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

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended June 30, 2019**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from________ to________ .**

**Commission File Number: 1-644**

# COLGATE-PALMOLIVE COMPANY

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **13-1815595** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **300 Park Avenue** | |
| **New York, New York** | **10022** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(212) 310-2000**
**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $1.00 par value | CL | New York Stock Exchange |
| 0.500% Notes due 2026 | CL 26 | New York Stock Exchange |
| 1.375% Notes due 2034 | CL 34 | New York Stock Exchange |

**NO CHANGES**
**(Former name, former address and former fiscal year, if changed since last report)**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

| Class | Shares Outstanding | Date |
|---|---|---|
| Common stock, $1.00 par value | 858,006,448 | June 30, 2019 |

## PART I. FINANCIAL INFORMATION

**COLGATE-PALMOLIVE COMPANY**

**Condensed Consolidated Statements of Income**

(Dollars in Millions Except Per Share Amounts)
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Net sales | **$ 3,866** | $ 3,886 | **$ 7,750** | $ 7,888 |
| Cost of sales | **1,558** | 1,585 | **3,155** | 3,179 |
| Gross profit | **2,308** | 2,301 | **4,595** | 4,709 |
| Selling, general and administrative expenses | **1,369** | 1,300 | **2,734** | 2,692 |
| Other (income) expense, net | **51** | 55 | **94** | 88 |
| Operating profit | **888** | 946 | **1,767** | 1,929 |
| Non-service related postretirement costs | **27** | 23 | **52** | 47 |
| Interest (income) expense, net | **38** | 35 | **78** | 70 |
| Income before income taxes | **823** | 888 | **1,637** | 1,812 |
| Provision for income taxes | **205** | 213 | **419** | 459 |
| Net income including noncontrolling interests | **618** | 675 | **1,218** | 1,353 |
| Less: Net income attributable to noncontrolling interests | **32** | 38 | **72** | 82 |
| Net income attributable to Colgate-Palmolive Company | **$ 586** | $ 637 | **$ 1,146** | $ 1,271 |
| | | | | |
| Earnings per common share, basic | **$ 0.68** | $ 0.73 | **$ 1.33** | $ 1.46 |
| | | | | |
| Earnings per common share, diluted | **$ 0.68** | $ 0.73 | **$ 1.33** | $ 1.45 |

See Notes to Condensed Consolidated Financial Statements.

**COLGATE-PALMOLIVE COMPANY**

**Condensed Consolidated Statements of Comprehensive Income**

(Dollars in Millions)
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Net income including noncontrolling interests | **$ 618** | $ 675 | **$ 1,218** | $ 1,353 |
| Other comprehensive income (loss), net of tax: | | | | |
| Cumulative translation adjustments | **25** | (305) | **51** | (198) |
| Retirement plans and other retiree benefit adjustments | **13** | 14 | **25** | 28 |
| Gains (losses) on cash flow hedges | **(2)** | 11 | **(7)** | 10 |
| Total Other comprehensive income (loss), net of tax | **36** | (280) | **69** | (160) |
| Total Comprehensive income including noncontrolling interests | **654** | 395 | **1,287** | 1,193 |
| Less: Net income attributable to noncontrolling interests | **32** | 38 | **72** | 82 |
| Less: Cumulative translation adjustments attributable to noncontrolling interests | **(5)** | (16) | **—** | (14) |
| Total Comprehensive income attributable to noncontrolling interests | **27** | 22 | **72** | 68 |
| Total Comprehensive income attributable to Colgate-Palmolive Company | **$ 627** | $ 373 | **$ 1,215** | $ 1,125 |

See Notes to Condensed Consolidated Financial Statements.

**COLGATE-PALMOLIVE COMPANY**

**Condensed Consolidated Balance Sheets**

(Dollars in Millions)

**(Unaudited)**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 863 | $ 726 |
| Receivables (net of allowances of $87 and $82, respectively) | 1,590 | 1,400 |
| Inventories | 1,322 | 1,250 |
| Other current assets | 480 | 417 |
| Total current assets | 4,255 | 3,793 |
| Property, plant and equipment: | | |
| Cost | 8,476 | 8,336 |
| Less: Accumulated depreciation | (4,683) | (4,455) |
| | 3,793 | 3,881 |
| Goodwill | 2,536 | 2,530 |
| Other intangible assets, net | 1,609 | 1,637 |
| Deferred income taxes | 167 | 152 |
| Other assets | 791 | 168 |
| Total assets | $ 13,151 | $ 12,161 |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities | | |
| Notes and loans payable | $ 4 | $ 12 |
| Current portion of long-term debt | 1 | — |
| Accounts payable | 1,209 | 1,222 |
| Accrued income taxes | 293 | 411 |
| Other accruals | 2,275 | 1,696 |
| Total current liabilities | 3,782 | 3,341 |
| Long-term debt | 6,640 | 6,354 |
| Deferred income taxes | 303 | 235 |
| Other liabilities | 2,436 | 2,034 |
| Total liabilities | 13,161 | 11,964 |
| Shareholders' Equity | | |
| Common stock | 1,466 | 1,466 |
| Additional paid-in capital | 2,338 | 2,204 |
| Retained earnings | 21,653 | 21,615 |
| Accumulated other comprehensive income (loss) | (4,119) | (4,188) |
| Unearned compensation | (3) | (3) |
| Treasury stock, at cost | (21,682) | (21,196) |
| Total Colgate-Palmolive Company shareholders' equity | (347) | (102) |
| Noncontrolling interests | 337 | 299 |
| Total equity | (10) | 197 |
| Total liabilities and equity | $ 13,151 | $ 12,161 |

See Notes to Condensed Consolidated Financial Statements.

**COLGATE-PALMOLIVE COMPANY**

**Condensed Consolidated Statements of Cash Flows**

(Dollars in Millions)
**(Unaudited)**

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **Operating Activities** | | |
| Net income including noncontrolling interests | $ 1,218 | $ 1,353 |
| Adjustments to reconcile net income including noncontrolling interests to net cash provided by operations: | | |
| Depreciation and amortization | 256 | 258 |
| Restructuring and termination benefits, net of cash | 21 | (14) |
| Stock-based compensation expense | 34 | 47 |
| Deferred income taxes | 53 | 2 |
| Voluntary benefit plan contributions | (102) | — |
| Cash effects of changes in: | | |
| Receivables | (178) | (200) |
| Inventories | (63) | (30) |
| Accounts payable and other accruals | (14) | (96) |
| Other non-current assets and liabilities | 24 | (23) |
| Net cash provided by operations | 1,249 | 1,297 |
| **Investing Activities** | | |
| Capital expenditures | (146) | (216) |
| Purchases of marketable securities and investments | (80) | (96) |
| Proceeds from sale of marketable securities and investments | 14 | 19 |
| Payment for acquisitions, net of cash acquired | — | (727) |
| Other | — | 7 |
| Net cash used in investing activities | (212) | (1,013) |
| **Financing Activities** | | |
| Principal payments on debt | (3,105) | (3,953) |
| Proceeds from issuance of debt | 3,368 | 4,266 |
| Dividends paid | (770) | (756) |
| Purchases of treasury shares | (664) | (696) |
| Proceeds from exercise of stock options | 267 | 160 |
| Net cash used in financing activities | (904) | (979) |
| Effect of exchange rate changes on Cash and cash equivalents | 4 | (7) |
| Net increase (decrease) in Cash and cash equivalents | 137 | (702) |
| Cash and cash equivalents at beginning of the period | 726 | 1,535 |
| Cash and cash equivalents at end of the period | $ 863 | $ 833 |
| **Supplemental Cash Flow Information** | | |
| Income taxes paid | $ 463 | $ 468 |

See Notes to Condensed Consolidated Financial Statements.

## COLGATE-PALMOLIVE COMPANY

### Condensed Consolidated Statements of Changes in Shareholders' Equity

(Dollars in Millions)
**(Unaudited)**

**Three Months Ended June 30, 2019**

| | Colgate-Palmolive Company Shareholders' Equity | | | | | | Noncontrolling Interests |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Unearned Compensation | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss)[1] | |
| Balance, March 31, 2019 | **$ 1,466** | **$ 2,241** | **$ (3)** | **$ (21,532)** | **$ 21,436** | **$ (4,160)** | **$ 342** |
| Net income | | | | | **586** | | **32** |
| Other comprehensive income (loss), net of tax | | | | | | **41** | **(5)** |
| Dividends ($0.43)/per share) | | | | | **(369)** | | **(32)** |
| Stock-based compensation expense | | **17** | | | | | |
| Shares issued for stock options | | **81** | | **113** | | | |
| Shares issued for restricted stock units | | **(1)** | | **1** | | | |
| Treasury stock acquired | | | | **(265)** | | | |
| Other | | | | **1** | | | |
| **Balance, June 30, 2019** | **$ 1,466** | **$ 2,338** | **$ (3)** | **$ (21,682)** | **$ 21,653** | **$ (4,119)** | **$ 337** |

**Three Months Ended June 30, 2018**

| | Colgate-Palmolive Company Shareholders' Equity | | | | | | Noncontrolling Interests |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Unearned Compensation | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss)[1] | |
| Balance, March 31, 2018 | $ 1,466 | $ 2,047 | $ (2) | $ (20,441) | $ 20,581 | $ (3,900) | $ 350 |
| Net income | | | | | 637 | | 38 |
| Other comprehensive income (loss), net of tax | | | | | | (264) | (16) |
| Dividends ($0.42)/per share) | | | | | (367) | | (38) |
| Stock-based compensation expense | | 19 | | | | | |
| Shares issued for stock options | | 16 | | 27 | | | |
| Shares issued for restricted stock units | | (2) | | 2 | | | |
| Treasury stock acquired | | | | (345) | | | |
| Other | | 1 | 2 | | | | |
| Balance, June 30, 2018 | $ 1,466 | $ 2,081 | $ — | $ (20,757) | $ 20,851 | $ (4,164) | $ 334 |

[1] Accumulated other comprehensive income (loss) includes cumulative translation losses of $3,104 at June 30, 2019 ($3,121 at June 30, 2018) and $3,134 at March 31, 2019 ($2,832 at March 31, 2018), respectively, and unrecognized retirement plan and other retiree benefits costs of $1,013 at June 30, 2019 ($1,048 at June 30, 2018) and $1,026 at March 31, 2019 ($1,062 at March 31, 2018), respectively.

See Notes to Condensed Consolidated Financial Statements.

## COLGATE-PALMOLIVE COMPANY

### Condensed Consolidated Statements of Changes in Shareholders' Equity

(Dollars in Millions)
**(Unaudited)**

**Six Months Ended June 30, 2019**

| | Colgate-Palmolive Company Shareholders' Equity | | | | | | Noncontrolling Interests |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Unearned Compensation | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss)[(1)] | |
| Balance, December 31, 2018 | $ 1,466 | $ 2,204 | $ (3) | $ (21,196) | $ 21,615 | $ (4,188) | $ 299 |
| Net income | | | | | 1,146 | | 72 |
| Other comprehensive income (loss), net of tax | | | | | | 69 | — |
| Dividends ($1.28)/per share)* | | | | | (1,103) | | (34) |
| Stock-based compensation expense | | 34 | | | | | |
| Shares issued for stock options | | 114 | | 162 | | | |
| Shares issued for restricted stock units | | (14) | | 14 | | | |
| Treasury stock acquired | | | | (664) | | | |
| Other | | | | 2 | (5) | | |
| **Balance, June 30, 2019** | $ 1,466 | $ 2,338 | $ (3) | $ (21,682) | $ 21,653 | $ (4,119) | $ 337 |

**Six Months Ended June 30, 2018**

| | Colgate-Palmolive Company Shareholders' Equity | | | | | | Noncontrolling Interests |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Unearned Compensation | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss)[(1)] | |
| Balance, December 31, 2017 | $ 1,466 | $ 1,984 | $ (5) | $ (20,181) | $ 20,531 | $ (3,855) | $ 303 |
| Net income | | | | | 1,271 | | 82 |
| Other comprehensive income (loss), net of tax | | | | | | (146) | (14) |
| Dividends ($1.24)/per share)* | | | | | (1,085) | | (37) |
| Stock-based compensation expense | | 47 | | | | | |
| Shares issued for stock options | | 64 | | 104 | | | |
| Shares issued for restricted stock units | | (14) | | 14 | | | |
| Treasury stock acquired | | | | (696) | | | |
| Other | | — | 5 | 2 | 134 | (163) [(2)] | |
| Balance, June 30, 2018 | $ 1,466 | $ 2,081 | $ — | $ (20,757) | $ 20,851 | $ (4,164) | $ 334 |

[(1)] Accumulated other comprehensive income (loss) includes cumulative translation losses of $3,104 at June 30, 2019 ($3,121 at June 30, 2018) and $3,155 at December 31, 2018 ($2,927 at December 31, 2017), respectively, and unrecognized retirement plan and other retiree benefits costs of $1,013 at June 30, 2019 ($1,048 at June 30, 2018) and $1,038 at December 31, 2018 ($923 at December 31, 2017), respectively.

[(2)] As a result of the early adoption of ASU 2018-02, the Company reclassified the stranded tax effects in Accumulated other comprehensive income (loss) resulting from the Tax Cuts and Jobs Act (the "TCJA" or "U.S. tax reform") to Retained earnings. See Note 2, Summary of Accounting Policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for additional information.

* Two dividends were declared in each of the first quarters of 2019 and 2018.

See Notes to Condensed Consolidated Financial Statements.

## 1. Basis of Presentation

The Condensed Consolidated Financial Statements reflect all normal recurring adjustments which, in management's opinion, are necessary for a fair statement of the results for interim periods. Results of operations for interim periods may not be representative of results to be expected for a full year. Colgate-Palmolive Company (together with its subsidiaries, the "Company" or "Colgate") reclassifies certain prior year amounts, as applicable, to conform to the current year presentation.

For a complete set of financial statement notes, including the Company's significant accounting policies, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (the "SEC").

## 2. Use of Estimates

Provisions for certain expenses, including income taxes, advertising and consumer promotion, are based on full year assumptions and are included in the accompanying Condensed Consolidated Financial Statements in proportion with estimated annual tax rates, the passage of time or estimated annual sales, as applicable.

## 3. Recent Accounting Pronouncements

In April 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-04, Codification Improvements to Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825). This extensive ASU clarifies three topics related to financial instruments accounting. This new guidance is effective for the Company beginning on January 1, 2020, with early adoption permitted. This new guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

In October 2018, the FASB issued ASU No. 2018-16, "Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate ("SOFR") Overnight Index Swap ("OIS") Rate as Benchmark Interest Rate for Hedge Accounting Purposes." The new guidance permits the use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815. The new guidance was effective for the Company on a prospective basis beginning on January 1, 2019, concurrently with the adoption of ASU 2017-12, and did not have an impact on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Topic 350): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." This new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This new guidance is effective for the Company on a prospective or retrospective basis beginning on January 1, 2020, with early adoption permitted. The Company elected to adopt this guidance early, beginning on January 1, 2019 on a prospective basis. The new guidance did not have a material impact on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans." This new guidance removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and requires certain additional disclosures. This new guidance is effective for the Company on a retrospective basis beginning on January 1, 2020, with early adoption permitted. While the Company is currently assessing the impact of the new guidance, it is not expected to have a material impact on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.” This new guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This new guidance is effective for the Company beginning on January 1, 2020, with early adoption permitted. Certain disclosure requirements in the new guidance will need to be applied on a retrospective basis and others on a prospective basis. While the Company is currently assessing the impact of the new guidance, it is not expected to have a material impact on the Company’s Consolidated Financial Statements.

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,” amending the eligibility criteria for hedged items and transactions to expand an entity’s ability to hedge nonfinancial and financial risk components. The new guidance eliminates the requirement to separately measure and present hedge ineffectiveness and aligns the presentation of hedge gains and losses with the underlying hedge item. The new guidance also simplifies the hedge documentation and hedge effectiveness assessment requirements. The amended presentation and disclosure requirements must be adopted on a prospective basis, while any amendments to cash flow and net investment hedge relationships that exist on the date of adoption must be applied on a “modified retrospective” basis, meaning a cumulative effect adjustment to the opening balance of retained earnings as of the beginning of the year of adoption. The new guidance was effective for the Company on January 1, 2019 and did not have a material impact on the Company’s Consolidated Financial Statements.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” eliminating the requirement to calculate implied fair value, essentially eliminating step two from the goodwill impairment test. The new standard requires goodwill impairment to be based upon the results of step one of the impairment test, which is defined as the excess of the carrying value of a reporting unit over its fair value. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard is effective for the Company on a prospective basis beginning on January 1, 2020, with early adoption permitted. This new guidance is not expected to have an impact on the Company’s Consolidated Financial Statements.

In February 2016, the FASB issued its final standard on lease accounting, ASU No. 2016-02, “Leases (Topic 842),” which superseded Topic 840, “Leases,” which was further modified in ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” ASU No. 2018-11, “Leases (Topic 842) Targeted Improvements” and ASU No. 2019-01 “Leases (Topic 842) Codification Improvements” to clarify the implementation guidance. The new accounting standard was effective for the Company beginning on January 1, 2019 and required the recognition on the balance sheet of right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the balance sheet. The Company elected the optional transition method and adopted the new guidance on January 1, 2019, on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, the Company elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption. The Company also elected not to separate lease components from non-lease components and to exclude short-term leases from its Consolidated Balance Sheet. The Company’s adoption of the new standard resulted in the recognition of right-of-use assets of $458 and liabilities of $574, with no material cumulative effect adjustment to equity as of the date of adoption. In connection with the adoption of this guidance, as required, the Company reclassified certain restructuring reserves incurred in connection with the Global Growth and Efficiency Program (see Note 4, Restructuring and Related Implementation Charges for additional information) and deferred rent liabilities as reductions to lease assets. Adoption of the new standard did not have a material impact on the Company’s Consolidated Statements of Income or Cash Flows. See Note 13, Leases for additional information.

(Dollars in Millions Except Share and Per Share Amounts)

## 4. Restructuring and Related Implementation Charges

In the fourth quarter of 2012, the Company commenced a restructuring program (the "Global Growth and Efficiency Program"). The program was expanded in 2014 and expanded and extended in each of 2015 and 2017. The program runs through December 31, 2019.

Initiatives under the Global Growth and Efficiency Program continue to fit within the program's three focus areas of expanding commercial hubs, extending shared business services and streamlining global functions and optimizing the global supply chain and facilities.

Cumulative pretax charges resulting from the Global Growth and Efficiency Program, once all phases are approved and implemented, are estimated to be in the range of $1,820 to $1,870 ($1,350 to $1,380 aftertax). The Company anticipates that pretax charges for 2019 will approximate $100 to $150 ($70 to $100 aftertax). It is expected that substantially all charges resulting from the Global Growth and Efficiency Program will be incurred by December 31, 2019.

The pretax charges resulting from the Global Growth and Efficiency Program are estimated to be comprised of the following categories: Employee-Related Costs, including severance, pension and other termination benefits (40%); asset-related costs, primarily Incremental Depreciation and Asset Impairments (10%); and Other charges, which include contract termination costs, consisting primarily of related implementation charges resulting directly from exit activities (30%) and the implementation of new strategies (20%). Over the course of the Global Growth and Efficiency Program, it is estimated that approximately 75% of the charges will result in cash expenditures.

The Company expects that the cumulative pretax charges, once all projects are approved and implemented, will relate to initiatives undertaken in North America (15%), Europe (20%), Latin America (5%), Asia Pacific (5%), Africa/Eurasia (5%), Hill's Pet Nutrition (10%) and Corporate (40%), which includes substantially all of the costs related to the implementation of new strategies, noted above, on a global basis. The Company expects that, when it has been fully implemented, the Global Growth and Efficiency Program will have contributed a net reduction of approximately 4,000 to 4,400 positions from the Company's global employee workforce.

For the three and six months ended June 30, 2019 and 2018, restructuring and related implementation charges are reflected in the Condensed Consolidated Statements of Income as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Cost of sales | $ (3) | $ 5 | $ 8 | $ 11 |
| Selling, general and administrative expenses | 10 | 10 | 14 | 15 |
| Other (income) expense, net | 33 | 43 | 46 | 56 |
| Non-service related postretirement costs | 2 | 3 | 3 | 7 |
| Total Global Growth and Efficiency Program charges, pretax | $ 42 | $ 61 | $ 71 | $ 89 |
| Total Global Growth and Efficiency Program charges, aftertax | $ 31 | $ 51 | $ 53 | $ 71 |

Restructuring and related implementation charges in the preceding table are recorded in the Corporate segment as these initiatives are predominantly centrally directed and controlled and are not included in internal measures of segment operating performance.

(Dollars in Millions Except Share and Per Share Amounts)

Total charges incurred for the Global Growth and Efficiency Program relate to initiatives undertaken by the following reportable operating segments:

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Program-to-date Accumulated Charges |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | |
| North America | — % | 8 % | 3 % | 17% | 18% |
| Latin America | 8 % | 11 % | 21 % | 11% | 5% |
| Europe | (3)% | 2 % | 1 % | 2% | 19% |
| Asia Pacific | 7 % | (6)% | 7 % | 1% | 4% |
| Africa/Eurasia | (2)% | 7 % | (1)% | 6% | 5% |
| Hill's Pet Nutrition | 1 % | 22 % | 6 % | 21% | 8% |
| Corporate | 89 % | 56 % | 63 % | 42% | 41% |
| Total | 100 % | 100 % | 100 % | 100% | 100% |

Since the inception of the Global Growth and Efficiency Program in the fourth quarter of 2012, the Company has incurred cumulative pretax charges of $1,793 ($1,331 aftertax) in connection with the implementation of various projects as follows:

| | Cumulative Charges as of June 30, 2019 |
|---|---|
| Employee-Related Costs | $ 695 |
| Incremental Depreciation | 102 |
| Asset Impairments | 58 |
| Other | 938 |
| Total | $ 1,793 |

The majority of costs incurred since inception relate to the following projects: the implementation of the Company's overall hubbing strategy; the consolidation of facilities; the extension of shared business services and streamlining of global functions; the closing of the Morristown, New Jersey personal care facility; the simplification and streamlining of the Company's research and development capabilities and oral care supply chain, both in Europe; redesigning the European commercial organization; restructuring how the Company will provide future retirement benefits to substantially all of the U.S.-based employees participating in the Company's defined benefit retirement plan by shifting them to the Company's defined contribution plan; and the implementation of a Corporate efficiencies program.

The following tables summarize the activity for the restructuring and related implementation charges discussed above and the related accruals:

| | Three Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Employee-Related Costs | Incremental Depreciation | Asset Impairments | Other | Total |
| Balance at March 31, 2019 | $ 52 | $ — | $ — | $ 94 | $ 146 |
| Charges | 4 | 5 | — | 33 | 42 |
| Cash payments | (12) | — | — | (14) | (26) |
| Charges against assets | (2) | (5) | — | (27) | (34) |
| Foreign exchange | (1) | — | — | — | (1) |
| Other | — | — | — | — | — |
| Balance at June 30, 2019 | $ 41 | $ — | $ — | $ 86 | $ 127 |

(Dollars in Millions Except Share and Per Share Amounts)

| | Six Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Employee-Related Costs | Incremental Depreciation | Asset Impairments | Other | Total |
| Balance at December 31, 2018 | $ 60 | $ — | $ — | $ 142 | $ 202 |
| Charges | 14 | 10 | 6 | 41 | 71 |
| Cash payments | (28) | — | — | (22) | (50) |
| Charges against assets | (3) | (10) | (6) | (27) | (46) |
| Foreign exchange | (2) | — | — | — | (2) |
| Other | — | — | — | (48) | (48) |
| Balance at June 30, 2019 | $ 41 | $ — | $ — | $ 86 | $ 127 |

Employee-Related Costs primarily include severance and other termination benefits and are calculated based on long-standing benefit practices, local statutory requirements and, in certain cases, voluntary termination arrangements. Employee-Related Costs also include pension and other retiree benefit enhancements amounting to $2 and $3 for the three and six months ended June 30, 2019, respectively, which are reflected as Charges against assets within Employee-Related Costs in the preceding tables as the corresponding balance sheet amounts are reflected as a reduction of pension assets or an increase in pension and other retiree benefit liabilities. See Note 8, Retirement Plans and Other Retiree Benefits for additional information.

Incremental Depreciation is recorded to reflect changes in useful lives and estimated residual values for long-lived assets that will be taken out of service prior to the end of their normal service period. Asset Impairments are recorded to write down inventories and assets held for sale or disposal to their fair value based on amounts expected to be realized. Charges against assets within Asset Impairments are net of cash proceeds pertaining to the sale of certain assets.

Other charges consist primarily of charges resulting directly from exit activities and the implementation of new strategies as a result of the Global Growth and Efficiency Program. These charges for the three and six months ended June 30, 2019 include third-party incremental costs related to the development and implementation of new business and strategic initiatives of $5 and $10, respectively, and contract termination costs and charges resulting directly from exit activities of $0 and $3, respectively. These charges were expensed as incurred. Other charges also included a charge for exit costs related to office space consolidation of $28 for the three and six months ended June 30, 2019.

Other decreases to the restructuring accruals reflects the reclassification of restructuring accruals to lease assets as a result of the Company's adoption of ASU No. 2018-10, "Codification Improvements to Topic 842, Leases," on January 1, 2019. See Note 3, Recent Accounting Pronouncements and Note 13, Leases for additional information.

## 5. Inventories

Inventories by major class are as follows:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Raw materials and supplies | $ 258 | $ 253 |
| Work-in-process | 42 | 37 |
| Finished goods | 1,022 | 960 |
| Total Inventories | $ 1,322 | $ 1,250 |

(Dollars in Millions Except Share and Per Share Amounts)

## 6. Earnings Per Share

For the three months ended June 30, 2019 and 2018, earnings per share were as follows:

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2019 | | | June 30, 2018 | | |
| | Net income attributable to Colgate-Palmolive Company | Shares (millions) | Per Share | Net income attributable to Colgate-Palmolive Company | Shares (millions) | Per Share |
| Basic EPS | $ 586 | 859.4 | $ 0.68 | $ 637 | 871.7 | $ 0.73 |
| Stock options and restricted stock units | | 2.5 | | | 2.3 | |
| Diluted EPS | $ 586 | 861.9 | $ 0.68 | $ 637 | 874.0 | $ 0.73 |

For the three months ended June 30, 2019 and 2018, the average number of stock options and restricted stock units that were anti-dilutive and not included in diluted earnings per share calculations were 18,334,488 and 16,303,599, respectively.

For the six months ended June 30, 2019 and 2018, earnings per share were as follows:

| | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2019 | | | June 30, 2018 | | |
| | Net income attributable to Colgate-Palmolive Company | Shares (millions) | Per Share | Net income attributable to Colgate-Palmolive Company | Shares (millions) | Per Share |
| Basic EPS | $ 1,146 | 860.7 | $ 1.33 | $ 1,271 | 873.5 | $ 1.46 |
| Stock options and restricted stock units | | 2.0 | | | 3.5 | |
| Diluted EPS | $ 1,146 | 862.7 | $ 1.33 | $ 1,271 | 877.0 | $ 1.45 |

For the six months ended June 30, 2019 and 2018, the average number of stock options and restricted stock units that were anti-dilutive and not included in diluted earnings per share calculations were 21,751,174 and 16,284,602, respectively.

Basic and diluted earnings per share are computed independently for each quarter and any year-to-date period presented. As a result of changes in the number of shares outstanding during the year and rounding, the sum of the quarters' earnings per share may not necessarily equal the earnings per share for any year-to-date period.

(Dollars in Millions Except Share and Per Share Amounts)

## 7. Other Comprehensive Income (Loss)

Additions to and reclassifications out of Accumulated other comprehensive income (loss) attributable to the Company for the three months ended June 30, 2019 and 2018 were as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Pretax | Net of Tax | Pretax | Net of Tax |
| **Cumulative translation adjustments** | $ 23 | $ 30 | $ (274) | $ (289) |
| **Retirement plans and other retiree benefits:** | | | | |
| Net actuarial gain (loss) and prior service costs arising during the period | — | — | — | — |
| Amortization of net actuarial loss, transition and prior service costs [1] | 18 | 13 | 18 | 14 |
| Retirement plans and other retiree benefits adjustments | 18 | 13 | 18 | 14 |
| **Cash flow hedges:** | | | | |
| Unrealized gains (losses) on cash flow hedges | (1) | (1) | 14 | 10 |
| Reclassification of (gains) losses into net earnings on cash flow hedges [2] | (1) | (1) | 2 | 1 |
| Gains (losses) on cash flow hedges | (2) | (2) | 16 | 11 |
| **Total Other comprehensive income (loss)** | $ 39 | $ 41 | $ (240) | $ (264) |

[1] These components of Other comprehensive income (loss) are included in the computation of total pension cost. See Note 8, Retirement Plans and Other Retiree Benefits for additional details.
[2] These (gains) losses are reclassified into Cost of sales. See Note 12, Fair Value Measurements and Financial Instruments for additional details.

There were no tax impacts on Other comprehensive income (loss) ("OCI") attributable to Noncontrolling interests.

Additions to and reclassifications out of Accumulated other comprehensive income (loss) attributable to the Company for the six months ended June 30, 2019 and 2018 were as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Pretax | Net of Tax | Pretax | Net of Tax |
| **Cumulative translation adjustments** | $ 50 | $ 51 | $ (178) | $ (184) |
| **Retirement plans and other retiree benefits:** | | | | |
| Net actuarial gain (loss) and prior service costs arising during the period | (1) | (1) | — | — |
| Amortization of net actuarial loss, transition and prior service costs [1] | 35 | 26 | 36 | 28 |
| Retirement plans and other retiree benefits adjustments | 34 | 25 | 36 | 28 |
| **Cash flow hedges:** | | | | |
| Unrealized gains (losses) on cash flow hedges | (3) | (3) | 6 | 4 |
| Reclassification of (gains) losses into net earnings on cash flow hedges [2] | (5) | (4) | 8 | 6 |
| Gains (losses) on cash flow hedges | (8) | (7) | 14 | 10 |
| **Total Other comprehensive income (loss)** | $ 76 | $ 69 | $ (128) | $ (146) |

[1] These components of Other comprehensive income (loss) are included in the computation of total pension cost. See Note 8, Retirement Plans and Other Retiree Benefits for additional details.
[2] These (gains) losses are reclassified into Cost of sales. See Note 12, Fair Value Measurements and Financial Instruments for additional details.

There were no tax impacts on OCI attributable to Noncontrolling interests.

(Dollars in Millions Except Share and Per Share Amounts)

## 8. Retirement Plans and Other Retiree Benefits

Components of Net periodic benefit cost for the three and six months ended June 30, 2019 and 2018 were as follows:

| | Pension Benefits | | | | Other Retiree Benefits | |
|---|---|---|---|---|---|---|
| | United States | | International | | | |
| | Three Months Ended June 30, | | | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Service cost | $ — | $ 1 | $ 3 | $ 3 | $ 3 | $ 4 |
| Interest cost | 23 | 22 | 5 | 5 | 9 | 9 |
| Expected return on plan assets | (24) | (29) | (4) | (5) | — | — |
| Amortization of actuarial loss (gain) | 12 | 11 | 3 | 2 | 3 | 5 |
| Net periodic benefit cost | $ 11 | $ 5 | $ 7 | $ 5 | $ 15 | $ 18 |

| | Pension Benefits | | | | Other Retiree Benefits | |
|---|---|---|---|---|---|---|
| | United States | | International | | | |
| | Six Months Ended June 30, | | | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Service cost | $ — | $ 1 | $ 7 | $ 7 | $ 7 | $ 8 |
| Interest cost | 46 | 43 | 10 | 11 | 20 | 19 |
| Expected return on plan assets | (49) | (58) | (9) | (11) | (1) | — |
| Amortization of actuarial loss (gain) | 25 | 23 | 5 | 4 | 5 | 9 |
| Net periodic benefit cost | $ 22 | $ 9 | $ 13 | $ 11 | $ 31 | $ 36 |

For the six months ended June 30, 2019 and 2018, the Company made voluntary contributions to its U.S. postretirement plans of $102 and $0, respectively.

## 9. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA" or "U.S. tax reform") was enacted, which, among other things, lowered the U.S. corporate income tax rate to 21% from 35% and established a modified territorial system requiring a mandatory deemed repatriation tax on undistributed earnings of foreign subsidiaries. Beginning in 2018, the TCJA also requires a minimum tax on certain earnings generated by foreign subsidiaries while providing for tax-free repatriation of such earnings through a 100% dividends-received deduction. The Company's effective income tax rate in 2017 included a provisional charge of $275, recorded in the fourth quarter of 2017, based on its initial analysis of the TCJA. During 2018, the Company finalized its assessment of the impact of the TCJA and recognized an additional tax expense of $80 reflecting the impact of transition tax guidance issued by the U.S. Treasury and the update of certain estimates and calculations based on information available through the end of 2018.

The impact, if any, of further transitional tax guidance that may be issued by the U.S. Treasury would be reflected in the Company's provision for income tax in the period such guidance is effective.

## 10. Contingencies

As a global company serving consumers in more than 200 countries and territories, the Company is routinely subject to a wide variety of legal proceedings. These include disputes relating to intellectual property, contracts, product liability, marketing, advertising, foreign exchange controls, antitrust and trade regulation, as well as labor and employment, pension, data privacy and security, environmental and tax matters and consumer class actions. Management proactively reviews and monitors the Company's exposure to, and the impact of, environmental matters. The Company is party to various environmental matters and, as such, may be responsible for all or a portion of the cleanup, restoration and post-closure monitoring of several sites.

The Company establishes accruals for loss contingencies when it has determined that a loss is probable and that the amount of loss, or range of loss, can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances.

The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible and it is able to determine such estimates. For those matters disclosed below for which the amount of any potential losses can be reasonably estimated, the Company currently estimates that the aggregate range of reasonably possible losses in excess of any accrued liabilities is $0 to approximately $225 (based on current exchange rates). The estimates included in this amount are based on the Company's analysis of currently available information and, as new information is obtained, these estimates may change. Due to the inherent subjectivity of the assessments and the unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to the Company. Thus, the Company's exposure and ultimate losses may be higher or lower, and possibly significantly so, than the amounts accrued or the range disclosed above.

Based on current knowledge, management does not believe that the ultimate resolution of loss contingencies arising from the matters discussed herein will have a material effect on the Company's consolidated financial position or its ongoing results of operations or cash flows. However, in light of the inherent uncertainties noted above, an adverse outcome in one or more matters could be material to the Company's results of operations or cash flows for any particular quarter or year.

**Brazilian Matters**

There are certain tax and civil proceedings outstanding, as described below, related to the Company's 1995 acquisition of the Kolynos oral care business from Wyeth (the "Seller").

The Brazilian internal revenue authority has disallowed interest deductions and foreign exchange losses taken by the Company's Brazilian subsidiary for certain years in connection with the financing of the Kolynos acquisition. The tax assessments with interest, penalties and any court-mandated fees, at the current exchange rate, are approximately $158. This amount includes additional assessments received from the Brazilian internal revenue authority in April 2016 relating to net operating loss carryforwards used by the Company's Brazilian subsidiary to offset taxable income that had also been deducted from the authority's original assessments. The Company has been disputing the disallowances by appealing the assessments since October 2001. There is one case currently on appeal at the administrative level. In the event the Company is ultimately unsuccessful in this administrative appeal, further appeals are available within the Brazilian federal courts.

In September 2015, the Company lost one of its appeals at the administrative level and filed a lawsuit in Brazilian federal court. In February 2017, the Company lost an additional administrative appeal and filed a lawsuit in Brazilian federal court. In April 2019, the Company lost another administrative appeal and filed a lawsuit in Brazilian federal court. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the disallowances are without merit and that the Company should ultimately prevail. The Company is challenging these disallowances vigorously.

In July 2002, the Brazilian Federal Public Attorney filed a civil action against the federal government of Brazil, Laboratorios Wyeth-Whitehall Ltda. (the Brazilian subsidiary of the Seller) and the Company, as represented by its Brazilian subsidiary, in the 6th. Lower Federal Court in the City of São Paulo, seeking to annul an April 2000 decision by the Brazilian Board of Tax Appeals that found in favor of the Seller's Brazilian subsidiary on the issue of whether it had incurred taxable capital gains as a result of the divestiture of Kolynos. The action seeks to make the Company's Brazilian subsidiary jointly and severally liable for any tax due from the Seller's Brazilian subsidiary. The case has been pending since 2002, and the Lower Federal Court has not issued a decision. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the Company should ultimately prevail in this action. The Company is challenging this action vigorously.

In December 2005, the Brazilian internal revenue authority issued to the Company's Brazilian subsidiary a tax assessment with interest, penalties and any court-mandated fees of approximately $66, at the current exchange rate, based on a claim that certain purchases of U.S. Treasury bills by the subsidiary and their subsequent disposition during the period 2000 to 2001 were subject to a tax on foreign exchange transactions. The Company had been disputing the assessment within the internal revenue authority's administrative appeals process. However, in November 2015, the Superior Chamber of Administrative Tax Appeals denied the Company's final administrative appeal, and the Company has filed a lawsuit in the Brazilian federal court. In the event the Company is unsuccessful in this lawsuit, further appeals are available within the Brazilian federal courts. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the tax assessment is without merit and that the Company should ultimately prevail. The Company is challenging this assessment vigorously.

**Competition Matters**

Certain of the Company's subsidiaries have historically been subject to investigations, and, in some cases, fines, by governmental authorities in a number of countries related to alleged competition law violations. Substantially all of these matters also involved other consumer goods companies and/or retail customers. The Company's policy is to comply with antitrust and competition laws and, if a violation of any such laws is found, to take appropriate remedial action and to cooperate fully with any related governmental inquiry. The status as of June 30, 2019 of competition law matters pending against the Company during the six months ended June 30, 2019 is set forth below.

- In December 2014, the French competition law authority found that 13 consumer goods companies, including the Company's French subsidiary, exchanged competitively sensitive information related to the French home care and personal care sectors, for which the Company's French subsidiary was fined $57. In addition, as a result of the Company's acquisition of the Sanex personal care business in 2011 from Unilever N.V. and Unilever PLC (together with Unilever N.V., "Unilever,"), pursuant to a Business and Share Sale and Purchase Agreement (the "Sale and Purchase Agreement"), the French competition law authority found that the Company's French subsidiary, along with Hillshire Brands Company (formerly Sara Lee Corporation ("Sara Lee")), were jointly and severally liable for fines of $25 assessed against Sara Lee's French subsidiary. The Company is indemnified for these fines by Unilever pursuant to the Sale and Purchase Agreement. The fines were confirmed by the Court of Appeal in October 2016. The Company appealed the decision of the Court of Appeal on behalf of the Company and Sara Lee in the French Supreme Court. In March 2019, the French Supreme Court denied the Company's appeal.

- In July 2014, the Greek competition law authority issued a statement of objections alleging a restriction of parallel imports into Greece. The Company responded to this statement of objections. In July 2017, the Company received the decision from the Greek competition law authority in which the Company was fined $11. The Company appealed the decision to the Greek courts. In April 2019, the Greek courts affirmed the judgment against the Company's Greek subsidiary, but reduced the fine to $10.5 and dismissed the case against Colgate-Palmolive Company. The Company's Greek subsidiary is appealing the decision to the Greek Supreme Court.

**Talcum Powder Matters**

The Company has been named as a defendant in civil actions alleging that certain talcum powder products that were sold prior to 1996 were contaminated with asbestos. Most of these actions involve a number of co-defendants from a variety of different industries, including suppliers of asbestos and manufacturers of products that, unlike the Company's products, were designed to contain asbestos. As of June 30, 2019, there were 237 individual cases pending against the Company in state and federal courts throughout the United States, as compared to 229 cases as of March 31, 2019 and 239 cases as of December 31, 2018. During the quarter ended June 30, 2019, 25 new cases were filed and 17 cases were resolved by voluntary dismissal, dismissal by the court, judgment in the Company's favor or settlement. During the quarter ended June 30, 2019, one case resulted in an adverse jury verdict after a trial, which the Company plans to appeal. During the six months ended June 30, 2019, 62 new cases were filed and 64 cases were resolved by voluntary dismissal, dismissal by the court, judgment in the Company's favor or settlement. The value of the settlements and of the adverse jury verdict in the quarter and the year-to-date period presented was not material, either individually or in the aggregate, to each such period's results of operations.

The Company believes that a significant portion of its costs incurred in defending and resolving these claims will be covered by insurance policies issued by several primary, excess and umbrella insurance carriers, subject to deductibles, exclusions, retentions and policy limits.

While the Company and its legal counsel believe that these cases are without merit and intend to challenge them vigorously, there can be no assurances regarding the ultimate resolution of these matters. With the exception of the case where the Company received an adverse jury verdict, the range of reasonably possible losses in excess of accrued liabilities disclosed above does not include any amount relating to these cases because the amount of any possible losses from such cases currently cannot be reasonably estimated.

(Dollars in Millions Except Share and Per Share Amounts)

**ERISA Matter**

In June 2016, a putative class action claiming that residual annuity payments made to certain participants in the Colgate-Palmolive Company Employees' Retirement Income Plan (the "Plan") did not comply with the Employee Retirement Income Security Act was filed against the Plan, the Company and certain individuals in the United States District Court for the Southern District of New York. This action has been certified as a class action. The relief sought includes recalculation of benefits, pre- and post-judgment interest and attorneys' fees. The Company is contesting this action vigorously. Since the amount of any potential loss from this case currently cannot be reasonably estimated, the range of reasonably possible losses in excess of accrued liabilities disclosed above does not include any amount relating to the case.

## 11. Segment Information

The Company operates in two product segments: Oral, Personal and Home Care; and Pet Nutrition.

The operations of the Oral, Personal and Home Care product segment are managed geographically in five reportable operating segments: North America, Latin America, Europe, Asia Pacific and Africa/Eurasia.

The Company evaluates segment performance based on several factors, including Operating profit. The Company uses Operating profit as a measure of operating segment performance because it excludes the impact of Corporate-driven decisions related to interest expense and income taxes.

The accounting policies of the operating segments are generally the same as those described in Note 2, Summary of Significant Accounting Policies to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Intercompany sales have been eliminated. Corporate operations include costs related to stock options and restricted stock units, research and development costs, Corporate overhead costs, restructuring and related implementation charges and gains and losses on sales of non-core product lines and assets. The Company reports these items within Corporate operations as they relate to Corporate-based responsibilities and decisions and are not included in the internal measures of segment operating performance used by the Company to measure the underlying performance of the operating segments.

Net sales by segment were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Net sales** | | | | |
| Oral, Personal and Home Care | | | | |
| North America | $ 846 | $ 824 | $ 1,699 | $ 1,651 |
| Latin America | 929 | 933 | 1,818 | 1,862 |
| Europe | 588 | 620 | 1,190 | 1,268 |
| Asia Pacific | 646 | 674 | 1,346 | 1,433 |
| Africa/Eurasia | 244 | 243 | 484 | 498 |
| Total Oral, Personal and Home Care | 3,253 | 3,294 | 6,537 | 6,712 |
| Pet Nutrition | 613 | 592 | 1,213 | 1,176 |
| Total Net sales | $ 3,866 | $ 3,886 | $ 7,750 | $ 7,888 |

Approximately 70% of the Company's Net sales are generated from markets outside the U.S., with approximately 50% of the Company's Net sales coming from emerging markets (which consist of Latin America, Asia (excluding Japan), Africa/Eurasia and Central Europe).

(Dollars in Millions Except Share and Per Share Amounts)

The Company's Net sales of Oral, Personal and Home Care and Pet Nutrition products accounted for the following percentages of the Company's Net sales:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Net sales** | | | | |
| Oral Care | 45% | 47% | 47% | 48% |
| Personal Care | 21% | 20% | 19% | 19% |
| Home Care | 18% | 18% | 18% | 18% |
| Pet Nutrition | 16% | 15% | 16% | 15% |
| Total Net sales | 100% | 100% | 100% | 100% |

Operating profit by segment was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Operating profit** | | | | |
| Oral, Personal and Home Care | | | | |
| North America | $ 254 | $ 264 | $ 503 | $ 521 |
| Latin America | 251 | 262 | 483 | 535 |
| Europe | 148 | 156 | 299 | 318 |
| Asia Pacific | 174 | 203 | 363 | 429 |
| Africa/Eurasia | 47 | 42 | 93 | 92 |
| Total Oral, Personal and Home Care | 874 | 927 | 1,741 | 1,895 |
| Pet Nutrition | 167 | 165 | 331 | 329 |
| Corporate | (153) | (146) | (305) | (295) |
| Total Operating profit | $ 888 | $ 946 | $ 1,767 | $ 1,929 |

For the three and six months ended June 30, 2019, Corporate Operating profit (loss) included charges of $40 and $68, respectively, resulting from the Global Growth and Efficiency Program.

For the three and six months ended June 30, 2018, Corporate Operating profit (loss) included charges of $58 and $82, respectively, resulting from the Global Growth and Efficiency Program.

For further information regarding the Global Growth and Efficiency Program, refer to Note 4, Restructuring and Related Implementation Charges.

(Dollars in Millions Except Share and Per Share Amounts)

## 12. Fair Value Measurements and Financial Instruments

The Company uses available market information and other valuation methodologies in assessing the fair value of financial instruments. Judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, changes in assumptions or the estimation methodologies may affect the fair value estimates. The Company is exposed to the risk of credit loss in the event of nonperformance by counterparties to financial instrument contracts; however, nonperformance is considered unlikely and any nonperformance is unlikely to be material, as it is the Company's policy to contract only with diverse, credit-worthy counterparties based upon both strong credit ratings and other credit considerations.

The Company is exposed to market risk from foreign currency exchange rates, interest rates and commodity price fluctuations. Volatility relating to these exposures is managed on a global basis by utilizing a number of techniques, including working capital management, sourcing strategies, selling price increases, selective borrowings in local currencies and entering into selective derivative instrument transactions, issued with standard features, in accordance with the Company's treasury and risk management policies, which prohibit the use of derivatives for speculative purposes and leveraged derivatives for any purpose. It is the Company's policy to enter into derivative instrument contracts with terms that match the underlying exposure being hedged.

The Company's derivative instruments include interest rate swap contracts, foreign currency contracts and commodity contracts. The Company utilizes interest rate swap contracts to manage its targeted mix of fixed and floating rate debt, and these swaps are valued using observable benchmark rates (Level 2 valuation). The Company utilizes foreign currency contracts, including forward and swap contracts, option contracts, local currency deposits and local currency borrowings to hedge portions of its foreign currency purchases, assets and liabilities arising in the normal course of business and the net investment in certain foreign subsidiaries. These contracts are valued using observable market rates (Level 2 valuation). Commodity futures contracts are utilized to hedge the purchases of raw materials used in production. These contracts are measured using quoted commodity exchange prices (Level 1 valuation). The duration of foreign currency and commodity contracts generally does not exceed 12 months.

The company adopted ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," beginning on January 1, 2019. Refer to Note 3, Recent Accounting Pronouncements.

The following table summarizes the fair value of the Company's derivative instruments and other financial instruments which are carried at fair value in the Company's Consolidated Balance Sheets at June 30, 2019 and December 31, 2018:

| | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|
| | Account | Fair Value | | Account | Fair Value | |
| **Designated derivative instruments** | | **June 30, 2019** | **December 31, 2018** | | **June 30, 2019** | **December 31, 2018** |
| Interest rate swap contracts | Other current assets | $ — | $ — | Other accruals | $ — | $ 1 |
| Interest rate swap contracts | Other assets | 4 | — | Other liabilities | — | 8 |
| Foreign currency contracts | Other current assets | 9 | 20 | Other accruals | 11 | 8 |
| Foreign currency contracts | Other assets | — | — | Other liabilities | 19 | 21 |
| Commodity contracts | Other current assets | — | — | Other accruals | — | — |
| **Total designated** | | $ 13 | $ 20 | | $ 30 | $ 38 |
| | | | | | | |
| **Other financial instruments** | | | | | | |
| Marketable securities | Other current assets | $ 66 | $ 10 | | | |
| **Total other financial instruments** | | $ 66 | $ 10 | | | |

(Dollars in Millions Except Share and Per Share Amounts)

The carrying amount of cash, cash equivalents, accounts receivable and short-term debt approximated fair value as of June 30, 2019 and December 31, 2018. The estimated fair value of the Company's long-term debt, including the current portion, as of June 30, 2019 and December 31, 2018, was $6,545 and $6,434, respectively, and the related carrying value was $6,641 and $6,354, respectively. The estimated fair value of long-term debt was derived principally from quoted prices on the Company's outstanding fixed-term notes (Level 2 valuation).

The following amounts were recorded on the Condensed Consolidated Balance Sheet related to cumulative basis adjustment for fair value hedges as of:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Long-term debt: | | |
| Carrying amount of hedged item | $ 402 | $ 888 |
| Cumulative hedging adjustment included in the carrying amount | 4 | (10) |

The following tables present the notional values as of:

| | June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Foreign Currency Contracts | Foreign Currency Debt | Interest Rate Swaps | Commodity Contracts | Total |
| Fair Value Hedges | $ 355 | $ — | $ 400 | $ — | $ 755 |
| Cash Flow Hedges | 744 | — | — | 16 | 760 |
| Net Investment Hedges | 544 | 2,189 | — | — | 2,733 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Foreign Currency Contracts | Foreign Currency Debt | Interest Rate Swaps | Commodity Contracts | Total |
| Fair Value Hedges | $ 327 | $ — | $ 900 | $ — | $ 1,227 |
| Cash Flow Hedges | 782 | — | — | 14 | 796 |
| Net Investment Hedges | 482 | 1,396 | — | — | 1,878 |

(Dollars in Millions Except Share and Per Share Amounts)

The following tables present the location and amount of gains (losses) recognized on the Company's Condensed Consolidated Statements of Income:

| | **Three Months Ended June 30,** | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | **2018** | | |
| | **Cost of sales** | **Selling, general and administrative expenses** | **Interest (income) expense, net** | **Cost of sales** | **Selling, general and administrative expenses** | **Interest (income) expense, net** |
| Gain (loss) on hedges recognized in income: | | | | | | |
| Interest rate swaps designated as fair value hedges: | | | | | | |
| Derivative instrument | $ — | $ — | $ (10) | $ — | $ — | $ (1) |
| Hedged items | — | — | 10 | — | — | 1 |
| Foreign currency contracts designated as fair value hedges: | | | | | | |
| Derivative instrument | — | 11 | — | — | 6 | — |
| Hedged items | — | (11) | — | — | (6) | — |
| Foreign currency contracts designated as cash flow hedges: | | | | | | |
| Amount reclassified from OCI | 1 | — | — | (2) | — | — |
| Commodity contracts designated as cash flow hedges: | | | | | | |
| Amount reclassified from OCI | — | — | — | — | — | — |
| **Total gain (loss) on hedges recognized in income** | $ 1 | $ — | $ — | $ (2) | $ — | $ — |

| | **Six Months Ended June 30,** | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | **2018** | | |
| | **Cost of sales** | **Selling, general and administrative expenses** | **Interest (income) expense, net** | **Cost of sales** | **Selling, general and administrative expenses** | **Interest (income) expense, net** |
| Gain (loss) on hedges recognized in income: | | | | | | |
| Interest rate swaps designated as fair value hedges: | | | | | | |
| Derivative instrument | $ — | $ — | $ (13) | $ — | $ — | $ (11) |
| Hedged items | — | — | 13 | — | — | 11 |
| Foreign currency contracts designated as fair value hedges: | | | | | | |
| Derivative instrument | — | 10 | — | — | (7) | — |
| Hedged items | — | (10) | — | — | 7 | — |
| Foreign currency contracts designated as cash flow hedges: | | | | | | |
| Amount reclassified from OCI | 4 | — | — | (8) | — | — |
| Commodity contracts designated as cash flow hedges: | | | | | | |
| Amount reclassified from OCI | 1 | — | — | — | — | — |
| **Total gain (loss) on hedges recognized in income** | $ 5 | $ — | $ — | $ (8) | $ — | $ — |

(Dollars in Millions Except Share and Per Share Amounts)

The following tables present the location and amount of unrealized gains (losses) included in OCI:

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 |
|---|---|---|
| **Foreign currency contracts designated as cash flow hedges:** | | |
| Gain (loss) recognized in OCI | $ (2) | $ 14 |
| **Commodity contracts designated as cash flow hedges:** | | |
| Gain (loss) recognized in OCI | 1 | — |
| **Foreign currency contracts designated as net investment hedges:** | | |
| Gain (loss) on instruments | (7) | 43 |
| Gain (loss) on hedged items | 7 | (41) |
| **Foreign currency debt designated as net investment hedges:** | | |
| Gain (loss) on instruments | (24) | 78 |
| Gain (loss) on hedged items | 24 | (78) |
| **Total unrealized gain (loss) on hedges recognized in OCI** | $ (1) | $ 16 |

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **Foreign currency contracts designated as cash flow hedges:** | | |
| Gain (loss) recognized in OCI | $ (5) | $ 6 |
| **Commodity contracts designated as cash flow hedges:** | | |
| Gain (loss) recognized in OCI | 2 | — |
| **Foreign currency contracts designated as net investment hedges:** | | |
| Gain (loss) on instruments | (1) | 25 |
| Gain (loss) on hedged items | 1 | (23) |
| **Foreign currency debt designated as net investment hedges:** | | |
| Gain (loss) on instruments | 5 | 59 |
| Gain (loss) on hedged items | (5) | (59) |
| **Total unrealized gain (loss) on hedges recognized in OCI** | $ (3) | $ 8 |

(Dollars in Millions Except Share and Per Share Amounts)

## 13. Leases

The Company adopted ASU No. 2016-02 “Leases (Topic 842)” on January 1, 2019, resulting in the recognition of right-of-use assets of $458 and liabilities of $574. The Company enters into leases for land, office space, warehouses and equipment. A number of the leases include one or more options to renew the lease terms, purchase the leased property or terminate the lease. The exercise of these options is at the Company’s discretion and is therefore recognized on the balance sheet when it is reasonably certain the Company will exercise such options. As the Company’s leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date.

Substantially all of the Company’s leases are considered operating leases. Finance leases were not material as of June 30, 2019 or for the three and six months ended June 30, 2019.

As of June 30, 2019, the Company’s right-of use assets and liabilities for operating leases were as follows:

| | | |
|---|---|---|
| Other assets | $ | 548 |
| | | |
| Other accruals | $ | 153 |
| Other liabilities | | 530 |
| Total operating lease liabilities | $ | 683 |

Lease commitments under noncancellable operating leases were as follows:

| Years Ending December 31, | | As of June 30, 2019 | | | As of December 31, 2018 |
|---|---|---|---|---|---|
| 2019 | $ | 95 | (1) | $ | 193 |
| 2020 | | 155 | | | 165 |
| 2021 | | 119 | | | 123 |
| 2022 | | 96 | | | 102 |
| 2023 | | 60 | | | 51 |
| Thereafter | | 275 | | | 32 |
| Total lease commitments | $ | 800 | | $ | 666 |
| Less: Interest | | (117) | | | |
| Present value of lease liabilities | $ | 683 | | | |

(1) As of June 30, 2019, $95 represents the lease commitments for the six months remaining until December 31, 2019.

The components of the Company’s operating lease cost for the three and six months ended June 30, 2019 were as follows:

| | | Three Months Ended June 30, 2019 | | Six Months Ended June 30, 2019 |
|---|---|---|---|---|
| Operating lease cost | $ | 38 | $ | 83 |
| Short-term lease cost | | — | | 2 |
| Variable lease cost | | 6 | | 16 |
| Sublease income | | — | | — |
| **Total lease cost** | $ | 44 | $ | 101 |

Short-term lease cost represents the Company’s cost with respect to leases with a duration of 12 months or less and is not reflected on the Company’s Consolidated Balance Sheets. Variable lease costs are comprised of costs, such as the Company’s proportionate share of actual costs for utilities, common area maintenance, property taxes and insurance that are not included in the lease liability and are recognized in the period in which they are incurred.

Supplemental cash flow information related to operating leases for the six months ended June 30, 2019 was as follows:

- Payments against amounts included in the measurement of lease liabilities: $102
- Lease assets obtained in exchange for lease liabilities: $209

As of June 30, 2019, the weighted-average remaining lease term for operating leases was 8 years and the weighted-average discount rate for operating leases was 4.0%.

There were no material operating leases that the Company had entered into and that were yet to commence as of June 30, 2019.

**14. Subsequent Event**

On July 11, 2019, the Company announced that it entered into a Share Purchase Agreement to acquire the Laboratoires Filorga Cosmétiques (“Filorga”) skin care business from Filorga Initiatives (the “Seller”) for an equity purchase price of €1,495.5 (approximately $1,690) in cash. The consummation of the transaction is subject only to the approval of the Austrian Federal Competition Authority, the French Competition Authority and the Federal Antimonopoly Service of the Russian Federation, as well as the absence of any governmental proceeding, order or law that would prohibit the consummation of the transaction. The transaction will be financed with a combination of debt and cash and is currently expected to close in the third quarter of 2019. At the closing of the acquisition, Colgate will acquire Filorga, including cash, debt and working capital it has accrued since January 1, 2019, and the Company will pay the Seller an amount of interest on the purchase price calculated at an annual rate of 2% in respect of the period commencing January 1, 2019 and ending on the closing date of the acquisition.

**Executive Overview**

Colgate-Palmolive Company (together with its subsidiaries, the "Company" or "Colgate") seeks to deliver strong, consistent business results and superior shareholder returns by providing consumers globally with products that make their lives healthier and more enjoyable.

To this end, the Company is tightly focused on two product segments: Oral, Personal and Home Care; and Pet Nutrition. Within these segments, the Company follows a closely defined business strategy to grow our key product categories and increase our overall market share. Within the categories in which the Company competes, the Company prioritizes its efforts based on their capacity to maximize the use of the organization's core competencies and strong global equities and to deliver sustainable long-term growth.

Operationally, the Company is organized along geographic lines with management teams having responsibility for the business and financial results in each region. The Company competes in more than 200 countries and territories worldwide with established businesses in all regions contributing to the Company's sales and profitability. Approximately 70% of the Company's Net sales are generated from markets outside the U.S., with approximately 50% of the Company's Net sales coming from emerging markets (which consist of Latin America, Asia (excluding Japan), Africa/Eurasia and Central Europe). This geographic diversity and balance help to reduce the Company's exposure to business and other risks in any one country or part of the world.

The Oral, Personal and Home Care product segment is managed geographically in five reportable operating segments: North America, Latin America, Europe, Asia Pacific and Africa/Eurasia, all of which sell to a variety of traditional and eCommerce retailers, wholesalers and distributors. The Company, through Hill's Pet Nutrition, also competes on a worldwide basis in the pet nutrition market, selling its products principally through authorized pet supply retailers, veterinarians and eCommerce retailers.

On an ongoing basis, management focuses on a variety of key indicators to monitor business health and performance. These indicators include market share, net sales (including volume, pricing and foreign exchange components), organic sales growth (net sales growth excluding, as applicable, the impact of foreign exchange, acquisitions and divestments), a non-GAAP financial measure, and gross profit margin, operating profit, net income and earnings per share, in each case, on a GAAP and non-GAAP basis, as well as measures used to optimize the management of working capital, capital expenditures, cash flow and return on capital. The monitoring of these indicators and the Company's Code of Conduct and corporate governance practices help to maintain business health and strong internal controls. For additional information regarding non-GAAP financial measures, see "Non-GAAP Financial Measures" below.

To achieve its business and financial objectives, the Company focuses the organization on initiatives to drive and fund growth. The Company seeks to capture significant opportunities for growth by identifying and meeting consumer needs within its core categories, through its focus on innovation and the deployment of valuable consumer and shopper insights in the development of successful new products. To enhance these efforts, the Company has developed key initiatives to build strong relationships with consumers, dental, veterinary and skin care professionals and traditional and eCommerce retailers. In addition, the Company has enhanced its digital marketing capabilities and intends to broaden its eCommerce offerings, including direct-to-consumer and subscription services. Growth opportunities are greater in those areas of the world in which economic development and rising consumer incomes expand the size and number of markets for the Company's products.

The investments needed to support growth are developed through continuous, Company-wide initiatives to lower costs and increase effective asset utilization. Through these initiatives, which are referred to as the Company's funding-the-growth initiatives, the Company seeks to become even more effective and efficient throughout its businesses. These initiatives are designed to reduce costs associated with direct materials, indirect expenses, distribution and logistics, and advertising and promotional materials, among other things, and encompass a wide range of projects, examples of which include raw material substitution, reduction of packaging materials, consolidating suppliers to leverage volumes and increasing manufacturing efficiency through SKU reductions and formulation simplification. The Company also continues to prioritize its investments toward its higher margin businesses, specifically Oral Care, Personal Care and Pet Nutrition.

On July 11, 2019, the Company announced that it entered into a Share Purchase Agreement to acquire the Laboratoires Filorga Cosmétiques ("Filorga") skin care business from Filorga Initiatives (the "Seller") for an equity purchase price of €1,495.5 (approximately $1,690) in cash. The consummation of the transaction is subject only to the approval of the Austrian Federal Competition Authority, the French Competition Authority and the Federal Antimonopoly Service of the Russian Federation, as well as the absence of any governmental proceeding, order or law that would prohibit the consummation of the transaction. The transaction will be financed with a combination of debt and cash and is currently expected to close in the third quarter of 2019. At the closing of the acquisition, Colgate will acquire Filorga, including cash, debt and working capital it has accrued since January 1, 2019, and the Company will pay the Seller an amount of interest on the purchase price calculated at an annual rate of 2% in respect of the period commencing January 1, 2019 and ending on the closing date of the acquisition.

**Significant Items Impacting Comparability**

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA" or "U.S. tax reform") was enacted, which, among other things, lowered the U.S. corporate income tax rate to 21% from 35% and established a modified territorial system requiring a mandatory deemed repatriation tax on undistributed earnings of foreign subsidiaries. Beginning in 2018, the TCJA also requires a minimum tax on certain future earnings generated by foreign subsidiaries while providing for future tax-free repatriation of such earnings through a 100% dividends-received deduction.

During 2018, the Company finalized its assessment of the impact of the TCJA and recognized tax expense of $80 reflecting the impact of transition tax guidance issued by the U.S. Treasury and the update of certain estimates and calculations based on information available through the end of 2018. Any further guidance issued after December 31, 2018 may have an impact to the Company's Provision for income tax in the period such guidance is effective. Refer to "Results of Operations-Income Taxes" below for additional details.

The Company's restructuring program, known as the "Global Growth and Efficiency Program," runs through December 31, 2019. The program's initiatives are expected to help the Company ensure sustained solid worldwide growth in unit volume, organic sales, operating profit and earnings per share and to enhance its global leadership positions in its core businesses. Implementation of the Global Growth and Efficiency Program remains on track and is in its final year.

The initiatives under the Global Growth and Efficiency Program are focused on the following areas:

- Expanding Commercial Hubs
- Extending Shared Business Services and Streamlining Global Functions
- Optimizing Global Supply Chain and Facilities

Savings, substantially all of which are expected to increase future cash flows, are projected to be in the range of $590 to $635 pretax ($550 to $575 aftertax) annually, once all projects are approved and implemented. Cumulative pretax charges resulting from the Global Growth and Efficiency Program, once all phases are approved and implemented, are estimated to be in the range of $1,820 to $1,870 ($1,350 to $1,380 aftertax).

In the three and six months ended June 30, 2019, the Company incurred aftertax costs of $31 and $53, respectively, resulting from the Global Growth and Efficiency Program.

For more information regarding the Global Growth and Efficiency Program, see "Restructuring and Related Implementation Charges" below and Note 4, Restructuring and Related Implementation Charges to the Condensed Consolidated Financial Statements.

**Outlook**

Looking forward, the Company expects global macroeconomic and market conditions to remain challenging. Although the Company has seen improvement in category growth rates, the Company expects category growth rates to remain below historical levels. While the global marketplace in which the Company operates has always been highly competitive, the Company continues to experience heightened competitive activity in certain markets from strong local competitors and from other large multinational companies, some of which have greater resources than the Company does. Such activities have included more aggressive product claims and marketing challenges, as well as increased promotional spending and geographic expansion. The Company has also been negatively affected by changes in the policies or practices of its retail trade customers in key markets, such as inventory de-stocking, limitations on access to shelf space or delisting of the Company's products. In addition, the retail landscape in many of the Company's markets continues to be impacted by the rapid growth of eCommerce retailers, changing consumer preferences (as consumers increasingly shop online) and the emergence of alternative retail channels, such as subscription services and direct-to-consumer businesses. This rapid growth in eCommerce and emergence of alternative retail channels may create pricing pressures and/or adversely affect the Company's relationships with its key retailers. In addition, given that approximately 70% of the Company's Net sales originate in markets outside the U.S., the Company has experienced and may continue to experience volatile foreign currency fluctuations and high raw and packaging material costs. While the Company has taken, and will continue to take, measures to mitigate the effect of these conditions, should they persist, they could adversely affect the Company's future results.

In summary, the Company believes it is well prepared to meet the challenges ahead due to its strong financial condition, experience operating in challenging environments and continued focus on the Company's key priorities: growing sales through engaging with consumers, developing world-class innovation and working with retail partners; driving efficiency on every line of the income statement to increase margins; generating strong cash flow performance and utilizing that cash effectively to enhance total shareholder return; and leading to win by staying true to the Company's culture and focusing on its stakeholders. The Company's commitment to these priorities, together with the strength of the Company's global brands, its broad international presence in both developed and emerging markets and cost-saving initiatives, such as the Company's funding-the-growth initiatives and the Global Growth and Efficiency Program, should position the Company well to increase shareholder value over the long term.

(Dollars in Millions Except Per Share Amounts)

**Results of Operations**

*Three Months*

Worldwide Net sales were $3,866 in the second quarter of 2019, down 0.5% from the second quarter of 2018, as volume growth of 1.0% and net selling price increases of 3.0% were more than offset by negative foreign exchange of 4.5%. Organic sales (Net sales excluding the impact of foreign exchange, acquisitions and divestments), a non-GAAP financial measure, increased 4.0% in the second quarter of 2019. A reconciliation of net sales growth to organic sales growth is provided under "Non-GAAP Financial Measures" below.

Net sales in the Oral, Personal and Home Care product segment were $3,253 in the second quarter of 2019, down 1.5% from the second quarter of 2018, as volume growth of 1.0% and net selling price increases of 2.5% were more than offset by negative foreign exchange of 5.0%. Organic sales in the Oral, Personal and Home Care product segment increased 3.5% in the second quarter of 2019.

The Company's share of the global toothpaste market was 41.4% on a year-to-date basis, down 0.9 share points from the year ago period, and its share of the global manual toothbrush market was 31.7% on a year-to-date basis, down 0.7 share points from the year ago period. Year-to-date market shares in toothpaste were flat in Africa/Eurasia and down in North America, Latin America, Europe and Asia Pacific versus the comparable 2018 period. In the manual toothbrush category, year-to-date market shares were down in North America, Latin America, Europe, Asia Pacific and Africa/Eurasia versus the comparable 2018 period. For additional information regarding market shares, see "Market Share Information" below.

Net sales in the Hill's Pet Nutrition segment were $613 in the second quarter of 2019, up 3.5% from the second quarter of 2018, as volume growth of 2.0% and net selling price increases of 4.0% were partially offset by negative foreign exchange of 2.5%. Organic sales in the Hill's Pet Nutrition segment increased 6.0% in the second quarter of 2019.

Gross Profit/Margin

Worldwide Gross profit increased to $2,308 in the second quarter of 2019 from $2,301 in the second quarter of 2018. Gross profit in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Gross profit decreased to $2,305 in the second quarter of 2019 from $2,306 in the second quarter of 2018. This decrease in Gross profit reflects a decrease of $13 resulting from lower Net sales, partially offset by an increase of $12 resulting from higher Gross profit margin.

Worldwide Gross profit margin increased to 59.7% in the second quarter of 2019 from 59.2% in the second quarter of 2018. Excluding charges resulting from the Global Growth and Efficiency Program in both periods, Gross profit margin increased by 30 basis points (bps) to 59.6% in the second quarter of 2019 from 59.3% in the second quarter of 2018. This increase in Gross profit margin was primarily due to cost savings from the Company's funding-the-growth initiatives (220 bps) and higher pricing (100 bps), partially offset by higher raw and packaging material costs (300 bps), which included foreign exchange transaction costs.

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Gross profit, GAAP | $ 2,308 | $ 2,301 |
| Global Growth and Efficiency Program | (3) | 5 |
| Gross profit, non-GAAP | $ 2,305 | $ 2,306 |

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Basis Point Change |
| Gross profit margin, GAAP | 59.7 % | 59.2% | 50 |
| Global Growth and Efficiency Program | (0.1) | 0.1 | |
| Gross profit margin, non-GAAP | 59.6 % | 59.3% | 30 |

(Dollars in Millions Except Per Share Amounts)

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 5% to $1,369 in the second quarter of 2019 from $1,300 in the second quarter of 2018. Selling, general and administrative expenses in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Selling, general and administrative expenses increased to $1,359 in the second quarter of 2019 from $1,290 in the second quarter of 2018, reflecting higher overhead expenses of $56 and increased advertising investment of $13.

Selling, general and administrative expenses as a percentage of Net sales increased to 35.4% in the second quarter of 2019 from 33.5% in the second quarter of 2018. Excluding charges resulting from the Global Growth and Efficiency Program in both periods, Selling, general and administrative expenses as a percentage of Net sales increased by 200 bps to 35.2% in the second quarter of 2019 as compared to 33.2% in the second quarter of 2018. This increase was due to higher overhead expenses (160 bps) and higher advertising investment (40 bps), both as a percentage of Net sales. The increase in overhead expenses as a percentage of Net sales reflects higher compensation and logistics costs in the second quarter of 2019 and foreign exchange transaction gains and other one-time credits in the second quarter of 2018. In the second quarter of 2019, advertising investment increased as a percentage of Net sales to 10.8% from 10.4% in the second quarter of 2018 or 3% in absolute terms to $416, as compared with $403 in the second quarter of 2018.

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Selling, general and administrative expenses, GAAP | $ 1,369 | $ 1,300 |
| Global Growth and Efficiency Program | (10) | (10) |
| Selling, general and administrative expenses, non-GAAP | $ 1,359 | $ 1,290 |

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Basis Point Change |
| Selling, general and administrative expenses as a percentage of Net sales, GAAP | 35.4 % | 33.5 % | 190 |
| Global Growth and Efficiency Program | (0.2) | (0.3) | |
| Selling, general and administrative expenses as a percentage of Net sales, non-GAAP | 35.2 % | 33.2 % | 200 |

(Dollars in Millions Except Per Share Amounts)

Operating Profit

Operating profit decreased 6% to $888 in the second quarter of 2019 from $946 in the second quarter of 2018. Operating profit in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Operating profit decreased 8% to $928 in the second quarter of 2019 from $1,004 in the second quarter of 2018, primarily due to an increase in Selling, general and administrative expenses.

Operating profit margin was 23.0% in the second quarter of 2019, a decrease of 130 bps compared to 24.3% in the second quarter of 2018. Excluding charges resulting from the Global Growth and Efficiency Program in both periods, Operating profit margin was 24.0% in the second quarter of 2019, a decrease of 180 bps compared to 25.8% in the second quarter of 2018. This decrease in Operating profit margin was primarily due to an increase in Selling, general and administrative expenses (200 bps) as a percentage of Net sales, partially offset by an increase in Gross profit (30 bps), both as a percentage of Net sales.

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | % Change |
| Operating profit, GAAP | $ 888 | $ 946 | (6)% |
| Global Growth and Efficiency Program | 40 | 58 | |
| Operating profit, non-GAAP | $ 928 | $ 1,004 | (8)% |

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Basis Point Change |
| Operating profit margin, GAAP | 23.0% | 24.3% | (130) |
| Global Growth and Efficiency Program | 1.0 | 1.5 | |
| Operating profit margin, non-GAAP | 24.0% | 25.8% | (180) |

Non-Service Related Postretirement Costs

Non-service related postretirement costs were $27 in the second quarter of 2019, as compared to $23 in the second quarter of 2018. Non-service related postretirement costs in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Non-service related postretirement costs were $25 in the second quarter of 2019, as compared to $20 in the second quarter of 2018.

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Non-service related postretirement costs, GAAP | $ 27 | $ 23 |
| Global Growth and Efficiency Program | (2) | (3) |
| Non-service related postretirement costs, non-GAAP | $ 25 | $ 20 |

Interest (Income) Expense, Net

Interest (income) expense, net was $38 in the second quarter of 2019 as compared to $35 in the second quarter of 2018, primarily due to higher average interest rates on debt.

(Dollars in Millions Except Per Share Amounts)

Net Income Attributable to Colgate-Palmolive Company and Earnings Per Share

Net income attributable to Colgate-Palmolive Company for the second quarter of 2019 decreased to $586 from $637 in the second quarter of 2018, and Earnings per common share on a diluted basis decreased to $0.68 per share in the second quarter of 2019 from $0.73 in the second quarter of 2018. Net income attributable to Colgate-Palmolive Company in both periods included charges resulting from the Global Growth and Efficiency Program and, in the second quarter of 2018, included a benefit from a foreign tax matter.

Excluding the items described above in both periods as applicable, Net income attributable to Colgate-Palmolive Company in the second quarter of 2019 decreased 8% to $617 from $673 in the second quarter of 2018, and Earnings per common share on a diluted basis decreased 6% to $0.72 in the second quarter of 2019 from $0.77 in the second quarter of 2018.

| | Three Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Income Before Income Taxes | Provision For Income Taxes[1] | Net Income Including Noncontrolling Interests | Net Income Attributable To Colgate-Palmolive Company | Diluted Earnings Per Share[2] |
| As Reported GAAP | $ 823 | $ 205 | $ 618 | $ 586 | $ 0.68 |
| Global Growth and Efficiency Program | 42 | 11 | 31 | 31 | 0.04 |
| Non-GAAP | $ 865 | $ 216 | $ 649 | $ 617 | $ 0.72 |

| | Three Months Ended June 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Income Before Income Taxes | Provision For Income Taxes[1] | Net Income Including Noncontrolling Interests | Less: Income Attributable to Noncontrolling Interests | Net Income Attributable To Colgate-Palmolive Company | Diluted Earnings Per Share[2] |
| As Reported GAAP | $ 888 | $ 213 | $ 675 | $ 38 | $ 637 | $ 0.73 |
| Global Growth and Efficiency Program | 61 | 13 | 48 | (3) | 51 | 0.06 |
| Benefit from a foreign tax matter | — | 15 | (15) | — | (15) | (0.02) |
| Non-GAAP | $ 949 | $ 241 | $ 708 | $ 35 | $ 673 | $ 0.77 |

[1] The income tax effect on non-GAAP items is calculated based upon the tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment.
[2] The impact of non-GAAP adjustments on diluted earnings per share may not necessarily equal the difference between "GAAP" and "non-GAAP" as a result of rounding.

(Dollars in Millions Except Per Share Amounts)

Net Sales and Operating Profit by Segment

*Oral, Personal and Home Care*

*North America*

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Net sales | $ 846 | $ 824 | 2.5 % |
| Operating profit | $ 254 | $ 264 | (4) % |
| % of Net sales | 30.0% | 32.0% | (200) bps |

Net sales in North America increased 2.5% in the second quarter of 2019 to $846, as volume growth of 2.0% and net selling price increases of 1.0% were partially offset by negative foreign exchange of 0.5%. Organic sales in North America increased 3.0% in the second quarter of 2019.

The increase in organic sales in North America in the second quarter of 2019 versus the second quarter of 2018 was due to increases in Oral Care, Personal Care and Home Care organic sales. The increase in Oral Care was primarily due to organic sales growth in the toothpaste category, which was partially offset by a decline in organic sales in the mouthwash and manual toothbrush categories. The increase in Personal Care was primarily due to organic sales growth in the professional skin care, bar soap and body wash categories. The increase in Home Care was primarily due to organic sales growth in the liquid cleaner category.

Operating profit in North America decreased 4% in the second quarter of 2019 to $254, or 200 bps to 30.0% of Net sales. This decrease in Operating profit as a percentage of Net sales was primarily due to a decrease in Gross profit (70 bps) and an increase in Selling, general and administrative expenses (100 bps), both as a percentage of Net sales. This decrease in Gross profit was primarily due to higher raw and packaging material costs (290 bps), partially offset by cost savings from the Company's funding-the-growth initiatives (190 bps). This increase in Selling, general and administrative expenses was due to higher overhead expenses, primarily related to higher logistics costs (80 bps), and increased advertising investment (20 bps).

*Latin America*

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Net sales | $ 929 | $ 933 | (0.5) % |
| Operating profit | $ 251 | $ 262 | (4) % |
| % of Net sales | 27.0% | 28.1% | (110) bps |

Net sales in Latin America decreased 0.5% in the second quarter of 2019 to $929, as volume growth of 1.5% and net selling price increases of 5.5% were more than offset by negative foreign exchange of 7.5%. Volume gains in Mexico and Colombia were partially offset by volume declines in Brazil. Organic sales in Latin America increased 7.0% in the second quarter of 2019.

The increase in organic sales in Latin America in the second quarter of 2019 versus the second quarter of 2018 was due to increases in Oral Care, Personal Care and Home Care organic sales. The increase in Oral Care was primarily due to organic sales growth in the toothpaste category. The increase in Personal Care was primarily due to organic sales growth in the bar soap and shampoo categories. The increase in Home Care was primarily due to organic sales growth in the liquid cleaner, fabric softener and hand dish categories.

(Dollars in Millions Except Per Share Amounts)

Operating profit in Latin America decreased 4% in the second quarter of 2019 to $251, or 110 bps to 27.0% of Net sales. This decrease in Operating profit as a percentage of Net sales was primarily due to an increase in Selling, general and administrative expenses (190 bps), partially offset by an increase in Gross profit (90 bps), both as a percentage of Net sales. This increase in Gross profit was primarily due to cost savings from the Company's funding-the-growth initiatives (260 bps) and higher pricing, partially offset by higher raw and packaging material costs (400 bps), which included foreign exchange transaction costs. This increase in Selling, general and administrative expenses was due to higher overhead expenses (180 bps) and increased advertising investment (10 bps).

_Europe_

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Net sales | $ 588 | $ 620 | (5) % |
| Operating profit | $ 148 | $ 156 | (5) % |
| % of Net sales | 25.2% | 25.2% | — bps |

Net sales in Europe decreased 5.0% in the second quarter of 2019 to $588, as net selling price increases of 1.0% were more than offset by negative foreign exchange of 6.0%, while volume was flat. Volume gains in Spain and Greece were offset by volume declines in Germany and France. Organic sales in Europe increased 1.0% in the second quarter of 2019.

The increase in organic sales in Europe in the second quarter of 2019 versus the second quarter of 2018 was primarily due to an increase in Oral Care organic sales partially offset by a decrease in Home Care organic sales. The increase in Oral Care was primarily due to organic sales growth in the toothpaste category. The decrease in Home Care was primarily due to a decline in organic sales in the fabric softener category.

Operating profit in Europe decreased 5% in the second quarter of 2019 to $148, while as a percentage of Net sales it was 25.2%, even with the year ago period, as an increase in Gross profit (70 bps) largely offset an increase in Selling, general and administrative expenses, all as a percentage of Net sales. This increase in Gross profit was primarily due to cost savings from the Company's funding-the-growth initiatives (180 bps), partially offset by higher raw and packaging material costs (160 bps). This increase in Selling, general and administrative expenses was due to higher overhead expenses (50 bps) and increased advertising investment (40 bps).

_Asia Pacific_

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Net sales | $ 646 | $ 674 | (4.0) % |
| Operating profit | $ 174 | $ 203 | (14) % |
| % of Net sales | 26.9% | 30.1% | (320) bps |

Net sales in Asia Pacific decreased 4.0% in the second quarter of 2019 to $646, as net selling price increases of 0.5% were more than offset by volume declines of 1.5% and negative foreign exchange of 3.0%. Volume declines in the Greater China region were partially offset by volume gains in Thailand. Organic sales in Asia Pacific decreased 1.0% in the second quarter of 2019.

The decrease in organic sales in Asia Pacific in the second quarter of 2019 was due to a decrease in Oral Care organic sales, which was primarily due to declines in organic sales in the toothpaste and manual toothbrush categories.

Operating profit in Asia Pacific decreased 14% in the second quarter of 2019 to $174, or 320 bps to 26.9% of Net sales. This decrease in Operating profit as a percentage of Net sales was primarily due to an increase in Selling, general and administrative expenses (300 bps) as a percentage of Net sales. This increase in Selling, general and administrative expenses was due to higher overhead expenses (90 bps), reflecting foreign exchange transaction gains in the second quarter of 2018, and increased advertising investment (210 bps).

(Dollars in Millions Except Per Share Amounts)

*Africa/Eurasia*

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Net sales | $ 244 | $ 243 | 0.5 % |
| Operating profit | $ 47 | $ 42 | 12 % |
| % of Net sales | 19.3% | 17.3% | 200 bps |

Net sales in Africa/Eurasia increased 0.5% in the second quarter of 2019 to $244, as volume growth of 3.5% and net selling price increases of 6.0% were partially offset by negative foreign exchange of 9.0%. Volume gains in Russia and the Gulf States were partially offset by volume declines in South Africa and Saudi Arabia. Organic sales in Africa/Eurasia increased 9.5% in the second quarter of 2019.

The increase in organic sales in Africa/Eurasia in the second quarter of 2019 versus the second quarter of 2018 was due to increases in Oral Care, Personal Care and Home Care organic sales. The increase in Oral Care was primarily due to organic sales growth in the toothpaste and manual toothbrush categories. The increase in Personal Care was primarily due to organic sales growth in the body wash and shampoo categories. The increase in Home Care was primarily due to organic sales growth in the fabric softener category.

Operating profit in Africa/Eurasia increased 12% in the second quarter of 2019 to $47, or 200 bps to 19.3% of Net sales. This increase in Operating profit as a percentage of Net sales was primarily due to a increase in Gross profit (240 bps) as a percentage of Net sales. This increase in Gross profit was primarily due to cost savings from the Company's funding-the-growth initiatives (300 bps) and higher pricing, partially offset by higher raw and packaging material costs (500 bps), which included foreign exchange transaction costs.

(Dollars in Millions Except Per Share Amounts)

*Hill's Pet Nutrition*

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Net sales | $ 613 | $ 592 | 3.5 % |
| Operating profit | $ 167 | $ 165 | 1 % |
| % of Net sales | 27.3% | 27.9% | (60) bps |

Net sales for Hill's Pet Nutrition increased 3.5% in the second quarter of 2019 to $613, as volume growth of 2.0% and net selling price increases of 4.0% were partially offset by negative foreign exchange of 2.5%. Volume gains in the United States, South Africa and Western Europe were partially offset by volume declines in Japan. Organic sales in Hill's Pet Nutrition increased 6.0% in the second quarter of 2019.

The increase in organic sales in the second quarter of 2019 versus the second quarter of 2018 was due to increases in organic sales in the Prescription Diet and Advanced Nutrition categories, partially offset by a decline in organic sales in the Naturals category.

Operating profit in Hill's Pet Nutrition increased 1.0% in the second quarter of 2019 to $167, or decreased 60 bps to 27.3% of Net Sales. This decrease in Operating profit as a percentage of Net sales was primarily due to a decrease in Gross profit (50 bps) as a percentage of Net sales. This decrease in Gross profit was primarily due to higher raw and packaging material costs (260 bps), partially offset by cost savings from the Company's funding-the-growth initiatives (150 bps) and higher pricing.

During the quarter ended March 31, 2019, Hill's announced a voluntary recall, which was subsequently expanded, of select canned dog food products due to potentially elevated levels of Vitamin D resulting from a supplier error. In the United States, the voluntary recall was conducted in cooperation with the U.S. Food and Drug Administration. Following the announcement of the voluntary recall, and as of June 30, 2019, Hill's and/or the Company have been named as defendants in 35 putative class action lawsuits and one individual action filed in various jurisdictions in the United States related to the voluntary recall, three of which were voluntarily dismissed. Hill's is entitled to indemnification from the supplier related to the voluntary recall. Sales of products voluntarily recalled represent less than 2% of Hill's annual Net sales. The sales loss and other costs associated with the voluntary recall and subsequent expansion did not have a material impact on the Company's Net sales or Operating profit for the three and six months ended June 30, 2019 and are not expected to have a material impact in future periods.

*Corporate*

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Operating profit (loss) | $ (153) | $ (146) | 5 % |

Operating profit (loss) related to Corporate was ($153) in the second quarter of 2019 as compared to ($146) in the second quarter of 2018. In the second quarter of 2019, Corporate Operating profit (loss) included charges of $40 resulting from the Global Growth and Efficiency Program. In the second quarter of 2018, Corporate Operating profit (loss) included charges of $58 resulting from the Global Growth and Efficiency Program.

*Six Months*

Worldwide Net sales were $7,750 in the first six months of 2019, down 2.0% as compared to the first six months of 2018, driven by negative foreign exchange of 5.5%, partially offset by volume growth of 1.0% and net selling price increases of 2.5%. Organic sales increased 3.5% in the first six months of 2019.

Net sales in the Oral, Personal and Home Care product segment were $6,537 in the first six months of 2019, a decrease of 2.5% as compared to the first six months of 2018, as negative foreign exchange of 5.5% was partially offset by volume growth of 1.0% and net selling price increases of 2.0%. Organic sales in the Oral, Personal and Home Care product segment increased 3.0% in the first six months of 2019.

The increase in organic sales in the first six months of 2019 versus the first six months of 2018 was due to increases in Oral Care, Personal Care and Home Care organic sales. The increase in Oral Care was primarily due to organic sales growth in the toothpaste category. The increase in Personal Care was primarily due to organic sales growth in the professional skin care, bar soap, body wash and shampoo categories. The increase in Home Care was due to organic sales growth in the liquid cleaner and fabric softener categories.

Net sales in the Hill's Pet Nutrition segment were $1,213 in the first six months of 2019, an increase of 3.0% as compared to the first six months of 2018, driven by volume growth of 2.0% and net selling price increases of 4.0%, partially offset by negative foreign exchange of 3.0%. Organic sales for the Hill's Pet Nutrition segment increased 6.0% in the first six months of 2019 as organic sales growth in the Prescription Diet and Advanced Nutrition categories were partially offset by a decline in organic sales in the Naturals category.

(Dollars in Millions Except Per Share Amounts)

Net Sales and Operating Profit by Segment

Net sales and Operating profit by segment were as follows:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| **Net sales** | | |
| Oral, Personal and Home Care | | |
| North America | $ 1,699 | $ 1,651 |
| Latin America | 1,818 | 1,862 |
| Europe | 1,190 | 1,268 |
| Asia Pacific | 1,346 | 1,433 |
| Africa/Eurasia | 484 | 498 |
| Total Oral, Personal and Home Care | 6,537 | 6,712 |
| Pet Nutrition | 1,213 | 1,176 |
| Total Net sales | $ 7,750 | $ 7,888 |
| | | |
| **Operating profit** | | |
| Oral, Personal and Home Care | | |
| North America | $ 503 | $ 521 |
| Latin America | 483 | 535 |
| Europe | 299 | 318 |
| Asia Pacific | 363 | 429 |
| Africa/Eurasia | 93 | 92 |
| Total Oral, Personal and Home Care | 1,741 | 1,895 |
| Pet Nutrition | 331 | 329 |
| Corporate | (305) | (295) |
| Total Operating profit | $ 1,767 | $ 1,929 |

Within the Oral, Personal and Home Care product segment, North America Net sales increased 3.0%, driven by volume growth of 2.0% and net selling price increases of 1.5%, partially offset by negative foreign exchange of 0.5%. Organic sales in North America increased 3.5%. Latin America Net sales decreased 2.5%, driven by negative foreign exchange of 9.0%, partially offset by volume growth of 2.0% and net selling price increases of 4.5%. Organic sales in Latin America increased 6.5%. Europe Net sales decreased 6.0%, driven by negative foreign exchange of 6.5%, partially offset by volume growth of 0.5%, while net selling prices were flat. Organic sales in Europe increased 0.5%. Asia Pacific Net sales decreased 6.0%, driven by volume declines of 2.0% and negative foreign exchange of 4.0%, while net selling prices were flat. Organic sales in Asia Pacific decreased 2.0%. Africa/Eurasia Net sales decreased 3.0%, as negative foreign exchange of 11.0% was partially offset by volume growth of 1.5% and net selling price increases of 6.5%. Organic sales in Africa/Eurasia increased 8.0%.

In the first six months of 2019, Operating profit (loss) related to Corporate was ($305) as compared to ($295) in the first six months of 2018. In the first six months of 2019 and 2018, Corporate Operating profit (loss) included charges of $68 and $82 respectively, resulting from the Global Growth and Efficiency Program.

(Dollars in Millions Except Per Share Amounts)

Gross Profit/Margin

Worldwide Gross profit decreased to $4,595 in the first six months of 2019 from $4,709 in the first six months of 2018. Gross profit in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Gross profit decreased to $4,603 in the first six months of 2019 from $4,720 in the first six months of 2018. This decrease in Gross profit reflects a decrease of $32 resulting from lower Net sales and a decrease of $85 resulting from lower Gross profit margin in the first six months of 2019.

Worldwide Gross profit margin was 59.3% in the first six months of 2019 as compared to 59.7% in the first six months of 2018. Excluding the charges resulting from the Global Growth and Efficiency Program in both periods, Gross profit margin decreased by 40 bps to 59.4% in the first six months of 2019, from 59.8% in the first six months of 2018, due to higher raw and packaging material costs (330 bps), which included foreign exchange transaction costs, partially offset by cost savings from the Company's funding-the-growth initiatives (170 bps) and higher pricing (90 bps).

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Gross profit, GAAP | $ 4,595 | $ 4,709 |
| Global Growth and Efficiency Program | 8 | 11 |
| Gross profit, non-GAAP | $ 4,603 | $ 4,720 |

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Basis Point Change |
| Gross profit margin, GAAP | 59.3% | 59.7% | (40) |
| Global Growth and Efficiency Program | 0.1 | 0.1 | |
| Gross profit margin, non-GAAP | 59.4% | 59.8% | (40) |

(Dollars in Millions Except Per Share Amounts)

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 2% to $2,734 in the first six months of 2019 from $2,692 in the first six months of 2018. Selling, general and administrative expenses in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Selling, general and administrative expenses increased to $2,720 in the first six months of 2019 from $2,677 in the first six months of 2018, reflecting increased advertising investment of $26 and higher overhead expenses of $17.

Selling, general and administrative expenses as a percentage of Net sales increased to 35.3% in the first six months of 2019 from 34.1% in the first six months of 2018. Excluding charges resulting from the Global Growth and Efficiency Program in both periods, Selling, general and administrative expenses as a percentage of Net sales were 35.1% in the first six months of 2019, an increase of 120 bps as compared to the first six months of 2018. This increase was a result of higher overhead expenses (70 bps) and increased advertising investment (50 bps), both as a percentage of Net sales. In the first six months of 2019, advertising investment increased 3% to $845, as compared with $819 in the first six months of 2018, while as a percentage of Net sales, it increased to 10.9% in the first six months of 2019 from 10.4% in the first six months of 2018.

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Selling, general and administrative expenses, GAAP | $ 2,734 | $ 2,692 |
| Global Growth and Efficiency Program | (14) | (15) |
| Selling, general and administrative expenses, non-GAAP | $ 2,720 | $ 2,677 |

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Basis Point Change |
| Selling, general and administrative expenses as a percentage of Net sales, GAAP | 35.3 % | 34.1 % | 120 |
| Global Growth and Efficiency Program | (0.2) | (0.2) | |
| Selling, general and administrative expenses as a percentage of Net sales, non- GAAP | 35.1 % | 33.9 % | 120 |

(Dollars in Millions Except Per Share Amounts)

Operating Profit

Operating profit decreased 8% to $1,767 in the first six months of 2019 from $1,929 in the first six months of 2018. Operating profit in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Operating profit for the first six months of 2019 decreased 9% to $1,835 from $2,011 in the first six months of 2018, primarily due to a decrease in Gross profit and an increase in Selling, general and administrative expenses.

Operating profit margin was 22.8% in the first six months of 2019, a decrease of 170 bps compared to 24.5% in the first six months of 2018. Excluding charges resulting from the Global Growth and Efficiency Program in both periods, Operating profit margin was 23.7%, a decrease of 180 bps from 25.5% in the first six months of 2018. This decrease was primarily due to lower Gross profit margin (40 bps) and an increase in Selling, general and administrative expenses (120 bps), both as a percentage of Net sales.

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | % Change |
| Operating profit, GAAP | $ 1,767 | $ 1,929 | (8)% |
| Global Growth and Efficiency Program | 68 | 82 | |
| Operating profit, non-GAAP | $ 1,835 | $ 2,011 | (9)% |

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Basis Point Change |
| Operating profit margin, GAAP | 22.8% | 24.5% | (170) |
| Global Growth and Efficiency Program | 0.9 | 1.0 | |
| Operating profit margin, non-GAAP | 23.7% | 25.5% | (180) |

Non-Service Related Postretirement Costs

Non-service related postretirement costs were $52 in the first six months of 2019, as compared to $47 in the first six months of 2018. Non-service related postretirement costs in both periods included charges resulting from the Global Growth and Efficiency Program. Excluding these charges in both periods, Non-service related postretirement costs were $49 in the first six months of 2019, as compared to $40 in the first six months of 2018.

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Non-service related postretirement costs, GAAP | $ 52 | $ 47 |
| Global Growth and Efficiency Program | (3) | (7) |
| Non-service related postretirement costs, non-GAAP | $ 49 | $ 40 |

Interest (Income) Expense, Net

Interest (income) expense, net was $78 in the first six months of 2019 as compared to $70 in the first six months of 2018, primarily due to higher average interest rates on debt.

(Dollars in Millions Except Per Share Amounts)

Income Taxes

The effective income tax rate was 24.9% for the second quarter of 2019 as compared to 24.0% for the second quarter of 2018. As reflected in the tables below, the non-GAAP effective income tax rate was 25.0% for the second quarter of 2019, as compared to 25.4% in the comparable period of 2018.

The effective income tax rate was 25.6% for the first six months of 2019 as compared to 25.3% for the first six months of 2018. As reflected in the table below, the non-GAAP effective income tax rate was 25.6% for the six months ended June 30, 2019 as compared to 26.0% in the comparable period of 2018.

The quarterly provision for income taxes is determined based on the Company's estimated full year effective income tax rate adjusted by the amount of tax attributable to infrequent or unusual items that are separately recognized on a discrete basis in the income tax provision in the quarter in which they occur. The Company's current estimate of its full year effective income tax rate before discrete period items is 25.7%, compared to 26.4% in the second quarter of 2018.

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Income Before Income Taxes | Provision For Income Taxes[1] | Effective Income Tax Rate[2] | Income Before Income Taxes | Provision For Income Taxes[1] | Effective Income Tax Rate[2] |
| As Reported GAAP | $ 823 | $ 205 | 24.9% | $ 888 | $ 213 | 24.0 % |
| Global Growth and Efficiency Program | 42 | 11 | 0.1 | 61 | 13 | (0.2) |
| Benefit from a foreign tax matter | — | — | — | — | 15 | 1.6 |
| Non-GAAP | $ 865 | $ 216 | 25.0% | $ 949 | $ 241 | 25.4 % |

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Income Before Income Taxes | Provision For Income Taxes[1] | Effective Income Tax Rate[2] | Income Before Income Taxes | Provision For Income Taxes[1] | Effective Income Tax Rate[2] |
| As Reported GAAP | $ 1,637 | $ 419 | 25.6% | $ 1,812 | $ 459 | 25.3 % |
| Global Growth and Efficiency Program | 71 | 18 | — | 89 | 21 | (0.1) |
| Benefit from a foreign tax matter | — | — | — | — | 15 | 0.8 |
| Non-GAAP | $ 1,708 | $ 437 | 25.6% | $ 1,901 | $ 495 | 26.0 % |

(1) The income tax effect on non-GAAP items is calculated based upon the tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment.

(2) The impact of non-GAAP items on the Company's effective tax rate represents the difference in the effective tax rate calculated with and without the non-GAAP adjustment on Income before income taxes and Provision for income taxes.

On December 22, 2017, the TCJA was enacted, which, among other things, lowered the U.S. corporate income tax rate to 21% from 35% and established a modified territorial system requiring a mandatory deemed repatriation tax on undistributed earnings of foreign subsidiaries. Beginning in 2018, the TCJA also requires a minimum tax on certain earnings generated by foreign subsidiaries while providing for tax-free repatriation of such earnings through a 100% dividends-received deduction. The Company's effective income tax rate in 2017 included a provisional charge of $275, recorded in the fourth quarter of 2017, based on its initial analysis of the TCJA. During 2018, the Company finalized its assessment of the impact of the TCJA and recognized an additional tax expense of $80 reflecting the impact of transition tax guidance issued by the U.S. Treasury and the update of certain estimates and calculations based on information available through the end of 2018.

The impact, if any, of further transitional tax guidance that may be issued by the U.S. Treasury would be reflected in the Company's provision for income tax in the period such guidance is effective.

(Dollars in Millions Except Per Share Amounts)

Net Income Attributable to Colgate-Palmolive Company and Earnings Per Share

Net income attributable to Colgate-Palmolive Company in the first six months of 2019 decreased to $1,146 from $1,271 in the comparable 2018 period. Earnings per common share on a diluted basis decreased to $1.33 per share from $1.45 per share in the comparable 2018 period. Net income attributable to Colgate-Palmolive Company in both periods included charges resulting from the Global Growth and Efficiency Program and, in the first six months of 2018, included a benefit from a foreign tax matter. See "Income Taxes" above for additional information.

Excluding the items described above in both periods, as applicable, Net income attributable to Colgate-Palmolive Company decreased 10% to $1,199 in the first six months of 2019 from $1,327 in the first six months of 2018 and Earnings per common share on a diluted basis decreased 8% to $1.39 in the first six months of 2019 from $1.51 in the first six months of 2018.

| | Six Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Income Before Income Taxes | Provision For Income Taxes[1] | Net Income Including Noncontrolling Interests | Net Income Attributable To Colgate-Palmolive Company | Diluted Earnings Per Share[2] |
| As Reported GAAP | $ 1,637 | $ 419 | $ 1,218 | $ 1,146 | $ 1.33 |
| Global Growth and Efficiency Program | 71 | 18 | 53 | 53 | 0.06 |
| Non-GAAP | $ 1,708 | $ 437 | $ 1,271 | $ 1,199 | $ 1.39 |

| | Six Months Ended June 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Income Before Income Taxes | Provision For Income Taxes[1] | Net Income Including Noncontrolling Interests | Less: Income Attributable To Noncontrolling Interests | Net Income Attributable To Colgate-Palmolive Company | Diluted Earnings Per Share[2] |
| As Reported GAAP | $ 1,812 | $ 459 | $ 1,353 | $ 82 | $ 1,271 | $ 1.45 |
| Global Growth and Efficiency Program | 89 | 21 | 68 | (3) | 71 | 0.08 |
| Benefit from a foreign tax matter | — | 15 | (15) | — | (15) | (0.02) |
| Non-GAAP | $ 1,901 | $ 495 | $ 1,406 | $ 79 | $ 1,327 | $ 1.51 |

[1] The income tax effect on non-GAAP items is calculated based upon the tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment.

[2] The impact of non-GAAP adjustments on diluted earnings per share may not necessarily equal the difference between "GAAP" and "non-GAAP" as a result of rounding.

**Restructuring and Related Implementation Charges**

*Global Growth and Efficiency Program*

In the fourth quarter of 2012, the Company commenced the Global Growth and Efficiency Program. The program was expanded in 2014 and expanded and extended in each of 2015 and 2017. The program runs through December 31, 2019.

Initiatives under the Global Growth and Efficiency Program are expected to help the Company ensure sustained solid worldwide growth in unit volume, organic sales, operating profit and earnings per share and to enhance its global leadership positions in its core businesses, producing significant benefits in the Company's long-term business performance. The major objectives of the program include:

- Becoming even stronger on the ground through the continued evolution and expansion of proven global and regional commercial capabilities.
- Simplifying and standardizing how work gets done by increasing technology-enabled collaboration and taking advantage of global data and analytic capabilities, leading to smarter and faster decisions.
- Reducing structural costs to continue to increase the Company's gross and operating profit.
- Building on Colgate's current position of strength to enhance its leading market share positions worldwide and ensure sustained sales and earnings growth.

The initiatives under the Global Growth and Efficiency Program continue to be focused on the following areas:

- Expanding Commercial Hubs – Building on the success of the hub structure implemented around the world, streamlining operations in order to drive smarter and faster decision-making, strengthen capabilities available on the ground and improve cost structure.
- Extending Shared Business Services and Streamlining Global Functions – Optimizing the Company's shared service organizational model in all regions of the world and continuing to streamline global functions to improve cost structure.
- Optimizing Global Supply Chain and Facilities – Continuing to optimize manufacturing efficiencies, global warehouse networks and office locations for greater efficiency, lower cost and speed to bring innovation to market.

Implementation of the Global Growth and Efficiency Program remains on track and is in its final year. Savings, substantially all of which are expected to increase future cash flows, are projected to be in the range of $590 to $635 pretax ($550 to $575 aftertax) annually, once all projects are approved and implemented. The Company expects savings in 2019 to be approximately $25 to $55 pretax ($40 to $60 aftertax).

Cumulative pretax charges resulting from the Global Growth and Efficiency Program, once all phases are approved and implemented, are estimated to be in the range of $1,820 to $1,870 ($1,350 to $1,380 aftertax). The Company anticipates that pretax charges for 2019 will approximate $100 to $150 ($70 to $100 aftertax). It is expected that substantially all charges resulting from the Global Growth and Efficiency Program will be incurred by December 31, 2019.

The pretax charges resulting from the Global Growth and Efficiency Program are estimated to be comprised of the following categories: Employee-Related Costs, including severance, pension and other termination benefits (40%); asset-related costs, primarily Incremental Depreciation and Asset Impairments (10%); and Other charges, which include contract termination costs, consisting primarily of related implementation charges resulting directly from exit activities (30%) and the implementation of new strategies (20%). Over the course of the Global Growth and Efficiency Program, it is estimated that approximately 75% of the charges will result in cash expenditures.

(Dollars in Millions Except Per Share Amounts)

The Company expects that the cumulative pretax charges, once all projects are approved and implemented, will relate to initiatives undertaken in North America (15%), Europe (20%), Latin America (5%), Asia Pacific (5%), Africa/Eurasia (5%), Hill's Pet Nutrition (10%) and Corporate (40%), which includes substantially all of the costs related to the implementation of new strategies, noted above, on a global basis. The Company expects that, when it has been fully implemented, the Global Growth and Efficiency Program will have contributed a net reduction of approximately 4,000 to 4,400 positions from the Company's global employee workforce.

For the three and six months ended June 30, 2019 and 2018, restructuring and related implementation charges are reflected in the Condensed Consolidated Statements of Income as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Cost of sales | $ (3) | $ 5 | $ 8 | $ 11 |
| Selling, general and administrative expenses | 10 | 10 | 14 | 15 |
| Other (income) expense, net | 33 | 43 | 46 | 56 |
| Non-service related postretirement costs | 2 | 3 | 3 | 7 |
| Total Global Growth and Efficiency Program charges, pretax | $ 42 | $ 61 | $ 71 | $ 89 |
| Total Global Growth and Efficiency Program charges, aftertax | $ 31 | $ 51 | $ 53 | $ 71 |

Restructuring and related implementation charges in the preceding table are recorded in the Corporate segment as these initiatives are predominantly centrally directed and controlled and are not included in internal measures of segment operating performance.

Total charges incurred for the Global Growth and Efficiency Program relate to initiatives undertaken by the following reportable operating segments:

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Program-to-date Accumulated Charges |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | |
| North America | — % | 8 % | 3 % | 17% | 18% |
| Latin America | 8 % | 11 % | 21 % | 11% | 5% |
| Europe | (3)% | 2 % | 1 % | 2% | 19% |
| Asia Pacific | 7 % | (6)% | 7 % | 1% | 4% |
| Africa/Eurasia | (2)% | 7 % | (1)% | 6% | 5% |
| Hill's Pet Nutrition | 1 % | 22 % | 6 % | 21% | 8% |
| Corporate | 89 % | 56 % | 63 % | 42% | 41% |
| Total | 100 % | 100 % | 100 % | 100% | 100% |

(Dollars in Millions Except Per Share Amounts)

Since the inception of the Global Growth and Efficiency Program in the fourth quarter of 2012, the Company has incurred cumulative pretax charges of $1,793 ($1,331 aftertax) in connection with the implementation of various projects as follows:

| | Cumulative Charges as of June 30, 2019 |
|---|---|
| Employee-Related Costs | $ 695 |
| Incremental Depreciation | 102 |
| Asset Impairments | 58 |
| Other | 938 |
| Total | $ 1,793 |

The majority of costs incurred since inception relate to the following projects: the implementation of the Company's overall hubbing strategy; the consolidation of facilities; the extension of shared business services and streamlining of global functions; the closing of the Morristown, New Jersey personal care facility; the simplification and streamlining of the Company's research and development capabilities and oral care supply chain, both in Europe; redesigning the European commercial organization; restructuring how the Company will provide future retirement benefits to substantially all of the U.S.-based employees participating in the Company's defined benefit retirement plan by shifting them to the Company's defined contribution plan; and the implementation of a Corporate efficiencies program.

The following tables summarize the activity for the restructuring and related implementation charges discussed above and the related accruals:

| | Three Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Employee-Related Costs | Incremental Depreciation | Asset Impairments | Other | Total |
| Balance at March 31, 2019 | $ 52 | $ — | $ — | $ 94 | $ 146 |
| Charges | 4 | 5 | — | 33 | 42 |
| Cash payments | (12) | — | — | (14) | (26) |
| Charges against assets | (2) | (5) | — | (27) | (34) |
| Foreign exchange | (1) | — | — | — | (1) |
| Other | — | — | — | — | — |
| Balance at June 30, 2019 | $ 41 | $ — | $ — | $ 86 | $ 127 |

| | Six Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Employee-Related Costs | Incremental Depreciation | Asset Impairments | Other | Total |
| Balance at December 31, 2018 | $ 60 | $ — | $ — | $ 142 | $ 202 |
| Charges | 14 | 10 | 6 | 41 | 71 |
| Cash payments | (28) | — | — | (22) | (50) |
| Charges against assets | (3) | (10) | (6) | (27) | (46) |
| Foreign exchange | (2) | — | — | — | (2) |
| Other | — | — | — | (48) | (48) |
| Balance at June 30, 2019 | $ 41 | $ — | $ — | $ 86 | $ 127 |

Employee-Related Costs primarily include severance and other termination benefits and are calculated based on long-standing benefit practices, local statutory requirements and, in certain cases, voluntary termination arrangements. Employee-Related Costs also include pension and other retiree benefit enhancements amounting to $2 and $3 for the three and six months ended June 30, 2019, respectively, which are reflected as Charges against assets within Employee-Related Costs in the preceding tables as the corresponding balance sheet amounts are reflected as a reduction of pension assets or an increase in pension and other retiree benefit liabilities. See Note 8, Retirement Plans and Other Retiree Benefits to the Condensed Consolidated Financial Statements for additional information.

Incremental Depreciation is recorded to reflect changes in useful lives and estimated residual values for long-lived assets that will be taken out of service prior to the end of their normal service period. Asset Impairments are recorded to write down inventories and assets held for sale or disposal to their fair value based on amounts expected to be realized. Charges against assets within Asset Impairments are net of cash proceeds pertaining to the sale of certain assets.

Other charges consist primarily of charges resulting directly from exit activities and the implementation of new strategies as a result of the Global Growth and Efficiency Program. These charges for the three and six months ended June 30, 2019 include third-party incremental costs related to the development and implementation of new business and strategic initiatives of $5 and $10, respectively, and contract termination costs and charges resulting directly from exit activities of $0 and $3, respectively. These charges were expensed as incurred. Other charges also included a charge for exit costs related to office space consolidation of $28 for the three and six months ended June 30, 2019.

Other decreases to the restructuring accruals reflects the reclassification of restructuring accruals to lease assets as a result of the Company's adoption of ASU No. 2018-10, "Codification Improvements to Topic 842, Leases," on January 1, 2019. See Note 3, Recent Accounting Pronouncements and Note 13, Leases for additional information.

(Dollars in Millions Except Per Share Amounts)

Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q discusses certain financial measures on both a GAAP and a non-GAAP basis. The Company uses the non-GAAP financial measures described below internally in its budgeting process, to evaluate segment and overall operating performance and as a factor in determining compensation. The Company believes that these non-GAAP financial measures are useful in evaluating the Company's underlying business performance and trends; however, this information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similar measures presented by other companies.

Net sales growth (GAAP) and organic sales growth (Net sales growth excluding the impact of foreign exchange, acquisitions and divestments) (non-GAAP) are discussed in this Quarterly Report on Form 10-Q. Management believes the organic sales growth measure provides investors and analysts with useful supplemental information regarding the Company's underlying sales trends by presenting sales growth excluding the external factor of foreign exchange, as well as the impact of acquisitions and divestments, as applicable. A reconciliation of organic sales growth to Net sales growth for the three and six months ended June 30, 2019 is provided below.

Worldwide Gross profit, Gross profit margin, Selling, general and administrative expenses, Selling, general and administrative expenses as a percentage of Net sales, Other (income) expense, net, Operating profit, Operating profit margin, Non-service related postretirement costs, effective income tax rate, Net income attributable to Colgate-Palmolive Company and Earnings per share on a diluted basis are discussed in this Quarterly Report on Form 10-Q both on a GAAP basis and excluding the charges resulting from the Global Growth and Efficiency Program and, as applicable, the benefit from a foreign tax matter. These non-GAAP financial measures exclude items that, either by their nature or amount, management would not expect to occur as part of the Company's normal business on a regular basis, such as restructuring charges, charges for certain litigation and tax matters, gains and losses from certain divestitures and certain unusual, non-recurring items. Investors and analysts use these financial measures in assessing the Company's business performance and management believes that presenting these financial measures on a non-GAAP basis provides them with useful supplemental information to enhance their understanding of the Company's underlying business performance and trends. These non-GAAP financial measures also enhance the ability to compare period-to-period financial results. A reconciliation of each of these non-GAAP financial measures to the most directly comparable GAAP financial measures for the three and six months ended June 30, 2019 and 2018 is presented within the applicable section of Results of Operations.

The following tables provide a quantitative reconciliation of Net sales growth to organic sales growth for the three and six months ended June 30, 2019:

| **Three Months Ended June 30, 2019** | **Net Sales Growth (GAAP)** | **Foreign Exchange Impact** | **Acquisitions and Divestments Impact** | **Organic Sales Growth (Non-GAAP)** |
|---|---|---|---|---|
| Oral, Personal and Home Care | | | | |
| North America | 2.5% | (0.5)% | —% | 3.0% |
| Latin America | (0.5)% | (7.5)% | —% | 7.0% |
| Europe | (5.0)% | (6.0)% | —% | 1.0% |
| Asia Pacific | (4.0)% | (3.0)% | —% | (1.0)% |
| Africa/Eurasia | 0.5% | (9.0)% | —% | 9.5% |
| Total Oral, Personal and Home Care | (1.5)% | (5.0)% | —% | 3.5% |
| Pet Nutrition | 3.5% | (2.5)% | —% | 6.0% |
| **Total Company** | (0.5)% | (4.5)% | —% | 4.0% |

(Dollars in Millions Except Per Share Amounts)

| **Six Months Ended June 30, 2019** | **Net Sales Growth (GAAP)** | **Foreign Exchange Impact** | **Acquisitions and Divestments Impact** | **Organic Sales Growth (Non-GAAP)** |
|---|---|---|---|---|
| Oral, Personal and Home Care | | | | |
| North America | 3.0% | (0.5)% | —% | 3.5% |
| Latin America | (2.5)% | (9.0)% | —% | 6.5% |
| Europe | (6.0)% | (6.5)% | —% | 0.5% |
| Asia Pacific | (6.0)% | (4.0)% | —% | (2.0)% |
| Africa/Eurasia | (3.0)% | (11.0)% | —% | 8.0% |
| Total Oral, Personal and Home Care | (2.5)% | (5.5)% | —% | 3.0% |
| Pet Nutrition | 3.0% | (3.0)% | —% | 6.0% |
| **Total Company** | (2.0)% | (5.5)% | —% | 3.5% |

**Liquidity and Capital Resources**

The Company expects cash flow from operations and debt issuances will be sufficient to meet foreseeable business operating and recurring cash needs (including for debt service, dividends, capital expenditures, charges resulting from the Global Growth and Efficiency Program, stock repurchases and the acquisition of Filorga). The Company believes its strong cash generation and financial position should continue to allow it broad access to global credit and capital markets.

Net cash provided by operations decreased 4% to $1,249 in the first six months of 2019, compared with $1,297 in the comparable period of 2018, primarily due to lower net income and higher voluntary contributions to the Company's pension plans, partially offset by the change in working capital. The Company's working capital was (2.9%) as a percentage of Net sales in the first six months of 2019 as compared to (2.1%) in the first six months of 2018. This change in working capital as a percent of Net sales is primarily due to the Company's adoption of the new lease accounting standard effective January 1, 2019. See Note 13, Leases for additional information. The Company defines working capital as the difference between current assets (excluding Cash and cash equivalents and marketable securities, the latter of which is reported in Other current assets) and current liabilities (excluding short-term debt).

In the fourth quarter of 2012, the Company commenced the Global Growth and Efficiency Program. The program was expanded in 2014 and expanded and extended in each of 2015 and 2017. The program runs through December 31, 2019.

Implementation of the Global Growth and Efficiency Program remains on track and is in its final year. Including the most recent expansion, total program charges resulting from the Global Growth and Efficiency Program are estimated to be in the range of $1,820 to $1,870 ($1,350 to $1,380 aftertax). Approximately 75% of total program charges resulting from the Global Growth and Efficiency Program are expected to result in cash expenditures. Savings from the Global Growth and Efficiency Program, substantially all of which are expected to increase future cash flows, are projected to be in the range of $590 to $635 pretax ($550 to $575 aftertax) annually, once all projects are approved and implemented.

The Company anticipates that pretax charges for 2019 will approximate $100 to $150 ($70 to $100 aftertax). The Company expects savings in 2019 to amount to approximately $25 to $55 pretax ($40 to $60 aftertax). It is anticipated that cash requirements for the Global Growth and Efficiency Program will be funded from operating cash flows. Approximately 75% of the restructuring accrual at June 30, 2019 is expected to be paid in the next twelve months.

Investing activities used $212 of cash in the first six months of 2019, compared with $1,013 in the comparable period of 2018. Investing activities in 2018 includes the Company's acquisition of the outstanding equity interests of Physicians Care Alliance, LLC and Elta MD Holdings, Inc., professional skin care businesses, for aggregate cash consideration of approximately $730.

On July 11, 2019, the Company announced that it entered into a Share Purchase Agreement to acquire the Filorga skin care business from the Seller for an equity purchase price of €1,495.5 (approximately $1,690). The transaction will be financed with a combination of debt and cash and is currently expected to close in the third quarter of 2019. At the closing of the acquisition, the Company will acquire Filorga, including cash, debt and working capital it has accrued since January 1, 2019, and the Company will pay the Seller an amount of interest on the purchase price calculated at an annual rate of 2% in respect of the period commencing January 1, 2019 and ending on the closing date of the acquisition.

Capital spending was $146 in the first six months of 2019 compared to $216 in the comparable period of 2018. Capital expenditures for 2019 are expected to be approximately 2.3% to 2.6% of Net sales. The Company continues to focus its capital spending on projects that are expected to yield high aftertax returns.

Financing activities used $904 of cash during the first six months of 2019, compared with $979 in the comparable period of 2018, primarily reflecting higher proceeds from the exercise of stock options in the first six months of 2019 compared with the comparable period of 2018.

Long-term debt, including the current portion, increased to $6,641 as of June 30, 2019 as compared to $6,354 as of December 31, 2018 and total debt increased to $6,645 as of June 30, 2019 as compared to $6,366 as of December 31, 2018 primarily due to higher outstanding commercial paper and higher debt. During the first quarter of 2019, the Company issued €500 of seven-year notes at a fixed coupon rate of 0.50% and €500 of fifteen-year notes at a fixed coupon rate of 1.375%. The debt issuances were under the Company's shelf registration statement. The debt issuances support the Company's capital structure objectives of funding its business and growth initiatives while minimizing its risk-adjusted cost of capital. Proceeds from the debt issuances were used for general corporate purposes, which includes the retirement of commercial paper and the repayment of the Company's $500 1.75% fixed rate notes which became due March 2019 and €500 floating rate notes which became due May 2019.

Domestic and foreign commercial paper outstanding was $737 and $741 as of June 30, 2019 and 2018, respectively. The average daily balances outstanding for commercial paper in the first six months of 2019 and 2018 were $1,584 and $1,910, respectively. The Company classifies commercial paper and certain current maturities of notes payable as long-term debt when it has the intent and ability to refinance such obligations on a long-term basis, including, if necessary, by utilizing its line of credit that expires in November 2023.

Certain of the agreements with respect to the Company's bank borrowings contain financial and other covenants as well as cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote. Refer to Note 6, Long term Debt and Credit Facilities, on the Company's Annual report on Form 10-K for the year ended December 31, 2018 for further information about the Company's long-term debt and credit facilities.

In the first quarter of 2019, the Company increased the annualized common stock dividend to $1.72 per share from $1.68 per share previously, effective in the second quarter of 2019.

Cash and cash equivalents increased $137 during the first six months of 2019 to $863 at June 30, 2019, compared to $726 at December 31, 2018, most of which ($806 and $651, respectively) were held by the Company's foreign subsidiaries.

For additional information regarding liquidity and capital resources, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

**Market Share Information**

Management uses market share information as a key indicator to monitor business health and performance. References to market share in this Quarterly Report on Form 10-Q are based on a combination of consumption and market share data provided by third-party vendors, primarily Nielsen, and internal estimates. All market share references represent the percentage of the dollar value of sales of our products, relative to all product sales in the category in the countries in which the Company competes and purchases data (excluding Venezuela from all periods).

Market share data is subject to limitations on the availability of up-to-date information. In particular, market share data is currently not generally available for certain retail channels, such as eCommerce or certain discounters. The Company measures year-to-date market shares from January 1 of the relevant year through the most recent period for which market share data is available, which typically reflects a lag time of one or two months. The Company believes that the third-party vendors it uses to provide data are reliable, but it has not verified the accuracy or completeness of the data or any assumptions underlying the data. In addition, market share information reported by the Company may be different from market share information reported by other companies due to differences in category definitions, the use of data from different countries, internal estimates and other factors.

**Cautionary Statement on Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995 or by the SEC in its rules, regulations and releases that set forth anticipated results based on management's current plans and assumptions. Such statements may relate, for example, to sales or volume growth, net selling price increases, organic sales growth, profit or profit margin growth, earnings per share growth, financial goals, the impact of foreign exchange volatility, cost-reduction plans including the Global Growth and Efficiency Program, tax rates, U.S. tax reform, new product introductions, commercial investment levels, acquisitions, including the recently announced agreement to acquire the Filorga skin care business, and divestitures, or legal or tax proceedings, among other matters. These statements are made on the basis of the Company's views and assumptions as of this time and the Company undertakes no obligation to update these statements whether as a result of new information, future events or otherwise, except as required by law or by the rules and regulations of the SEC. Moreover, the Company does not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. The Company cautions investors that any such forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from those statements. Actual events or results may differ materially because of factors that affect international businesses and global economic conditions, as well as matters specific to the Company and the markets it serves, including the uncertain economic environment in different countries and its effect on consumer spending habits, increased competition and evolving competitive practices, foreign currency rate fluctuations, exchange controls, price or profit controls, labor relations, changes in foreign or domestic laws, or regulations or their interpretation, political and fiscal developments, including changes in trade, tax and immigration policies, disruptions in global supply chain, the availability and cost of raw and packaging materials, the ability to maintain or increase selling prices as needed, the ability to implement the Global Growth and Efficiency Program as planned or differences between the actual and the estimated costs or savings under such program, changes in the policies of retail trade customers, the emergence of new sales channels, the growth of eCommerce and the changing retail landscape, the ability to lower costs, the ability to complete acquisitions and divestitures as planned, the ability to successfully integrate acquired businesses, and the uncertainty of the outcome of legal proceedings, whether or not the Company believes they have merit. For information about these and other factors that could impact the Company's business and cause actual results to differ materially from forward-looking statements, refer to the Company's filings with the SEC (including, but not limited to, the information set forth under the captions "Risk Factors" and "Cautionary Statement on Forward-Looking Statements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and subsequent Quarterly Reports on Form 10-Q).

**Quantitative and Qualitative Disclosures about Market Risk**

There is no material change in the information reported under Part II, Item 7, "Managing Foreign Currency, Interest Rate, Commodity Price and Credit Risk Exposure" contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

**Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's President and Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2019 (the "Evaluation"). Based upon the Evaluation, the Company's President and Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

For information regarding legal matters, please refer to Note 10, Contingencies to the Condensed Consolidated Financial Statements contained in Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part 1, Item 1A. Risk Factors of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 18, 2018, the Board authorized the repurchase of shares of the Company's common stock having an aggregate purchase price of up to $5 billion under a new share repurchase program (the "2018 Program"), which replaced a previously authorized share repurchase program. The Board also has authorized share repurchases on an ongoing basis to fulfill certain requirements of the Company's compensation and benefit programs. The shares are repurchased from time to time in open market or privately negotiated transactions at the Company's discretion, subject to market conditions, customary blackout periods and other factors.

The following table shows the stock repurchase activity for the three months in the quarter ended June 30, 2019:

| Month | Total Number of Shares Purchased[1] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2] | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs[3] (in millions) |
|---|---|---|---|---|
| April 1 through 30, 2019 | 1,156,227 | $ 68.78 | 1,108,282 | $ 3,971 |
| May 1 through 31, 2019 | 1,421,488 | $ 71.23 | 1,391,000 | $ 3,872 |
| June 1 through 30, 2019 | 1,072,296 | $ 72.63 | 1,042,235 | $ 3,796 |
| Total | 3,650,011 | $ 70.87 | 3,541,517 | |

[1] Includes share repurchases under the 2018 Program and those associated with certain employee elections under the Company's compensation and benefit programs.

[2] The difference between the total number of shares purchased and the total number of shares purchased as part of publicly announced plans or programs is 108,494 shares, which represents shares deemed surrendered to the Company to satisfy certain employee elections under the Company's compensation and benefit programs.

[3] Includes approximate dollar value of shares that were available to be purchased under the publicly announced plans or programs that were in effect as of June 30, 2019.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not Applicable.

## Item 5. Other Information

None.

**Item 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 31-A | Certificate of the President and Chief Executive Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 31-B | Certificate of the Chief Financial Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. |
| 32 | Certificate of the President and Chief Executive Officer and the Chief Financial Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350. |
| 101 | The following materials from Colgate-Palmolive Company's Quarterly Report on Form 10-Q for the period ended June 30, 2019, formatted in eXtensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income; (ii) the Condensed Consolidated Statements of Comprehensive Income; (iii) the Condensed Consolidated Balance Sheets; (iv) the Condensed Consolidated Statements of Cash Flows; (v) Condensed Consolidated Statements of Changes in Shareholders' Equity and (vi) Notes to Condensed Consolidated Financial Statements. |

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

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | COLGATE-PALMOLIVE COMPANY |
| | (Registrant) |
| | Principal Executive Officer: |
| July 26, 2019 | /s/ Noel R. Wallace |
| | Noel R. Wallace |
| | President and<br>Chief Executive Officer |
| | Principal Financial Officer: |
| July 26, 2019 | /s/ Henning I. Jakobsen |
| | Henning I. Jakobsen |
| | Chief Financial Officer |
| | Principal Accounting Officer: |
| July 26, 2019 | /s/ Philip G. Shotts |
| | Philip G. Shotts |
| | Vice President and Controller |

**EXHIBIT 31-A**

I, Noel R. Wallace, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colgate-Palmolive Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2019

/s/ Noel R. Wallace

Noel R. Wallace
President and
Chief Executive Officer

**EXHIBIT 31-B**

I, Henning I. Jakobsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colgate-Palmolive Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2019

/s/ Henning I. Jakobsen

Henning I. Jakobsen
Chief Financial Officer

**EXHIBIT 32**

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

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Colgate-Palmolive Company.

Date: July 26, 2019

/s/ Noel R. Wallace

Noel R. Wallace
President and
Chief Executive Officer

/s/ Henning I. Jakobsen

Henning I. Jakobsen
Chief Financial Officer