

Another Year Of Double-Digit Earnings Growth



(Dollars in Millions Except Per Share Amounts)

	2009	2008*	Change
Unit Volume			+0.5%
Worldwide Sales	\$ 15,327	\$ 15,330	–
Gross Profit Margin	58.8%	56.3%	+250 basis points
Operating Profit	\$ 3,615	\$ 3,101	+17%
Operating Profit Margin	23.6%	20.2%	+340 basis points
Net Income	\$ 2,291	\$ 1,957	+17%
Net Income Percent to Sales	14.9%	12.8%	+210 basis points
Diluted Earnings Per Share	\$ 4.37	\$ 3.66	+19%
Dividends Paid Per Share	\$ 1.72	\$ 1.56	+10%
Operating Cash Flow	\$ 3,277	\$ 2,302	+42%
Number of Registered Common Shareholders	30,600	31,400	-3%
Number of Common Shares Outstanding (in millions)	494	501	-1%
Year-end Stock Price	\$ 82.15	\$ 68.54	+20%

Highlights

- ▶ Worldwide sales were level with the year ago period. Organic sales (excluding foreign exchange, acquisitions and divestments) grew a strong 6.5%.
- ▶ Operating profit, net income and diluted earnings per share all increased at a double-digit rate for the year.
- ▶ Gross profit margin increased 250 basis points. Excluding restructuring charges, gross profit margin increased 210 basis points to an all-time record high of 58.8%.
- ▶ Operating cash flow grew by 42% to an all-time record level of \$3,277 million.
- ▶ The quarterly dividend rate increased by 10% in 2009.

* Net income and diluted earnings per share in 2008 include an aftertax charge of \$ 113 million (\$0.21 per share) related to the 2004 Restructuring Program. 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 required, the Company adopted an update to the Consolidation Topic of the FASB Codification on January 1, 2009, and as a result of the adoption, certain prior-period amounts attributable to noncontrolling interests in less-than-wholly-owned subsidiaries were reclassified within the Consolidated Statements of Income, Balance Sheets and Cash Flows. While the reclassification had no impact on net income or diluted earnings per share, it did impact the previously reported operating profit and operating cash flow. A complete reconciliation to previously reported amounts is available on Colgate's web site.

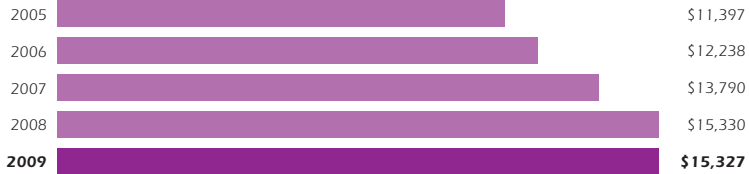
United States

“Bright Smiles, Bright Futures” Program Reaches New Milestone

In the United States alone, Colgate’s “Bright Smiles, Bright Futures” oral health education and community outreach program has reached over 100 million children since the program began in 1991.



Net Sales (\$ millions)



Dividends Paid (per common share)

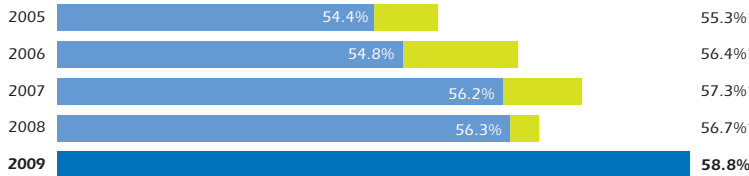


Operating Cash Flow (\$ millions)



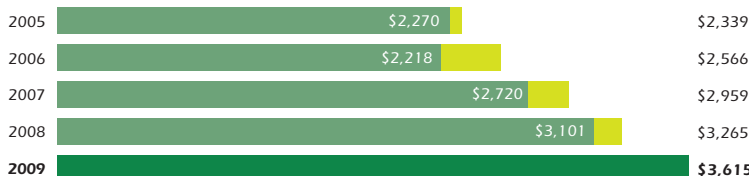
Operating cash flow in years prior to 2009 has been restated as a result of the Company’s adoption of an update to the Consolidation Topic of the FASB Codification on January 1, 2009. A complete reconciliation to previously reported amounts is available on Colgate’s web site.

Gross Profit Margin and Additional Information* (% of sales)



* Excludes restructuring and implementation-related charges related to the 2004 Restructuring Program that reduced gross profit by \$59 million, \$154 million, \$196 million and \$100 million in 2008, 2007, 2006 and 2005, respectively. These charges reduced gross profit margin as a percentage of net sales by 40 basis points, 110 basis points, 160 basis points and 90 basis points in 2008, 2007, 2006 and 2005, respectively. A complete reconciliation between reported results and results excluding charges under the 2004 Restructuring Program and Other Items, including a description of such Other Items, is available on Colgate’s web site and on page 23 of this report.

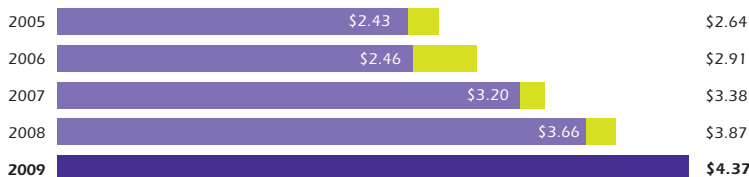
Operating Profit and Additional Information* (\$ millions)



* Excludes restructuring and implementation-related charges related to the 2004 Restructuring Program that reduced operating profit by \$164 million, \$259 million, \$395 million and \$183 million in 2008, 2007, 2006 and 2005, respectively. In addition, 2007, 2006 and 2005 exclude the net impact of certain Other Items that increased operating profit by \$20 million, \$47 million and \$114 million, respectively. A complete reconciliation between reported results and results excluding charges under the 2004 Restructuring Program and Other Items, including a description of such Other Items, is available on Colgate’s web site and on page 23 of this report.

Operating profit in years prior to 2009 has been restated as a result of the Company’s adoption of an update to the Consolidation Topic of the FASB Codification on January 1, 2009. A complete reconciliation to previously reported amounts is available on Colgate’s web site.

Diluted Earnings Per Share and Additional Information*



* Excludes restructuring and implementation-related charges related to the 2004 Restructuring Program that reduced diluted earnings per share by \$0.21, \$0.34, \$0.52 and \$0.26 in 2008, 2007, 2006 and 2005, respectively. In addition, 2007, 2006 and 2005 exclude the net impact of certain Other Items that increased diluted earnings per share by \$0.16, \$0.07 and \$0.05, respectively. A complete reconciliation between reported results and results excluding charges under the 2004 Restructuring Program and Other Items, including a description of such Other Items, is available on Colgate’s web site and on page 23 of this report.

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)

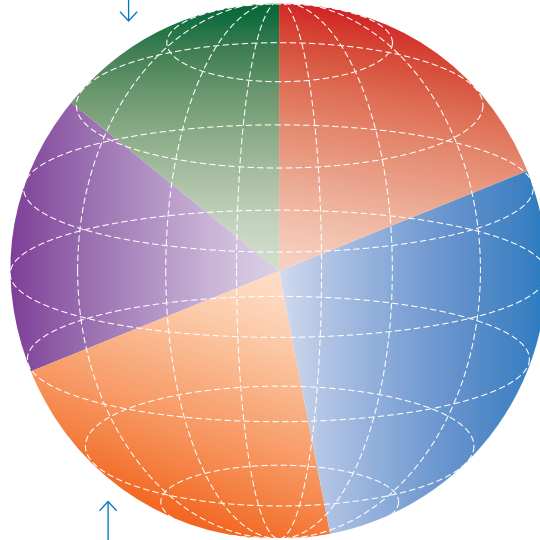
- ▶ Sales and unit volume grew 3.5% and 4.0%, respectively, in 2009.
- ▶ Operating profit increased 22%.
- ▶ Colgate's leadership of the U.S. toothpaste market continued, with its market share at 36.2% for the year.
- ▶ Colgate's share of the manual toothbrush market in the U.S. reached a record 32.2%, 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

Non-GAAP Reconciliation Of Financial Measures

The following is provided to supplement certain non-GAAP financial measures discussed in the letter to shareholders and the financial highlights section of this report (pages 2-7) both as reported (on a GAAP basis) and excluding the impact of certain items (non-GAAP), as explained below. Management believes these non-GAAP financial measures provide useful supplemental information to investors regarding the underlying business trends and performance of the Company's ongoing operations and are useful for period-over-period comparisons of such operations. The Company uses these financial measures internally in its budgeting process and as a factor in determining compensation. While the Company believes that these non-GAAP financial measures are useful in evaluating the Company's business, this information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similar measures presented by other companies.

(Dollars in Millions Except Per Share Amounts)

	2008				2007			
	Gross Profit Margin	Operating Profit ⁽⁸⁾	Net Income	Diluted EPS	Gross Profit Margin	Operating Profit ⁽⁸⁾	Net Income	Diluted EPS
As Reported (GAAP)	56.3%	\$3,101	\$1,957	\$3.66	56.2%	\$2,720	\$1,737	\$3.20
Restructuring Charges ⁽¹⁾	0.4%	164	113	0.21	1.1%	259	184	0.34
Gain on Bleach Sales ⁽²⁾	—	—	—	—	—	(49)	(29)	(0.05)
Hill's Voluntary Product Recall ⁽³⁾	—	—	—	—	—	14	8	0.01
Tax Adjustments ⁽⁴⁾	—	—	—	—	—	—	(74)	(0.14)
Pension Settlement Charges ⁽⁵⁾	—	—	—	—	—	15	10	0.02
Excluding Restructuring and Other Items (Non-GAAP)	56.7%	\$3,265	\$2,070	\$3.87	57.3%	\$2,959	\$1,836	\$3.38
	2006				2005			
	Gross Profit Margin	Operating Profit ⁽⁸⁾	Net Income	Diluted EPS	Gross Profit Margin	Operating Profit ⁽⁸⁾	Net Income	Diluted EPS
As Reported (GAAP)	54.8%	\$2,218	\$1,353	\$2.46	54.4%	\$2,270	\$1,351	\$2.43
Restructuring Charges ⁽¹⁾	1.6%	395	287	0.52	0.9%	183	145	0.26
Gain on Bleach Sales ⁽²⁾	—	(47)	(38)	(0.07)	—	—	—	—
Pension Settlement Charges ⁽⁵⁾	—	—	—	—	—	34	23	0.04
Gain on Detergent Sales ⁽⁶⁾	—	—	—	—	—	(148)	(93)	(0.17)
Tax on Incremental Remittances ⁽⁷⁾	—	—	—	—	—	—	41	0.08
Excluding Restructuring and Other Items (Non-GAAP)	56.4%	\$2,566	\$1,602	\$2.91	55.3%	\$2,339	\$1,467	\$2.64

1) The restructuring charges relate to the restructuring program that began in the fourth quarter of 2004 and was finalized as of the end of 2008 (the 2004 Restructuring Program). These restructuring charges include separation-related costs, incremental depreciation and asset write-downs, and other costs related to the implementation of the 2004 Restructuring Program.

2) In 2007, the Company recorded a \$29 million aftertax gain associated with the sale of the Company's household bleach business in Latin America. In 2006, the Company recorded a \$38 million aftertax gain associated with the sale of the Company's household bleach business in Canada.

3) In 2007, the Company recorded an \$8 million aftertax charge related to the limited voluntary product recall of certain Hill's feline products.

4) In 2007, the Company recorded \$74 million of net tax adjustments consisting of the reduction of a tax loss carryforward valuation allowance in Brazil, partially offset by tax provisions for the recapitalization of certain overseas subsidiaries.

5) In 2007 and 2005, the Company recorded a \$10 million and a \$23 million aftertax charge, respectively, associated with certain pension obligations in accordance with the Compensation – Retirement Benefits Topic of the Financial Accounting Standards Board (FASB) Codification.

6) In 2005, the Company recorded a \$93 million aftertax gain associated with the sale of the Company's heavy-duty laundry detergent brands in North America and Southeast Asia.

7) In 2005, the Company recorded a \$41 million income tax charge for incremental repatriation of foreign earnings related to the American Jobs Creation Act.

8) Operating profit in years prior to 2009 has been restated as a result of an update to the Company's adoption of the Consolidation Topic of the FASB Codification on January 1, 2009. A complete reconciliation to previously reported amounts is available on Colgate's web site.