

Dear Colgate Shareholder...

Another Year Of Strong Performance In 2009

We are delighted that our strong performance continued in 2009 despite difficult economic conditions worldwide. In a year marked by volatile financial and currency markets and slow economic growth, Colgate's operating profit, net income and diluted earnings per share all increased at a double-digit rate and were at record high levels.

Global sales as reported were \$15,327 million, level with the year ago period, while organic sales (excluding foreign exchange, acquisitions and divestments) grew a strong 6.5%. Gross profit margin increased 210 basis points to a record 58.8%, excluding restructuring charges, primarily reflecting the benefits of increased pricing and cost-savings programs.*

Consistent with Colgate's strategy to spend prudently during challenging economic times, advertising spending behind the Company's brands declined 7% year over year but increased as the year progressed and is expected to increase further in 2010. During 2009, the Company also benefited from lower media rates in most areas of the world, allowing for a higher number of consumer impressions versus the prior year at a lower cost.

Our strong balance sheet and cash flow continued. Working capital improved by 290 basis points, from 2.5% to sales in 2008 to -0.4% to sales in 2009, and operating cash flow increased by 42% to a record \$3,277 million for the year. The Company's strong cash generation and positive growth momentum led the Board of Directors to authorize a 20% increase in the quarterly dividend rate, effective in the second quarter of 2010, on top of the 10% increase that took effect in 2009. In February 2010, the Board of Directors also authorized a new share repurchase program, under which the Company plans to purchase up to 40 million common shares over the next two years.

Our market shares are healthy around the world, driven by new product introductions and engaging, integrated marketing communications, both in and out of the store. Our global leadership in toothpaste and manual toothbrushes increased to record highs in 2009, and we have seen continued global share growth in other categories, including mouthwash, bar soaps and hand dishwashing liquids.

As we continue to face tough external challenges, we remain confident that we have the right strategy to build on our past successes. We remain highly focused on understanding consumers and working closely with dental



Ian Cook

Chairman, President and Chief Executive Officer

professionals in oral care and veterinary professionals in pet care, and with our retail customers; driving innovation in new products and throughout all our business processes; increasing effectiveness and efficiency everywhere; and strengthening our leadership worldwide.

Succeeding With Powerful Go-To-Market Strategies

The close relationships we have with consumers, dental and veterinary professionals, and our retail customers are essential to Colgate's long-term success in a rapidly changing global marketplace. For each of our core businesses of Oral Care, Personal Care, Home Care and Pet Nutrition, we employ powerful go-to-market strategies to continually strengthen these relationships and drive profitable growth.

To best connect with consumers around the world, we create integrated marketing campaigns that combine consistent brand messages to consumers with new ways of reaching them. For our new portable, mini-toothbrush, Colgate Wisp, we are using on-line video and social media, leveraging sites like YouTube and Facebook.

*Restructuring charges pertain only to 2008. A complete reconciliation between reported results and results excluding the 2004 Restructuring Program is available on Colgate's web site and on page 23 of this report.



As consumers reassess their brand choices, we are finding new ways to demonstrate the value of premium-priced products. In Mexico, to demonstrate the long-lasting fragrance superiority delivered by Suavitel Magic Moments fabric conditioner, sample towels, which are dated and notarized to attest to having been washed with Magic Moments three months earlier, are available in the store for shoppers to see, touch and smell for themselves. In South Africa, shelf signs in the red wine and coffee aisles remind shoppers they may also want to purchase teeth-whitening aids such as Colgate Max White toothpaste and Colgate Plax Whitening mouthwash.

Recommendations of professionals have made Colgate and Hill's the most recommended brands by dentists and veterinarians worldwide, giving us a valuable competitive advantage, one that is even more important in challenging economic times. We continue to gain both dental and veterinary endorsements by effectively communicating the science and technologies behind our products to the profession through our professional sales force and increased outreach to academics and key opinion leaders.

Dental professionals are playing an important role in building credibility and consumer awareness for our new Colgate Sensitive Pro-Relief toothpaste. We first launched Colgate Sensitive Pro-Relief desensitizing polishing paste

for in-office use by dental professionals in April 2009 at a meeting of the International Association for Dental Research, setting the stage for the consumer launch later in the year. The professional product has now been launched in over 45 countries, and the consumer product is rapidly following throughout Europe, Asia and Latin America, adding incremental market share for Colgate everywhere it has been launched.

Our relationship with retail customers continues to strengthen as we invest more in advertising, launch new value-added products and provide dynamic Colgate category plans, all contributing to increasing sales and profitability for Colgate and our retail partners. One important initiative is Joint Business Planning, in which Colgate and its customers set annual objectives that align their strategic priorities and business goals. We work with our customers across business functions, including shopper marketing, customer service and finance to grow the categories and provide better value to consumers.

Accelerating Innovation Everywhere

Innovation permeates the entire Colgate culture, extending creative thinking into all of the Company's business functions and processes.



Growth Highlights Of Five Divisions

Hill's Pet Nutrition (14% of sales)

- ▶ Sales and unit volume declined 0.5% and 7.5%, respectively, in 2009.
- ▶ Operating profit increased 2%.
- ▶ Unit volume in 2009 was impacted by price increases taken to help offset significant increases in commodity costs.
- ▶ Veterinary recommendations for the Hill's brand remain high worldwide.
- ▶ Innovative new products succeeding in the U.S. include an expanded line of Science Diet Simple Essentials Treats Canine available in seven varieties.

Greater Asia/Africa (17% of sales)

- ▶ Unit volume grew 2.0% in 2009, and sales were level with the year ago period.
- ▶ Operating profit increased 20%.
- ▶ Colgate Sensitive Pro-Relief, Colgate Total Professional Clean, Colgate 360° Whole Mouth Clean and Darlie Sensitive Gum Protection toothpastes, Colgate 360° ActiFlex and Colgate Max White manual toothbrushes, and Protex Clean & Pure bar soap contributed to growth throughout the region.

North America (19% of sales)

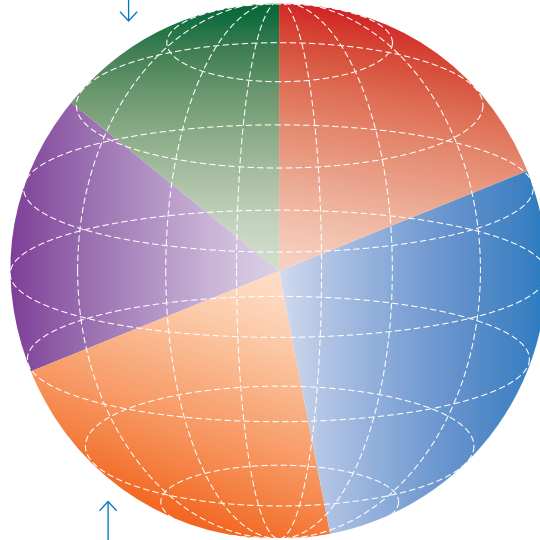
- ▶ Sales and unit volume grew 3.5% and 4.0%, respectively, in 2009.
- ▶ Operating profit increased 22%.
- ▶ Colgate's leadership of the U.S. toothpaste market continued, with its market share at 36.2% for the year.
- ▶ Colgate's share of the manual toothbrush market in the U.S. reached a record 32.2%, up 5.2 share points versus year ago, driven by the success of new Colgate Wisp portable mini-brush.

Latin America (28% of sales)

- ▶ Sales and unit volume grew 5.5% and 3.0%, respectively, in 2009.
- ▶ Operating profit increased 15%.
- ▶ Strong sales of premium-priced offerings such as Colgate Total Professional Sensitive and Colgate Total Professional Whitening toothpastes, Colgate 360° ActiFlex manual toothbrush, Colgate Plax Complete Care mouthwash and Suavitel Magic Moments fabric conditioner contributed to share gains throughout the region.

Europe/South Pacific (22% of sales)

- ▶ Sales declined 8.0% in 2009 and unit volume was level with the year ago period, excluding divestments.
- ▶ Operating profit was level with the year ago period.
- ▶ Colgate Sensitive Pro-Relief, Colgate Total Advanced Clean, Colgate Max Fresh with Mouthwash Beads toothpastes, Colgate 360° ActiFlex and Colgate Max White manual toothbrushes, Palmolive Naturals Cherry Blossom shower milk and liquid hand soap, and Ajax Professional liquid cleaners contributed to share gains throughout the region.



We are focused on providing value-added new products at every price point across categories globally. In Personal Care, for example, Protex Aloe antibacterial bar soap was launched at the base level and Protex Clean & Pure at the premium level. Protex Clean & Pure is specially formulated to help reduce the accumulation of bacteria and remove dirt and excess oil for clearer, healthier skin.

Our research and development function, with its strong scientific discipline, is organized into teams focused on specific activities within the innovation process. These include conducting early research, exploring external innovation opportunities, developing products that meet consumer needs through the incorporation of innovative technologies, and ensuring quality through consistent

global implementation and support for products on an ongoing basis.

The introduction of Colgate 360° ActiFlex manual toothbrush was the result of several of these areas coming together. The unique design of a flexible head that gently bends to clean in all directions was led by the Colgate technology team in collaboration with a leading design firm specializing in high-end car design.

Greater Efficiency And Effectiveness In Everything We Do

Colgate places great emphasis on initiatives that improve efficiency and effectiveness in order to accelerate growth and increase profitability. Savings generated from cost



reduction initiatives can be reinvested in growth-building activities to help the Company consistently achieve its profit goals.

We are sharply focused on driving business simplification in everything we do. This ongoing global priority is transforming the way we operate around the world. This includes harmonizing our formulas and packaging globally and regionally. At Hill's, for example, a 35% reduction in the number of different large-size bags in which Hill's sells its products has reduced costs by \$5 million. Projects such as this, across all of Colgate's core businesses, are adding up to hundreds of millions of dollars of savings annually.

Colgate Business Planning, or CBP, continues to generate efficiencies in trade promotion spending. CBP is an end-to-end commercial planning and execution process, supported by SAP software, that helps determine the most efficient use of promotional spending by measuring actual performance against goals and plans for each brand. In Thailand, for example, Colgate learned that value-pack promotions for several categories offering free extra product generate better results than temporary price reductions, and led to higher return on investment and incremental margin growth for Colgate.

Strengthening Leadership Worldwide

Colgate's continuing success as a leading global consumer products company relies on the commitment of Colgate people at all levels and functions to demonstrate personal leadership every day, guided by the Company's three global values of Caring, Continuous Improvement and Global Teamwork.

Training and development for all Colgate people is an integral part of working at Colgate. In addition to taking courses to build the skills needed to meet key business goals, Colgate people are also required to attend courses that place strong emphasis on how to conduct business ethically and with respect for all people and all cultures.

We are also committed to strengthening our leadership role in caring for communities where we live, work and sell our products. Since 1991, Colgate's largest and most comprehensive global oral health initiative, "Bright Smiles, Bright Futures," has been providing oral health education to millions of children and their families around the world. In addition, Hill's is partnering with animal shelters around the world to encourage pet adoption and provide partici-

pating shelters with a stable supply of Hill's Science Diet/Plan, which is fed exclusively to the dogs and cats under their care.

Similarly, as a leading global manufacturer of bar and liquid hand soaps, Colgate is educating consumers about the benefits of hand washing in preventing the spread of disease, working with public officials, academia, local schools and clinics. In South Africa, for example, to celebrate global hand-washing day, over 1,800 children joined the Protex brand spokesperson, rugby player Bryan Habana, to set a new standing in the Guinness Book of World Records for the largest number of people washing their hands simultaneously in the same place.

Outlook

Colgate is positioned well for the future due to our financial strength, market leading positions in many of our core categories around the world, a proven business strategy that has helped us succeed in strong and weak economic environments, and a dedicated global team of Colgate people working together to achieve our business goals.

Colgate ended a year marked by external economic challenges with excellent results and strong business momentum. As we move forward, we remain extremely focused on understanding today's consumer mindset and on delivering value-added new products at all price points globally. We are also firmly committed to further strengthening our relationships with the profession and our customers and to becoming even more efficient and effective in all of our business processes. Although we expect competitive and economic challenges to continue, we are confident that these strategies will help us achieve sustainable growth and another year of strong financial performance in 2010.

I wish to thank all Colgate people worldwide for their personal commitment and efforts in making 2009 another successful year for your Company, and express appreciation for the support of our customers, suppliers, shareholders and directors.

Thank You,

Ian Cook
Chairman, President and Chief Executive Officer