1
Total Oral, Personal and Household Care	7,975.7	8,091.4	7,880.3
Total Pet Nutrition ⁽²⁾	995.9	965.3	868.7
Total Net Sales	\$8,971.6	\$9,056.7	\$8,749.0

⁽¹⁾ Sales in the United States for Oral, Personal and Household Care were \$1,799.6, \$1,756.1 and \$1,610.4 in 1998, 1997 and 1996, respectively.

⁽²⁾ Sales in the United States for Pet Nutrition were \$688.6, \$689.4 and \$630.1 in 1998, 1997 and 1996, respectively.

Net Sales

Worldwide net sales decreased 1% to \$8,971.6 in 1998 on volume growth of 3.5%. Sales would have grown 6%, excluding the effect of foreign exchange declines and divestments. Sales in the Oral, Personal and Household Care segment decreased 1% on 3% volume growth, while sales in Pet Nutrition increased 3% on 4% volume growth.

In 1998, sales from continuing businesses in North America increased 6% as unit volume rose 5%. Included in the strong growth in Oral Care were launches of new products such as Colgate Total toothpaste, which was launched in late 1997. Success in Personal Care resulted from the launch of three new fragrance varieties of Softsoap body wash, Softsoap hand gel,

Speed Stick Ultimate odor-fighting antiperspirant and Lady Speed Stick gel. Adding new market shares were Palmolive lemon dishwashing liquid & antibacterial hand soap.

Sales in Latin America increased 2% on 7% volume growth. The largest increases were achieved in Mexico, Brazil, Venezuela and Central America. Contributing to the strong growth in the region were Oral and Personal Care sales. Increased Oral Care sales were driven by Colgate great regular flavor and Colgate Double Cool Stripe toothpastes. Personal Care sales were increased by Palmolive Botanicals shampoo, Palmolive soap and Protex Fresh soap.

Sales in Europe remained flat in 1998 due to the effects of weak economic conditions in Russia, while volume grew 1%. The United Kingdom, Italy, Belgium and Greece achieved the strongest sales growth and volume increases in the region. Sales in the United Kingdom and other countries were helped by strong sales of Palmolive shower gels and Colgate Sensation whitening toothpaste. The continued success of products such as Ajax Fêtes des Fleurs, in three different fragrances, and the introduction of two new dishwashing products also contributed to the volume increase in this highly competitive market.

Sales in the Asia/Africa region decreased 12% as volume decreased 1%, reflecting weaker ASEAN currencies. Volume declined in the ASEAN countries of Malaysia, the Philippines and Thailand, reflecting continued economic difficulties, and in India as a result of aggressive competition. Partially offsetting declines in the ASEAN countries were strong growth in China and increases in Australia, Taiwan and Vietnam.

Sales for Hill's Pet Nutrition increased 3% on 4% volume growth. Within the United States, sales of Prescription Diet products increased due to the introduction of new products including Prescription Diet n/d, the first product clinically proven to improve the quality and life expectancy of dogs undergoing cancer treatment. Strongest growth occurred in Japan and Europe, where introduction of new products and increased advertising fueled that growth.

In 1997, worldwide net sales increased 4% to \$9,056.7 on volume growth of 7%, reflecting volume increases by all divisions. North America posted overall sales and volume growth of 7%. In Europe, sales decreased 4% in 1997 on 5% higher volume, due primarily to weaker European currencies. Latin America led the Oral, Personal and Household Care segment with an 11% increase in sales on 10% volume growth. Sales in the Asia/Africa region decreased 3%. Excluding divested businesses, sales in

Asia/Africa declined 2% on 5% volume growth. The Pet Nutrition segment increased sales 11% on 9% volume gains.

Gross Profit

Gross profit margin increased to 52.2%, above both the 1997 level of 50.7% and the 1996 level of 49.1%. This favorable trend reflects the Company's financial strategy to improve all aspects of its supply chain through global sourcing, restructuring and other cost reduction initiatives, as well as its emphasis on higher margin products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales were generally level: 36% in 1998, 36% in 1997 and 35% in 1996, reflecting higher advertising costs offset by the Company's continued focus on expense containment.

Other Expense, Net

Other expense, net, consists principally of amortization of goodwill and other intangible assets, minority interest in earnings of less-than-100%-owned consolidated subsidiaries, earnings from equity investments and other miscellaneous gains and losses. Other expense, net, decreased in 1998 from \$72.4 to \$61.2, primarily due to lower amortization expense and gains from sales of non-core product lines and other assets.

During the third quarter of 1998, the Company divested certain non-core brands and recorded a one-time pretax gain of \$42.4 (\$26.0 aftertax) on the sale of the U.S. HandiWipes brand, which was offset by one-time charges, primarily to cover a decision to substantially reduce the Company's operations in Russia, following the severe contraction of the Russian economy, as well as the Company's continuing program of product standardization and organization redesign. The pretax charge for Russia was \$25.0, which covered a write-down of assets, employee termination costs and the settlement of contractual obligations, which were substantially implemented before year-end.

Worldwide Earnings by Business Segment and Geographic Region

	1998	1997	1996
Oral, Personal and Household Care			
North America	\$ 395.5	\$ 312.6	\$ 258.2
Latin America	502.0	483.0	410.7
Europe	317.5	283.5	280.7
Asia/Africa	158.6	178.3	215.3
Total Oral, Personal and Household Care	1,373.6	1,257.4	1,164.9
Total Pet Nutrition	173.8	162.5	127.3
Corporate	(124.4)	(134.1)	(140.2)
Earnings Before Interest and Taxes	1,423.0	1,285.8	1,152.0
Interest Expense, Net	(172.9)	(183.5)	(197.4)
Income Before Income Taxes	\$1,250.1	\$1,102.3	\$ 954.6

Earnings Before Interest and Taxes (EBIT)

EBIT increased 11% in 1998 to \$1,423.0 compared with \$1,285.8 in 1997. EBIT for the Oral, Personal and Household Care segment was up 9%, with North America, Latin America and

Europe posting gains of 27%, 4% and 12%, respectively. The North America and Europe profitability increase includes the effect of higher margins on higher volumes. In Latin America, the increase in profitability was 3% less than the increase in volume, primarily due to the impact of foreign exchange. EBIT in Asia/Africa decreased 11%, reflecting weakened economies in the ASEAN countries and increased competition in India. EBIT in the Pet Nutrition segment increased 7% on both higher volumes and gross profit margins.

Interest Expense, Net

Interest expense, net, was \$172.9 compared with \$183.5 in 1997 and \$197.4 in 1996. The decline in interest expense is primarily the result of lower average debt levels during the year compared with 1997 and a decrease in interest rates.

Income Taxes

The effective tax rate on income was 32.1% in 1998 versus 32.8% in 1997 and 33.5% in 1996. Global tax planning strategies, including the realization of tax credits, benefited the effective tax rate in all three years presented.

Net Income

Net income was \$848.6 in 1998 or \$2.81 per share compared with \$740.4 in 1997 or \$2.44 per share and \$635.0 in 1996 or \$2.09 per share.

	1998	1997	1996
Identifiable Assets			
Oral, Personal and Household Care			
North America	\$2,591.0	\$2,553.2	\$2,531.4
Latin America	2,128.3	2,204.8	2,365.1
Europe	1,329.9	1,201.5	1,236.3
Asia/Africa	952.4	891.9	1,001.5
Total Oral, Personal and Household Care	7,001.6	6,851.4	7,134.3
Total Pet Nutrition	502.6	517.3	578.6
Total Corporate	181.0	170.0	188.6
Total Identifiable Assets ⁽¹⁾	\$7,685.2	\$7,538.7	\$7,901.5

⁽¹⁾ Long-lived assets in the United States, primarily fixed assets and goodwill, represented approximately one-third of total long-lived assets of \$5,330.0, \$5,234.9 and \$5,415.6 in 1998, 1997 and 1996, respectively.

Liquidity and Capital Resources

Net cash provided by operations increased 7.4% to \$1,178.8 compared with \$1,097.8 in 1997 and \$917.4 in 1996. The increases reflect the Company's improved profitability, lower cash taxes and working capital management. Cash generated from operations was used to fund capital spending, repurchase stock and increase dividends.

During 1998, long-term debt increased from \$2,518.6 to \$2,582.2 and total debt increased from \$2,677.1 to \$2,757.5. The increase includes additional net issuances of medium-term notes of approximately \$210 partially offset by lower commercial paper borrowings.

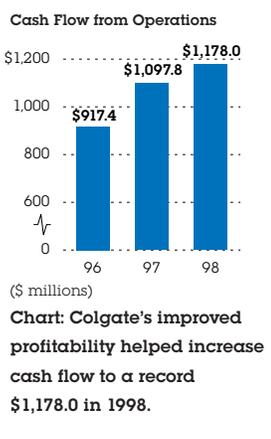
As of December 31, 1998, \$461.2 of domestic and foreign commercial paper was outstanding. These borrowings carry a Standard & Poor's rating of A1 and a Moody's rating of P1. The commercial paper as well as other short-term borrowings are classified as long-term debt at December 31, 1998, as it is the Company's intent and ability to refinance such obligations on a long-term basis. The Company has additional sources of liquidity available in the form of lines of credit maintained with various banks. At December 31, 1998, such unused lines of credit amounted to \$1,670.9. In addition, at December 31, 1998, the Company had \$203.8 available under previously filed shelf registrations.

As of December 31, 1997, \$607.5 of domestic and foreign commercial paper was outstanding. An unused line of credit of approximately \$1,586.4 was available in addition to \$697.8 available under previously filed shelf registrations.

In 1996, the Company entered into a \$496.3 loan agreement and obtained a \$406.0 term loan with foreign commercial banks. In addition, the Company issued \$100.0 of notes in a private placement and issued \$75.0 medium-term notes under previously filed shelf registrations.

The ratio of net debt to total capitalization (defined as the ratio of the book values of debt less cash and marketable securities ["net debt"] to net debt plus equity) increased to 55% during 1998 from 53% in 1997. The ratio had decreased in 1997 from 58% in 1996. The increase in 1998 was primarily the result of increased borrowings related to stock repurchases offset partially by operating cash flow.

	1998	1997	1996
Capital Expenditures			
North America	\$ 90.1	\$114.2	\$119.8
Latin America	99.2	105.2	86.1
Europe	83.7	104.6	107.3
Asia/Africa	80.5	104.9	85.6
Total Oral, Personal and Household Care	353.5	428.9	398.8
Total Pet Nutrition	20.7	29.8	45.4
Total Corporate	15.4	19.8	14.8
Total Capital Expenditures	\$389.6	\$478.5	\$459.0
Depreciation and Amortization			
North America	\$ 95.6	\$ 87.1	\$ 77.1
Latin America	75.6	70.2	77.4
Europe	67.9	68.0	71.0
Asia/Africa	42.1	45.4	43.8
Total Oral, Personal and Household Care	281.2	270.7	269.3
Total Pet Nutrition	32.5	32.1	30.1
Total Corporate	16.6	17.1	16.9
Total Depreciation and Amortization	\$330.3	\$319.9	\$316.3



Capital expenditures were 4%, 5% and 5% of net sales for 1998, 1997 and 1996, respectively. Capital spending continues to be focused primarily on projects that yield high aftertax returns, thereby reducing the Company's cost structure. The higher levels in 1997 and 1996 primarily reflect capital spending relating to the Company's restructuring programs. Capital expenditures for 1999 are expected to continue at the current rate of approximately 4% of net sales.

Other investing activities in 1998, 1997 and 1996 included strategic acquisitions and divestitures around the world. The aggregate purchase price of all 1998, 1997 and 1996 acquisitions was \$22.6, \$20.3 and \$38.5, respectively. The HandiWipes brand was sold in 1998, and the Sterno fuel brand was sold in 1997. The aggregate sale price of all 1998, 1997 and 1996 sales of brands was \$57.4, \$101.4 and \$25.1, respectively.

The Company repurchases common shares in the open market and private transactions to provide for employee benefit plans and to maintain its targeted capital structure. Aggregate repurchases for 1998 were 7.1 million shares, with a total purchase price of \$542.5. In 1997, 2.8 million shares were repurchased with a total purchase price of \$175.1.

Dividend payments were \$345.6, up from \$333.4 in 1997 and \$296.2 in 1996. Common stock dividend payments increased to \$1.10 per share in 1998 from \$1.06 per share in 1997 and \$.94 per share in 1996. The Series B Preference Stock dividends were declared and paid at the stated rate of \$4.88 per share in all three years.

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

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

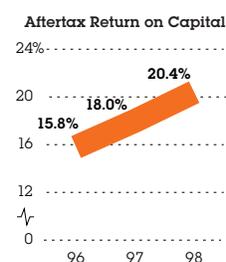


Chart: Colgate's return on capital increased by 2.4 percentage points to 20.4% in 1998, reflecting improved profitability as well as effectiveness in managing capital.

Status of Restructuring Reserve

In September 1995, a reserve of \$460.5 was established to cover a worldwide restructuring of manufacturing and administrative operations. The primary elements of the reserve related to employee termination costs and expenses associated with the realignment of the Company's global manufacturing operations, as well as settlement of contractual obligations. The costs of completing the restructuring activities to date approximated the original estimate. As planned, the restructuring has produced savings that increase pretax earnings by over \$150 annually.

The planned restructuring projects, primarily in North America and Europe but also affecting Hill's Pet Nutrition and Colgate locations in Asia/Africa and certain Latin America locations, are substantially completed. The remaining reserve amount of \$39.6 primarily covers the reconfiguring of two factories in Asia/Africa and the consolidation of administrative operations following the implementation of SAP computer systems and related process changes in Europe and Asia/Africa. All remaining projects will be completed in 1999. The financing for remaining cash requirements will come from operations.

Managing Foreign Currency and Interest Rate Exposure

The Company is exposed to market risk from foreign currency exchange rate fluctuations and interest rates. To manage the volatility relating to foreign currency exposures on a consolidated basis, the Company utilizes a number of techniques, including selective borrowings in local currencies, purchases of forward foreign currency exchange contracts, balance sheet management and increases in selling prices.

The Company operates in over 200 countries and territories and is exposed to currency fluctuation related to manufacturing and selling its products in currencies other than the U.S. dollar. The major foreign currency exposures involve the markets in Mexico, Brazil and France, each of which represents individually 6% to 8% of worldwide sales. Each of the other countries' operations represent less than 4% of worldwide sales. In the countries of Mexico, Brazil and France during the three-year period from 1996 to 1998, the combination of selling price increases and cost containment measures have more than offset the impact of foreign currency rate movements resulting in increased gross profit margins during the periods presented.

The Company utilizes simple instruments such as interest rate swaps to manage the Company's mix of fixed and floating rate debt. The Company's target floating rate obligations as a percentage of the Company's global debt is set by policy. As a matter of policy, the Company does not speculate in financial markets and therefore does not hold or issue derivative financial instruments for trading purposes.

Value at Risk

The Company's risk management procedures include the monitoring of interest rate and foreign exchange exposures and the Company's offsetting hedge positions utilizing analytical analysis of cash flows, market value, sensitivity analysis and value-at-risk estimations. However, the use of these techniques to quantify the

market risk of such instruments should not be construed as an endorsement of their accuracy or the accuracy of the related assumptions. The Company utilizes a Value-at-Risk (VAR) model and an Earnings-at-Risk (EAR) model that are intended to measure the maximum potential loss in its interest rate and foreign exchange financial instruments assuming adverse market conditions occur, given a 95% confidence level. The models utilize a variance/covariance modeling technique. Historical interest rates and foreign exchange rates from the preceding year are used to estimate the volatility and correlation of future rates. The estimated maximum potential one-day loss in fair value of interest rate or foreign exchange rate instruments, calculated using the VAR model, is not material to the consolidated financial position, results of operations or cash flows of the Company. The estimated maximum yearly loss in earnings due to interest rate or foreign exchange rate instruments, calculated utilizing the EAR model, is not material to the Company's results of operations. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

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

Year 2000 Update

The Company has developed plans to address the possible exposures related to the year 2000 on the Company's internal systems and equipment. In the critical area of internal operating systems, in 1994 the Company decided to convert its worldwide business systems to SAP, which is year 2000 compliant. The Company's conversion to SAP is progressing on schedule, with conversion in operations representing over 70% of the Company's global business to be complete by mid-year 1999. When completed, the Company's investment in SAP systems will cumulatively total approximately \$430, half of which will be capitalized and the remainder expensed as incurred. The computer systems and embedded microprocessors and control systems in all operations are planned to be made compliant by June 30, 1999.

The Company is also in discussions with suppliers and customers to assess the potential impact on operations in the event their systems are not made compliant.

The first two phases of the year 2000 project plan—forming teams at the corporate, division and subsidiary levels worldwide, and the inventory of systems and equipment—were complete at July 31, 1998. The third phase, risk assessment and contingency planning, is substantially complete with respect to all internal computing systems and embedded chips and is under way with respect to critical external business partners.

The fourth phase, planned to be substantially completed by the end of the first quarter of 1999, will be to accomplish systems testing, remediation and contingency plans regarding critical systems and equipment with a high risk assessment. Contingency planning for suppliers includes backup procedures and processes, alternative suppliers and increases in inventory

levels. Review of data interface capability of key business partners and all remaining internal testing and plan implementation are scheduled to be substantially completed by mid-year 1999 in the fifth phase of the project. Progress against project plan timelines is monitored through a system of internal reporting and is presented to senior management and the Audit Committee of the Board of Directors or the full Board on a frequent basis.

The Company currently estimates that the total incremental cost, including external contractor costs, costs to modify existing systems and costs of internal resources dedicated to preparing for the year 2000, to be approximately \$30, of which 40% has been spent to date. These costs are charged to expense as incurred and are incremental to the above noted investment in SAP systems which were previously planned and in the process of being implemented.

The Company is taking steps to prevent major interruptions in the business related to year 2000 issues. The effect, if any, if the Company, its suppliers or the public sector is not fully year 2000 compliant is not reasonably estimable. The Company believes, however, that the successful completion of its year 2000 project will significantly reduce the risk of a major business interruption due to year 2000 failures.

Conversion to the Euro Currency

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

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

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

Outlook

Looking forward into 1999, the Company is well positioned for strong growth in most of its markets, particularly North America and Western Europe. However, movements in foreign currency exchange rates can impact future operating results as measured in U.S. dollars. In particular, recent economic turmoil in Brazil and continued economic uncertainty in Asia may impact the overall results of Latin America and Asia/Africa. Projected growth in these parts of the world may be tempered until these economies become more stable.

During 1998, as required by generally accepted accounting principles, the Company ceased to account for its Brazilian operations as highly inflationary as historical inflation levels had fallen sharply. However, since the close of 1998, the Brazilian currency has devalued sharply. Based on management's best estimates and events to date, this devaluation will result in a charge to cumulative translation adjustments of approximately \$250 to be recognized in 1999 which will be, in effect, a write-down of our foreign-currency-denominated assets (primarily goodwill and property, plant and equipment). This will be accompanied by lower amortization and depreciation expense in future periods. The Company remains cautious on the outlook for operations in Brazil in 1999. Management expects that the net impact on 1999 results of operations will be a reduction of net income of approximately \$20 to \$25, primarily in the first quarter. In addition, effective January 1999, the Company's operations in Mexico will no longer be accounted for as highly inflationary. The effect of this change on future results of operations is not determinable.

The Company expects the continued success of Colgate Total toothpaste, using patented proprietary technology, to bolster worldwide Oral Care leadership and expects new products in all other categories to add potential for further growth. Overall, subject to global economic conditions, the Company does not expect the 1999 market conditions to be materially different from those experienced in 1998 and the Company expects its positive momentum to continue. Historically, the consumer products industry has been less susceptible to changes in economic growth than many other industries, and therefore the Company constantly evaluates projects that will focus operations on opportunities for enhanced growth potential. Over the long term, Colgate's continued focus on its consumer products business and the strength of its global brand names, its broad international presence in both developed and developing markets, and its strong capital base all position the Company to take advantage of growth opportunities and to continue to increase profitability and shareholder value.

Forward-Looking Statements

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

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

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

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

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



Reuben Mark
Chairman and
Chief Executive Officer



Stephen C. Patrick
Chief Financial Officer

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of Colgate-Palmolive Company (a Delaware corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colgate-Palmolive Company and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

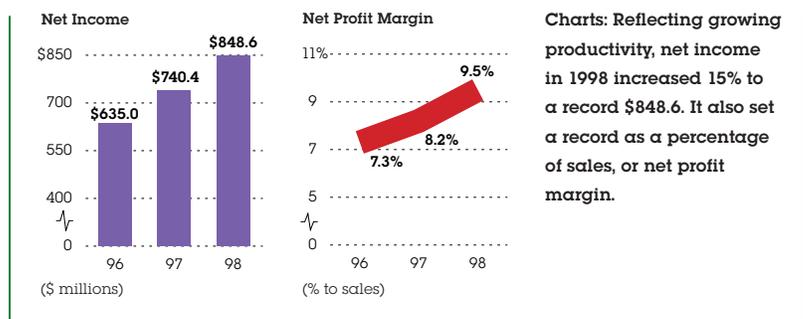
Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index to financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.



New York, New York
February 2, 1999

Consolidated Statements of Income

	1998	1997	1996
Net sales	\$8,971.6	\$9,056.7	\$8,749.0
Cost of sales	4,290.3	4,461.5	4,451.1
Gross profit	4,681.3	4,595.2	4,297.9
Selling, general and administrative expenses	3,197.1	3,237.0	3,052.1
Other expense, net	61.2	72.4	93.8
Interest expense, net	172.9	183.5	197.4
Income before income taxes	1,250.1	1,102.3	954.6
Provision for income taxes	401.5	361.9	319.6
Net income	\$ 848.6	\$ 740.4	\$ 635.0
Earnings per common share, basic	\$ 2.81	\$ 2.44	\$ 2.09
Earnings per common share, diluted	\$ 2.61	\$ 2.27	\$ 1.96



See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

	1998	1997
Assets		
Current Assets		
Cash and cash equivalents	\$ 181.7	\$ 183.1
Marketable securities	12.8	22.2
Receivables (less allowances of \$35.9 and \$35.8, respectively)	1,085.6	1,037.4
Inventories	746.0	728.4
Other current assets	218.8	225.4
Total current assets	2,244.9	2,196.5
Property, plant and equipment, net	2,589.2	2,441.0
Goodwill and other intangibles, net	2,524.1	2,585.3
Other assets	327.0	315.9
	\$7,685.2	\$7,538.7
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	\$ 175.3	\$ 158.4
Current portion of long-term debt	281.6	178.3
Accounts payable	726.1	716.9
Accrued income taxes	74.2	67.0
Other accruals	857.2	838.9
Total current liabilities	2,114.4	1,959.5
Long-term debt	2,300.6	2,340.3
Deferred income taxes	448.0	284.5
Other liabilities	736.6	775.8
Shareholders' Equity		
Preferred stock	376.2	385.3
Common stock, \$1 par value (1,000,000,000 shares authorized, 366,426,590 shares issued)	366.4	366.4
Additional paid-in capital	1,191.1	1,027.4
Retained earnings	3,641.0	3,138.0
Cumulative translation adjustments	(799.8)	(693.7)
	4,774.9	4,223.4
Unearned compensation	(355.5)	(364.5)
Treasury stock, at cost	(2,333.8)	(1,680.3)
Total shareholders' equity	2,085.6	2,178.6
	\$7,685.2	\$7,538.7

See Notes to Consolidated Financial Statements.

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

	Common Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Cumulative Translation Adjustment	Compre- hensive Income
	Shares	Amount		Shares	Amount			
Balance, January 1, 1996	291,707,744	\$366.4	\$ 850.5	74,718,846	\$1,441.8	\$2,392.2	\$(513.0)	
Net income						635.0		\$635.0
Other comprehensive income:								
Cumulative translation adjustment							(21.7)	<u>(21.7)</u>
Total comprehensive income								<u>\$613.3</u>
Dividends declared:								
Series B Convertible								
Preference Stock, net								
of income taxes						(20.9)		
Preferred stock						(.5)		
Common stock						(274.8)		
Shares issued for stock options	2,206,216		44.4	(2,206,216)	22.0			
Treasury stock acquired	(688,800)			688,800	27.4			
Other	1,042,476		23.5	(1,042,476)	(22.4)			
Balance, December 31, 1996	294,267,636	\$366.4	\$ 918.4	72,158,954	\$1,468.8	\$2,731.0	\$(534.7)	
Net income						740.4		\$740.4
Other comprehensive income:								
Cumulative translation adjustment							(159.0)	<u>(159.0)</u>
Total comprehensive income								<u>\$581.4</u>
Dividends declared:								
Series B Convertible								
Preference Stock, net								
of income taxes						(20.6)		
Preferred stock						(.5)		
Common stock						(312.3)		
Shares issued for stock options	3,163,141		64.2	(3,163,141)	54.4			
Treasury stock acquired	(2,795,926)			2,795,926	175.1			
Other	767,844		44.8	(767,844)	(18.0)			
Balance, December 31, 1997	295,402,695	\$366.4	\$1,027.4	71,023,895	\$1,680.3	\$3,138.0	\$(693.7)	
Net income						848.6		\$848.6
Other comprehensive income:								
Cumulative translation adjustment							(106.1)	<u>(106.1)</u>
Total comprehensive income								<u>\$742.5</u>
Dividends declared:								
Series B Convertible								
Preference Stock, net								
of income taxes						(20.4)		
Preferred stock						(.5)		
Common stock						(324.7)		
Shares issued for stock options	3,357,425		129.0	(3,357,425)	145.1			
Treasury stock acquired	(7,149,456)			7,149,456	542.5			
Other	1,099,076		34.7	(1,099,076)	(34.1)			
Balance, December 31, 1998	292,709,740	\$366.4	\$1,191.1	73,716,850	\$2,333.8	\$3,641.0	\$(799.8)	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	1998	1997	1996
Operating Activities			
Net income	\$ 848.6	\$ 740.4	\$ 635.0
Adjustments to reconcile net income to net cash provided by operations:			
Restructured operations	(34.8)	(48.5)	(105.6)
Depreciation and amortization	330.3	319.9	316.3
Income taxes and other, net	60.7	18.5	13.2
Cash effects of changes in:			
Receivables	(15.2)	(61.6)	(15.4)
Inventories	(19.5)	(50.9)	(1.2)
Payables and accruals	8.7	180.0	75.1
Net cash provided by operations	1,178.8	1,097.8	917.4
Investing Activities			
Capital expenditures	(389.6)	(478.5)	(459.0)
Payment for acquisitions, net of cash acquired	(22.6)	(31.5)	(59.3)
Sale of non-core product lines	57.4	96.4	25.1
Sale of marketable securities and investments	18.7	68.5	1.2
Other	(15.8)	7.7	(12.0)
Net cash used for investing activities	(351.9)	(337.4)	(504.0)
Financing Activities			
Principal payments on debt	(677.5)	(670.7)	(1,164.6)
Proceeds from issuance of debt	762.9	350.4	1,077.4
Dividends paid	(345.6)	(333.4)	(296.2)
Purchase of common stock	(542.5)	(175.1)	(27.4)
Other	(27.3)	15.8	39.2
Net cash used for financing activities	(830.0)	(813.0)	(371.6)
Effect of exchange rate changes on cash and cash equivalents	1.7	(12.5)	(2.4)
Net (decrease) increase in cash and cash equivalents	(1.4)	(65.1)	39.4
Cash and cash equivalents at beginning of year	183.1	248.2	208.8
Cash and cash equivalents at end of year	\$ 181.7	\$ 183.1	\$ 248.2
Supplemental Cash Flow Information			
Income taxes paid	\$ 273.8	\$ 261.3	\$ 273.0
Interest paid	202.8	230.6	229.1
Principal payments on ESOP debt, guaranteed by the Company	6.1	5.5	5.0

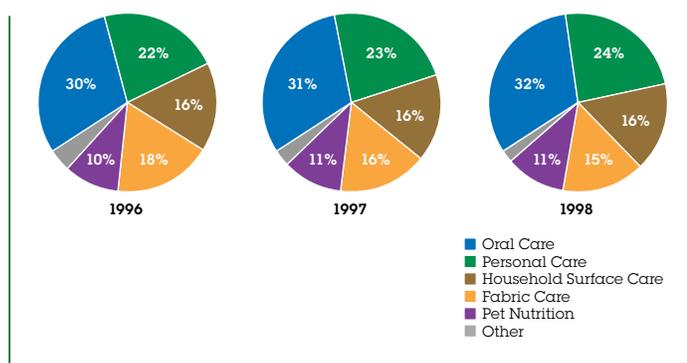
See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Nature of Operations

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

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



2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Revenue Recognition

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

Use of Estimates

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

Accounting Changes

In 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 130, "Reporting Comprehensive Income." The Company adopted this statement as of January 1, 1998, and, accordingly, disclosures were expanded to include the Consolidated Statement of Retained Earnings, Comprehensive Income and Changes in Capital Accounts. There was no impact on the Company's financial position, results of operations or cash flows.

The Company also adopted FASB Statements No. 131 and No. 132, which revised reporting and disclosures as to operating segments, pension and other postretirement benefits. Prior years' information has been restated to conform to the requirements of the new statements.

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Statement No. 133 will be effective, prospectively, for the Company's financial statements in the year 2000. The statement is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

During 1998, as required by generally accepted accounting principles, the Company ceased to account for its Brazilian operations as highly inflationary as historical inflation levels had fallen sharply. The effect of this change was to reduce shareholders' equity by \$98.4, primarily related to the recognition of deferred tax benefits expected to be realized in the future. However, since the close of 1998, the Brazilian currency has devalued sharply. Based on management's best estimates and events to date, this devaluation will result in a charge to cumulative translation adjustments of approximately \$250 to be recognized in 1999 which will be, in effect, a write-down of our foreign-currency-denominated assets (primarily goodwill and property, plant and equipment). This will be accompanied by lower amortization and depreciation expense in future periods. The Company remains cautious on the outlook for operations in Brazil in 1999.

Cash and Cash Equivalents

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

Inventories

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

Property, Plant and Equipment

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

Goodwill and Other Intangibles

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

The recoverability of the carrying values of intangible assets is evaluated periodically based on a review of forecasted operating cash flows and the profitability of the related business. For the three-year period ended December 31, 1998, there were no material adjustments to the carrying values of intangible assets resulting from these evaluations.

Advertising

Advertising costs are expensed in the year incurred.

Income Taxes

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

Translation of Overseas Currencies

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

into U.S. dollars at average rates of exchange prevailing during the year.

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

Financial Instruments

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

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

Segment Information

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

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

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

Reclassifications

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

3. Acquisitions and Divestitures

During 1998, 1997 and 1996, the Company made several acquisitions totaling \$22.6, \$20.3 and \$38.5, respectively. Individually, none of these acquisitions were significant.

The acquisitions were accounted for as purchases, and, accordingly, the purchase prices were allocated to the net tangible and intangible assets acquired based on estimated fair values at the dates the acquisitions were consummated. The results of operations of the acquired businesses have been included in the Consolidated Financial Statements since the respective acquisition dates. The inclusion of pro forma financial data for all acquisitions would not have materially affected the financial information included herein.

The aggregate sale price of all 1998, 1997 and 1996 divestitures was \$57.4, \$101.4 and \$25.1, respectively. In 1998, the HandiWipes brand and related assets were sold for \$53.0, and in 1997, the Sterno fuel brand and related assets were sold for \$70.0.

4. Long-Term Debt and Credit Facilities

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

	Weighted Average Interest Rate	Maturities	1998	1997
Notes	7.1%	1999-2030	\$1,382.4	\$1,186.6
Commercial paper and other short-term borrowings, reclassified	5.2	1999	461.2	607.5
ESOP notes, guaranteed by the Company	8.7	2001-2009	373.6	379.7
Payable to banks	5.5	2000-2004	361.8	339.2
Capitalized leases			3.2	5.6
			2,582.2	2,518.6
Less: current portion of long-term debt			281.6	178.3
			\$2,300.6	\$2,340.3

Commercial paper and certain other short-term borrowings are classified as long-term debt as it is the Company's intent and ability to refinance such obligations on a long-term basis. Scheduled maturities of debt outstanding at December 31, 1998, excluding short-term borrowings reclassified, are as follows: 1999—\$281.6; 2000—\$411.8; 2001—\$109.5; 2002—\$159.7; 2003—\$266.5, and \$891.9 thereafter. The Company has entered into interest rate swap agreements and foreign exchange contracts related to certain of these debt instruments (see Note 11).

At December 31, 1998, the Company had unused credit facilities amounting to \$1,670.9. Commitment fees related to credit facilities are not material. The weighted average interest rate on

short-term borrowings, excluding amounts reclassified, as of December 31, 1998 and 1997, was 6.2% and 8.5%, respectively.

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

5. Capital Stock and Stock Compensation Plans

Preferred Stock

Preferred Stock consists of 250,000 authorized shares without par value. It is issuable in series, of which one series of 122,620 shares, designated \$4.25 Preferred Stock, with a stated and redeemable value of \$100 per share, has been issued and is outstanding. The \$4.25 Preferred Stock is redeemable only at the option of the Company.

Preference Stock

In 1988, the Company authorized the issuance of 50,000,000 shares of Preference Stock, without par value. The Series B Convertible Preference Stock, which is convertible into four shares of common stock, ranks junior to all series of the Preferred Stock. At December 31, 1998 and 1997, 5,598,808 and 5,734,940 shares of Series B Convertible Preference Stock, respectively, were outstanding and issued to the Company's Employee Stock Ownership Plan.

Shareholder Rights Plan

On October 23, 1998, the Board of Directors adopted a new Shareholder Rights Plan to replace its previous plan, which expired October 24, 1998, with a comparable plan. Under the Plan each share of the Company's common stock carries with it one Preference Share Purchase Right ("Rights"). The Rights themselves will at no time have voting power or pay dividends. The Rights become exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender offer, the consummation of which would result in ownership by a person or group of 15% or more of the common stock. When exercisable, each Right entitles a holder to buy one one-hundredth of a share of a new series of preference stock at an exercise price of \$440.00, subject to adjustment.

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

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

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

Stock Repurchases

During 1998, the Company entered into a series of forward purchase agreements on its common stock. These agreements are settled on a net basis in shares of the Company's common stock. To the extent that the market price of the Company's common stock on a settlement date is higher (lower) than the forward purchase price, the net differential is received (paid) by the Company. As of December 31, 1998, agreements were in place covering approximately \$458.6 of the Company's common stock (5.0 million shares) that had forward prices averaging \$91.68 per share. If these agreements were settled based on the December 31, 1998 market price of the Company's common stock (\$92.88 per share), the Company would be entitled to receive approximately 64,000 shares. During 1998, settlements resulted in

the Company receiving 321,331 shares, which were recorded as treasury stock.

Incentive Stock Plan

The Company has a plan which provides for grants of restricted stock awards for officers and other executives of the Company and its major subsidiaries. A committee of non-employee members of the Board of Directors administers the plan. During 1998 and 1997, 285,077 and 335,270 shares, respectively, were awarded to employees in accordance with the provisions of the plan.

Stock Option Plans

The Company's Stock Option Plans ("Plans") provide for the issuance of non-qualified stock options to officers and key employees. Options are granted at prices not less than the fair market value on the date of grant. At 1998 year-end, 17,286,622 shares of common stock were available for future grants.

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

Stock option plan activity is summarized below:

	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, January 1	22,767,392	\$46	21,415,198	\$32	20,991,790	\$29
Granted	6,268,644	78	7,703,057	73	5,709,222	41
Exercised	(7,458,754)	44	(6,095,277)	32	(5,114,564)	29
Canceled or expired	(184,159)	42	(255,586)	38	(171,250)	31
Options outstanding, December 31	<u>21,393,123</u>	56	<u>22,767,392</u>	46	<u>21,415,198</u>	32
13,344,382	\$46	14,683,179	\$38	13,983,844	\$29	

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 1998:

Range of Exercise Prices	Weighted Average Remaining Contractual Life In Years	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$11.44 - \$ 21.28	1	1,163,047	\$15	1,163,047	\$15
\$25.03 - \$ 34.34	5	4,771,853	31	4,771,853	31
\$34.38 - \$ 44.47	6	3,655,279	40	2,731,609	40
\$44.56 - \$ 62.16	7	3,503,605	58	1,871,727	54
\$62.44 - \$ 79.38	9	4,009,582	70	1,138,721	73
\$79.47 - \$106.04	6	<u>4,289,757</u>	94	<u>1,667,425</u>	94
	6	21,393,123	\$56	13,344,382	\$46

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for options granted under the Plans. Accordingly, no compensation expense has been recognized. Had compensation expense been determined based on the Black-Scholes option pricing model value at the grant date for awards in 1998, 1997 and 1996 consistent with the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company's net income, basic earnings per common share and diluted earnings per common share would have been \$803.5, \$2.65 per share and \$2.49 per share, respectively, in 1998; \$716.1, \$2.35 per share and \$2.19 per share, respectively, in 1997; and \$621.7, \$2.05 per share and \$1.92 per share, respectively, in 1996.

The weighted average Black-Scholes value of grants issued in 1998, 1997 and 1996 was \$12.47, \$7.85 and \$5.40, respectively. The Black-Scholes value of each option granted is estimated using the Black-Scholes option pricing model with the following assumptions: option term until exercise ranging from 2 to 7 years, volatility ranging from 17% to 30%, risk-free interest rate ranging from 5.0% to 6.2% and an expected dividend yield of 2.5%. The Black-Scholes model used to determine the option values shown above was developed to estimate the fair value of short-term freely tradable, fully transferable options without vesting restrictions and was not designed to value reloads, all of which significantly differ from the Company's stock option awards. The value of this model is also limited by the inclusion of highly subjective assumptions which greatly affect calculated values.

6. Employee Stock Ownership Plan

In 1989, the Company expanded its Employee Stock Ownership Plan ("ESOP") through the introduction of a leveraged ESOP covering certain employees who have met certain eligibility requirements. The ESOP issued \$410.0 of long-term notes due through 2009 bearing an average interest rate of 8.6%. The long-term notes, which are guaranteed by the Company, are reflected in the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Series B Convertible Preference Stock from the Company. The Stock has a minimum redemption price of \$65 per share and pays semiannual dividends equal to the higher of \$2.44 or the current dividend paid on four common shares for the comparable six-month period.

Dividends on these preferred shares, as well as common shares also held by the ESOP, are paid to the ESOP trust and, together with contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Preferred shares are released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loan. At December 31, 1998,

1,528,450 shares were allocated to participant accounts. Each allocated share may be converted by the trustee into four common shares but preferred shares generally convert only after the employee ceases to work for the Company.

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

Annual expense related to the leveraged ESOP, determined as interest incurred on the notes, less employee contributions and dividends received on the shares held by the ESOP, plus the higher of either principal repayments on the notes or the cost of shares allocated, was \$2.4 in 1998, \$3.0 in 1997 and \$3.9 in 1996. Similarly, unearned compensation, shown as a reduction in shareholders' equity, is reduced by the higher of principal payments or the cost of shares allocated.

Interest incurred on the ESOP's notes amounted to \$32.5 in 1998, \$33.0 in 1997 and \$33.5 in 1996. The Company paid dividends on the stock held by the ESOP of \$29.3 in 1998, \$29.8 in 1997 and \$31.1 in 1996. Company contributions to the ESOP were \$0 in 1998, \$1.0 in 1997 and \$4.1 in 1996. Employee contributions to the ESOP were \$9.4 in 1998, \$8.2 in 1997 and \$5.9 in 1996.

7. Retirement Plans and Other Retiree Benefits

Retirement Plans

The Company, its U.S. subsidiaries and some of its overseas subsidiaries maintain defined benefit retirement plans covering substantially all of their employees. Benefits are based primarily on years of service and employees' career earnings. In the Company's principal U.S. plans, funds are contributed to the trusts in accordance with regulatory limits to provide for current service and for any unfunded projected benefit obligation over a reasonable period. To the extent these requirements are exceeded by plan assets, a contribution may not be made in a particular year. Assets of the plans consist principally of common stocks, guaranteed investment contracts with insurance companies, investments in real estate funds and U.S. Government obligations. Domestic plan assets also include investments in the Company's common stock representing 7% and 6% of plan assets at December 31, 1998 and 1997, respectively.

Other Retiree Benefits

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

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

	Pension Benefits				Other Retiree Benefits	
	1998	1997	1998	1997	1998	1997
	North America		International			
Change in Benefit Obligation						
Benefit obligation at beginning of year	\$976.6	\$925.7	\$ 278.8	\$ 271.9	\$ 143.7	\$ 152.7
Service cost	28.1	24.9	17.7	16.6	(11.0)	(7.8)
Interest cost	68.9	67.6	18.2	17.6	14.7	13.4
Participant's contribution	3.3	3.1	9.7	2.3	—	—
Acquisitions/plan amendments	1.5	.1	4.0	9.4	(3.7)	—
Actuarial loss/(gain)	7.9	40.8	14.1	13.6	20.0	(6.0)
Foreign exchange impact	(2.6)	(1.6)	4.4	(38.4)	—	(.2)
Benefits paid	(85.4)	(84.0)	(17.3)	(14.2)	(10.7)	(8.4)
Benefit obligation at end of year	\$998.3	\$976.6	\$ 329.6	\$ 278.8	\$ 153.0	\$ 143.7
Change in Plan Assets						
Fair value of plan assets at beginning of year	\$907.3	\$842.8	\$ 193.4	\$ 171.2	\$ —	\$ —
Actual return on plan assets	133.1	134.5	18.5	22.7	—	—
Company contributions	6.9	13.6	16.6	11.9	10.7	8.4
Plan participant contributions	3.3	3.1	9.7	2.3	—	—
Foreign exchange impact	(2.4)	(2.7)	(10.9)	(10.4)	—	—
Acquisitions/plan amendments	—	—	5.0	9.9	—	—
Benefits paid	(85.4)	(84.0)	(17.3)	(14.2)	(10.7)	(8.4)
Fair value of plan assets at end of year	\$962.8	\$907.3	\$ 215.0	\$ 193.4	\$ —	\$ —
Funded Status						
Funded status at end of year	\$ (35.5)	\$ (69.3)	\$ (114.6)	\$ (85.4)	\$ (153.0)	\$ (143.7)
Unrecognized net transition asset	(6.6)	(13.6)	(2.5)	(2.2)	—	—
Unrecognized net actuarial loss/(gain)	19.0	58.7	16.4	1.7	(22.5)	(44.3)
Unrecognized prior service costs	39.9	44.6	3.9	4.5	(8.3)	(2.6)
Net amount recognized	\$ 16.8	\$ 20.4	\$ (96.8)	\$ (81.4)	\$ (183.8)	\$ (190.6)
Amounts Recognized in Balance Sheet						
Other assets	\$ 93.3	\$ 83.4	\$ 40.9	\$ 30.1	\$ —	\$ —
Other liabilities	(76.5)	(63.0)	(137.7)	(111.5)	(183.8)	(190.6)
Net amount recognized	\$ 16.8	\$ 20.4	\$ (96.8)	\$ (81.4)	\$ (183.8)	\$ (190.6)
Weighted Average Assumptions						
Discount rate	7.25%	7.25%	6.82%	7.47%	7.25%	7.25%
Long-term rate of return on plan assets	9.25%	9.25%	8.92%	10.21%	—	—
Long-term rate of compensation increase	5.00%	5.50%	4.44%	4.83%	—	—
ESOP growth rate	—	—	—	—	10.00%	10.00%

	Pension Benefits						Other Retiree Benefits		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
	North America			International					
Components of Net Periodic Benefit Costs									
Service cost	\$ 28.1	\$ 24.9	\$ 24.5	\$ 17.7	\$ 16.6	\$ 15.1	\$ 4.0	\$ 2.3	\$ 1.7
Interest cost	68.9	67.6	64.4	18.2	17.6	17.5	14.7	13.4	12.6
Annual ESOP allocation	—	—	—	—	—	—	(15.0)	(10.1)	(5.0)
Expected return on plan assets	(80.8)	(77.0)	(73.1)	(13.9)	(14.2)	(13.6)	—	—	—
Amortization of transition/prior service costs	(.9)	1.3	(1.5)	.1	.8	3.3	(.6)	(.3)	(.2)
Amortization of actuarial loss/(gain)	1.5	.7	3.8	.5	.4	.7	(1.0)	(1.8)	(2.0)
Net periodic benefit cost	\$ 16.8	\$ 17.5	\$ 18.1	\$ 22.6	\$ 21.2	\$ 23.0	\$ 2.1	\$ 3.5	\$ 7.1

The accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$206.9 and \$8.5, respectively, as of December 31, 1998, and \$185.6 and \$7.2, respectively, as of December 31, 1997. These amounts represent non-qualified domestic plans and plans at foreign locations that are primarily unfunded, as such book reserves equal to the unfunded amount have been recorded.

The projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were \$360.0 and \$110.1, respectively, as of December 31, 1998, and \$311.0 and \$98.4, respectively, as of December 31, 1997.

The assumed medical cost trend rate used in measuring the postretirement benefit obligation was 4.75% for 1999 and years thereafter. Changes in this rate can have a significant effect on amounts reported. The effect of a 1% increase/decrease in the assumed medical cost trend rate would change the accumulated postretirement benefit obligation by approximately \$14.5; annual expense would change by approximately \$2.3.

8. Income Taxes

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

	1998	1997	1996
United States	\$122.6	\$ 91.0	\$ 67.2
International	278.9	270.9	252.4
	<u>\$401.5</u>	<u>\$361.9</u>	<u>\$319.6</u>

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

	1998	1997	1996
United States	\$ 362.0	\$ 271.8	\$171.3
International	888.1	830.5	783.3
	<u>\$1,250.1</u>	<u>\$1,102.3</u>	<u>\$954.6</u>

The difference between the statutory United States 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	1998	1997	1996
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	.7	.6	.3
Earnings taxed at other than			
U.S. statutory rate	(2.6)	(1.8)	(1.4)
Reversal of valuation allowance	(2.7)	(1.5)	—
Other, net	1.7	.5	(.4)
Effective tax rate	<u>32.1%</u>	<u>32.8%</u>	<u>33.5%</u>

In addition, net tax (cost) benefit of \$(18.5) in 1998 and \$49.2 in 1997 were recorded directly through equity.

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

	1998	1997	1996
Excess of tax over book depreciation	\$ (40.0)	\$(12.7)	\$(15.9)
Net restructuring spending	(13.6)	(47.5)	(26.3)
Tax credit utilization	(10.2)	(11.5)	—
Other, net	(37.0)	16.7	21.5
	<u>\$(100.8)</u>	<u>\$(55.0)</u>	<u>\$(20.7)</u>

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

	1998	1997
Deferred Taxes—Current:		
Accrued liabilities	\$ 73.8	\$ 78.8
Restructuring	14.1	27.7
Other, net	22.5	17.9
Total deferred taxes current	<u>110.4</u>	<u>124.4</u>
Deferred Taxes—Long-term:		
Intangible assets	(328.5)	(251.6)
Property, plant and equipment	(251.1)	(188.4)
Postretirement benefits	62.6	65.6
Tax loss and tax credit carryforwards	176.9	159.5
Other, net	14.9	54.7
Valuation allowance	(122.8)	(124.3)
Total deferred taxes long-term	<u>(448.0)</u>	<u>(284.5)</u>
Net deferred taxes	<u>\$(337.6)</u>	<u>\$(160.1)</u>

The major component of the 1998 and 1997 valuation allowance relates to tax benefits in certain jurisdictions not expected to be realized. The increase in deferred taxes—long-term primarily relates to deferred taxes recognized in Brazil subsequent to their change from a highly inflationary economy.

Applicable U.S. income and foreign withholding taxes have not been provided on approximately \$661 of undistributed earnings of foreign subsidiaries at December 31, 1998. These earnings are currently considered to be permanently invested and are not subject to such taxes. Determining the tax liability that would arise if these earnings were remitted is not practicable.

9. Supplemental Income Statement Information

Other Expense, Net	1998	1997	1996
Amortization of intangibles	\$ 81.7	\$ 86.5	\$ 91.7
Earnings from equity investments	(5.3)	(5.6)	(7.8)
Minority interest	28.1	29.1	33.4
Other	(43.3)	(37.6)	(23.5)
	\$ 61.2	\$ 72.4	\$ 93.8

Interest Expense, Net	1998	1997	1996
Interest incurred	\$216.8	\$241.6	\$244.4
Interest capitalized	(12.3)	(10.0)	(12.7)
Interest income	(31.6)	(48.1)	(34.3)
	\$172.9	\$183.5	\$197.4

Research and development	\$166.0	\$166.3	\$159.7
Maintenance and repairs	109.7	113.6	107.1
Media advertising	592.2	637.0	565.9

10. Supplemental Balance Sheet Information

Inventories	1998	1997
Raw materials and supplies	\$257.9	\$261.0
Work-in-process	32.9	33.5
Finished goods	455.2	433.9
	\$746.0	\$728.4

Inventories valued under LIFO amounted to \$162.2 and \$157.9 at December 31, 1998 and 1997, respectively. The excess of current cost over LIFO cost at the end of each year was \$39.8 and \$46.7, respectively. The liquidations of LIFO inventory quantities increased income by \$1.3, \$0 and \$1.4 in 1998, 1997 and 1996, respectively.

Property, Plant and Equipment, Net	1998	1997
Land	\$ 122.6	\$ 120.6
Buildings	705.0	653.0
Machinery and equipment	3,299.7	3,024.8
	4,127.3	3,798.4
Accumulated depreciation	(1,538.1)	(1,357.4)
	\$ 2,589.2	\$ 2,441.0

Goodwill and Other Intangible Assets, Net	1998	1997
Goodwill and other intangibles	\$3,080.8	\$3,060.3
Accumulated amortization	(556.7)	(475.0)
	\$2,524.1	\$2,585.3

Other Accruals	1998	1997
Accrued payroll and employee benefits	\$312.4	\$331.7
Accrued advertising	232.6	170.1
Accrued interest	51.2	49.5
Accrued taxes other than income taxes	72.0	46.7
Restructuring accrual	39.6	79.0
Other	149.4	161.9
	\$857.2	\$838.9

Other Liabilities	1998	1997
Minority interest	\$230.5	\$227.0
Pension and other benefits	398.0	365.1
Other	108.1	183.7
	\$736.6	\$775.8

11. Fair Value of Financial Instruments

The Company utilizes interest rate swap contracts and foreign currency exchange contracts to manage interest rate and foreign currency exposures. (See the Results of Operations—Managing Foreign Currency and Interest Rate Exposure for further discussion.) In assessing the fair value of financial instruments at December 31, 1998 and 1997, the Company has used available market information and other valuation methodologies. Some judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The carrying amounts of cash and cash equivalents, marketable securities, long-term investments and short-term debt approximated fair value as of December 31, 1998 and 1997. The estimated fair value of the Company's remaining financial instruments at December 31 are summarized as follows:

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Liabilities)/Assets				
Long-term debt, including current portion (including foreign exchange contracts)	\$(2,582.2)	\$(2,800.0)	\$(2,518.6)	\$(2,665.6)
Other liabilities:				
Interest rate contracts	(2.4)	(3.6)	(7.1)	(18.4)
Foreign exchange contracts	(8.7)	(13.0)	10.3	9.0
Equity:				
Foreign exchange contracts (to hedge investment in subsidiaries)	(2.9)	(2.7)	1.4	6.6

As of December 31, 1998 and 1997, the Company had interest rate agreements outstanding with an aggregate notional amount

As of December 31, 1998 and 1997, the Company had interest rate agreements outstanding with an aggregate notional amount of \$825.0 and \$929.8, respectively, with maturities through 2018.

As of December 31, 1998 and 1997, the Company had approximately \$411.1 and \$657.2, respectively, of outstanding foreign exchange contracts. At December 31, 1998, approximately 8% of outstanding foreign exchange contracts served to hedge net investments in foreign subsidiaries, 15% hedged intercompany loans and 77% hedged third-party debt and other firm commitments.

The Company is exposed to credit loss in the event of nonperformance by counterparties on interest rate agreements and foreign exchange contracts; 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 A or higher. The amount of any such exposure is generally the unrealized gain on such contracts, which at December 31, 1998 was not significant.

12. Restructured Operations

In September 1995, a reserve of \$460.5 was established to cover a worldwide restructuring of manufacturing and administrative operations. The primary elements of the reserve related to employee termination costs and expenses associated with the realignment of the Company's global manufacturing operations, as well as settlement of contractual obligations. As planned, the restructuring has produced savings that increase pretax earnings by over \$150 annually.

The planned restructuring projects, primarily in North America and Europe but also affecting Hill's Pet Nutrition and Colgate locations in Asia/Africa and certain Latin America locations, are substantially completed. The remaining reserve amount of \$39.6 primarily covers the reconfiguring of two factories in Asia/Africa

and the consolidation of administrative operations following the implementation of SAP and related process changes in Europe and Asia/Africa. All remaining projects will be completed in 1999. The financing for remaining cash requirements will come from operations.

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

	Workforce	Manufacturing Plants	Contractual Settlements	Total
Original reserve	\$210.0	\$ 204.1	\$ 46.4	\$ 460.5
1995 activity	(4.2)	(7.2)	(13.5)	(24.9)
1996 activity	(93.4)	(118.6)	(20.4)	(232.4)
1997 activity	(45.0)	(48.0)	(11.0)	(104.0)
Balance at				
December 31, 1997	67.4	30.3	1.5	99.2
1998 activity	(37.1)	(22.5)	—	(59.6)
Balance at				
December 31, 1998	\$ 30.3	\$ 7.8	\$ 1.5	\$ 39.6

In total, the headcount reductions resulting from the restructuring projects are 4,655. The cumulative headcount reductions as of 1996, 1997 and 1998 were 2,275, 3,133 and 3,986, respectively. Factory closures and/or reconfigurations will total 25. The cumulative factory closures and/or reconfigurations as of 1996, 1997 and 1998 were 14, 20 and 23, respectively. The costs of completing the restructuring activities to date approximated the original reserve. The headcount and factory totals were increased by 513 and 1, respectively, as a result of refinements of original estimates.

Of the restructuring reserve remaining as of December 31, 1998 and 1997, \$39.6 and \$79.0, respectively, is classified as a current liability, and \$0 and \$20.2, respectively, as a reduction of fixed assets.

13. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1998				
Net sales	\$2,159.5	\$2,256.5	\$2,265.4	\$2,290.2
Gross profit	1,123.5	1,172.6	1,192.6	1,192.6
Net income	196.0	203.5	214.9	234.2
Earnings per common share:				
Basic	.65	.67	.71	.78
Diluted	.60	.62	.66	.73
1997				
Net sales	\$2,147.1	\$2,300.9	\$2,297.2	\$2,311.5
Gross profit	1,080.6	1,168.1	1,166.7	1,179.8
Net income	169.6	175.8	188.6	206.4
Earnings per common share:				
Basic	.56	.58	.62	.68
Diluted	.52	.54	.58	.63

Board of Directors (Letters indicate positions in photo)

- C** Reuben Mark, 60
Chairman of the Board and Chief Executive Officer of Colgate-Palmolive Company. Mr. Mark joined Colgate in 1963 and held a series of significant positions in the United States and abroad before being elected CEO in 1984. Elected director in 1983.
- H** Jill K. Conway, 64
Visiting Scholar, Program in Science, Technology and Society at Massachusetts Institute of Technology since 1985. Mrs. Conway was President of Smith College from 1975 to 1985. Elected director in 1984.
- A** Ronald E. Ferguson, 57
Chairman and Chief Executive Officer of General Re Corporation since 1987. Mr. Ferguson has been with General Re since 1969. Elected director in 1987.
- E** Ellen M. Hancock, 55
President and Chief Executive Officer, Exodus Communications, Inc. Mrs. Hancock previously was Executive Vice President of Research and Development and Chief Technology Officer at Apple Computer Inc., 1996-1997, Executive Vice President and Chief Operating Officer at
- National Semiconductor, 1995-1996, and Senior Vice President at IBM. Elected director in 1988.
- G** David W. Johnson, 66
Chairman of Campbell Soup Company since 1993. Mr. Johnson was Campbell President and Chief Executive Officer, 1990-1997. From 1987 to 1990, he served as Chairman and Chief Executive Officer of Gerber Products Company. Elected director in 1991.
- I** Richard J. Kogan, 57
Chairman and Chief Executive Officer of Schering-Plough Corporation since 1998. Mr. Kogan joined Schering-Plough as Executive Vice President, Pharmaceutical Operations, in 1982 and then became President and Chief Operating Officer of that company in 1986 and President and Chief Executive Officer in 1996. Elected director in 1996.
- D** Delano E. Lewis, 60
President and Chief Executive Officer of National Public Radio, 1993-1998. Mr. Lewis was President and Chief Executive Officer of Chesapeake & Potomac Telephone Company from 1988 to 1993, having joined that company in 1973, and held positions of increasing responsibility. Elected director in 1991.
- B** Howard B. Wentz, Jr., 69
Chairman of Tambrands, Inc., 1993-1996. Mr. Wentz was Chairman of ESSTAR Incorporated, 1989-1995, and Chairman, President and Chief Executive Officer of Amstar Company, 1983-1989. Elected director in 1982.
- Audit Committee
Ronald E. Ferguson, Chair
Jill K. Conway
Ellen M. Hancock
John P. Kendall
Howard B. Wentz, Jr.
- Committee on Directors
Delano E. Lewis, Chair
Jill K. Conway
David W. Johnson
John P. Kendall
Howard B. Wentz, Jr.
- Finance Committee
Howard B. Wentz, Jr., Chair
Ronald E. Ferguson
Ellen M. Hancock
John P. Kendall
Richard J. Kogan
Reuben Mark
- Personnel and Organization Committee
Jill K. Conway, Chair
Ronald E. Ferguson
David W. Johnson
John P. Kendall
Delano E. Lewis

Your Management Team

Corporate Officers

Reuben Mark, 60
Chairman of the Board and Chief Executive Officer

See biographical information above.

William S. Shanahan, 58
President and Chief Operating Officer

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

Lois D. Juliber, 50
Executive Vice President, Chief of Operations, Developed Markets

Ms. Juliber joined Colgate in 1988 from General Foods, where she was Vice President. Before being promoted to her current position in 1997, she had been President of the Far East/Canada division, Chief Technological Officer and President of Colgate-North America.

David A. Metzler, 56
Executive Vice President, Chief of Operations, High Growth Markets

Mr. Metzler joined Colgate in 1965. Before being named to his current position in 1997, he was President of Colgate-Europe and previously President of Colgate-Latin America. Earlier, he had responsibilities for operations in Canada, South Pacific, Africa and India.

Stephen C. Patrick, 49
Chief Financial Officer

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

John T. Reid, 58
Chief Technological Officer

Joined Colgate in 1982 as Vice President of Strategic Planning from Pfizer Corporation, where he worked on that company's strategic plan. Before being named to his current position in 1997, Dr. Reid had also served as General Manager of Colgate-Greece, Vice President and General Manager of Colgate-United Kingdom and Vice President of the South Pacific region.

Andrew D. Hendry, 51
Senior Vice President, General Counsel and Secretary

Joined Colgate in 1991 from Unisys, where he was Vice President and General Counsel. A graduate of Georgetown University and NYU Law School, Mr. Hendry has also been a corporate attorney at the Battle & Fowler law firm in New York City and at Reynolds Metals Company.

Robert J. Joy
Vice President
Global Human Resources

Dennis J. Hickey
Vice President and Corporate Controller

Ian M. Cook
President
Colgate-North America

Michael J. Tangney
President
Colgate-Latin America

Javier G. Teruel
President
Colgate-Europe

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

Steven R. Belasco
Vice President
Taxation and Real Estate

Brian J. Heidtke
Vice President, Finance and Corporate Treasurer

Peter D. McLeod
Vice President, Manufacturing Engineering Technology

John H. Tietjen
Vice President
Global Business Development

Michael S. Roskothen
Retiring President
Global Oral Care

Barrie M. Spelling
President
Global Oral Care

Michele C. Mayes
Vice President
Deputy General Counsel
International and Corporate
Assistant Secretary

James Serafino
Vice President
Deputy General Counsel
Technology and Marketing
Assistant Secretary

Global Executives

Emilio Alvarez-Recio
VP-Global Advertising

Keith W. Bates
VP-MET, PSC 2000
Project Management

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

Robert E. Blanchard
VP-General Manager,
Global Toothbrush Division

Antonio Caro
VP-Worldwide Sales

Edward C. Davis
VP-Budgets and Planning

Herbert L. Davis
VP-Business
Simplification-Quality

Hector I. Erezuma
VP-International Taxes

James E. Farrell, Jr.
VP-Assistant
General Counsel

Edward Filusch
VP-Assistant Treasurer

Abdul Gaffar
VP-Advanced Technology
Oral Care

Nina Gillman
VP-Assistant
General Counsel

Stefan S. Gorkin
VP-Global Labor Relations

Stuart A. Hulke
VP-MET-Category
Engineering

John J. Huston
VP-Office of the Chairman

Jules P. Kaufman
VP-Assistant General
Counsel

Leo Laitem
VP-Research and
Development, Household
Surface Care

Robert R. Martin
VP-Compliance 2000

Ronald T. Martin
VP-Global Employee
Relations and Staffing
Business Practices

Francis A. Morelli
VP-Information Technology
and Customer Service

Robert A. Murray
VP-Corporate
Communications

James Norfleet
VP-Oral Care Product
Development

Robert C. Pierce
VP-Research and
Development
Personal Care

Hans L. Pohlschroeder
VP-Assistant Treasurer

David I. Richardson
VP-Product Safety
Regulatory and
Information Technology

Grace E. Richardson
VP-Global Consumer Affairs

Clarence Robbins
VP-Technology, Business
Simplification, Surfactants

Jill H. Rothman
VP-Global Compensation

Reuven M. Sacher
VP-Research and
Development, Oral Care

Richard Theiler
VP-Research and
Development, Fabric Care

Bina H. Thompson
VP-Investor Relations

Scott E. Thompson
VP-Associate General
Counsel, Trademarks

Kathleen A. Thornhill
VP-Global Business Insights
and Consumer Research

Heiko Tietke
VP-Global Business
Development, Personal Care

Edmund D. Toben
VP-Global
Information Technology

14. Market and Dividend Information (Unaudited)

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

common stock is CL. Dividends on the common stock have been paid every year since 1895, and the amount of dividends paid per share has increased for 36 consecutive years.

Market Price Quarter Ended	Common Stock				\$4.25 Preferred Stock			
	1998		1997		1998		1997	
	High	Low	High	Low	High	Low	High	Low
March 31	\$87.81	\$67.88	\$56.88	\$45.44	\$79.50	\$72.50	\$72.50	\$67.00
June 30	91.44	82.44	66.50	49.75	81.00	76.50	73.00	70.50
September 30	96.94	65.56	77.13	61.81	87.00	80.50	74.50	68.94
December 31	94.75	68.00	74.50	62.25	88.00	85.00	78.00	69.50
Closing Price	\$92.88		\$73.50		\$88.00		\$76.50	

Dividends Paid Per Share

Quarter Ended	1998		1997		1998		1997	
March 31	\$.275		\$.235		\$1.0625		\$1.0625	
June 30	.275		.275		1.0625		1.0625	
September 30	.275		.275		1.0625		1.0625	
December 31	.275		.275		1.0625		1.0625	
Total	\$1.10		\$1.06		\$4.25		\$4.25	

15. Earnings Per Share

	For the Year Ended 1998			For the Year Ended 1997			For the Year Ended 1996		
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$848.6			\$740.4			\$635.0		
Preferred dividends	(20.9)			(21.1)			(21.4)		
Basic EPS	827.7	295.0	\$2.81	719.3	295.3	\$2.44	613.6	293.3	\$2.09
Stock options		6.8			6.9			5.1	
ESOP conversion	18.4	22.4		17.9	22.9		16.1	23.3	
Diluted EPS	\$846.1	324.2	\$2.61	\$737.2	325.1	\$2.27	\$629.7	321.7	\$1.96

16. Commitments and Contingencies

Minimum rental commitments under noncancellable operating leases, primarily for office and warehouse facilities, are \$67.3 in 1999, \$63.5 in 2000, \$56.2 in 2001, \$51.0 in 2002, \$48.9 in 2003 and \$122.6 thereafter. Rental expense amounted to \$102.7 in 1998, \$94.4 in 1997 and \$93.3 in 1996. Contingent rentals, sublease income and capital leases, which are included in fixed assets, are not significant.

The Company has various contractual commitments to purchase raw materials, products and services totaling \$60.6 that expire through 2001.

The Company is a party to various superfund and other environmental matters and is contingently liable with respect to lawsuits, taxes and other matters arising out of the normal course of business. Management proactively reviews and manages its exposure to, and the impact of, environmental matters and other contingencies.

On September 8, 1998, one of the Company's Brazilian subsidiaries, Kolynos do Brasil Ltda. ("Kolynos"), received notice of an administrative proceeding from the Central Bank of Brazil. The notice primarily takes issue with certain filings made with the Central Bank in connection with financing arrangements related to the acquisition of Kolynos in January 1995. The Central Bank seeks to impose fines prescribed by statute, and it, in no way, challenges or seeks to unwind the acquisition. Management believes, based on the opinion of its Brazilian legal counsel, that the filings challenged by the Central Bank fully complied with Brazilian law and that the issues raised in the notice are without merit.

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

Visiting Global Plant in Morristown, New Jersey

Following a review of the business at a board meeting held at Colgate's personal care factory in Morristown, NJ, Colgate directors toured the state-of-the-art facility. As they viewed the automated equipment, they wore "CP Morristown" caps, in compliance with good manufacturing practices to assure product purity.



Joseph A. Uzzolina
VP-Global Business Development, Household Surface Care

Robert T. Vailecu
VP-Global Business Development Personal Cleaning and Hair Care

J. Nicholas Vinke
VP-General Manager Colgate Oral Pharmaceuticals

Anthony R. Volpe
VP-Clinical Dental Research

Gregory Woodson
VP-Global Business Development Fabric Care

Douglas R. Wright
VP-Environmental Affairs, Occupational Health and Safety

John E. Zoog
VP-Human Resources Services

Operating Executives

Colgate-International

S. Peter Dam
President Asia Pacific

David P. Bencze
VP-Manufacturing Europe

Philip A. Berry
VP-Human Resources Europe

Jose-Maria Castro
VP-Finance and Strategic Planning Europe

Peter C. Chase
VP-Marketing Latin America

Alec de Guillenchmidt
VP-Benelux Operations and ECR-Europe

Coloman de Hegedus
President Africa/Middle East

Dale Dvorak
VP-Manufacturing Latin America

Stephen J. Fogarty
VP-Marketing Asia

Jill Garrity
VP-Marketing Europe

James Gerchow
VP-Manufacturing Africa/Middle East

Walter H. Golembeski
VP-Manufacturing and Technology Asia Pacific

Jean-Mathieu Hellich
VP-Legal Director-Europe Associate General Counsel

Richard Mener
VP-General Manager Global Export/Middle East

Franck Moison
President Central Europe and Russia

Jean-Marc Navez
VP-Finance and Strategic Planning Asia Pacific

Morgan J. O'Brien
VP-Financial Director Central Europe and Russia

Leonard D. Smith
VP-Finance Africa/Middle East

Karel van Brink
VP-Managing Director New Geographies and Acquisitions Central Europe and Russia

Francis M. Williamson
VP-Finance and Strategic Planning Latin America

Johannes Brouwer
VP-Managing Director Turkey

Andreas Brouzos
VP-General Manager Greece

Nigel B. Burton
VP-General Manager Spain

David Conn
VP-General Manager South Africa

Graeme Dalziel
VP-General Manager Portugal

Steven E. Elliott
VP-General Manager Thailand

Guillermo Fernandez
VP-President and General Manager Mexico

Chester Fong
VP-General Manager Greater China

Robert Galan
VP-General Manager Philippines

Karen Guerra
VP-General Manager United Kingdom & Ireland

Luis Gutierrez
VP-General Manager Central America

William A. Houlzet
VP-General Manager France

N. Jay Jayaraman
VP-General Manager India

Scott W. Jeffrey, Jr.
VP-General Manager Colombia

Seamus E. McBride
VP-General Manager Italy

Graeme B. Murray
VP-General Manager Canada

Chris E. Pedersen
VP-General Manager Nordic Group

Roger Pratt
VP-General Manager Brazil

Friedrich Reinshagen
VP-General Manager Germanic Countries

Derrick Samuel
VP-General Manager South Pacific Region

Raffy Santos
VP-General Manager Hawley & Hazel Taiwan

James H. Shultz
VP-General Manager Venezuela

Malcolm Stokoe
VP-General Manager Caricom Region

Daniel Vettoretti
VP-General Manager Poland/Hungary/Czech Republic/Baltic States

Paul Witmond
VP-General Manager Dominican Republic

Seng Aun Yeoh
VP-General Manager Malaysia

Colgate-U.S.

John Bourne
VP-Financial Business Development North America

Richard J. Coté
VP-Finance Canada

James S. Figura
VP-Consumer Research

David R. Groener
VP-Manufacturing and Product Supply Chain North America

Jack Haber
VP-General Manager Oral Care

Tarek Hallaba
VP-Marketing

Suzan Harrison
VP-General Manager Household Surface Care

Sheila Hopkins
VP-General Manager Personal Care

Robert F. Maruska
VP-Financial Planning

Louis Mignone
VP-Sales

Hill's Pet Nutrition

P. Dorset Sutton
President and Chief Operating Officer

Richard F. Hawkins
President Hill's-International

Joseph A. Douglas
Senior Vice President Global Product Supply/MET/Manufacturing Effectiveness

Virginia M. Dotzauer
VP-General Manager Hill's-Domestic Diets

James W. Sparks
VP-Human Resources

Richard J. Wienckowski
VP-Finance Chief Financial Officer

Shareholder Information

Corporate Offices

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

Annual Meeting on Wednesday: Note Change

Colgate shareholders are invited to attend our annual meeting. It will be **Wednesday, May 5, 1999** at 10:00 a.m. in the Broadway Ballroom of the Marriott Marquis Hotel, Sixth Floor, Broadway at 45th Street, New York, NY. Even if you plan to attend the meeting, please sign and return your proxy promptly.

Stock Exchanges

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



Financial Information at Internet Site

<http://www.colgate.com> and by
1-800-850-2654

Financial results, dividend news and other information are available on Colgate's site on the Internet, at the address above.

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

Transfer Agent and Registrar

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

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

Registered shareholders can view their accounts on the Internet by calling toll-free 1-877-843-9327 to request a password and sign-on ID be sent to them.

Dividend Reinvestment Plan

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

Independent Public Accountants

Arthur Andersen LLP

Investor Relations/Reports

Copies of annual or interim reports, product brochures, Form 10-K and other publications are available from the Investor Relations Department:

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

Other Reports

You can obtain a copy of Colgate's Environmental Policy Statement, Code of Conduct, Advertising Placement Policy Statement, Product Safety Research Policy or our 1998 Report of Laboratory Research with Animals by writing to Consumer Affairs at Colgate-Palmolive.

Corporate Responsibility

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

Environmental Policy

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

Eleven-Year Financial Summary⁽¹⁾

Dollars In Millions Except Per Share Amounts

Continuing Operations

Net sales

Results of operations:

Net income

Per share, basic

Per share, diluted

Depreciation and amortization expense

Financial Position

Current ratio

Property, plant and equipment, net

Capital expenditures

Total assets

Long-term debt

Shareholders' equity

Share and Other

Book value per common share

Cash dividends declared and paid per common share

Closing price

Number of common shares outstanding (in millions)

Number of shareholders of record:

\$4.25 Preferred

Common

Average number of employees

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

⁽²⁾ Income in 1995 includes a net provision for restructured operations of \$369.2. (Excluding the charge, earnings per share would have been \$1.79, basic and \$1.67, diluted.)

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

⁽⁴⁾ Income in 1993 includes a one-time impact of adopting new mandated accounting standards, effective in the first quarter of 1993, of \$358.2. (Excluding this charge, earnings per share would have been \$1.69, basic and \$1.58, diluted.)

⁽⁵⁾ Income in 1991 includes a net provision for restructured operations of \$243.0. (Excluding this charge, earnings per share would have been \$1.28, basic and \$1.20, diluted.)

⁽⁶⁾ Income in 1988 includes Hill's service agreement renegotiation net charge of \$42.0. (Excluding this charge, earnings per share would have been \$.71, basic and \$.70, diluted.)

⁽⁷⁾ Due to timing differences, 1988 includes three dividend declarations totaling \$.28 per share and four payments totaling \$.37 per share while all other years include four dividend declarations.

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
	\$8,971.6	\$9,056.7	\$8,749.0	\$8,358.2 ⁽²⁾	\$7,587.9	\$7,141.3	\$7,007.2	\$6,060.3	\$5,691.3	\$5,038.8	\$4,734.3
	848.6	740.4	635.0	172.0 ⁽²⁾	580.2 ⁽³⁾	189.9 ⁽⁴⁾	477.0	124.9 ⁽⁵⁾	321.0	280.0	152.7 ⁽⁶⁾
	2.81	2.44	2.09	.52 ⁽²⁾	1.91 ⁽³⁾	.54 ⁽⁴⁾	1.46	.38 ⁽⁵⁾	1.14	.99	.56 ⁽⁶⁾
	2.61	2.27	1.96	.51 ⁽²⁾	1.78 ⁽³⁾	.53 ⁽⁴⁾	1.37	.38 ⁽⁵⁾	1.06	.95	.55 ⁽⁶⁾
	330.3	319.9	316.3	300.3	235.1	209.6	192.5	146.2	126.2	97.0	82.0
	1.1	1.1	1.2	1.3	1.4	1.5	1.5	1.5	1.4	1.9	1.7
	2,589.2	2,441.0	2,428.9	2,155.2	1,988.1	1,766.3	1,596.8	1,394.9	1,362.4	1,105.4	1,021.6
	389.6	478.5	459.0	431.8	400.8	364.3	318.5	260.7	296.8	210.0	238.7
	7,685.2	7,538.7	7,901.5	7,642.3	6,142.4	5,761.2	5,434.1	4,510.6	4,157.9	3,536.5	3,217.6
	2,300.6	2,340.3	2,786.8	2,992.0	1,751.5	1,532.4	946.5	850.8	1,068.4	1,059.5	674.3
	2,085.6	2,178.6	2,034.1	1,679.8	1,822.9	1,875.0	2,619.8	1,866.3	1,363.6	1,123.2	1,150.6
	7.05	7.30	6.84	5.67	6.23	6.20	8.10	6.27	5.06	4.20	4.12
	1.10	1.06	.94	.88	.77	.67	.58	.51	.45	.39	.37 ⁽⁷⁾
	92.88	73.50	46.13	35.13	31.69	31.19	27.88	24.44	18.44	15.88	11.75
	292.7	295.4	294.3	291.7	288.8	298.5	320.5	294.7	266.4	264.4	276.3
	296	320	350	380	400	450	470	460	500	500	550
	45,800	46,800	45,500	46,600	44,100	40,300	36,800	34,100	32,000	32,400	33,200
	38,300	37,800	37,900	38,400	32,800	28,000	28,800	24,900	24,800	24,100	24,700



Promoting New Toothbrushes to Consumers

Product sampling and eye-level displays win new customers for Colgate toothbrushes. Top left, new Colgate toothbrushes across the world for all price points and ages, from youngsters on up. Below left, the new Colgate Sensation toothbrush got off to a fast start in Venezuela in 1998.

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 Major photography by Richard Alcorn
 Cover photo by Richard Lord
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