

Highlights

Colgate's Strategy

Colgate-Palmolive is a \$9.1 billion global company serving people in more than 200 countries with consumer products that make lives healthier and more enjoyable. The Company focuses on five core businesses—Oral Care, Personal Care, Household Surface Care, Fabric Care and Pet Nutrition. Colgate is following a tightly defined strategy to increase market leadership positions in key product categories, such as toothpaste, toothbrushes, bar and liquid soap, deodorants/antiperspirants, dishwashing detergents, household cleaners, fabric softeners and specialty pet food. This leadership strategy involves understanding consumer needs and meeting them with innovative new products, effective advertising and an efficient customer supply chain.

Dollars in Millions Except Per Share Amounts (Adjusted for 1997 two-for-one common stock split)	1997	1996	Change
Worldwide Sales	\$9,056.7	\$8,749.0	+ 4%
Unit Volume			+ 7%
Gross Profit Margin	50.7%	49.1%	+ 1.6 points
Earnings Before Interest & Taxes	\$1,285.8	\$1,152.0	+12%
Percent of Sales	14.2%	13.2%	+ 1.0 points
Net Income	\$ 740.4	\$ 635.0	+17%
Percent of Sales	8.2%	7.3%	+ .9 points
Basic Earnings Per Share	\$ 2.44	\$ 2.09	+17%
Dividends Paid Per Share	\$ 1.06	\$.94	+13%
Operating Cash Flow	\$1,097.8	\$ 917.4	+20%
Capital Expenditures	\$ 478.5	\$ 459.0	+ 4%
Return on Capital	18.0%	15.8%	+ 2.2 points
Net Debt to Capital	53.2%	57.6%	- 4.4 points
Number of Common Shareholders	46,800	45,500	+ 3%
Number of Common Shares Outstanding	295.4	294.2	—
Year-end Stock Price	\$ 73.50	\$ 46.13	+59%

- Strong 7 percent unit volume growth included excellent gains in developed economies as well as the high-growth areas of the world. All divisions had positive volume.
- Colgate-Latin America increased unit volume by 10 percent, North America by 7 percent, and Europe and Asia/Africa each by 5 percent, while Hill's Pet Nutrition's unit volume was up 9 percent.
- Sales would have increased 8 percent without the impact of translating foreign currencies into the stronger dollar.
- Net income increased 17 percent to a record \$ 740.4 million, also setting a record as a percentage of sales, 8.2 percent versus 7.3 percent in 1996, reflecting growing productivity.
- Gross profit margin reached a record as well, rising 1.6 percentage points to 50.7 percent.
- A 17 percent dividend increase and two-for-one common stock split took effect in the second quarter. The common stock dividend has grown at a 13 percent compound rate over the past five years, and payments have increased every year for 35 years.
- Consistent with Colgate's long-standing objective of building increased shareholder value, the Company on February 3, 1998 announced a new 20-million-share stock buyback program, expected to take place over the next three years.

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Dear Colgate Shareholder

The dedicated efforts of Colgate people throughout the Company made 1997 one of Colgate's strongest years of this decade. The upward momentum carried through all of 1997. Your Company achieved record sales and earnings, strong unit volume growth and record profit margins. More new products were introduced in 1997 than in any previous year, and they proved their value in the world's marketplaces. We supported our new products with increased advertising, increased consumer research and increased promotions. The higher returns generated by Colgate productivity/savings programs made these growth investments possible.

Colgate's geographic balance was a major factor in achieving record results and helped to offset foreign currency weakness in Europe and Asia/Africa. Please refer to the Highlights table on the opposite page for a summary of our results. Key achievements included:

- \$2.8 billion of 1997 sales came from products that did not exist five years ago. This is nearly \$400 million greater than new product sales in 1996 and accounts for almost one-third of 1997 revenues.

- Concurrent with the launch of Colgate Total plaque-fighting toothpaste, Colgate gained leadership of the U.S. toothpaste market in the fourth quarter. Around the

world, new leadership positions were created and existing ones strengthened in all of our core categories.

- Growth was fastest in Oral Care, Personal Care and Pet Dietary Care, all high-margin businesses, adding to the Company's overall increased profitability.

- The implementation of SAP integrated software across the Colgate supply chain contributed to increased profitability. Now installed in operations that produce over 35 percent of Colgate's worldwide sales, SAP will be expanded to all Colgate divisions worldwide by 2001. Global efficiencies in purchasing—combined with product and packaging standardization—also produced large savings.

- Greater efficiency helped reduce working capital at year-end to 4 percent of sales, versus 5 percent in 1996 and 13 percent ten years ago.

- The \$180 million increase in operating cash flow

enabled the Company to lower its net debt-to-capital ratio to 53 percent at 1997 year-end, down from 58 percent at 1996 and 64 percent at 1995.

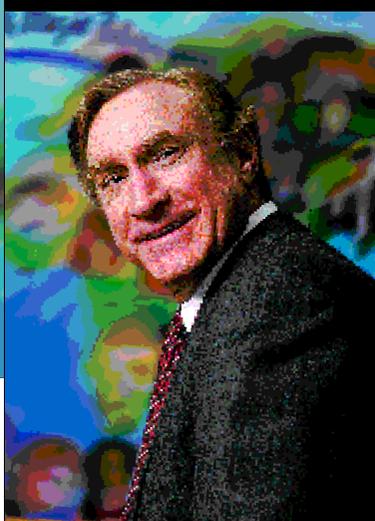
- In Brazil, Sorriso brand toothpaste was introduced throughout the country and achieved full market distribution. As part of the regulatory approval of Colgate's acquisition of Kolynos, the Kolynos brand of toothpaste has been discontinued in Brazil for four years.

- Hill's Pet Nutrition had another strong year, increasing sales by 11 percent, accompanied by improved profitability. One especially good market was Japan, where Hill's strengthened its market leadership by introducing 11 new products and launching television advertising.

Reuben Mark



William S. Shanahan



Growing Leadership with Powerful Global Brands

Colgate people's ability to innovate and respond to consumers everywhere is a major factor behind the 1997 growth and strong market leadership of the Company. Colgate's growing success is directly related to its strategic plan to increase market leadership in its most important product categories, such as toothpaste, deodorants and cleaners. Colgate has achieved global leadership in toothpaste, liquid soap, all-purpose cleaner and specialty pet food, and is No. 1 in vast regions of the world in toothbrushes, dish-washing products, men's stick deodorants, fabric softeners and bleach.

To build on this success, our long-term plan lays out specific leadership targets in core categories by region today and into the 21st century.

Performance is on target: The expansion of Colgate Sensation whitening toothpaste, now in 41 countries, and of Colgate Total, now in 104 countries, is adding to Colgate's overwhelming global leadership. Colgate baking soda & peroxide, expanded to 46 countries, has added incremental toothpaste market share as well. Colgate's share of fabric softeners in its markets has increased by almost three share points

since 1995, and the 1997 introduction of Ajax Fête des Fleurs all-purpose cleaner brought new No. 1 positions. Underarm revenues grew at a double-digit rate globally in 1997 with expansion of Mennen Speed Stick gel and Lady Speed Stick Invisible Dry. In the U.S., introductions of Palmolive antibacterial, Ajax antibacterial and Palmolive for pots & pans have boosted dishwashing liquid market share to record levels. In other areas, Colgate is pioneering under-developed categories, including Fabuloso cleaner in Southeast Asia and Axion dishwashing paste in India.

Colgate's growing success is directly related to its strategic plan to increase market leadership in its most important product categories, such as toothpaste, deodorants and cleaners.

Global Management Structure Drives Region-Specific Strategies

Early in 1997, a new global management structure was created to take advantage of the different opportunities present in High Growth Markets and Developed Markets, with two of Colgate's most experienced and proven senior executives heading these new geographical groupings. David Metzler oversees High Growth Markets and Lois Juliber heads Developed Markets.

Strategic regional initiatives are being implemented. In Europe, Colgate's headquarters are being centrally located in Paris, supported by a high-tech administrative center in Ireland and three category-specific product innovation centers. For Latin America, we have based our product innovation center for all categories in Mexico, and similar moves are planned for other regions in 1998 to speed products to market and increase profitability.

Adding to region-specific initiatives is the Company's vast consumer intelligence. We interview over 500,000 consumers in more than 30 countries annually to learn more about their habits and usage of our products. The findings from this research pay off in rising sales from new products, evidenced by the \$2.8 billion of our sales coming from recently introduced products in 1997.

To support new products and existing brands, Colgate increased the ratio of total advertising to sales to its highest level in more than a decade and boosted absolute total ad spending 12 percent. Enhanced productivity/cost-savings programs provide the funds to do this.

Cost-Savings Programs Fund Growth

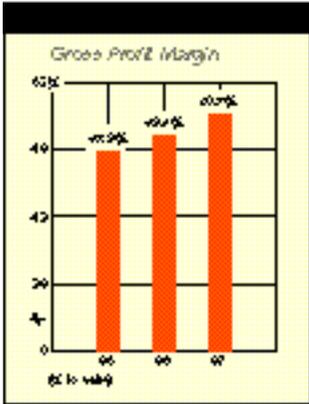
Colgate's use of SAP integrated software and related streamlining has already realized significant cost-savings. But the biggest savings are expected to come onstream in 1999-2000 as we change processes and organizational structure while implementing best practices in each region. Using SAP, Colgate will continue to improve supply chain

performance, reduce working capital, leverage shared services, and realize global opportunities in key areas like purchasing and global customer relations.

We are pleased to report the completion of major restructuring projects in North America and Europe under the program initiated in 1995. Other projects are progressing on target, including plant closures, with additional activity planned in 1998.

Throughout our operations, we are reducing the total delivered cost of Colgate products. Our global purchasing plan is designed to save millions more, through such initiatives as changing formulas to use fewer materials and working with fewer, carefully chosen, global suppliers to create broad, long-term partnerships that lower costs.

Supply chain efficiencies, such as reducing the cycle time between purchase of raw materials to delivery of finished goods, helped to reduce working capital in both 1996 and 1997. In the U.S., cycle time has been cut nearly in half, on average, since 1994. The average cost per case in that country declined nearly 10 percent in 1997.

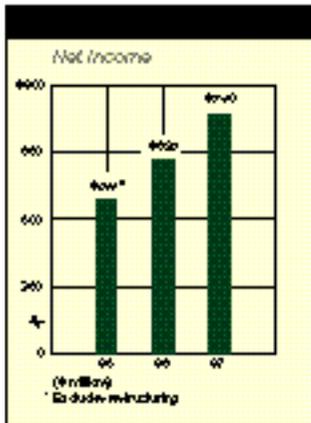


Customers Recognize Colgate's Service

The cost-savings programs and heightened responsiveness generate increased profitability and cash flow for Colgate and enhanced service for our customers. Today's more efficient, responsive Colgate is being recognized by our major trade partners. Wal-Mart honored Colgate with its "Vendor of the Quarter" award twice in 1997, and Target named Colgate "Vendor of the Year" for the sixth consecutive year.

Looking Ahead

The end of 1997 was a difficult economic time for some Asian countries and we would like to put this in perspective vis-à-vis Colgate. Of the ASEAN countries experiencing economic difficulty, Colgate competes only in Malaysia, the Philippines and Thailand. These three countries represent less than 4 percent of our total sales and earnings. Moreover, our market shares across Asia remain strong. We continue to make investments in China, where the launch of a high-quality, lower priced toothpaste has met with excellent success. As global managers, Colgate people are accustomed to dealing with wide currency swings. Thus, history supports that our geographic balance will continue to be a major plus for Colgate.



Colgate's Intangible Assets

Colgate shareholders benefit from owning a company with valuable global brands that have earned the trust and confidence of consumers in 212 countries and territories around the world. Colgate and its shareholders also gain from an experienced, dedicated Board of Directors and the 38,000 committed Colgate people who made 1997 an outstanding success. We take this opportunity to thank all members of the Colgate family.

We look forward to continuing to achieve strong performance—now, and well into the future—as we implement the strategies that will carry Colgate into the 21st century and build value for all shareholders.

Thank you.

Reuben Mark
Chairman and Chief Executive Officer

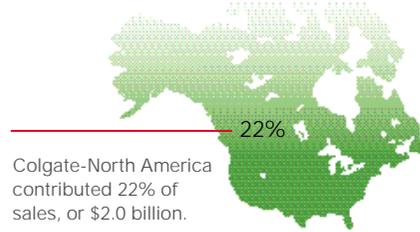
William S. Shanahan
President and Chief Operating Officer

North America

Innovative New Products Speed Growth

Completing its third consecutive year of strong and profitable growth in North America, Colgate increased sales 7 percent to \$2.0 billion on 7 percent unit volume growth. Earnings before interest and taxes increased strongly. In a year of many achievements, capturing leadership of the U.S. toothpaste market stands out. In late 1997, just prior to the long-awaited introduction of Colgate Total, the Company gained leadership of the \$1.9 billion retail toothpaste market for the first time since 1962.

Renewed leadership in toothpaste is only one indicator that Colgate's growth strategy is working. Altogether, Colgate-U.S. introduced 12 new products



and gained market share in key categories.

Greater consumer insight, innovative new products and increased advertising are driving the division's growth across core categories. Faster recognition of changing consumer preferences, such as the desire for whiter teeth, prompted two successful new toothpastes: Colgate whitening with baking soda & peroxide and Colgate tartar control whitening. Early understanding that consumers desire

protection against bacteria helped Colgate-U.S. capture a record 37 percent share of the dishwashing market with the continuing success of Palmolive dishwashing liquid & antibacterial hand soap.

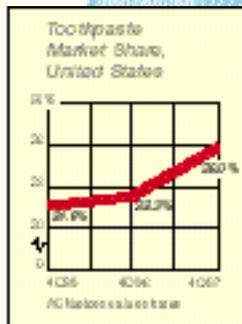
Colgate is responding to new trends with antibacterial products in other categories as well. Good initial response has followed the launch of Mennen Speed Stick Ultimate antiperspirant with odor-protection, and excellent trade reaction greeted Softsoap antibacterial hand gel that needs no rinsing, for people on the go.

In both Canada and Puerto Rico, where Colgate is already a strong No. 1 in toothpaste, the introductions of Colgate Sensation and other new toothpastes

The Biggest Launch in Oral Care History

The only toothpaste to gain FDA approval to claim that it helps prevent gingivitis, plaque and cavities, Colgate Total is contributing to Colgate's lead as No. 1 in toothpaste. The unprecedented first-year \$100 million marketing program for Colgate Total includes extensive TV commercials, distribution of more than 400 million coupons and 30 million samples, and a specialized sampling program reaching 165,000 dentists and hygienists. As in the 103 other countries where it is sold, Colgate Total is gaining broad acceptance among consumers in the U.S.

United States



North America Innovative New Products Speed Growth

have added incremental share. In Puerto Rico, the new Wave toothbrush helped Colgate gain almost four share points, while several new Mennen brand products drove deodorant/antiperspirant sales up 41 percent.

To support both new and existing products, Colgate-North America has increased advertising spending at a rate considerably faster than sales. This was made possible through the additional funds generated from the Company's broad-ranging productivity programs.

These programs have expanded the gross profit margin and reduced fixed overhead. Colgate has reorganized pro-

duction to specialize by product line and tapped into global purchasing agreements, which assure that the division receives the best prices possible.

The powerful software system known as SAP has enabled Colgate-U.S. to match production with consumer demand and helped to cut the average value of its inventory by more than 40 percent, while improving customer service. Processes have been streamlined as part of the SAP implementation—accounts payable is now handled from one location rather than eight, for instance. Colgate-U.S. continues to identify potential savings and expects benefits well into the future.

Recognizing that new technologies require new skills, Colgate is committed to providing high levels of employee education, training and communication. In 1997, more than 1,500 employees from Colgate-U.S. participated in training sessions. And, last year, managers from 15 locations across the country began meeting quarterly with management via videoconferencing.

Growing market leadership, innovative products, more and better advertising, and highly efficient purchasing, production and delivery of goods—combined with talented and dedicated people—are creating a Colgate-North America that

United States



Continuing Momentum in Deodorants

Colgate's plant in Morristown, NJ, is supplying the U.S. and 41 other countries with an expanding range of Mennen deodorants/antiperspirants, includ-

ing Lady Speed Stick Invisible Dry and the newest entry for men, Speed Stick Ultimate, which offers an antibacterial formula. These are contributing to Colgate's

rising market share in underarm products, which has increased in each of the past two years. Pictured here, Mike Bailey, Operator Technician.

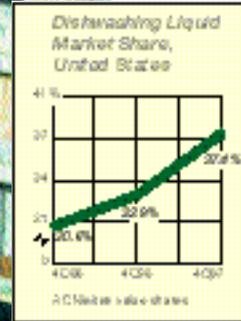
United States



Driving Dishwashing Share to Record Levels

A stream of successful new dishwashing products has steadily built market share to 37 percent, up almost seven points in two years. The success of Palmolive dishwashing liquid & antibacterial hand soap, which pioneered a new segment, has been

followed by new Palmolive for pots & pans, which provides superior cleaning.



Strengthening Leadership in Liquid Soap

New products like Softsoap gentle antibacterial bodywash with vitamin E helped increase sales of Colgate's bar and liquid soap products in the U.S. by 8 percent in 1997. In the U.S., as well as globally, Colgate is the leader in liquid soap.

United States



Latin America

Leading from Strength



Colgate-Latin America contributed 26% of sales, or \$2.4 billion.

Colgate-Latin America achieved its best year ever. Sales rose 11 percent to a record \$2.4 billion, unit volume grew 10 percent and profit margins were at all-time highs. Colgate holds commanding leadership positions throughout the 32 countries of Latin America, from Argentina to Mexico. Already No. 1 in toothpaste, stick deodorant, fabric softeners, cleaners and dishwashing products for the region, Colgate is strengthening these positions and creating new leaders.

This high-potential market has over 500 million consumers with rising purchasing power. Colgate is creating new products specifically for the region from its Mexico-based regional research

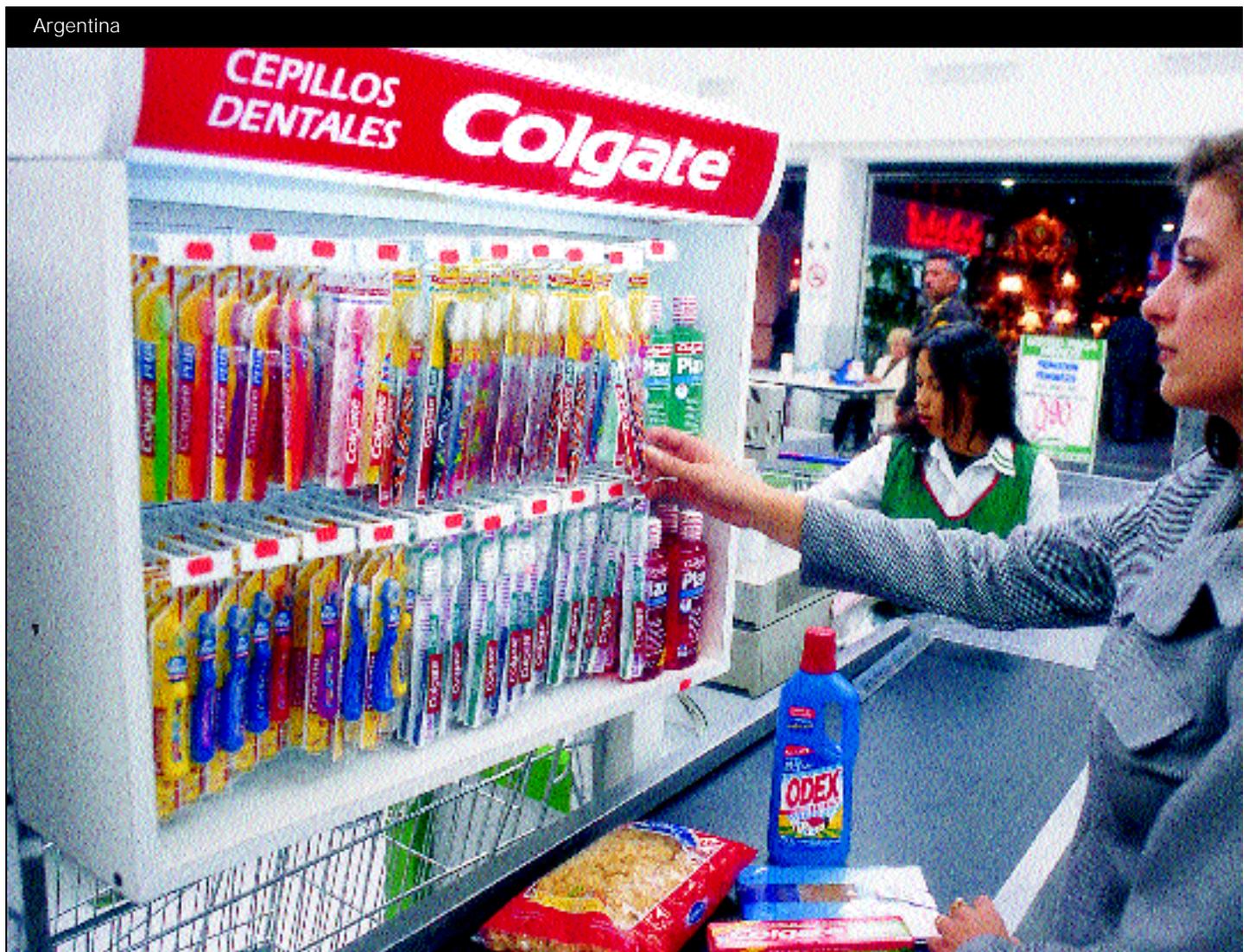
lab and new product group. It is also expansion through distribution, greater outreach affordable products

In 1997, distribution was expanded to reach 40,000 additional retail outlets. More than 50 million product samples introduced consumers to Colgate toothpaste and toothbrushes, Mennen Speed Stick, Protex soap, Fab and Viva detergents, Palmolive shampoo and hair styling products, and Fabuloso and Ajax all-purpose cleaners. Advertising spending was the highest ever in terms of dollars and percent to sales.

With the Mexican economy continuing to recover, Colgate successfully increased

market shares there, especially in hair care, fabric softeners and all-purpose cleaners. For fabric softeners, gains linked to new, lower cost, smaller sizes in Mexico helped propel 24 percent category sales growth for the entire region. New hair care styling products, which were added to the Caprice and Palmolive Optims hair care brands in Mexico and elsewhere, contributed to 19 percent higher regional sales in hair care.

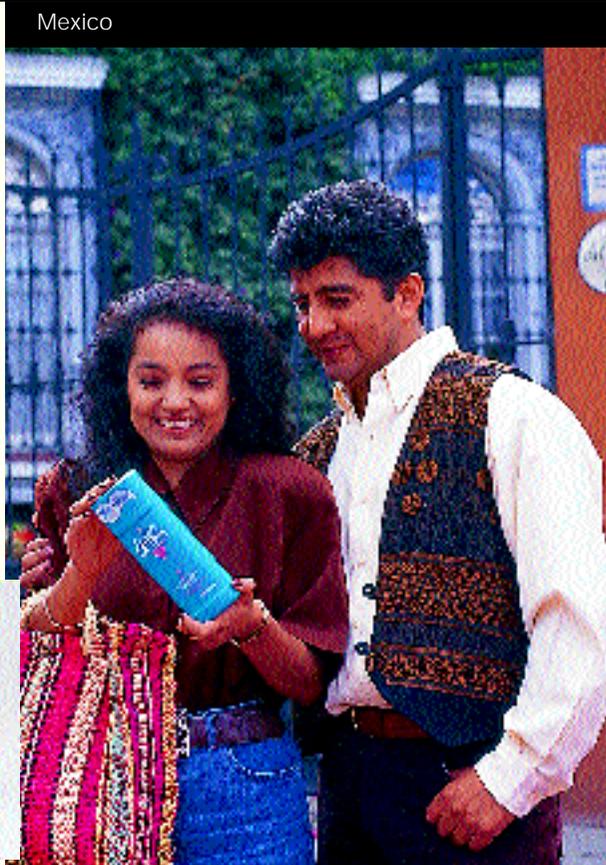
For the region, introductions of Colgate baking soda & peroxide, Colgate



Argentina

Strengthening Colgate's Hair Care Equity

Steadily building its hair care business in Mexico, Colgate with the introduction of the Palmolive Optims styling line in 1997 offers a full range of premium products. Winning formulas, packaging and heavy TV support have been effective in gaining trial and growing market share.



Sensation whitening, Colgate Double Cool Stripe gel and paste, and the Colgate Classic Deluxe toothbrush helped to expand per capita consumption for toothpaste and toothbrushes. Sorriso toothpaste, introduced in Brazil mid-year, gained broad consumer awareness and product trial. As part of the Brazilian regulatory approval of the Kolynos acquisition, Kolynos brand toothpaste has been withdrawn from the market for four years.

In other categories, Fabuloso household cleaner gained market share with new variants, especially in Mexico and Panama. The Protex antibacterial personal care brand also gained share in the region. Among the new entries are Protex Fresh soap and Protex deodorant.

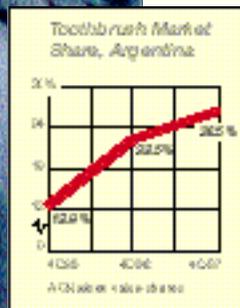
Colgate continues to fund increased advertising for new products through cost-savings from regionalization and standardization. For example, all Mennen Speed Stick for Latin America now comes from one location instead of four. A single Mexican factory produces Colgate personal care products for all of Central America, while all Kolynos brand toothbrushes and a significant portion of other Kolynos and Colgate oral care products are made in Brazil and exported to 16 countries. Such programs have helped raise the division's gross profit margin by six percentage points in four years.

Additional savings will be generated in the future as Colgate-Latin America starts implementing the same integrated SAP software that has produced supply chain and other efficiencies in North America. Cost-savings coupled with growth activities including new products, increased advertising, greater sampling and expanded distribution will continue to strengthen Colgate's leading role in this region of rising prosperity.

Gaining Market Share in Toothbrushes

In two years, Colgate has added over 13 points to its toothbrush market share to become a strong No. 2 in Argentina, driven by new products like Colgate Total and Kolynos Dr. Flexible. Advertising, programs aimed at dental care professionals, and special displays showcasing the brushes in supermarkets and pharmacies

have contributed to the strong performance.



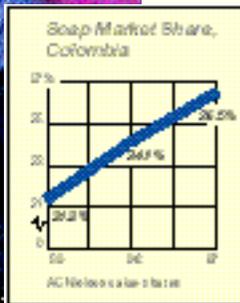
Latin America.....Leading from Strength

Colombia

Building the No.1 Soap Brand

With Protex Fresh, Colgate addresses the consumer preference for fragrance and freshness in soap without relinquishing antibacterial protection. Massive sampling at events like this outdoor rally supported the new product's

launch and contributed to Protex becoming the No.1 soap brand in Colombia.



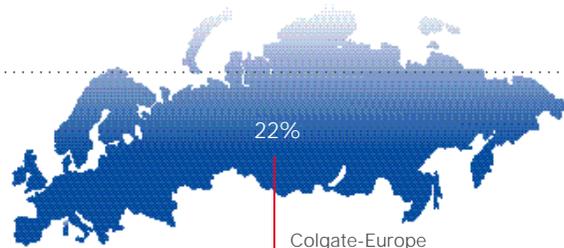
Achieving the No.1 Position in Fabric Softeners

Following the introduction of Fiesta de Flores and Baby Fresh variants to the Soflan line, Colgate became the leader in fabric softeners, with Soflan 15 share points ahead of the closest competing brand. The advertising and sampling activities proved critically important for this success in Venezuela.

Venezuela



Europe



Colgate-Europe increased unit volume 5 percent in 1997 as its market shares grew throughout the region. Earnings before interest and taxes (EBIT) increased despite the decline of European currencies versus the U.S. dollar. Sales declined 5 percent to \$2.0 billion, because of currency translation.

Insight into consumers, innovative new products and concentration on improving customer service have enabled Colgate-Europe to deliver eight consecutive quarters of volume growth. And with continued focus on cost-savings, the EBIT margin to sales increased from 10.9 percent in 1996 to 11.6 percent.

The success of Colgate Sensation toothpaste, which has strengthened Colgate's No. 1 share across Europe, is an example of how Colgate identified both whitening and deep cleaning as important consumer benefits and responded. The Sensation brand was extended through a companion Sensation toothbrush, which achieved market shares of 2 to 7 percent.

Similarly, in household care, Colgate identified that European consumers want

Market Share Gains, Rising Profit Margins

long-lasting fragrance as well as strong cleaning. The result was the launch of Ajax Fête des Fleurs and, with it, an increase in Colgate's No. 1 share in all-purpose cleaners, gaining category market leadership in France and nine additional market share points in Belgium. Ajax Expel, a new cleaner that repels insects, has had outstanding success in Spain and Portugal as well as Italy, where market shares of cleaners are the highest in more than five years.

By launching superior products and fragrances in the rapidly growing bath and shower gel segment, Colgate-Europe achieved 24 percent unit volume growth



Responding to the Consumer in Oral Care

After learning that consumers want whitening and deep cleaning in their dentifrice, Colgate responded with the Colgate Sensation line, which includes varieties for both benefits. The two Sensation toothpastes are premium-positioned and sold in innovative packaging bearing a striking hologram. Introduced in 12 countries, the new line achieved market shares of 2 to 5+ percent, strengthening the Company's No. 1 position across Europe. In Italy, the introduction was supported in supermarkets like this by more than 4,000 display floorstands.

Europe.....Market Share Gains, Rising Profit Margins

in this key market. Stellar performers included France, Germany, Italy and the United Kingdom. In all, Colgate-Europe increased market shares for well over half of the categories in which it competes.

As with all Colgate regions, Colgate-Europe is working to ensure even faster and better customer response. It is establishing its headquarters in Paris and a technology center in Ireland to coordinate management information services and processes based on SAP technology. SAP will be completely implemented

throughout the region by early 1999.

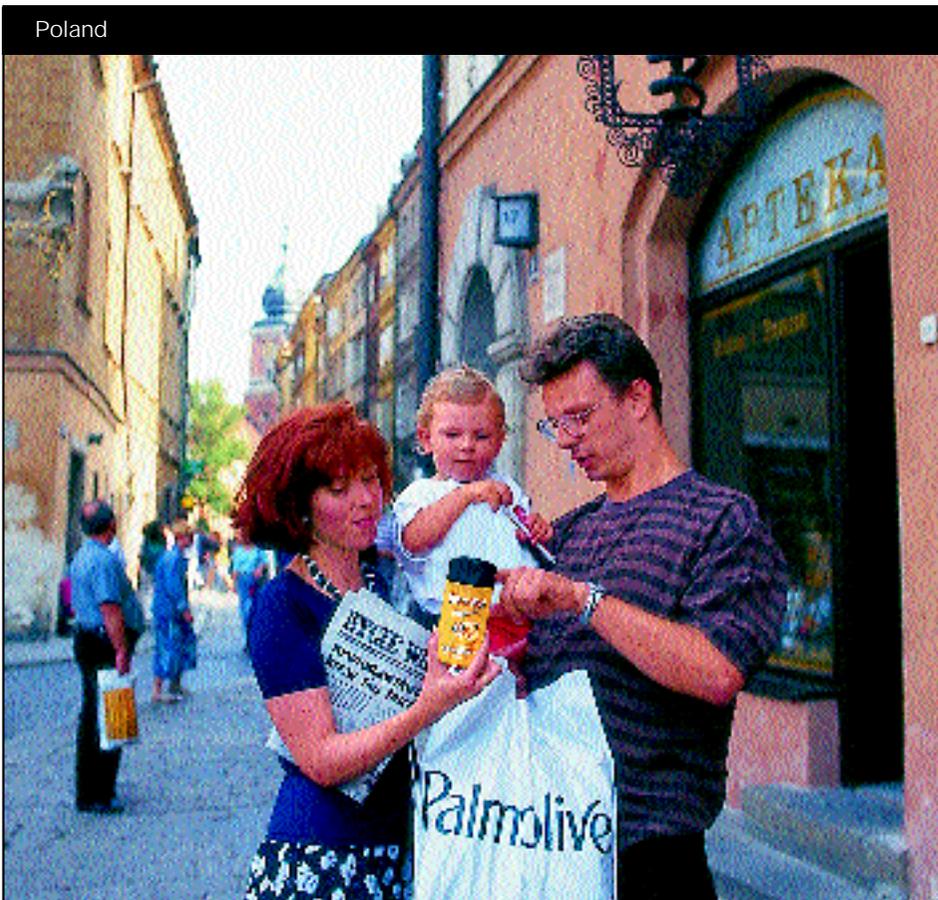
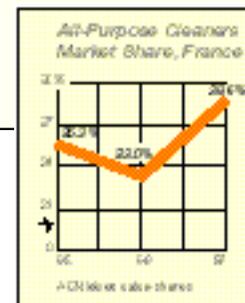
The high-growth regions of Central Europe achieved double-digit unit volume and sales growth, increasing oral care school programs and sampling, adding distribution in smaller retail outlets and expanding into new geographies.

Colgate sells its product portfolio throughout Central Europe and Russia and sees significant opportunities as consumer purchasing power improves. In deodorants, the distribution of more than one million Lady Speed Stick samples



France

Capturing Market Leadership in Cleaners



Poland

Setting Records with Palmolive Naturals

Consumers responded so enthusiastically to the new formula and packaging of Palmolive Naturals that it broke annual volume records and increased Colgate's share of the shampoo

market by almost 2 points in Poland. The launch was supported by a TV commercial called "Nature & Science" that conveyed the brand's herbal and vitamin-enriched formula.



contributed to 65+ percent volume growth and the No.1 deodorant stick ranking across the region. As in Western Europe, cost-reduction efforts include focused factories, such as Colgate's personal care plant in Hungary that has increased production to supply all of Central Europe.

With its mix of developed and high-growth economies, Colgate-Europe should continue to offer high potential and achieve profitable growth.

Soon after Colgate introduced Ajax Fête des Fleurs cleaner in France and Belgium, the Ajax brand captured the No.1 position in both countries. This new product is set for rollout across Europe this year, where the Ajax equity is

already the leading all-purpose cleaner. Voted "Product of the Year" in household products by a large panel of French consumers, Ajax Fête des Fleurs combines high cleaning efficacy with long-lasting fragrance.



Extending the No. 1 Position in Dishwashing

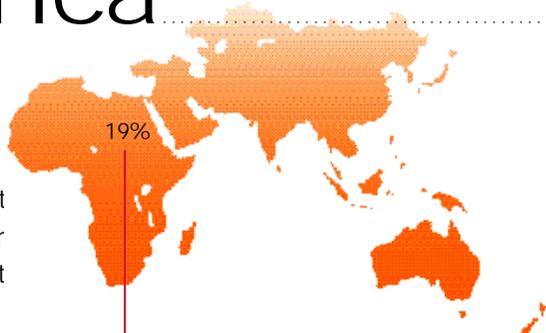
Capitalizing on success in the U.S., Colgate introduced antibacterial dishwashing liquids in Austria, Denmark,

Germany, Switzerland, Portugal and Greece with excellent results. In Germany, widespread acceptance contributed to Colgate's strengthening its No. 1 position, boosting market share to a record 30.9 percent, according to IRI.



Asia/Africa

Increasing Unit Volume, Building Consumption



Unit volume grew 5 percent from continuing operations, with strong progress in Greater China and India, the two huge markets that lead Colgate's growth in this region. Sales from continuing businesses were flat at \$1.7 billion—reflecting weaker foreign currency and economic uncertainty in the ASEAN countries. These factors also impacted earnings before interest and taxes of the ASEAN countries.

Colgate-Asia/Africa contributed 19% of sales, or \$1.7 billion.

Of the ASEAN countries experiencing economic problems, Colgate competes only in Malaysia, the Philippines and Thailand. Market shares are strong throughout Asia, and Colgate is benefiting from its years of experience in operating successfully in a variety of economic conditions.

Colgate's strategy is to build consumption, protect strong franchises and focus activities in areas of strength. No. 1 in toothpaste in most countries in the region, Colgate-Asia is adding share with Colgate Sensation, Colgate stripe gel and a new specially priced toothpaste in China. Dentifrice unit volume rose 9 percent. In fabric softeners, where Colgate is No. 1 in Hong Kong and Malaysia, new sizes and fragrances are adding incremental market share.

The established leader in dishwashing in the Philippines and Malaysia, Colgate pioneered in India with the national expansion of Axion dishwashing paste. Fabuloso was introduced into its first Asian markets, Thailand and Malaysia, quickly becoming the No. 2 household cleaner in the latter country.

New products also fueled strong sales and market share growth in dishwashing and body cleansing in Australia and New Zealand. And Colgate Sensation's introduction reinforced leadership positions in toothpaste for both these countries.



Capturing Fabric Softener Leadership

Consumers have made Colgate's Softlan the No. 1 fabric softener in Hong Kong, with a 49 percent share. The brand's strong growth reflects the launch of new Ultra Softlan. Sampling reaching 40 percent of households and a strong advertising campaign helped ensure the brand's success.

Hong Kong





Sampling and Education Programs Expand Usage

Colgate's sampling and education programs increase consumption in markets like China and India; 1997 toothpaste unit volume rose strongly in both countries. Colgate reaches 12 million children annually through its oral education programs in Asia.



In Africa and the Middle East, Colgate is building consumption through traveling demonstrations of products like Protex soap, Colgate toothpaste, Axion dish paste and bleach. Examples of resultant growth include the doubling of Colgate's African bleach business since 1994.

Throughout Africa, Colgate is reducing its cost structure. The toothpaste portfolio is being simplified from 32 different tube sizes to six. More than 20 sizes and shapes of soap will become three, while preserving consumer preferences.



Most Successful Launch of '97

Supported by the largest personal care sampling campaign ever in South Africa (one million samples distributed in gyms, shopping centers and door-to-door), Mennen

Speed Stick exceeded volume expectations by almost one-third and was named the year's most successful launch by prestigious local organizations. Recent shares show Speed Stick at 8 percent of the men's antiperspirant market.

Specialty Pet Foods

Strengthening
World Leadership

Hill's Pet Nutrition achieved strong growth in 1997, increasing sales 11 percent and unit volume 10 percent. Profitability improved significantly. New products, step-by-step marketing and close relationships with veterinary professionals strengthened Hill's global leadership.



Consumer research on preferences of pets and their owners converted into successful new products, such as chunky-style canned varieties for dogs and tuna recipes for cats in Japan and feline tuna meal products in Europe.

In the U.S., working closely with veterinarians helped Hill's identify dental care as a fast-growing area. Hill's then launched Prescription Diet canine t/d with tartar control in 1994 and, in early 1997, Prescription Diet feline t/d. Approximately 10,000 veterinary clinics participated in Pet Dental Health Month in February, sponsored by Hill's, the American Veterinary Medical Association and the American Veterinary Dental Society.

Celebrating 50 years since its pioneering launch of Prescription Diet, Hill's is supporting the publication of the fourth edition of Small Animal Clinical Nutrition, a popular textbook used extensively in veterinary schools. The introduction of an improved Prescription Diet canine i/d for gastrointestinal disease further reinforced Hill's clinical and nutritional superiority.

First-time television advertising for Science Diet brand pet food in Japan and an increased schedule in the U.S. helped support growth, as did the sponsorship of contests in conjunction with veterinarians in Europe. Overweight pets, almost half those visiting clinics, competed for the designation "Slimmer of the Year."



Growing in
the Specialty
Channel
Market



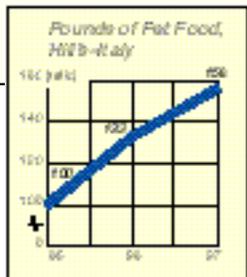
Appealing to Japanese Consumers

Hill's not only leads the premium pet food segment in Japan, it is also a leading player in the entire pet food market. New canned varieties of Science Diet brand pet food are appealing to Japanese consumer preferences, contributing to rapid growth. Far left, Dr. Hidemi Yasuda at his clinic in Tokyo.



Increasing its market share in the Italian specialty channel, Hill's is encouraging growth by distributing over one million samples of pet

food through vet clinics and visiting pet shops regularly. Paolo Cavalcanti responds to a "customer" in his shop, I Cuccioli.



Hill's continues to improve operating efficiency and is in the midst of projects that will take significant expense out of the supply chain. The manufacturing start-up in the Netherlands is saving on net delivered product costs and improving customer service.

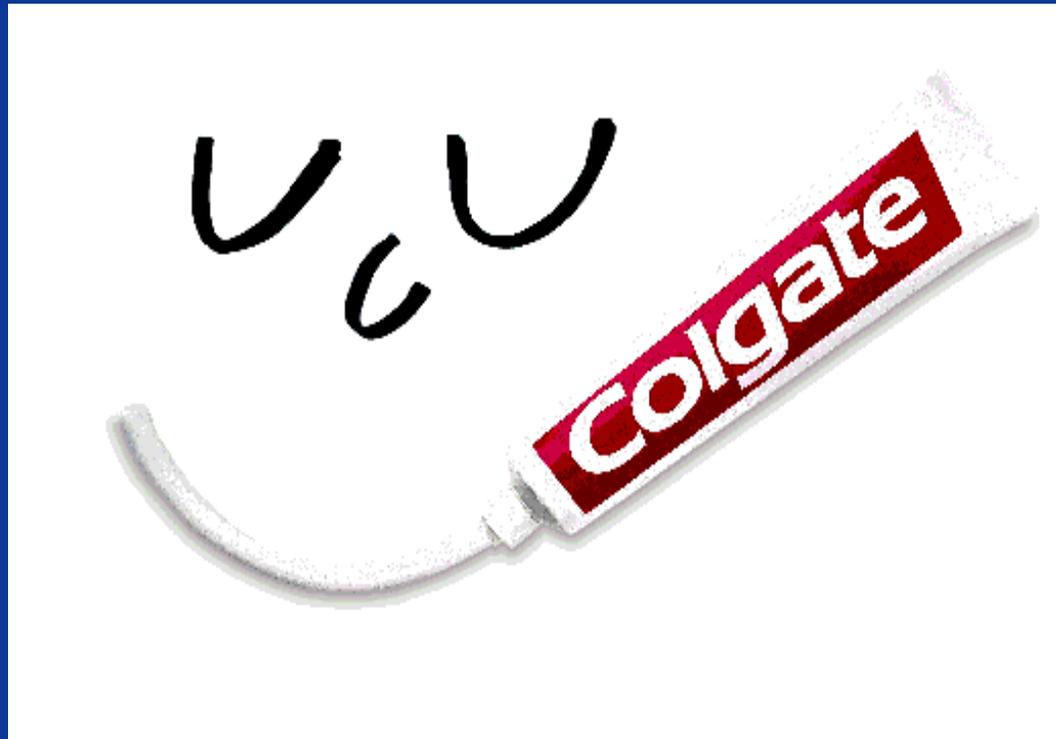
Hill's enters 1998 with more new products and programs. Growth potential is especially large internationally, where consumption of prepared pet food is about one-third the U.S. level.



Leveraging Veterinary Endorsement

New Prescription Diet preventative care for

the growing problem of plaque and tartar in cats, has met excellent reception by veterinarians. Above right, Dr. Brian Voynick at the American Animal Hospital in Randolph, NJ.



Financial Review

(Dollars in Millions Except Per Share Amounts)

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Results of Operations

Worldwide Net Sales by Business Segment and Geographic Region	1997	1996	1995
Oral, Personal and Household Care			
North America	\$1,992.5	\$1,869.0	\$1,784.7
Latin America	2,363.8	2,124.8	1,977.2
Europe	2,036.9	2,148.5	2,159.7
Asia/Africa	1,698.2	1,738.0	1,644.1
Total Oral, Personal and Household Care	8,091.4	7,880.3	7,565.7
Total Pet Nutrition*	965.3	868.7	792.5
Total Net Sales	\$9,056.7	\$8,749.0	\$8,358.2

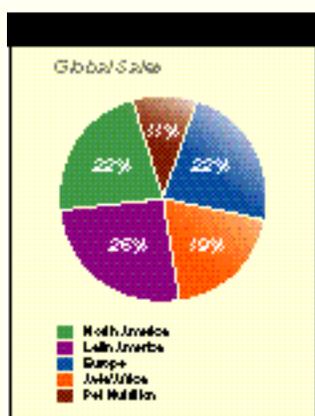
*Sales outside North America represented approximately 30%, 29% and 29% of total sales of Pet Nutrition products in 1997, 1996 and 1995, respectively.

Net Sales

Worldwide net sales increased 4% to \$9,056.7 in 1997 on volume growth of 7%, reflecting volume increases in every geographic region. Sales would have grown 8%, excluding the negative effect of foreign exchange declines. Sales in the Oral, Personal and Household Care segment were up 3% on 7% volume growth.

In 1997, sales and unit volume each rose 7% in North America. U.S. sales led the region, with strong new products including the launch of Colgate Total, which is the first toothpaste approved by the Food and Drug Administration for its ability to help prevent gingivitis, plaque and cavities. Other new products, supported by increased advertising, which fueled growth in the region were Colgate tartar control whitening, Palmolive for pots & pans dishwashing liquid, Speed Stick Ultimate antiperspirant and Softsoap bodywash with vitamin E.

Sales in Latin America were up 11% on 10% volume growth. Widespread growth throughout the division included sizable gains in Mexico, Ecuador, Colombia and Central America. In Brazil, Sorriso brand toothpaste was launched and achieved full market distribution. As part of the regulatory approval of the Company's acquisition of Kolynos, Kolynos brand toothpaste has been withdrawn from the market for four years. Other new product introductions which have contributed to the growth in this region included Colgate Double Cool Stripe toothpaste, Protex Fresh soap and Lady Speed Stick Invisible Dry antiperspirant.



Sales in Europe decreased 5% in 1997 due to the negative effects of weaker European currencies, while volume grew 5%. Germany, Italy, the United Kingdom and Poland achieved the strongest volume increases in the region. The ongoing success of new product launches such as Ajax Fêtes des Fleurs, Colgate Sensation whitening, Ajax Expel cleaner with insect repellent and Palmolive antibacterial dishwashing liquid helped the region increase volume in this highly competitive market.

Overall, sales of the Asia/Africa region decreased 2%. Excluding divested businesses, sales were flat on 5% volume growth for the year 1997. China led the region in both strong sales and volume growth. Partially offsetting this growth was the negative impact of the weakening ASEAN currencies. Of the ASEAN countries undergoing economic problems, Colgate competes in Malaysia, the Philippines and Thailand. New product launches drove the volume growth in Asia/Africa.

Sales for Hill's Pet Nutrition increased 11% on 9% volume growth. Hill's enjoyed sales and volume growth in both the domestic and international markets. Growth was strongest in Japan, where Hill's has introduced 11 new products and begun successful television advertising, and Europe, where new manufacturing capacity is enabling Hill's to meet growing demand.

In 1996, worldwide net sales increased 5% to \$8,749.0, reflecting volume increases by all divisions. North America posted overall sales growth of 5% on the same percentage of volume growth. Europe sales decreased slightly in 1996 on 3% higher volume, due primarily to weaker currencies. Latin America led the Oral, Personal and Household Care segment with an 8% increase in sales on 7% volume growth. Asia/Africa sales increased 6% on 7% volume growth. The Pet Nutrition segment increased sales 10% on 6% volume gains. During 1996, Hill's completed its transition to a company-owned distribution and sales network.

Gross Profit

Gross profit margin was 50.7%, above both the 1996 level of 49.1% and the 1995 level of 47.9%. All regions improved margins over 1996. The favorable trend reflects cost-reduction programs including supply chain management and the restructuring program, as well as emphasis on higher margin products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales were 36% in 1997, 35% in 1996 and 34% in 1995. The increasing trend primarily represents additional advertising spending in every region. The Company continues to focus on expense-containment strategies.

Provision for Restructured Operations

In September 1995, the Company announced a major worldwide restructuring of its manufacturing and administrative operations designed to further enhance profitable growth over the next several years by generating significant efficiencies and improving competitiveness. The charge included employee termination costs and expenses associated with the realignment of the Company's global manufacturing operations, as well as settlement of contractual obligations. The worldwide restructuring program resulted in a 1995 third quarter pretax charge of \$460.5 (\$369.2 net of tax) or \$1.27 per share for the year. The restructuring programs are expected to be substantially completed during 1998.

Other Expense, Net

Other expense, net, consists principally of amortization of goodwill and other intangible assets, minority interest in earnings of less-than-100%-owned consolidated subsidiaries, earnings from equity investments and other miscellaneous gains and losses. Other expense, net, decreased in 1997 primarily due to gains from sales of non-core product lines and other assets, gains on derivative financial instruments and changes in the level of amortization.

Worldwide Earnings by Business Segment and Geographic Region	1995			
	1997	1996	Excluding Restructuring	As Reported
Oral, Personal and Household Care				
North America	\$ 269.7	\$ 214.1	\$ 178.3	\$ 24.5
Latin America	466.7	397.1	342.9	313.7
Europe	237.4	234.3	207.8	59.9
Asia/Africa	159.0	187.8	187.5	153.5
Total Oral, Personal and Household Care	1,132.8	1,033.3	916.5	551.6
Total Pet Nutrition	160.9	125.7	117.7	53.0
Total Segment Earnings	1,293.7	1,159.0	1,034.2	604.6
Unallocated Expense, Net	(7.9)	(7.0)	(4.8)	(35.7)
Earnings Before Interest and Taxes	1,285.8	1,152.0	1,029.4	568.9
Interest Expense, Net	(183.5)	(197.4)	(205.4)	(205.4)
Income Before Income Taxes	\$1,102.3	\$ 954.6	\$ 824.0	\$ 363.5

Earnings Before Interest and Taxes (EBIT)

EBIT increased 12% in 1997 to \$1,285.8 compared with \$1,152.0 in 1996. EBIT for the Oral, Personal and Household Care segment was up 10% with North America, Latin America and Europe posting gains of 26%, 18% and 1%, respectively. Results in Asia/Africa decreased by 15% due to the economic weakening in the ASEAN countries, difficult economic conditions in Africa and continued investment in China. The Pet Nutrition segment EBIT increased 28%.

Interest Expense, Net

Interest expense, net, was \$183.5 compared with \$197.4 in 1996 and \$205.4 in 1995. The decline in interest expense is the result of decreasing debt levels. In 1995, substantial debt was incurred to finance the Kolynos acquisition. Free cash flow has been used to reduce the Company's debt in 1996 and 1997.

Income Taxes

The effective tax rate on income was 32.8% in 1997 versus 33.5% in 1996 and 52.7% in 1995. The overall effective rate in 1995 was impacted by the charge for restructuring, the tax benefit of which was 20% due to the effect of tax benefits in certain jurisdictions not expected to be realized. Excluding the charge, the effective income tax rate was 34.3% in 1995. Global tax planning strategies benefited the effective tax rate in all three years presented.

Net Income

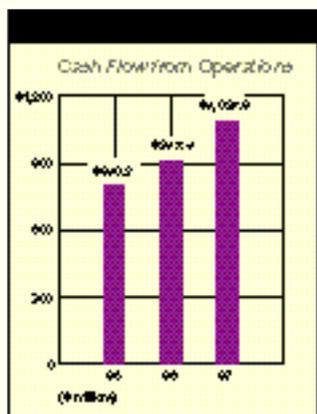
Net income was \$740.4 in 1997 or \$2.44 per share compared with \$635.0 in 1996 or \$2.09 per share and \$172.0 in 1995 or \$.52 per share. Excluding the restructuring charge in 1995, earnings were \$541.2 or \$1.79 per share. In 1997, there was a two-for-one stock split. All financial information contained herein has been adjusted to reflect this split.

	1997	1996	1995
Identifiable Assets			
Oral, Personal and Household Care			
North America	\$2,553.2	\$2,531.4	\$2,497.7
Latin America	2,204.8	2,365.1	2,158.3
Europe	1,124.8	1,192.1	1,271.0
Asia/Africa	968.6	1,045.7	967.2
Total Oral, Personal and Household Care	6,851.4	7,134.3	6,894.2
Total Pet Nutrition	517.3	578.6	545.5
Total Corporate	170.0	188.6	202.6
Total Identifiable Assets	\$7,538.7	\$7,901.5	\$7,642.3

Liquidity and Capital Resources

Net cash provided by operations increased 20% to \$1,097.8 compared with \$917.4 in 1996 and \$810.2 in 1995. The increasing trend reflects the Company's improved profitability, lower cash taxes and working capital management. Cash generated from operations was used to fund capital spending, reduce debt levels and increase dividends.

During 1997, long-term debt decreased from \$2,897.2 to \$2,518.6, while total debt decreased from \$3,069.5 to \$2,677.1. The decrease resulted primarily from repayment of a \$406.0 loan with a foreign commercial bank and net commercial paper reductions from free cash flow.



As of December 31, 1997, \$607.5 of domestic and foreign commercial paper was outstanding. These borrowings carry a Standard & Poor's rating of A1 and a Moody's rating of P1. The commercial paper as well as other short-term borrowings are classified as long-term debt at December 31, 1997, as it is the Company's intent and ability to refinance such obligations on a long-term basis. The Company has additional sources of liquidity available in the form of lines of

credit maintained with various banks. At December 31, 1997, such unused lines of credit amounted to \$1,586.4. In addition, at December 31, 1997, the Company had \$697.8 available under previously filed shelf registrations.

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

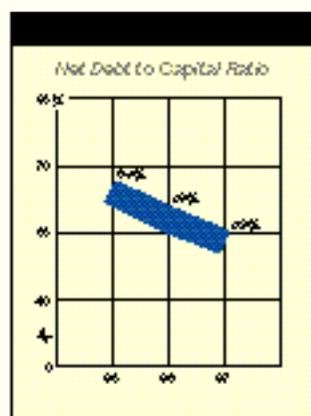
During 1995, the Company issued \$89.2 of Swiss franc bonds and \$71.7 of Luxembourg franc bonds, both of which were immediately swapped into U.S. dollar floating rate debt. In addition, \$220.0 of medium-term notes were issued under the shelf registration filed in May 1994. Also in 1995, the Company obtained a \$75.0 term note and filed a shelf registration for \$700.0 of debt securities.

The ratio of net debt to total capitalization (defined as the ratio of the book values of debt less cash and marketable securities ["net debt"] to net debt plus equity) decreased to 53% during 1997 from 58% in 1996 and 64% in 1995. The decrease in 1997 was primarily the result of higher earnings and related operating cash flow available to reduce debt levels.

	1997	1996	1995
Capital Expenditures			
Oral, Personal and Household Care	\$448.7	\$413.6	\$354.9
Pet Nutrition	29.8	45.4	76.9
Total Capital Expenditures	\$478.5	\$459.0	\$431.8
Depreciation and Amortization			
Oral, Personal and Household Care	\$287.8	\$286.2	\$273.8
Pet Nutrition	32.1	30.1	26.5
Total Depreciation and Amortization	\$319.9	\$316.3	\$300.3

Capital expenditures were 5% of net sales for all three years presented. Capital spending continues to be focused primarily on projects that yield high aftertax returns, thereby reducing the Company's cost structure. Capital expenditures for 1998 are expected to continue at the current rate of approximately 5% of net sales.

Other investing activities in 1997, 1996 and 1995 included strategic acquisitions and divestitures around the world. The most significant acquisition was the 1995 purchase of Kolynos in Latin America. The aggregate purchase price of all 1997, 1996 and 1995 acquisitions was \$20.3, \$38.5 and \$1,321.9, respectively. The Sterno fuel product line was sold in 1997. The aggregate sale price of all 1997, 1996 and 1995 sales of businesses or product lines was \$101.4, \$25.1 and \$2.0, respectively.



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

Dividend payments were \$333.4, up from \$296.2 in 1996 and \$276.5 in 1995. Common

stock dividend payments increased to \$1.06 per share in 1997 from \$.94 per share in 1996 and \$.88 in 1995. The Series B Preference Stock dividends were declared and paid at the stated rate of \$4.88 per share in all three years.

Internally generated cash flows appear to be adequate to support currently planned business operations, acquisitions and capital expenditures. Significant acquisitions, similar to the acquisition of Kolynos discussed previously, would require external financing.

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

Derivative Financial Instruments

The Company is exposed to market risk from interest rates and foreign currency exchange rate fluctuations. The Company utilizes simple instruments, such as non-leveraged interest rate swaps and forward foreign currency exchange contracts, to manage these exposures. The principal objective of such financial derivative contracts is to moderate the effect of fluctuations in interest rates and foreign exchange rates. The Company, as a matter of policy, does not speculate in financial markets and therefore does not hold these contracts for trading purposes.

Interest rate swap contracts are used to manage the Company's mix of fixed and floating rate debt. The Company's target floating rate obligations as a percentage of the Company's global debt is set by policy. The Company utilizes foreign exchange contracts principally to hedge European and ASEAN currency exposures associated with its net investment in subsidiaries, inventory purchases and debt.

Value at Risk

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

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

Outlook

Looking forward into 1998, the Company is well positioned for strong growth in most of its markets, particularly Latin America and North America. However, movements in foreign currency exchange rates can impact future operating results as measured in U.S. dollars. In particular, economic turmoil in the ASEAN countries may continue to impact overall results of Asia/Africa, and projected growth may be tempered until these economies become more stable. Of the ASEAN countries undergoing economic problems, Colgate competes in Malaysia, the Philippines and Thailand, which represent less than 4% of total Company sales and earnings. At this time, management does not anticipate that this ASEAN economic crisis will meaningfully extend to other parts of the world. If conditions were to significantly deteriorate, however, such an event could impact the Company.

Competitive pressures in Western European markets are expected to persist as business in this region will continue to be affected by slow economic growth, high unemployment and retail trade consolidation. In Latin America, the Company will continue to account for the Brazilian operations as highly inflationary and assess the status throughout the year. Ceasing to treat Brazil as highly inflationary would not be expected to be material to the financial statements.

The Company has developed preliminary plans to address the possible exposures related to the impact of the year 2000 on the Company's computers, as well as the computers of its suppliers and customers. Given that the SAP computer system is compliant with year 2000, and most Colgate regions will be using SAP by the year 2000, the financial impact of making required changes to non-SAP Colgate systems is not expected to be material.

The Company expects the continued success of Colgate Total, using patented proprietary technology, to bolster worldwide oral care leadership and expects new products in all other categories to add potential for further growth. Overall, subject to global economic conditions, the Company does not expect the 1998 market conditions to be materially different from those experienced in 1997 and the Company expects its positive momentum to continue. Historically, the consumer products industry has been less susceptible to changes in economic growth than many other industries, and therefore the Company constantly evaluates projects that will focus operations on opportunities for enhanced growth potential. Over the long term, Colgate's continued focus on its consumer products business and the strength of its global brand names, its broad international presence in both developed and developing markets, and its strong capital base all position the Company to take advantage of growth opportunities and to continue to increase profitability and shareholder value.

Report of Management

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

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

The Company has retained Arthur Andersen LLP, independent public accountants, to examine the financial statements. Their accompanying report is based on an examination con-

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

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



Reuben Mark
Chairman and
Chief Executive Officer



Stephen C. Patrick
Chief Financial Officer

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of Colgate-Palmolive Company (a Delaware corporation) and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, retained earnings, changes in capital accounts and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colgate-Palmolive Company and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.



New York, New York
February 2, 1998

Consolidated Statements of Income

	1997	1996	1995
Net sales	\$9,056.7	\$8,749.0	\$8,358.2
Cost of sales	4,461.5	4,451.1	4,353.1
Gross profit	4,595.2	4,297.9	4,005.1
Selling, general and administrative expenses	3,237.0	3,052.1	2,879.6
Provision for restructured operations	—	—	460.5
Other expense, net	72.4	93.8	96.1
Interest expense, net	183.5	197.4	205.4
Income before income taxes	1,102.3	954.6	363.5
Provision for income taxes	361.9	319.6	191.5
Net income	\$ 740.4	\$ 635.0	\$ 172.0
Earnings per common share, basic	\$ 2.44	\$ 2.09	\$.52
Earnings per common share, diluted	\$ 2.27	\$ 1.96	\$.51

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

	1997	1996
Assets		
Current Assets		
Cash and cash equivalents	\$ 183.1	\$ 248.2
Marketable securities	22.2	59.6
Receivables (less allowances of \$35.8 and \$33.8, respectively)	1,037.4	1,064.4
Inventories	728.4	770.7
Other current assets	225.4	229.4
Total current assets	2,196.5	2,372.3
Property, plant and equipment, net	2,441.0	2,428.9
Goodwill and other intangibles, net	2,585.3	2,720.4
Other assets	315.9	379.9
	\$ 7,538.7	\$ 7,901.5
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	\$ 158.4	\$ 172.3
Current portion of long-term debt	178.3	110.4
Accounts payable	716.9	751.7
Accrued income taxes	67.0	93.1
Other accruals	838.9	776.8
Total current liabilities	1,959.5	1,904.3
Long-term debt	2,340.3	2,786.8
Deferred income taxes	284.5	234.3
Other liabilities	775.8	942.0
Shareholders' Equity		
Preferred stock	385.3	392.7
Common stock, \$1 par value (1,000,000,000 shares authorized, 366,426,590 shares issued)	366.4	366.4
Additional paid-in capital	1,027.4	918.4
Retained earnings	3,138.0	2,731.0
Cumulative translation adjustments	(693.7)	(534.7)
	4,223.4	3,873.8
Unearned compensation	(364.5)	(370.9)
Treasury stock, at cost	(1,680.3)	(1,468.8)
Total shareholders' equity	2,178.6	2,034.1
	\$ 7,538.7	\$ 7,901.5

See Notes to Consolidated Financial Statements.

Consolidated Statements of Retained Earnings

	1997	1996	1995
Balance, January 1	\$2,731.0	\$2,392.2	\$2,496.7
Add:			
Net income	740.4	635.0	172.0
	<u>3,471.4</u>	<u>3,027.2</u>	<u>2,668.7</u>
Deduct:			
Dividends declared:			
Series B Convertible Preference Stock, net of income taxes	20.6	20.9	21.1
Preferred stock	.5	.5	.5
Common stock	312.3	274.8	254.9
	<u>333.4</u>	<u>296.2</u>	<u>276.5</u>
Balance, December 31	\$3,138.0	\$2,731.0	\$2,392.2

Consolidated Statements of Changes in Capital Accounts

	Common Stock		Additional Paid-In Capital	Treasury Stock	
	Shares	Amount		Shares	Amount
Balance, January 1, 1995	288,808,474	\$366.4	\$ 837.2	77,618,116	\$1,462.4
Shares issued for stock options, net	2,309,312	—	13.7	(2,309,312)	(16.8)
Treasury stock acquired	(37,600)	—	—	37,600	1.2
Other	627,558	—	(.4)	(627,558)	(5.0)
Balance, December 31, 1995	291,707,744	366.4	850.5	74,718,846	1,441.8
Shares issued for stock options, net	2,206,216	—	44.4	(2,206,216)	22.0
Treasury stock acquired	(688,800)	—	—	688,800	27.4
Other	1,042,476	—	23.5	(1,042,476)	(22.4)
Balance, December 31, 1996	294,267,636	366.4	918.4	72,158,954	1,468.8
Shares issued for stock options, net	3,163,141	—	64.2	(3,163,141)	54.4
Treasury stock acquired	(2,795,926)	—	—	2,795,926	175.1
Other	767,844	—	44.8	(767,844)	(18.0)
Balance, December 31, 1997	295,402,695	\$366.4	\$1,027.4	71,023,895	\$1,680.3

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	1997	1996	1995
Operating Activities			
Net income	\$ 740.4	\$ 635.0	\$ 172.0
Adjustments to reconcile net income to net cash provided by operations:			
Restructured operations, net	(48.5)	(105.6)	424.9
Depreciation and amortization	319.9	316.3	300.3
Income taxes and other, net	18.5	13.2	(121.0)
Cash effects of changes in:			
Receivables	(61.6)	(15.4)	(44.1)
Inventories	(50.9)	(1.2)	(26.1)
Other current assets	—	—	(42.4)
Payables and accruals	180.0	75.1	146.6
Net cash provided by operations	1,097.8	917.4	810.2
Investing Activities			
Capital expenditures	(478.5)	(459.0)	(431.8)
Payment for acquisitions, net of cash acquired	(31.5)	(59.3)	(1,300.4)
Sale of non-core product lines	96.4	25.1	2.0
Sale of marketable securities and investments	68.5	1.2	4.2
Other, net	7.7	(12.0)	(17.2)
Net cash used for investing activities	(337.4)	(504.0)	(1,743.2)
Financing Activities			
Principal payments on debt	(670.7)	(1,164.6)	(17.1)
Proceeds from issuance of debt, net	350.4	1,077.4	1,220.0
Dividends paid	(333.4)	(296.2)	(276.5)
Purchase of common stock	(175.1)	(27.4)	(1.2)
Proceeds from exercise of stock options and other, net	15.8	39.2	51.0
Net cash (used for) provided by financing activities	(813.0)	(371.6)	976.2
Effect of exchange rate changes on cash and cash equivalents	(12.5)	(2.4)	(4.3)
Net (decrease) increase in cash and cash equivalents	(65.1)	39.4	38.9
Cash and cash equivalents at beginning of year	248.2	208.8	169.9
Cash and cash equivalents at end of year	\$ 183.1	\$ 248.2	\$ 208.8
Supplemental Cash Flow Information			
Income taxes paid	\$ 261.3	\$ 273.0	\$ 292.5
Interest paid	230.6	229.1	228.6
Non-cash consideration in payment for acquisitions	—	—	48.9
Principal payments on ESOP debt, guaranteed by the Company	5.5	5.0	4.4

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Nature of Operations

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

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

	1997	1996	1995
Oral Care	31%	30%	30%
Personal Care	23	22	22
Household Surface Care	16	16	16
Fabric Care	16	18	18
Pet Nutrition	11	10	9

Company products are marketed under highly competitive conditions. Products similar to those produced and sold by the Company are available from competitors in the U.S. and overseas. Product quality, brand recognition and acceptance, and marketing capability largely determine success in the Company's business segments. The financial and descriptive information on the Company's geographic area and industry segment data, appearing in the tables contained in Results of Operations, is an integral part of these financial statements. More than 60% of the Company's net sales, operating profit and identifiable assets are attributable to overseas operations. Transfers between geographic areas are not significant.

The Company's products are generally marketed by a sales force employed by each individual subsidiary or business unit. In some instances, distributors and brokers are used. Most raw materials are purchased from others, are available from several sources and are generally available in adequate supply. Products and commodities such as tallow and essential oils are subject to wide price variations. No one of the Company's raw materials represents a significant portion of total material requirements.

Trademarks are considered to be of material importance to the Company's business; consequently, the practice is followed of seeking trademark protection by all available means. Although the Company owns a number of patents, no one patent is considered significant to the business taken as a whole.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Revenue Recognition

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

Use of Estimates

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

Accounting Changes

In 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 128, "Earnings Per Share," which revises the manner in which earnings per share is calculated. The Company adopted this statement as of December 31, 1997, and all per share amounts included herein have been restated accordingly. The effect of the adoption was not material.

Additionally, in 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income," and Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." These statements, which are effective beginning in 1998, expand and modify disclosures and, accordingly, will have no impact on the Company's reported financial position, results of operations or cash flows.

Cash and Cash Equivalents

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

Inventories

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

Property, Plant and Equipment

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

Goodwill and Other Intangibles

Goodwill represents the excess of purchase price over the fair value of identifiable tangible and intangible net assets of businesses acquired. Goodwill and other intangibles are amortized on a straight-line basis over periods not exceeding 40 years. The recoverability of carrying values of intangible assets is evaluated on a recurring basis. The primary indicators of recoverability are current and forecasted profitability of a related acquired business. For the three-year period ended December 31, 1997, there were no material adjustments to the carrying values of intangible assets resulting from these evaluations.

Income Taxes

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

Translation of Overseas Currencies

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

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

Financial Instruments

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

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

Geographic Areas and Industry Segments

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

Reclassifications

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

3. Acquisitions and Divestitures

The aggregate purchase price of all 1997, 1996 and 1995 acquisitions was \$20.3, \$38.5 and \$1,321.9. The most significant purchase was the 1995 acquisition of the worldwide Kolynos oral care business ("Kolynos") for \$1,040.0. Kolynos is an oral care business operating primarily in South America. The transaction was structured as a multinational acquisition of assets and stock. The net book value of Kolynos assets was approximately \$50.0.

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

The aggregate sale price of all 1997, 1996 and 1995 divestitures was \$101.4, \$25.1 and \$2.0, respectively. In 1997, the Sterno fuel brand and related assets were sold for \$70.0.

4. Long-Term Debt and Credit Facilities

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

	Weighted Average Interest Rate	Maturities	1997	1996
Notes	7.0%	1998-2030	\$1,186.6	\$1,292.9
Commercial paper and other short-term borrowings, reclassified	5.0	1998	607.5	375.1
ESOP notes, guaranteed by the Company	8.6	2001-2009	379.7	385.2
Payable to banks	5.5	2000-2003	339.2	836.0
Capitalized leases			5.6	8.0
			2,518.6	2,897.2
Less: current portion of long-term debt			178.3	110.4
			\$2,340.3	\$2,786.8

Commercial paper and certain other short-term borrowings are classified as long-term debt as it is the Company's intent and ability to refinance such obligations on a long-term basis. Scheduled maturities of debt outstanding at December 31, 1997, excluding short-term borrowings reclassified, are as follows: 1998—\$178.3; 1999—\$198.6; 2000—\$456.8; 2001—\$99.5; 2002—\$162.9, and \$815.0 thereafter. The Company has entered into interest rate swap agreements and foreign exchange contracts related to certain of these debt instruments (see Note 12).

At December 31, 1997, the Company had unused credit facilities amounting to \$1,586.4. Commitment fees related to credit facilities are not material. The weighted average interest rate on short-term borrowings, excluding amounts reclassified, as of December 31, 1997 and 1996 was 8.5% and 7.5%, respectively.

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

5. Capital Stock and Stock Compensation Plans

Preferred Stock

Preferred Stock consists of 250,000 authorized shares without par value. It is issuable in series, of which one series of 125,000 shares, designated \$4.25 Preferred Stock, with a stated and redeemable value of \$100 per share, has been issued and is outstanding. The \$4.25 Preferred Stock is redeemable only at the option of the Company.

Preference Stock

In 1988, the Company authorized the issuance of 50,000,000 shares of Preference Stock, without par value. The Series B Convertible Preference Stock, which is convertible into four shares of common stock, ranks junior to all series of the **Preferred Stock**. At December 31, 1997 and 1996, 5,734,940

and 5,849,039 shares of Series B Convertible Preference Stock, respectively, were outstanding and issued to the Company's Employee Stock Ownership Plan.

Common Stock

On March 6, 1997, the Company's Board of Directors approved a two-for-one common stock split. As a result of the split, the shareholders received one additional share of common stock for each share they held as of April 25, 1997. Par value remained \$1. The Consolidated Financial Statements and financial information contained elsewhere in this report have been adjusted to reflect the effects of the impact of the common stock split for all periods presented. In conjunction with the split, on May 8, 1997, the shareholders approved an increase in authorized shares of common stock from 500,000,000 to 1,000,000,000.

Shareholder Rights Plan

Under the Company's Shareholder Rights Plan, each share of the Company's common stock carries with it one Preference Share Purchase Right ("Rights"). The Rights themselves will at no time have voting power or pay dividends. The Rights become exercisable only if a person or group acquires 20% or more of the Company's common stock or announces a tender offer, the consummation of which would result in ownership by a person or group of 20% or more of the common stock. When exercisable, each Right entitles a holder to buy one four-hundredth of a share of a new series of preference stock at an exercise price of \$43.75.

If the Company is acquired in a merger or other business combination, each Right will entitle a holder to buy, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value of twice such price. In addition, if a person or group acquires 30% or more of the Company's common stock, other than pursuant to a cash tender offer for all shares in which such person or group increases its stake from below 20% to 80% or more of the outstanding shares, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of shares of the Company's common stock having a market value of twice the Right's exercise price.

Further, at any time after a person or group acquires 30% or more (but less than 50%) of the Company's common stock, the Board of Directors may, at its option, exchange part or all of the Rights (other than Rights held by the acquiring person or group) for shares of the Company's common stock on a one-for-one basis.

The Company, at the option of its Board of Directors, may redeem the Rights for \$.005 at any time before the acquisition by a person or group of beneficial ownership of 20% or more of its common stock. The Board of Directors is also authorized to reduce the 20% and 30% thresholds to not less than 15%. Unless redeemed earlier, the Rights will expire on October 24, 1998.

Incentive Stock Plan

The Company has a plan which provides for grants of restricted stock awards for officers and other executives of the Company and its major subsidiaries. A committee of non-employee members of the Board of Directors administers the plan. During 1997 and 1996, 335,270 and 252,458 shares, respectively, were awarded to employees in accordance with the provisions of the plan.

Stock Option Plans

The Company's Stock Option Plans ("Plans") provide for the issuance of non-qualified stock options to officers and key employees. Options are granted at prices not less than the fair market value on the date of grant. At 1997 year-end, 23,173,483 shares of common stock were available for future grants.

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

Stock option plan activity is summarized below:

	1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, January 1	21,415,198	\$32	20,991,790	\$29
Granted	7,703,057	73	5,709,222	41
Exercised	(6,095,277)	32	(5,114,564)	29
Canceled or expired	(255,586)	38	(171,250)	31
Options outstanding, December 31	<u>22,767,392</u>	46	<u>21,415,198</u>	32
Options exercisable, December 31	14,683,179	38	13,983,844	29

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 1997:

Range of Exercise Prices	Weighted Average Remaining Contractual Life In Years	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$11.11-\$28.13	4	5,013,590	\$23	5,013,590	\$23
\$28.16-\$36.47	6	5,235,508	33	4,307,208	32
\$36.56-\$49.89	7	5,466,426	42	3,471,800	43
\$49.97-\$74.85	8	4,907,318	65	855,014	61
\$75.00-\$106.04	10	<u>2,144,550</u>	98	<u>1,035,567</u>	99
	7	<u>22,767,392</u>	46	<u>14,683,179</u>	38

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for options granted under the Plans. Accordingly, no compensation expense has been recognized. Had compensation expense been determined based on the Black-Scholes option pricing model value at the grant date for awards in 1997, 1996 and 1995 consistent with the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), the Company's net income, basic earnings per common share and diluted earnings per common share would have been \$716.1, \$2.35 per share and \$2.19 per share, respectively, in 1997; \$621.7, \$2.05 per share and \$1.92 per share, respectively, in 1996; and \$166.1, \$.50 per share and \$.49 per share, respectively, in 1995.

The weighted average Black-Scholes value of grants issued in 1997, 1996 and 1995 was \$785, \$540 and \$473, respectively. The Black-Scholes value of each option granted is estimated using the Black-Scholes option pricing model with the following assumptions: option term until exercise ranging from 2 to 7 years, volatility ranging from 17% to 26%, risk-free interest rate ranging from 5.8% to 6.4% and an expected dividend yield of 2.5%. The Black-Scholes model used to determine the option values shown above was developed to estimate the fair value of short-term freely tradable, fully transferable options without vesting restrictions and was not designed to value reloads, all of which significantly differ from the Company's stock option awards. The value of this model is also limited by the inclusion of highly subjective assumptions which greatly affect calculated values.

6. Employee Stock Ownership Plan

In 1989, the Company expanded its Employee Stock Ownership Plan ("ESOP") through the introduction of a leveraged ESOP covering certain employees who have met certain eligibility requirements. The ESOP issued \$410.0 of long-term notes due through 2009 bearing an average interest rate of 8.6%. The long-term notes, which are guaranteed by the Company, are reflected in the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 mil-

lion shares of Series B Convertible Preference Stock from the Company. The Stock has a minimum redemption price of \$65 per share and pays semiannual dividends equal to the higher of \$2.44 or the current dividend paid on four common shares for the comparable six-month period.

Dividends on these preferred shares, as well as common shares also held by the ESOP, are paid to the ESOP trust and, together with contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Preferred shares are released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loan. At December 31, 1997, 1,412,570 shares were allocated to participant accounts. Each allocated share may be converted by the trustee into four common shares, but preferred shares generally only convert after the employee ceases to work for the Company.

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

Annual expense related to the leveraged ESOP, determined as interest incurred on the notes, less employee contributions and dividends received on the shares held by the ESOP, plus the higher of either principal repayments on the notes or the cost of shares allocated, was \$3.0 in 1997, \$3.9 in 1996 and \$8.3 in 1995. Similarly, unearned compensation, shown as a reduction in shareholders' equity, is reduced by the higher of principal payments or the cost of shares allocated.

Interest incurred on the ESOP's notes amounted to \$33.0 in 1997, \$33.5 in 1996 and \$33.9 in 1995. The Company paid dividends on the stock held by the ESOP of \$29.8 in 1997, \$31.1 in 1996 and \$31.7 in 1995. Company contributions to the ESOP were \$1.0 in 1997, \$4.1 in 1996 and \$6.4 in 1995. Employee contributions to the ESOP were \$8.2 in 1997, \$5.9 in 1996 and \$0 in 1995.

7. Retirement Plans and Other Postretirement Benefits

Retirement Plans

The Company, its U.S. subsidiaries and a majority of its overseas subsidiaries maintain pension plans covering substantially all of their employees. Most plans provide pension benefits that are based primarily on years of service and employees' career earnings. In the Company's principal U.S. plans, funds are contributed to trusts in accordance with regulatory limits to provide for current service and for any unfunded projected benefit obligation over a reasonable period. To the extent these requirements are exceeded by plan assets, a contribution may not be made in a particular year. Plan assets consist principally of common stocks, guaranteed investment contracts with insurance companies, investments in real estate funds and U.S. Government obligations.

Net periodic pension expense of the plans includes the following components:

	1997		1996		1995	
	U.S.	Overseas	U.S.	Overseas	U.S.	Overseas
Service cost—benefits earned during the period	\$ 24.9	\$ 16.1	\$ 24.5	\$ 15.1	\$ 19.1	\$ 15.4
Interest cost on projected benefit obligation	67.6	17.6	64.4	17.5	64.5	16.8
Actual return on plan assets	(134.0)	(13.5)	(96.9)	(13.6)	(134.7)	(13.0)
Net amortization and deferral	59.0	1.0	26.1	4.0	61.5	4.7
Net pension expense	\$ 17.5	\$ 21.2	\$ 18.1	\$ 23.0	\$ 10.4	\$ 23.9

The following table sets forth the funded status of the plans at December 31:

	1997		1996	
	U.S.	Overseas	U.S.	Overseas
Plan assets at fair value	\$907.3	\$193.4	\$842.8	\$171.2
Actuarial present value of benefit obligations:				
Vested obligation	878.0	225.7	836.2	219.2
Nonvested obligation	39.4	18.0	41.1	16.5
Accumulated benefit obligation	917.4	243.7	877.3	235.7
Additional benefits related to assumed future compensation levels	59.2	35.1	48.4	36.2
Projected benefit obligation	976.6	278.8	925.7	271.9
Plan assets less than projected benefit obligation	(69.3)	(85.4)	(82.9)	(100.7)
Deferral of net actuarial changes and other, net	58.7	5.6	75.9	4.9
Unrecognized prior service cost	44.6	4.5	50.9	4.2
Unrecognized transition asset	(13.6)	(2.2)	(21.6)	(4.2)
Additional liability	—	(3.9)	—	(1.2)
Prepaid (accrued) pension cost recognized in the Consolidated Balance Sheets	\$ 20.4	\$ (81.4)	\$ 22.3	\$ (97.0)

The actuarial assumptions used to determine the projected benefit obligation of the plans were as follows:

	U.S.			Overseas (weighted average)		
	1997	1996	1995	1997	1996	1995
Settlement rates	7.25%	7.50%	7.00%	7.47%	8.23%	8.46%
Long-term rates of compensation increase	5.50	5.50	5.50	4.83	5.38	5.47
Long-term rates of return on plan assets	9.25	9.25	9.25	10.21	10.91	10.50

When remeasuring the pension obligation, the Company reassesses each actuarial assumption. The settlement rate assumption is pegged to long-term bond rates to reflect the cost to satisfy the pension obligation currently, while the other assumptions reflect the long-term outlook of rates of compensation increases and return on assets.

Other Postretirement and Postemployment Benefits

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

Postretirement benefits expense includes the following components:

	1997	1996	1995
Service cost—benefits earned during the period	\$ 2.3	\$ 1.7	\$ 1.9
Annual ESOP allocation	(10.1)	(5.0)	(4.2)
Interest cost on accumulated postretirement benefit obligation	13.4	12.6	13.7
Amortization of unrecognized net gain	(2.1)	(2.2)	(3.4)
Net postretirement expense	\$ 3.5	\$ 7.1	\$ 8.0

The actuarial present value of postretirement benefit obligations included in Other liabilities in the Consolidated Balance Sheets is comprised of the following components, at December 31:

	1997	1996
Retirees	\$140.5	\$144.8
Active participants eligible for retirement	1.6	1.0
Other active participants	1.6	6.9
Accumulated postretirement benefit obligation	143.7	152.7
Unrecognized net gain and prior service cost	46.9	43.8
Accrued postretirement benefit liability	\$190.6	\$196.5

The principal actuarial assumptions used in the measurement of the accumulated benefit obligation were as follows:

	1997	1996	1995
Discount rate	7.25%	7.50%	7.00%
Current medical cost trend rate	5.75	6.50	8.00
Ultimate medical cost trend rate	4.75	5.00	5.00
Medical cost trend rate decreases ratably to ultimate in year	1999	1999	1999
ESOP growth rate	10.00%	10.00%	10.00%

When remeasuring the accumulated benefit obligation, the Company reassesses each actuarial assumption.

The cost of these postretirement medical benefits is dependent upon a number of factors, the most significant of which is the rate at which medical costs increase in the future. The effect of a 1% increase in the assumed medical cost trend rate would increase the accumulated postretirement benefit obligation by approximately \$13.2; annual expense would increase by \$21.

8. Income Taxes

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

	1997	1996	1995
United States	\$ 91.0	\$ 67.2	\$ 18.0
Overseas	270.9	252.4	173.5
	\$361.9	\$319.6	\$191.5

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

	1997	1996	1995
Excess of tax over book depreciation	\$(12.7)	\$(15.9)	\$(18.9)
Net restructuring (spending) accrual	(47.5)	(26.3)	70.5
Other, net	5.2	21.5	(5.3)
	\$(55.0)	\$(20.7)	\$ 46.3

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

	1997	1996	1995
United States	\$ 271.8	\$171.3	\$(121.1)
Overseas	830.5	783.3	484.6
	\$1,102.3	\$954.6	\$ 363.5

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

Percentage of Income Before Tax	1997	1996	1995
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	.6	.3	.6
Earnings taxed at other than U.S. statutory rate	(1.8)	(1.4)	(.4)
Restructured operations	—	—	18.4
Other, net	(1.0)	(.4)	(.9)
Effective tax rate	32.8%	33.5%	52.7%

In addition, net tax benefits of \$49.2 in 1997 and \$32.6 in 1996 were recorded directly through equity.

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

	1997	1996
Deferred Taxes—Current:		
Accrued liabilities	\$ 78.8	\$ 63.7
Restructuring	27.7	24.5
Other, net	17.9	28.2
Total deferred taxes current	124.4	116.4
Deferred Taxes—Long-term:		
Intangible assets	(251.6)	(212.9)
Property, plant and equipment	(188.4)	(175.7)
Postretirement benefits	65.6	73.1
Restructuring	—	50.7
Tax loss and tax credit carryforwards	159.5	116.3
Other, net	54.7	29.1
Valuation allowance	(124.3)	(114.9)
Total deferred taxes long-term	(284.5)	(234.3)
Net deferred taxes	\$(160.1)	\$(117.9)

The major component of the 1997 and 1996 valuation allowance relates to tax benefits in certain jurisdictions not expected to be realized.

9. Foreign Currency Translation

Cumulative translation adjustments, which represent the effect of translating assets and liabilities of the Company's non-U.S. entities, except those in highly inflationary economies, were as follows:

	1997	1996	1995
Balance, January 1	\$(534.7)	\$(513.0)	\$(439.3)
Effect of balance sheet translations	(159.0)	(21.7)	(73.7)
Balance, December 31	\$(693.7)	\$(534.7)	\$(513.0)

Foreign currency charges, resulting from the translation of balance sheets of subsidiaries operating in highly inflationary environments and from foreign currency transactions, are included in the Consolidated Statements of Income.

10. Supplemental Income Statement Information

Other Expense, Net	1997	1996	1995
Amortization of intangibles	\$ 86.5	\$ 91.7	\$ 87.7
Earnings from equity investments	(5.6)	(7.8)	(7.3)
Minority interest	29.1	33.4	37.1
Other	(37.6)	(23.5)	(21.4)
	\$ 72.4	\$ 93.8	\$ 96.1

Interest, Net	1997	1996	1995
Interest incurred	\$241.6	\$244.4	\$250.7
Interest capitalized	(10.0)	(12.7)	(14.7)
Interest income	(48.1)	(34.3)	(30.6)
	\$183.5	\$197.4	\$205.4
Research and development	\$169.4	\$162.7	\$156.7
Maintenance and repairs	113.6	107.1	108.2
Media advertising	637.0	565.9	561.3

11. Supplemental Balance Sheet Information

Inventories	1997	1996
Raw materials and supplies	\$261.0	\$311.5
Work-in-process	33.5	34.3
Finished goods	433.9	424.9
	\$728.4	\$770.7

Inventories valued under LIFO amounted to \$157.9 and \$203.7 at December 31, 1997 and 1996, respectively. The excess of current cost over LIFO cost at the end of each year was \$46.7 and \$52.6, respectively. The liquidations of LIFO inventory quantities increased income by \$0, \$1.4 and \$1.4 in 1997, 1996 and 1995, respectively.

Property, Plant and Equipment, Net	1997	1996
Land	\$ 120.6	\$ 126.4
Buildings	653.0	655.9
Machinery and equipment	3,024.8	3,048.5
	3,798.4	3,830.8
Accumulated depreciation	(1,357.4)	(1,401.9)
	\$ 2,441.0	\$ 2,428.9

Goodwill and Other Intangible Assets, Net	1997	1996
Goodwill and other intangibles	\$3,060.3	\$3,107.4
Accumulated amortization	(475.0)	(387.0)
	\$2,585.3	\$2,720.4

Other Accruals	1997	1996
Accrued payroll and employee benefits	\$331.7	\$293.0
Accrued advertising	170.1	135.7
Accrued interest	49.5	48.6
Accrued taxes other than income taxes	46.7	47.9
Restructuring accrual	79.0	115.2
Other	161.9	136.4
	\$838.9	\$776.8

Other Liabilities	1997	1996
Minority interest	\$227.0	\$232.2
Pension and other benefits	365.1	393.9
Restructuring accrual	—	38.0
Other	183.7	277.9
	<u>\$775.8</u>	<u>\$942.0</u>

12. Fair Value of Financial Instruments

The Company utilizes interest rate swap contracts and foreign currency exchange contracts to manage interest rate and foreign currency exposures. (See the Results of Operations—Derivative Financial Instruments for further discussion.) In assessing the fair value of financial instruments at December 31, 1997 and 1996, the Company has used available market information and other valuation methodologies. Some judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The carrying amounts of cash and cash equivalents, marketable securities, long-term investments and short-term debt approximated fair value as of December 31, 1997 and 1996. The estimated fair value of the Company's remaining financial instruments at December 31 are summarized as follows:

(Liabilities)/Assets	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion (including foreign exchange contracts)	\$(2,518.6)	\$(2,665.6)	\$(2,897.2)	\$(2,994.9)
Other liabilities:				
Interest rate contracts	(7.1)	(18.4)	(10.3)	(.4)
Foreign exchange contracts	10.3	9.0	4.0	4.8
Equity:				
Foreign exchange contracts (to hedge investment in subsidiaries)	1.4	6.6	1.7	1.4

As of December 31, 1997 and 1996, the Company had interest rate agreements outstanding with an aggregate notional amount of \$929.8 and \$1,210.9, respectively, with maturities through 2011.

As of December 31, 1997 and 1996, the Company had approximately \$657.2 and \$676.9, respectively, of outstanding foreign exchange contracts. At December 31, 1997, approximately 8% of outstanding foreign exchange contracts served to hedge net investments in foreign subsidiaries, 36% hedged intercompany loans, and 56% hedged third-party debt and other firm commitments.

The Company is exposed to credit loss in the event of non-performance by counterparties on interest rate agreements and foreign exchange contracts; however, nonperformance by these counterparties is considered remote as it is the Company's policy to contract with diversified counterparties that have a long-term debt rating of A or higher. The amount of any such exposure is generally the unrealized gain on such contracts, which at December 31, 1997 was not significant.

13. Restructured Operations

In September 1995, the Company announced a major worldwide restructuring of its manufacturing and administrative operations, primarily in North America and Europe, designed to further enhance profitable growth over the next several years by generating significant efficiencies and improving competitiveness. The worldwide restructuring program resulted in a 1995 pretax charge of \$460.5 (\$369.2 net of tax) or \$1.27 per share for the year. The charge includes employee termination costs, expenses associated with the realignment of the Company's global manufacturing operations as well as settlement of contractual obligations. As a result of this rationalization, 20 of the 112 factories worldwide have been closed or reconfigured as of December 1997. The restructuring will be substantially completed during 1998 in facilities around the world. A summary of the restructuring reserve established is as follows:

	Original Reserve	Utilized in 1995 & 1996	Balance at Dec. 31, 1996		Balance at Dec. 31, 1997	
			Balance at Dec. 31, 1996	Utilized in 1997	Balance at Dec. 31, 1997	Utilized in 1997
Workforce	\$210.0	\$ (97.6)	\$112.4	\$ (45.0)	\$67.4	\$ (45.0)
Manufacturing plants	204.1	(125.8)	78.3	(48.0)	30.3	(48.0)
Settlement of contractual obligations	46.4	(33.9)	12.5	(11.0)	1.5	(11.0)
	<u>\$460.5</u>	<u>\$(257.3)</u>	<u>\$203.2</u>	<u>\$(104.0)</u>	<u>\$99.2</u>	<u>\$(104.0)</u>

Of the restructuring reserve remaining as of December 31, 1997 and 1996, \$79.0 and \$115.2, respectively, is classified as a current liability, \$0 and \$38.0, respectively, as a noncurrent liability, and \$20.2 and \$50.0, respectively, as a reduction of fixed assets.

14. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1997				
Net sales	\$2,147.1	\$2,300.9	\$2,297.2	\$2,311.5
Gross profit	1,080.6	1,168.1	1,166.7	1,179.8
Net income	169.6	175.8	188.6	206.4
Earnings per common share:				
Basic	.56	.58	.62	.68
Diluted	.52	.54	.58	.63
1996				
Net sales	\$2,053.7	\$2,167.3	\$2,230.6	\$2,297.4
Gross profit	1,003.3	1,061.0	1,094.8	1,138.8
Net income	143.5	148.9	160.9	181.7
Earnings per common share:				
Basic	.47	.49	.53	.60
Diluted	.44	.46	.50	.56

15. Market and Dividend Information

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

the common stock is CL. Dividends on the common stock have been paid every year since 1895, and the amount of dividends paid per share has increased for 35 consecutive years.

Market Price Quarter Ended	Common Stock				\$4.25 Preferred Stock			
	1997		1996		1997		1996	
	High	Low	High	Low	High	Low	High	Low
March 31	\$56.88	\$45.44	\$41.50	\$34.44	\$72.50	\$67.00	\$73.00	\$69.00
June 30	66.50	49.75	42.82	37.69	73.00	70.50	71.50	67.50
September 30	77.13	61.81	44.38	39.07	74.50	68.94	69.00	64.50
December 31	74.50	62.25	47.75	43.00	78.00	69.50	72.00	65.50
Closing Price	\$73.50		\$46.13		\$76.50		\$70.00	

Dividends Paid Per Share

Quarter Ended	1997	1996	1997	1996
March 31	\$.235	\$.235	\$1.0625	\$1.0625
June 30	.275	.235	1.0625	1.0625
September 30	.275	.235	1.0625	1.0625
December 31	.275	.235	1.0625	1.0625
Total	\$1.06	\$.94	\$4.25	\$4.25

16. Earnings Per Share

	1997			1996			1995		
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$740.4			\$635.0			\$172.0		
Preferred dividends	(21.1)			(21.4)			(21.6)		
Basic EPS	719.3	295.3	\$2.44	613.6	293.3	\$2.09	150.4	290.4	\$0.52
Stock options		6.9			5.1			5.1	
ESOP conversion	17.9	22.9		16.1	23.3		—*	—*	
Diluted EPS	\$737.2	325.1	\$2.27	\$629.7	321.7	\$1.96	\$150.4	295.5	\$0.51

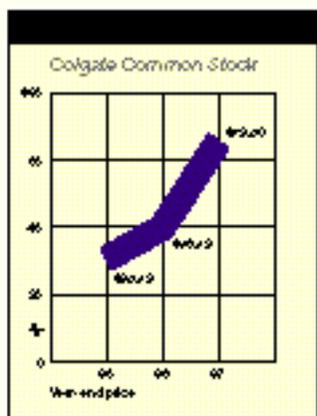
*The calculation of diluted earnings per share excludes the effect of antidilutive securities for 1995.

17. Commitments and Contingencies

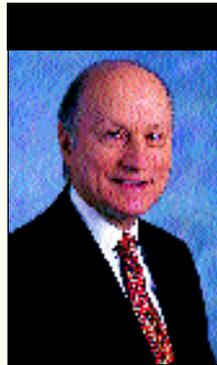
Minimum rental commitments under noncancellable operating leases, primarily for office and warehouse facilities, are \$65.2 in 1998, \$56.4 in 1999, \$53.3 in 2000, \$46.4 in 2001, \$43.9 in 2002 and \$164.1 thereafter. Rental expense amounted to \$94.4 in 1997, \$93.3 in 1996 and \$91.8 in 1995. Contingent rentals, sublease income and capital leases, which are included in fixed assets, are not significant.

The Company has various contractual commitments to purchase raw materials, products and services totaling \$152.2 that expire through 1999.

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



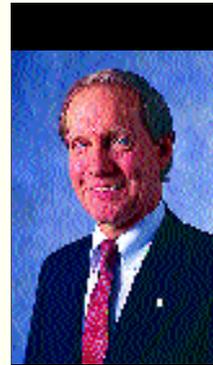
Board of Directors



Reuben Mark, 59
Chairman of the Board and
Chief Executive Officer of
Colgate-Palmolive
Company. Mr. Mark joined
Colgate in 1963 and held a
series of significant positions
in the United States and
abroad before being elected
CEO in 1984. Elected
director in 1983.



Jill K. Conway, 63
Visiting Scholar, Program in
Science, Technology and
Society at Massachusetts
Institute of Technology since
1985. Mrs. Conway was
President of Smith College
from 1975 to 1985. Elected
director in 1984.



Ronald E. Ferguson, 56
Chairman and Chief
Executive Officer of General
Re Corporation since 1987.
Mr. Ferguson has been with
General Re since 1969.
Elected director in 1987.



Ellen M. Hancock, 54
President, Exodus
Communications, Inc.,
a computer network and
internet systems company.
Mrs. Hancock previously
was Executive Vice President
and Chief Technology Officer
at Apple Computer Inc., 1996-
1997, Executive Vice President
and Chief Operating Officer
at National Semiconductor,
1995-1996, and Senior Vice
President at IBM. Elected
director in 1988.

Your Management Team

Corporate Officers

Reuben Mark, 59
Chairman of the Board and
Chief Executive Officer

See biographical
information above.

William S. Shanahan, 57
President and Chief
Operating Officer

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

Lois D. Juliber, 49
Executive Vice President,
Chief of Operations,
Developed Markets

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

David A. Metzler, 55
Executive Vice President,
Chief of Operations,
High Growth Markets

Joined Colgate in 1964.
Before being named to his
current position in 1997, he
was previously President
of Colgate-Europe and
President of Colgate-Latin
America. Earlier, he
had responsibilities for
operations in Canada, South
Pacific, Africa and India.

Stephen C. Patrick, 48
Chief Financial Officer

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

John T. Reid, 57
Chief Technological Officer
Joined Colgate in 1982 as
Vice President of Strategic
Planning from Pfizer
Corporation, where he
worked on that company's
strategic plan. Before being
named to his current
position in 1997, Dr. Reid had
also served as General
Manager of Colgate-Greece,
Vice President and General
Manager of Colgate-United
Kingdom and Vice President
of the South Pacific region.

Andrew D. Hendry, 50
Senior Vice President,
General Counsel and
Secretary

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

Robert J. Joy
Vice President
Global Human Resources

Dennis J. Hickey
Vice President and
Corporate Controller

Ian M. Cook
President
Colgate-U.S.

Stephen A. Lister
President
Colgate-Asia Pacific

Michael J. Tangney
President
Colgate-Latin America

Javier G. Teruel
President
Colgate-Europe

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

Steven R. Belasco
Vice President
Taxation and Real Estate

Brian J. Heidtke
Vice President, Finance
and Corporate Treasurer

Peter D. McLeod
Vice President
Manufacturing
Engineering Technology

John H. Tietjen
Vice President
Global Business
Development

Michael S. Roskothen
President
Global Oral Care

Barrie M. Spelling
President
Global Personal Care

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

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

Global Executives

Emilio Alvarez-Recio
VP-Global Advertising

Charles W. Beck
VP-Global Materials
and Sourcing

Edward C. Davis
VP-Budgets and Planning

Herbert L. Davis
VP-Business
Simplification-Quality

Hector I. Erezuma
VP-International Taxes

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

Edward Filusch
VP-Assistant Treasurer

Abdul Gaffar
VP-Advanced Technology
Oral Care

Nina Gillman
VP-Assistant General
Counsel

Roger E. Godbeer
VP-Global Media

Stefan S. Gorkin
VP-Global Labor Relations

Stuart A. Hulke
VP-MET-Category
Engineering

John J. Huston
VP-Office of the Chairman

Jules P. Kaufman
VP-Assistant General
Counsel

Leo Laitem
VP-Research and
Development
Household Surface Care

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

Francis A. Morelli
VP-Information Technology
and Customer Service

Robert A. Murray
VP-Corporate
Communications

James Norfleet
VP-Oral Care Development

Robert C. Pierce
VP-Research and
Development
Personal Care

Hans L. Pohlschroeder
VP-Assistant Treasurer

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

Grace E. Richardson
VP-Global Consumer Affairs

Clarence Robbins
VP-Advanced Technology
Personal Care

Jill H. Rothman
VP-Global Compensation

Reuven M. Sacher
VP-Research and
Development
Oral Care

David Swift
VP-Consumer Products
Global Oral Care

Richard Theiler
VP-Research and
Development
Fabric Care

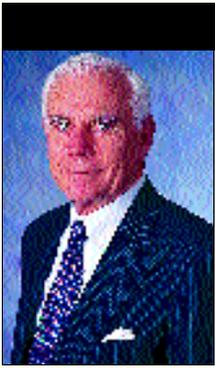
Bina H. Thompson
VP-Investor Relations

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

Edmund D. Toben
VP-Global
Information Technology

Joseph A. Uzzolina
VP-Global Household
Surface Care

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



David W. Johnson, 65
Chairman of Campbell Soup
Company since 1993.
Mr. Johnson was Campbell
President and Chief
Executive Officer, 1990-1997.
From 1987 to 1990, he
served as Chairman and
Chief Executive Officer of
Gerber Products Company.
Elected director in 1991.



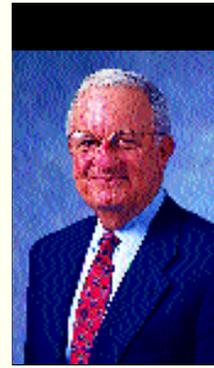
John P. Kendall, 69
Officer, Faneuil Hall
Associates, Inc., a private
investment company, since
1973. Mr. Kendall is a former
Chairman of The Kendall
Company. He joined that
company in 1956 and held
a series of significant
positions. Elected director
in 1972.



Richard J. Kogan, 56
President and Chief
Executive Officer of
Schering-Plough
Corporation since 1996.
Mr. Kogan joined Schering-
Plough as Executive Vice
President, Pharmaceutical
Operations, in 1982 and
then became President and
Chief Operating Officer of
that company in 1986.
Elected director in 1996.



Delano E. Lewis, 59
President and Chief
Executive Officer, National
Public Radio since mid-1993.
Mr. Lewis was President and
Chief Executive Officer of
Chesapeake & Potomac
Telephone Company from
1988 to 1993, having joined
that company in 1973, and
held positions of increasing
responsibility. Elected
director in 1991.



Howard B. Wentz, Jr., 68
Chairman of Tambrands,
Inc., 1993-1996. Mr. Wentz
was Chairman of ESSTAR
Incorporated, 1989-1995,
and Chairman, President
and Chief Executive Officer
of Amstar Company,
1983-1989. Elected
director in 1982.

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

Committee on Directors
Delano E. Lewis, Chair
Jill K. Conway
John P. Kendall
Howard B. Wentz, Jr.

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

Personnel and
Organization Committee
Jill K. Conway, Chair
Ronald E. Ferguson
David W. Johnson
John P. Kendall
Delano E. Lewis

J. Nicholas Vinke
VP-General Manager
Colgate Oral
Pharmaceuticals
Anthony R. Volpe
VP-Clinical Dental Research
Gregory Woodson
VP-Global Business
Development
Fabric Care
Douglas R. Wright
VP-Environment
Occupational Health
and Safety
John E. Zoog
VP-Human Resources
Services
**Operating
Executives**
Colgate-International
S. Peter Dam
President
Colgate-Africa
Keith W. Bates
VP-Manufacturing
Europe
David P. Bencze
VP-Manufacturing
Latin America
Phillip A. Berry
VP-Human Resources
Latin America
Jose-Maria Castro
VP-Finance and
Strategic Planning
Europe
Peter C. Chase
VP-Marketing
Latin America

Alec de Guillenmidt
VP-Benelux Operations
and ECR-Europe
Patrick Haverals
VP-Finance and
Strategic Planning
Asia Pacific
Coloman de Hegedus
VP-Kolynos Operations
Dale Dvorak
VP-Manufacturing
Central Europe and Russia
Stephen J. Fogarty
VP-Marketing
Asia Pacific
James Gerchow
VP-Manufacturing
Africa/Middle East
Walter H. Golembeski
VP-Manufacturing
and Technology
Asia Pacific
Jean-Mathieu Hellich
VP-Legal Director-Europe
Associate General Counsel
Seamus McBride
VP-Marketing
Europe
Richard Mener
VP-General Manager
Global Export/Middle East
Morgan J. O'Brien
VP-Financial Director
Central Europe and Russia
Leonard D. Smith
VP-Finance
Africa/Middle East

Karel van Brink
VP-Managing Director
New Geographies
and Acquisitions
Central Europe and Russia
Mario B. Vieira
VP-Human Resources
Europe
Francis M. Williamson
VP-Finance and
Strategic Planning
Latin America
Gregory J. Andrews
VP-General Manager
Argentina
Johannes Brouwer
VP-General Manager
Türkiye
Andreas Brouzos
VP-General Manager
Greece
David Conn
VP-General Manager
South Africa
Graeme Dalziel
VP-General Manager
Portugal
Steven E. Elliott
VP-General Manager
Thailand
Guillermo Fernandez
VP-President and
General Manager
Mexico
Chester Fong
VP-General Manager
Greater China
Jill Garrity
VP-General Manager
Puerto Rico

Karen Guerra
VP-General Manager
United Kingdom & Ireland
Luis Gutierrez
VP-General Manager
Central America
William A. Houlzet
VP-General Manager
France
N. Jay Jayaraman
VP-General Manager
India
Jorgen Lauridsen
VP-Chairman
France
Angel D. Martinez
VP-General Manager
Brazil
Franck Moison
VP-General Manager
Italy
Graeme B. Murray
VP-General Manager
Canada
Chris E. Pedersen
VP-General Manager
Nordic Group
Roger Pratt
VP-General Manager
Kolynos-Brazil
Friedrich Reinshagen
VP-General Manager
Poland/Hungary/Czech
Republic/Baltic States
Derrick Samuel
VP-General Manager
South Pacific Region
Raffy Santos
VP-General Manager
Hawley & Hazel
Taiwan

James H. Shoultz
VP-General Manager
Venezuela
Malcolm Stokoe
VP-General Manager
Caricom Region
Heiko Tietke
VP-General Manager
Germanic Countries
Daniel Vettoretti
VP-General Manager
Russia/Belarus/Ukraine
Paul Witmond
VP-General Manager
Dominican Republic
Seng Aun Yeoh
VP-General Manager
Malaysia
Colgate-U.S.
Robert E. Blanchard
VP-General Manager
Fabric Care
John Bourne
VP-Financial Business
Development
North America
Richard J. Coté
VP-Finance
James S. Figura
VP-Consumer Research
David R. Groener
VP-Manufacturing and
Product Supply Chain
North America
Jack Haber
VP-General Manager
Oral Care
Tarek Hallaba
VP-Marketing

Suzan Harrison
VP-General Manager
Household Surface Care
Sheila Hopkins
VP-General Manager
Personal Care
Robert R. Martin
President
Institutional Products
Robert F. Maruska
VP-Financial Planning
Louis Mignone
VP-Sales
Hill's Pet Nutrition
Dorset P. Sutton
President and Chief
Operating Officer
Richard F. Hawkins
President
Hill's-International
Warren B. Schmidgall
Executive Vice President
Operations and
Information Services
Virgil W. Weiss
Executive Vice President
Science and Technology
Joseph A. Douglas
Senior Vice President
Global Product Supply/MET/
Manufacturing Effectiveness
Virginia M. Dotzauer
VP-General Manager
Hill's-Domestic Diets
James W. Sparks
VP-Human Resources
Richard J. Wienckowski
VP-Finance
Chief Financial Officer

Shareholder Information

Corporate Offices

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

Annual Meeting

The annual meeting of Colgate shareholders will be Thursday, May 7, 1998 at 10:00 a.m. in the Broadway Ballroom of the Marriott Marquis Hotel, Sixth Floor, Broadway at 45th Street, New York, NY. Please sign and return your proxy promptly even if you plan to attend the meeting.

Stock Exchanges

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



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

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

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

Shareholder Account Assistance

To transfer stock, report address changes or pose questions about dividend checks or Colgate's Dividend Reinvestment Plan, contact the Company's transfer agent and registrar:

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

Dividend Reinvestment Plan

Colgate offers an automatic Dividend Reinvestment Plan for common and \$4.25 preferred stockholders and a voluntary cash feature. Any brokers' commissions or service charges for stock purchases under the plan are paid by Colgate-Palmolive.

Independent Public Accountants
Arthur Andersen LLP

Shareholder Contacts/Reports

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

- by mail directed to the corporate address
- by e-mail, investor_relations@colpal.com
- by calling 1-800-850-2654 or by calling Investor Relations at (212) 310-3207

Individual investors with other requests:

- please write Investor Relations at the corporate address or

- call (212) 310-2575

Institutional investors:

- call Bina Thompson at (212) 310-3072

Other Reports

To obtain a copy of Colgate's Environmental Policy Statement, Code of Conduct, Advertising Placement Policy Statement, the Product Safety Research Policy or our 1997 Report of Laboratory Research with Animals, please write to Consumer Affairs at Colgate-Palmolive.

Corporate Responsibility

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

Environmental Policy

Colgate-Palmolive is committed to the protection of the environment everywhere. Our commitment is an integral part of Colgate's mission to become the best truly global consumer products company. We continue to work on developing innovative environmental solutions in all areas of our business around the world. The health and safety of our customers, our employees and the communities in which we operate are paramount in all that we do. Colgate-Palmolive's concern has been translated into many varied programs dealing with our products, packaging, factories and business decisions. Projects such as concentrated cleaners and detergents, refill packages, recycled and recyclable bottles, and packaging materials are all part of working toward long-term solutions.

Eleven-Year Financial Summary ⁽¹⁾

Dollars In Millions Except Per Share Amounts

Continuing Operations	
Net sales	\$9,05
Results of operations:	
Net income	74
Per share, basic	2
Per share, diluted	2
Depreciation and amortization expense	31
Financial Position	
Current ratio	
Property, plant and equipment, net	2,44
Capital expenditures	47
Total assets	7,53
Long-term debt	2,34
Shareholders' equity	2,17
Share and Other	
Book value per common share	7
Cash dividends declared and paid per common share	1
Closing price	73
Number of common shares outstanding (in millions)	29
Number of shareholders of record:	
\$4.25 Preferred	
Common	46,
Average number of employees	37,

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

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

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

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

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

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

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

⁽⁸⁾ Income in 1987 includes a net provision for restructured operations of \$144.8. (Excluding this charge, earnings per share would have been \$.53, basic and \$.52, diluted.)

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1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
\$9,056.7	\$8,749.0	\$8,358.2 ⁽²⁾	\$7,587.9	\$7,141.3	\$7,007.2	\$6,060.3	\$5,691.3	\$5,038.8	\$4,734.3	\$4,365.7
740.4	635.0	172.0 ⁽²⁾	580.2 ⁽³⁾	189.9 ⁽⁴⁾	477.0	124.9 ⁽⁵⁾	321.0	280.0	152.7 ⁽⁶⁾	.9 ⁽⁸⁾
2.44	2.09	.52 ⁽²⁾	1.91 ⁽³⁾	.54 ⁽⁴⁾	1.46	.38 ⁽⁵⁾	1.14	.99	.56 ⁽⁶⁾	.001 ⁽⁸⁾
2.27	1.96	.51 ⁽²⁾	1.78 ⁽³⁾	.53 ⁽⁴⁾	1.37	.38 ⁽⁵⁾	1.06	.95	.55 ⁽⁶⁾	.001 ⁽⁸⁾
319.9	316.3	300.3	235.1	209.6	192.5	146.2	126.2	97.0	82.0	70.1
1.1	1.2	1.3	1.4	1.5	1.5	1.5	1.4	1.9	1.7	1.3
2,441.0	2,428.9	2,155.2	1,988.1	1,766.3	1,596.8	1,394.9	1,362.4	1,105.4	1,021.6	1,201.8
478.5	459.0	431.8	400.8	364.3	318.5	260.7	296.8	210.0	238.7	285.8
7,538.7	7,901.5	7,642.3	6,142.4	5,761.2	5,434.1	4,510.6	4,157.9	3,536.5	3,217.6	3,227.7
2,340.3	2,786.8	2,992.0	1,751.5	1,532.4	946.5	850.8	1,068.4	1,059.5	674.3	694.1
2,178.6	2,034.1	1,679.8	1,822.9	1,875.0	2,619.8	1,866.3	1,363.6	1,123.2	1,150.6	941.1
7.30	6.84	5.67	6.23	6.20	8.10	6.27	5.06	4.20	4.12	3.39
1.06	.94	.88	.77	.67	.58	.51	.45	.39	.37 ⁽⁷⁾	.35
73.50	46.13	35.13	31.69	31.19	27.88	24.44	18.44	15.88	11.75	9.82
295.4	294.3	291.7	288.8	298.5	320.5	294.7	266.4	264.4	276.3	274.4
320	350	380	400	450	470	460	500	500	550	600
46,800	45,500	46,600	44,100	40,300	36,800	34,100	32,000	32,400	33,200	33,900
37,800	37,900	38,400	32,800	28,000	28,800	24,900	24,800	24,100	24,700	37,400

United States

Colgate Clock Gets a New Look

The enormous Colgate Clock, which sits on the banks of the Hudson River in Jersey City, NJ, and faces lower Manhattan, has a new look, to announce the introduction of Colgate Total toothpaste. The corporate logo has been transformed into a giant replica of Colgate Total, the first and only toothpaste to receive the American Dental Association Seal of Acceptance for protection against plaque, gingivitis and cavities. The transformation of the clock is part of the record-breaking \$100 million introduction of Colgate Total.

