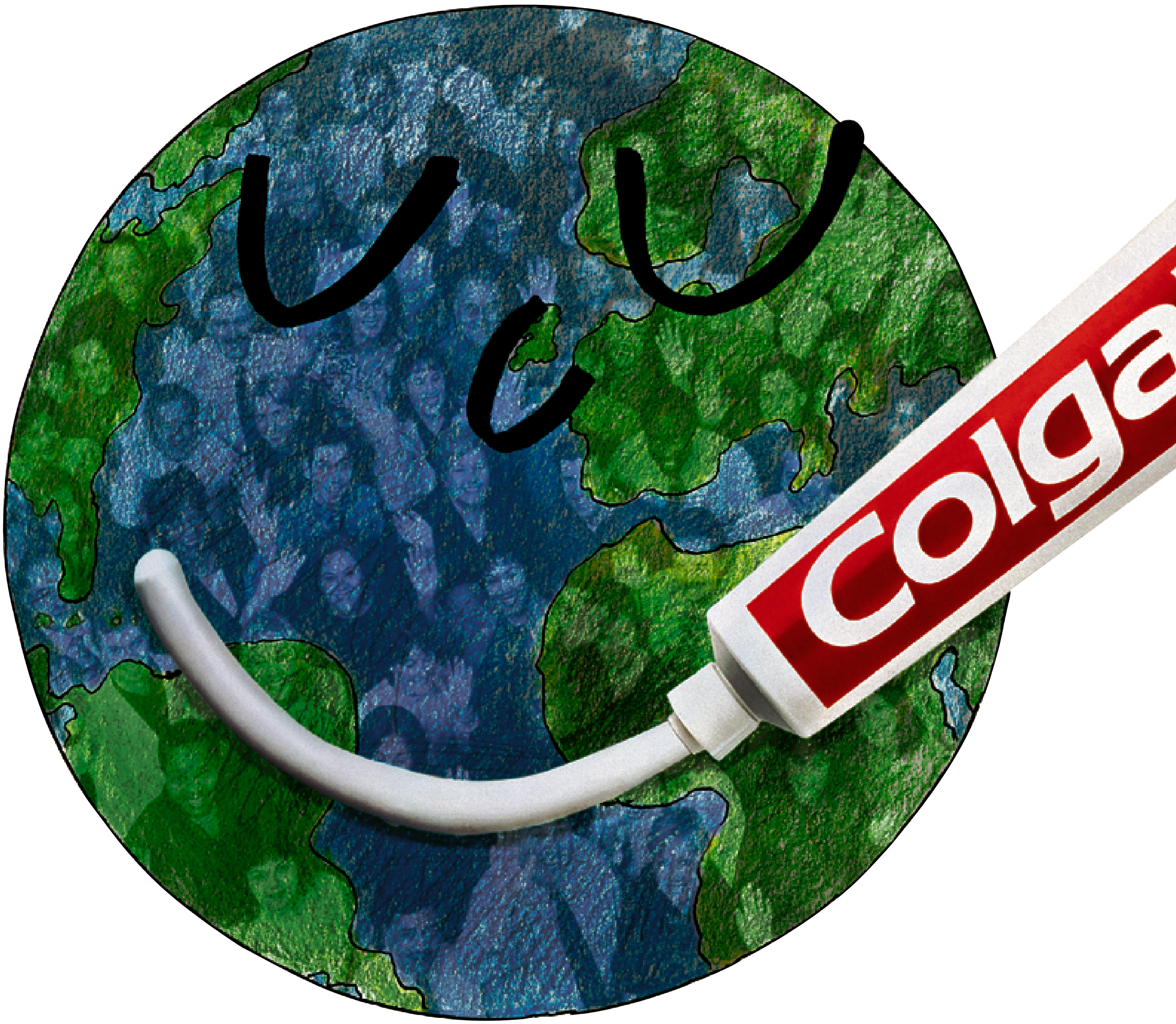
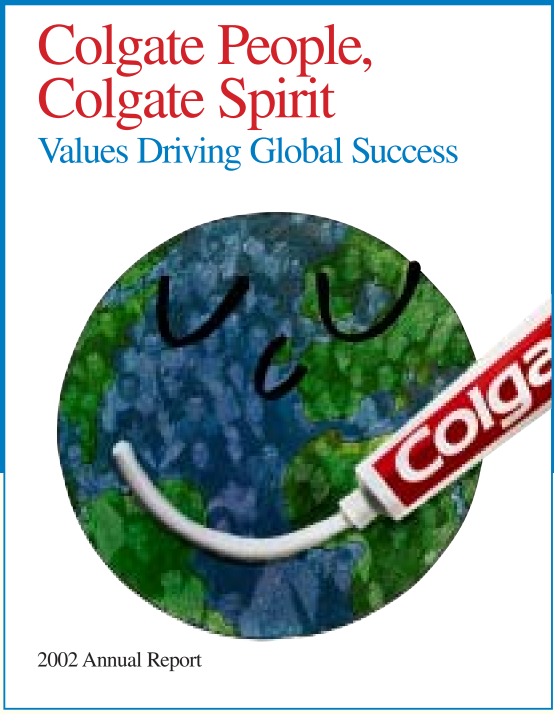
Colgate People, Colgate Spirit

Values Driving Global Success



2002 Annual Report



People on Our Cover

This multifunctional team at our Technology Center in Piscataway, New Jersey, is symbolic of the Colgate people and Colgate spirit driving our global success.

Contents

Values in Action

Colgate people and Colgate spirit drive our global success because Colgate's three global values provide a strong framework for our business success every day, everywhere. Colgate people around the world incorporate these values into their everyday lives. In our 2002 Annual Report we will share some examples of these values in action:

Caring
page 6

Our business success is built on a foundation of caring for consumers, Colgate people and the community.

Global Teamwork
page 10

Colgate people find solutions together and speed successful ideas across borders.

Continuous Improvement
page 14

Colgate people make improvements every day, everywhere, in every aspect of our business.

Colgate's Global Values—Entrance to Colgate-Sanxiao Toothbrush Facility, China

Another Year of Record Results

Dollars in Millions Except Per Share Amounts	*2002*	2001	Change
Unit Volume			+4.5%
Worldwide Sales	*$9,294.3*	$9,084.3	+2.5%
Gross Profit Margin	*54.6%*	53.4%	+120 basis points
Operating Profit	*$2,013.1*	$1,834.8	+10%
Operating Profit Margin	*21.7%*	20.2%	+150 basis points
Net Income	*$1,288.3*	$1,146.6	+12%
Percent to Sales	*13.9%*	12.6%	+130 basis points
Earnings Per Share, Diluted	*$ 2.19*	$ 1.89	+16%
Dividends Paid Per Share	*$ .72*	$ .675	+7%
Operating Cash Flow	*$1,611.2*	$1,503.9	+7%
Percent to Sales	*17.3%*	16.6%	+70 basis points
Return on Capital	*34.6%*	29.7%	+490 basis points
Number of Registered Common Shareholders	*38,800*	40,900	–5%
Number of Common Shares Outstanding (in millions)	*536.0*	550.7	–3%
Year-end Stock Price	*$ 52.43*	$ 57.75	–9%

Note: The Company adopted two new accounting standards that change the way it accounts for sales incentives and the amortization of goodwill and intangible assets. Prior year net sales information has been revised to reflect the new sales incentive accounting method with no impact on operating profit, net income or earnings per share. As required, prior year results were not revised to reflect the new goodwill and intangible assets accounting method.

> Every operating division participated in the strong 4.5% unit volume growth.

> Colgate achieved its seventh consecutive year of double-digit earnings per share growth.

> Gross profit margin, operating profit margin and net profit margin all grew more than 100 basis points vs. 2001.

> All key profitability indicators set new records: sales, gross profit margin, operating profit, net income and return on capital.

> Worldwide sales would have increased 5.0% if not for foreign currency translation.

About Colgate:

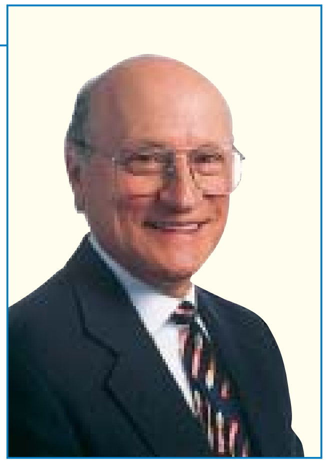
Colgate-Palmolive is a $9.3 billion global company serving people in more than 200 countries and territories with consumer products that make lives healthier and more enjoyable. The Company focuses on strong global brands in its core businesses—Oral Care, Personal Care, Household Surface Care, Fabric Care and Pet Nutrition. Colgate is delivering strong global growth by following a tightly defined strategy while increasing market leadership positions for key products, such as toothpaste, hand dishwashing liquid, liquid hand soap, liquid cleaners and specialty pet foods.

Dear Colgate Shareholder...

Strong Global Growth Increased Gross Profit Margin and Earnings Per Share

Reuben Mark:

"By making the Company's global values an integral part of our culture, Colgate people are achieving Colgate's outstanding success. We in senior management understand that we must provide the leadership, development and training that further strengthens our values and assures continuing strong performance."



Bill Shanahan:

"Global teamwork and sharing best practices around the world play a critical role in Colgate's new product success. We are advancing our new products to market and accelerating them around the world using new collaborative techniques that foster continuous improvement and even greater success."

For Colgate, 2002 was an outstanding year, with all-time record sales and profitability. Our strong results demonstrate once again the merits of our global growth strategies, supported by a powerful yet simple financial approach. We firmly believe that the commitment of our people to living Colgate's values of Caring, Global Teamwork and Continuous Improvement around the world is tightly linked to our continued success year after year.

Colgate made significant progress in 2002, reflected in both our strong top- and bottom-line growth. Successful new products drove market share gains and a worldwide unit volume increase of 4.5% in 2002. These gains came from all parts of the Colgate world, across all divisions and all lines of business. Dollar sales also increased 2.5% to a new record high of $9.3 billion.

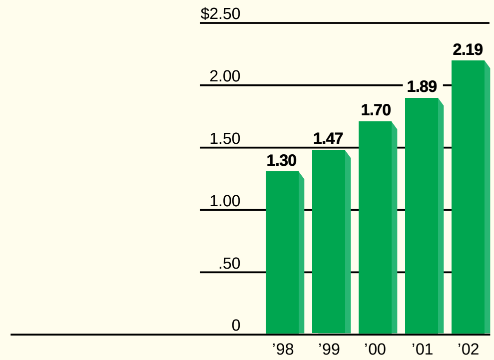
Gross profit margin, operating profit, net income, earnings per share and return on capital all set new records in 2002. These results illustrate the power of our proven financial strategy. It is a cycle of success designed to drive gross margin up and reduce costs in order to fund growth initiatives including new product development and increases in marketing spending, which, in turn, generate greater profitability. Gross profit margin improved by 120 basis points to 54.6% compared with 2001. Net income rose 12% in 2002 to a record $1,288.3 million, and earnings per share grew 16% to $2.19 vs. $1.89 for full year 2001.

As we continue to face uncertainties in various regional economies, we are pleased with the strength of the Colgate balance sheet, a key indicator of our ability to fund future growth as well as directly reward our shareholders through dividend increases and stock repurchases. Our cash generation was strong, aftertax return on capital improved 490 basis points to 34.6%, and we achieved further reductions in our already low level of working capital. Every important financial ratio improved during 2002.

Our corporate culture, shaped by our values, is built on respect for people and gives Colgate an important competitive advantage. The financial results just reviewed are simply ways of measuring the strategic soundness and quality of execution that Colgate employees exhibit every day, consistent with our core values and principles. There is increasing recognition today that

Earnings Per Share

Diluted earnings per share increased 16% to $2.19 in 2002, the Company's seventh consecutive year of double-digit EPS growth.



corporate culture has a major impact on business performance. Proud to uphold Colgate's reputation as a company with the highest ethical standards, Colgate people around the world adhere to a global Code of Conduct that guides us in managing with respect and living our values of Caring, Global Teamwork and Continuous Improvement around the world. Our Code of Conduct is a set of principles that guides our relationships with one another, our business partners, consumers, shareholders and the communities in which we live and work.

To further a climate of mutual respect and trust, we place high priority on communication tools to keep people connected, and on training to build the skills they need to function at their highest potential and advance their careers. All of our 37,700 people attend multiple training programs in our 100-plus class curriculum, including courses that emphasize business integrity, relationships and teamwork. We foster ongoing communication through formal and informal meetings, organized networks of people with common objectives, video reports and our internal intranet.

Because "Becoming the Best Place to Work" is vital to attracting and retaining the best people, we are committed to making this goal an ongoing reality. Through a formal initiative headed by senior company executives, we strive to make Colgate a more exciting place to work, to always recognize and reward contributions, to offer a motivating environment and to create stimulating careers.

Integrity permeates all aspects of our Company. Notably, this year our Board of Directors has again been recognized by respected publications as one of the best boards in America because of its diverse composition, breadth of experience, independence and dedication to fulfilling its corporate governance responsibilities.

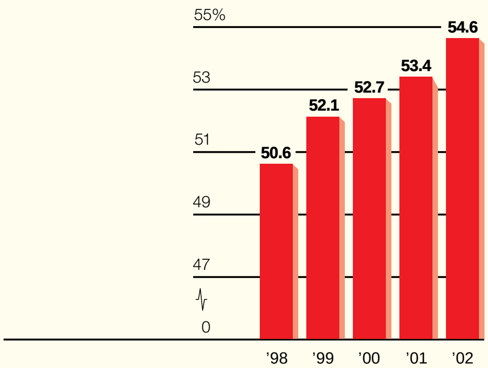
Superior process and outstanding execution go hand in hand with culture to produce consistent global volume increases. Extreme focus on our disciplined global processes generates steady continuous improvement rather than one-time "needle-moving" events. Accordingly, a specific global strategy and execution plan exists for every line on the income statement and balance sheet, helping to drive Colgate's strong, high-quality results.

Clear goal setting and the establishment and worldwide dissemination of global best practices are essential elements of our disciplined approach. Guidelines cover every aspect of our business, from managing working capital to launching new products to successfully dealing with economic slowdown. For example, when the economies of Argentina and Venezuela weakened in 2002, Colgate people were prepared with proven guidelines on how to manage through the crises, and Colgate has emerged with even stronger market shares than before in both countries.

The concept of "360-degree" marketing, which involves surrounding the consumer with brand messages in new ways, was implemented in a few countries and has been so successful that it is now a Colgate global best practice incorporated in all of our major marketing programs worldwide. Another organizational concept giving Colgate a competitive edge is the formation of cross-functional "go-to-market" teams for every major product launch.

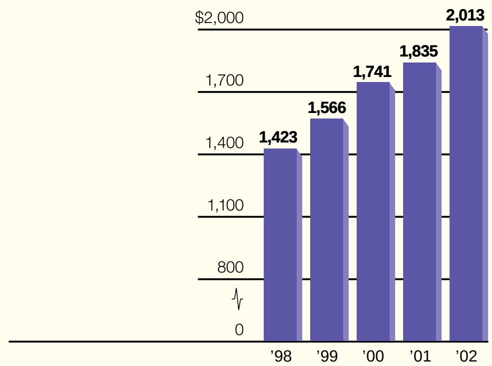
Gross Profit Margin (% to sales)

In 2002, gross profit margin improved by 120 basis points to 54.6%.



Operating Profit ($ millions)

Operating profit increased 10% to a record $2.0 billion. Every operating division increased this key financial measure in 2002.



First developed in Europe, these teams are being established globally to get new products to consumers faster and more effectively than ever before.

Following proven practices and executing them better and better sets Colgate apart and leads to steady, dependable growth year after year.

A constant stream of innovative new products continues to build market share in core categories and fuel our growth. In 2002, 40% of Colgate's sales came from new products introduced in the past five years. By maintaining a tight focus on our core categories, Colgate continues to achieve market leadership in many of the most important segments in which we compete, including toothpaste, hand dishwashing liquid, liquid hand soap, liquid cleaners and specialty pet foods. For example, the speed-to-market, quality of execution and great advertising for Palmolive Aromatherapy shower gels drove Colgate to the Number One brand position in this category across Europe for the first time. In categories where we already are Number One, our leadership is strengthened by innovative new products like Hill's Science Diet Nature's Best, a new line of premium dog and cat food made with natural ingredients.

Effective marketing programs are essential to introduce new products and build leadership brands worldwide. Colgate continues to invest in these important activities, and last year spending increased worldwide, both absolutely and as a percentage of sales.

To continue the flow of innovation, Colgate has opened additional Category Innovation Centers in Asia and Australia, and has linked them to those already in place in the U.S., Europe and Latin America through collaborative teams that develop global strategies for each product category.

As we look ahead, our ongoing momentum, exciting new products, proven growth strategies, and additional benefits from savings and productivity projects all point to our continued strong progress in 2003. We continue to focus resources behind our high-priority, most profitable categories—Oral Care, Personal Care and Pet Nutrition—and are extremely optimistic about the many innovative new products in the pipeline for launch in 2003. Benefits from investing in information technology and in the regionalization of manufacturing have been only partially realized. We have completed the worldwide implementation of the base application of SAP, our enterprise-wide software. We have received significant benefits from this base to date, and there are substantial additional savings ahead. We have just started to roll out the next generation of SAP applications globally for information analysis, supply chain optimization and supplier collaborations. We are only at the beginning of those savings, with much more to come.

We continue to gain efficiencies from regionalization of manufacturing, most recently with a new toothpaste plant in Thailand servicing Southeast Asia, and a toothbrush plant in Yangzhou, China servicing the world.

The ongoing success of our growth strategies and cost-savings programs keeps us on track to achieve our long-term gross profit margin goal of 61% by 2008. They provide the financial resources to invest in our new products and continue to provide increasing returns to shareholders. We look forward to another good year of profitable growth to add to our long history of continuous improvement and strong performance.

Thank you,

Reuben Mark
Chairman and
Chief Executive Officer

William S. Shanahan
President

Caring

Our business success is built on a foundation of caring:

- Caring for Consumers
- Caring for Colgate People
- Caring for the Community

Caring forms the basis of the Colgate culture, in which 37,700 employees around the globe strive always to conduct business in the right way, everywhere we operate. Caring guides our relationships with one another, our business partners, consumers, shareholders and the communities in which we live and work. It is Colgate's belief that demonstrating caring for consumers, caring for Colgate people, and caring for the community are integral to successful results and global growth, evidenced again in 2002 by record sales and increasing profitability.

Colgate cares for consumers in many ways. First and foremost, Colgate cares by helping consumers around the world take care of their important oral care, personal care, household surface care, fabric care and pet nutrition needs. Colgate uses great technology to offer the right products at the right prices to all consumers, increasing everyone's access to good health and hygiene. Colgate also shows caring by developing products to address consumers' own special needs. Insights into consumers' wants and needs, gained through a wide array of research techniques, help make sure that our products meet changing needs in our consumers' lives. In diverse markets like the U.S., caring for consumers means ensuring that familiar products from other Colgate countries are available. For example, Suavitel, the leading fabric conditioner in Mexico, has become the number two brand among Hispanics in the U.S. and has shown double-digit growth for the fourth consecutive year in the U.S. In addition, caring is expressed in our commitment to the safety and quality of our products everywhere.

Colgate Caring in Action—Uruguay

Colgate cares for employees through a range of workplace-enhancing initiatives designed to attract and retain the best people and help Colgate become the best place to work, a key element of our global strategy.

Caring for employees is powerfully expressed through Colgate's five Managing with Respect principles: Communicate Effectively, Give and Seek Feedback, Value Unique Contributions, Promote Teamwork and Set the Example. These principles are taught in management training classes and are repeatedly communicated in globally distributed materials, including wallet-sized cards. To ensure that Managing with Respect is practiced, recognized and rewarded, these principles are an integral part of Colgate's employee performance appraisals.

More than 100 global training programs help employees improve their skills, increase their effectiveness and advance their careers. Training also encompasses our values. For example, in less than one year, 2,500 supervisors, managers and executives

(continued on page 9)

Caring for Consumers

Quality Products Worldwide

Colgate maintains global standards to ensure quality products for all our consumers and their families worldwide. Before Colgate products arrive in retail stores, they must conform to a 25-point global guideline to assure quality and consistency.

Thailand

Caring for Colgate People

Global Employee Safety Training

Colgate's ongoing focus on safety continues to show results. Through a formal "Raising the Bar" program in 2002, the Company achieved a record 45% reduction in lost workday cases. Colgate employees worldwide have strengthened our safety culture by creating innovative stage shows and printed materials, such as the posters shown below. These activities, together with a focus on training, performance measurement and sharing best practices, have built on eleven successive years of improvement in our safety record.

Colombia

Global

Caring for the Community

Improving Oral Health Around the World

Colgate's "Bright Smiles, Bright Futures" program reaches 50 million children and their families annually across 80 countries and in 30 languages. In South Africa, special dental educators make oral health education fun for schoolchildren around the country.

South Africa

(continued from page 6)

throughout the Colgate world will have completed "Business Integrity: Colgate's Values at Work." This training experience ensures a thorough and consistent understanding of the Company's ethical business and professional standards and practices as expressed in Colgate's Code of Conduct.

Caring for employees is also reflected in initiatives that recognize and support family needs. At Hill's-U.S., the Company joined with five other local businesses to form an early learning center that provides affordable, high-quality child development care for employees' children up to four years old. The center is a valuable benefit to current employees and aids in employee recruitment as well.

Such initiatives and other policies, like parental leave for both mothers and fathers to enjoy their newborn or adopted children, are part of why *Working Mother* magazine named Colgate one of the 10 Best Companies for Working Mothers.

Colgate demonstrates caring for communities in many ways. Foremost among these is the "Bright Smiles, Bright Futures" program, which has reached half a billion children over the past thirteen years. "Bright Smiles, Bright Futures" has expanded oral health education in schools, dental offices and communities, and is expanding its reach even further with its award-winning website www.colgatebsbf.com. Also, in cities across the U.S., more than 100,000 inner-city youth have benefited from over $1 million in donated products and special grants to support summer youth programs. Known as the Colgate P.O.W.E.R. program (Preparing Our World through Education and Responsibility), these activities bring together city governments, retail partners and consumers to instill community pride through a focus on education and personal development for inner-city youth.

Living the value of caring every day in these and many other ways is a vital part of Colgate's culture. Practiced by skilled and experienced Colgate people worldwide, caring is one of the foundations of our continued success.

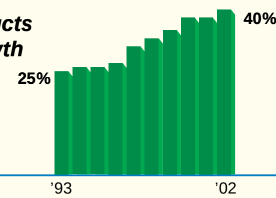
Global Teamwork

Colgate people find solutions together and speed successful ideas across borders to achieve:

- Exceptional Innovation
- Global Growth
- Customer Focus
- Shared Goals

Exceptional Innovation

New Products Drive Growth
(% of sales)



Creating Winning Ideas

Colgate's Global New Product Forum is one example of Colgate people from different business units and geographies working together to build on the Company's successful new product process and extend the reach of winning ideas.

Global New Product Forum

Colgate people are all part of a global team, committed to working together throughout the world to achieve success. Colgate's global leadership in important consumer products categories, such as toothpaste, hand dishwashing liquid, liquid hand soap, liquid cleaners and specialty pet foods, results from extensive collaboration and global teamwork.

From the new product development function to the supply chain to purchasing to manufacturing, Colgate people around the world work together in cross-functional and cross-border teams. They share best practices quickly from region to region and category to category through greater use of technology to stay connected with business partners. To reinforce the importance of effective teamwork, performance reviews are based on team goals as well as individual goals.

Global teamwork leads to exceptional innovation. In 2002, Colgate new product marketers from around the world and representing every product category came together to form a framework for sharing best practices and building on Colgate's new product successes. For example, a moisturizing Milk & Honey product that started as a liquid shower gel for softer skin in Europe and the U.S. is now being launched in developing countries as a bar soap, a more popular form for body cleansing in those markets.

Developing and launching products rapidly across many geographies is a key to driving Colgate's global growth. In 2002, very strong new product activity around the world built market share and volume. Global teamwork creates global growth because cross-border collaboration streamlines processes and strengthens execution. For example, Colgate successfully launched Palmolive Aromatherapy shower gel by creating a regional cross-functional team

(continued on page 13)

Global Growth

Launching Products Around the World

Collaboration between teams in Rome and New York contributed to the successful global rollout of Aromatherapy shower gel across different types of markets. The product is now sold in 46 countries around the world.

Aromatherapy

Customer Focus

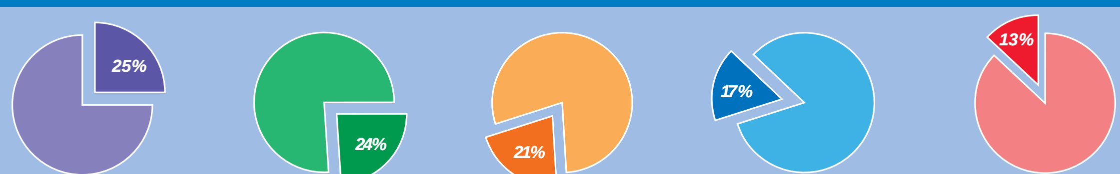
Category Management Training

Colgate people around the world, such as the Asia team shown below, are learning about the benefits and techniques of tailoring their selling approaches to specific retail customers. This best practice started in the U.S. and is now expanding globally.

Asia

Global Teamwork Driving Strong Global Results

Growth Highlights of Five Divisions



Colgate-North America

- Eighth consecutive year of strong, profitable growth in 2002.
- Unit volume increased 6.0%, sales rose 3.0% and operating profit grew a strong 12%.
- Colgate continued its Number One position in the U.S. toothpaste market.
- Record 22 new product introductions across all categories.

Colgate-Latin America

- Unit volume grew 2.5%.
- Sales and operating profit declined 5.5% and 2%, respectively, due to local currency weaknesses. Excluding foreign exchange, sales and operating profit rose 7.0% and 11%, respectively.
- New products, such as Colgate Fresh Confidence Xtreme Red Gel toothpaste and Protex Herbal bar soap, drove growth.

Colgate-Europe

- Unit volume grew 5.0%.
- Sales increased 8.0% and operating profit increased 19%.
- New products driving growth include Colgate Total Plus Whitening and Palmolive Aromatherapy shower gel, foam bath and liquid hand soap.
- Palmolive Aromatherapy success has resulted in European shower gel brand leadership.

Colgate-Asia/Africa

- Delivered solid 4.5% unit volume growth in 2002.
- Sales and operating profit grew 4.0% and 19%, respectively.
- Sales and share growth were driven by new products, including Colgate Triple Action toothpaste and Ajax Fêtes des Fleurs liquid cleaner.

Hill's Pet Nutrition

- World leader in premium pet food, Hill's increased unit volume 5.5%.
- Sales and operating profit increased 7.0% and 13%, respectively.
- New products, including Science Diet Nature's Best in the U.S., veterinary endorsements and effective merchandising strategies are driving growth at Hill's.

Shared Goals

Staying Connected Worldwide

A variety of technology-based tools accessible at Colgate locations around the world facilitate global teamwork by keeping employees connected to one another and aligned with the same goals.

Global

(continued from page 11)

to implement the European launch.

This new organizational concept, known as a “go-to-market” team, assigns each country a task for the entire region. This process helped accelerate the European Palmolive Aromatherapy launch and align resources against the highest priority activities. Following the launch of Aromatherapy, Colgate attained shower gel brand leadership in Europe and all-time high shower gel market shares in twelve of the sixteen countries in which the product has been launched. Now expanding as a best practice, similar “go-to-market” teams are being formed to speed other new product launches. Following the European success, Aromatherapy is now being rolled out globally thanks to further collaboration between local teams, technology and global business development.

Teamwork and specialization are also important as Colgate consolidates manufacturing in Asia and Latin America to reduce costs, building upon experiences in Europe and North America. A Colgate plant in Brazil is now producing Herbal toothpaste for more than 30 countries in Latin America and Europe. A toothpaste plant under construction in Thailand will serve the needs of Southeast Asia, and a toothbrush plant in Yangzhou, China is servicing the world.

Global teamwork fosters greater customer focus. Multi-functional Colgate teams around the world are partnering to master category management—a discipline that tailors product selling to specific types of retailers and their consumers. Training in category management is facilitating the global rollout by transferring ideas and speeding implementation.

Global teamwork also ensures that employees across borders work according to shared goals. For example, global and regional purchasing councils regularly collaborate to achieve savings by consolidating purchasing and implementing best practices that yield better performance for all.

Teaming with colleagues around the world does not always take place face to face. Greater use of the newest technology tools, such as a common global database, meetings conducted over the internet and satellite-delivered video conferences, are just a few of the ways that Colgate people are staying connected and sharing goals.

Global teamwork is embraced at Colgate because it is a key factor in the Company’s success, translating into greater profitability and clear benefits for consumers and shareholders.

Values in Action

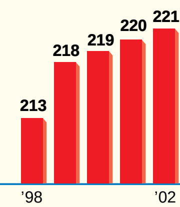
Continuous Improvement

Colgate people make improvements every day, everywhere, in every aspect of our business, including:

- Growing Distribution Worldwide
- Building on Success
- Increasing Productivity and Capacity
- Delighting Consumers

Growing Distribution Worldwide

Expanding Our Global Market Reach



Gaining Strength in New Markets

Colgate's expertise in delivering products to consumers in emerging markets broadens the reach of the Company's global brands year after year. In Russia in 2002, Colgate increased the number of cities reached by 90%, helping to drive double-digit growth.

Russia

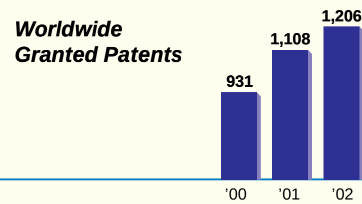
Colgate believes that the greatest success comes from making incremental improvement every day, in every part of our business. Commitment to continuous improvement has been key to Colgate's long history of increased profitability and growing market leadership positions. Colgate achieved a record $2.19 earnings per share in 2002, completing its seventh year of double-digit earnings per share growth. Net sales, gross profit margin, operating profit, net income and return on capital also reached record levels in 2002.

Colgate people are committed to getting better every day in all they do, as individuals and in teams. As a result, there are many examples of continuous improvement throughout the Colgate world, as this value is demonstrated across all functions and activities from technology and product development to manufacturing and distribution.

The benefits of continuous improvement are largely evident in the expansion of SAP software, now a vital tool in managing the Company's business operations globally. SAP has been a major driver of gross profit margin improvement, which has risen from 47.0% in 1995 when implementation started, to 54.6% in 2002, up 120 basis points over 2001.

Global implementation of the base SAP system was completed in 2002. Significant benefits are being realized, and there is much more opportunity ahead with the next generation of applications. These new applications will bring savings across many functions, including sales, marketing, the supply chain and human resources. These new systems have been launched in several areas of our operations and are now rapidly being implemented around the world, so sizable savings from SAP utilization worldwide should continue.

▶ Building on Success



Sharing Technology Breakthroughs Across Categories

Colgate people at the Technology Center in Piscataway, New Jersey, build on invention at regular Discovery Exchange fairs, where scientists share knowledge with colleagues across categories and functions. Colgate's technology strength is shown by our large and increasing number of patents.

Global Technology

For example, SAP's new Business Warehouse module enables Colgate managers everywhere to quickly access uniform company-wide reports in many areas, allowing for ease of analysis and faster generation of action plans. Benefits are already evident in purchasing, where standardized reports reflect daily data on the prices of raw and packaging materials in dozens of markets worldwide. In sales, "flash" reports have been enhanced to provide timely and detailed analysis of the number and status of new orders. The data can be sorted by country, category, brand, customer or trade channel, enabling faster and better decision making.

Another new SAP application enables web-based procurement of goods and services while giving Colgate the advantage of better financial control and tracking. Payment processes are becoming simpler and more efficient, as over 20,000 invoices will be eliminated annually. Significant savings have already been achieved in North America and these savings should continue to grow with the global rollout of this technology planned for 2003.

The process for identifying savings opportunities has also been enhanced by continuous improvement. Previously, many savings programs were locally or regionally driven. Now, a formal Global Funding the Growth program has been established to share, monitor and track savings ideas in a searchable database accessible worldwide. A collaborative approach to identifying savings opportunities is encouraged not only throughout the supply chain, but also

▶ Increasing Productivity and Capacity

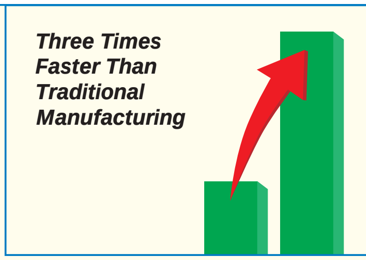
High-Speed Toothpaste Manufacturing

High-speed toothpaste filling lines that triple the capacity of traditional lines are being installed throughout the Colgate world. These new lines are already up and running in Mexico, Brazil, the U.S. and China.

for all areas of the income statement, including overhead reduction and advertising efficiency.

In the supply chain, continuous improvement is maximizing our efficiency for all categories and retail channels. At Hill's, direct shipping to large customers began two years ago, supporting approximately 15% of Hill's sales. Today, this distribution method has been expanded to smaller customers and now supports more than 30% of the business, producing millions of dollars in annual savings.

Continuous improvement in expanding winning new products is a way of life at Colgate and has resulted in Colgate's growing leadership in many categories. The success in Europe of Ajax Wipes in all-purpose and glass varieties led to the launch in 2002 of a full line



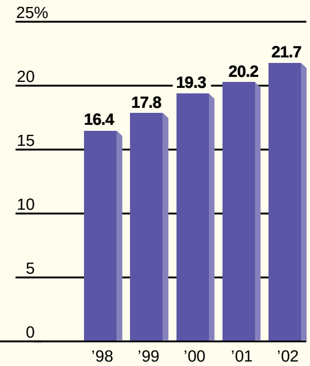
China

Key Performance Indicators

Improved Operating Profit Margin

(Operating profit % to sales)

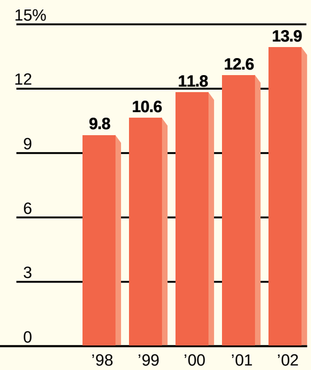
Operating profit margin grew to 21.7% to sales with increases in every operating division.



Increased Net Profit Margin

(Net income % to sales)

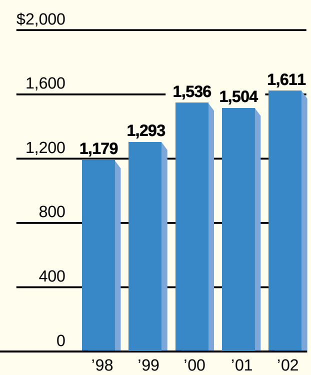
Net profit margin increased to a record 13.9% to sales driven by strong top-line growth and cost-efficiency initiatives.



Growing Cash Flow from Operations

(Cash flow from operations, $ millions)

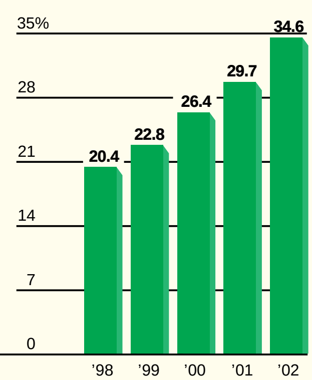
Operating cash flow increased to $1,611, helped by strong net income increase and continued working capital reductions.



High Return on Capital

(Return on capital)

Return on capital crossed the 30% hurdle and reached a new high of 34.6%, up 490 basis points from 2001.



of wipes in Europe, including those for floor and bath. Colgate also continues to grow market share and strengthen its franchise in healthy, antibacterial protection with new products under the Protex equity in Asia and Latin America. In Thailand, Protex Herbal soap and talc, introduced in 2002, have been extremely well received. In South Africa, the launch of Palmolive Aromatherapy shower gels made Palmolive the brand leader in that category.

In Latin America, Colgate has continued to build market share for its already strong base brand Colgate Dental Cream through extensive consumption-building activities.

Colgate people know that their mission is to get a little better every day at everything they do. This, along with focus on strategic priorities, has been key to Colgate's consistent success and steady improvement, day after day, year after year.

▶ Delighting Consumers

Continuous Innovation

Colgate excels at launching new products around the world that delight consumers every day, everywhere. Continuous innovation in all areas, including packaging, formula and flavor, yields exciting new products in all categories, such as Colgate Simply White.

United States

Dollars in Millions Except Per Share Amounts

Global Financial Review

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company manufactures and markets its products in over 200 countries and territories throughout the world in two distinct business segments: Oral, Personal, Household Surface and Fabric Care; and Pet Nutrition. Segment performance is evaluated based on several factors, including operating profit. The Company uses operating profit as a measure of the basic health of the operating segments because it excludes the impact of corporate-driven decisions related to interest expense and income taxes.

Prior years' segment information has been revised for new accounting requirements and certain reclassifications. Net sales were revised for the impact of the new accounting for sales incentives described in Note 2 to the Consolidated Financial Statements, with no effect on operating profit or net income. As is also described in Note 2, the Company changed its accounting for goodwill and other intangible assets in 2002. In accordance with the new standard, prior periods were not restated. Amounts for certain businesses in the Caribbean, which were previously reported in Latin America, have been reclassified to North America to conform with current year presentation and change in management responsibilities.

Results of Operations

Worldwide Net Sales by Business Segment and Geographic Region

	2002	2001	2000
Oral, Personal, Household Surface and Fabric Care			
North America (1)	*$2,374.1*	$2,299.9	$2,216.5
Latin America	*2,206.8*	2,356.0	2,406.6
Europe	*1,984.3*	1,835.0	1,825.8
Asia/Africa	*1,542.0*	1,484.3	1,496.6
Total Oral, Personal, Household Surface and Fabric Care	*8,107.2*	7,975.2	7,945.5
Total Pet Nutrition (2)	*1,187.1*	1,109.1	1,058.9
Net Sales	*$9,294.3*	$9,084.3	$9,004.4

(1) Net sales in the U.S. for Oral, Personal, Household Surface and Fabric Care were $2,030.4, $1,976.7 and $1,896.7 in 2002, 2001 and 2000, respectively.

(2) Net sales in the U.S. for Pet Nutrition were $714.5, $661.5 and $633.9 in 2002, 2001 and 2000, respectively.

Net Sales

Worldwide net sales increased 2.5% to $9,294.3 in 2002 on volume growth of 4.5%. Net sales would have grown 5.0% excluding foreign currency translation. Net sales in the Oral, Personal, Household Surface and Fabric Care segment increased 2.0%, excluding divestitures, on 4.5% volume growth; while net sales in Pet Nutrition increased by 7.0% on 5.5% volume growth. In 2001, worldwide net sales, excluding divestitures, increased 2.0% to $9,084.3 on volume growth of 5.0%, reflecting the negative impact of foreign currency translation.

Gross Profit

Gross profit margin increased to 54.6%, above both the 2001 level of 53.4% and the 2000 level of 52.7%. This favorable trend reflects the Company's strategy to improve all aspects of its supply chain through global sourcing, regionalization of manufacturing facilities and other cost-reduction initiatives, as well as its emphasis on higher margin products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales were 32.6% in 2002, 32.1% in 2001 and 32.8% in 2000. The increase in 2002 was primarily driven by pension and other employee benefit costs that were partially offset by the benefit of ongoing cost-savings initiatives. In 2001, the overall spending as a percentage of sales decreased as a result of the Company's ongoing focus on overhead reduction and the effect of translation on local currency costs. Total advertising support behind Colgate brands, including media, promotion and other consumer and trade incentives, some of which reduce reported sales, has increased by 8%, 1% and 3% in 2002, 2001 and 2000, respectively. Included in selling, general and administrative expenses is media spending of $486.6, $509.0 and $550.9 in 2002, 2001 and 2000, respectively. The trend in media spending reflects lower media pricing, the negative impact of foreign exchange and a slight shift in investment to other forms of total advertising support.

Dollars in Millions Except Per Share Amounts

Other Expense, Net

Other expense, net, consists principally of minority interest in earnings of less-than-100%-owned consolidated subsidiaries, amortization of intangible assets, earnings from equity investments, gains and losses on interest rate and foreign currency hedge contracts that do not qualify for hedge accounting, and other miscellaneous gains and losses.

During 2002, other expense, net, decreased from $94.5 to $23.0 resulting from the benefit of the change in accounting for goodwill and intangible assets and changes in the fair value of foreign currency contracts. These contracts are an economic hedge of certain foreign currency debt but do not qualify for hedge accounting. During 2001, other expense, net, increased from $52.3 to $94.5 primarily due to changes in the fair value of foreign currency contracts. During 2000, the Company recorded charges of $92.7 ($61.2 aftertax) in other expense, net, including a restructuring charge related to the realignment of certain manufacturing operations and the exiting of its business in Nigeria. Also included were gains of $102.0 ($60.9 aftertax) recorded on the sale of real estate and the sale of the Viva detergent brand in Mexico.

Operating Profit

Operating profit rose 10% to $2,013.1 in 2002 from $1,834.8 in 2001, which had reflected a 5% increase from 2000 operating profit of $1,740.5. The continued increase resulted from strong volume growth and cost-saving initiatives. If prior year results were adjusted for the impact of the change in accounting for goodwill and intangible assets, operating profit would have been $1,889.1 and $1,800.2 for 2001 and 2000, respectively.

Interest Expense, Net

Interest expense, net, was $142.8 compared with $166.1 in 2001 and $173.3 in 2000. This decreasing trend is the result of lower interest rates partially offset by increased average debt levels related to share repurchases during the year.

Income Taxes

The effective tax rate on income was 31.1% in 2002 versus 31.3% in 2001 and 32.1% in 2000. If 2001 and 2000 had been adjusted for the impact of the change in accounting for goodwill and intangible assets, the respective tax rates would have been 30.9% and 31.7%. Global tax planning strategies, including the realization of tax credits and incentives, reduced the effective tax rate in all three years presented.

Net Income

Net income was $1,288.3 in 2002 or $2.19 per share on a diluted basis compared with $1,146.6 in 2001 or $1.89 per share and $1,063.8 in 2000 or $1.70 per share. If results for 2001 and 2000 were adjusted for the impact of the change in accounting for goodwill and intangible assets, net income and diluted earnings per share would have been $1,190.4 and $1.96, respectively, for 2001 and $1,111.6 and $1.77, respectively, for 2000.

Segment Results

Worldwide Operating Profit by Business Segment and Geographic Region

	2002	2001	2000
Oral, Personal, Household			
Surface and Fabric Care			
North America	*$ 578.7*	$ 516.6	$ 487.9
Latin America	*647.4*	663.2	597.6
Europe	*409.0*	342.6	320.0
Asia/Africa	*232.6*	195.9	194.0
Total Oral, Personal, Household Surface and Fabric Care	*1,867.7*	1,718.3	1,599.5
Total Pet Nutrition	*318.3*	282.1	243.5
Total Corporate	*(172.9)*	(165.6)	(102.5)
Operating Profit	*$2,013.1*	$1,834.8	$1,740.5

North America

North America net sales grew 3.0% to $2,374.1 on volume gains of 6.0%. Volume increases were led by the strength of recently introduced products in all core categories. In the Oral Care category, innovative products such as Colgate Simply White at-home tooth whitening gel, Colgate Total Plus Whitening toothpaste, Colgate 2 in 1 toothpaste and mouthwash and the Colgate Motion battery-powered toothbrush contributed to increased volume and market share. The Personal Care category experienced incremental market share driven by volume gains from recently introduced products such as Softsoap Aromatherapy body wash and liquid hand soap, Irish Spring Vitamins deodorant bar soap and Mennen Speed Stick Power of Nature deodorant. The Household Surface Care category had increased volumes from products such as Palmolive Aromatherapy hand dishwashing liquid. In 2001, North America achieved overall sales growth of 4.0% to $2,299.9 on volume growth of 4.5%.

Operating profit in North America grew 12% to $578.7 as a result of volume gains, emphasis on higher margin products, and cost-savings initiatives improving gross profit margin. The impact of the discontinuation of amortization of goodwill and indefinite life intangible assets in 2002 was largely offset by increased pension and benefit costs. Operating profit in 2001 increased 6% to $516.6, reflecting volume growth and efficiencies in advertising spending.

Latin America

Net sales in Latin America declined 5.5%, excluding divestitures, to $2,206.8 on 2.5% volume growth offset by the negative effect of foreign currency primarily in Venezuela, Argentina and Brazil. The strongest volume gains in the region were achieved in Mexico, Ecuador, Colombia, Venezuela and the Dominican Republic. Recently launched products including Colgate Fresh Confidence Xtreme Red Gel, Colgate Total Plus Whitening, Colgate Triple Action, Sorriso Jua + Propolis toothpastes, and Colgate Premier Ultra and Colgate Active Flexible manual toothbrushes contributed to increased volume and market share in the Oral Care category throughout the region. Other products contributing to volume gains in the region were Palmolive Naturals bar soaps, Palmolive Naturals and Caprice hair care lines, Mennen Speed Stick Power of Nature deodorant and Fabuloso Vibrante Naturaleza liquid cleaners in the Personal and Household Surface Care categories. In 2001, Latin America net sales declined 2.0% to $2,356.0 as volume gains of 5.0% were negatively impacted by foreign exchange.

Operating profit in Latin America decreased 2% to $647.4 as the negative effect of foreign currency offset volume growth, cost-control initiatives, and the discontinuation of amortization of goodwill and indefinite life intangible assets in 2002. Operating profit in 2001 increased 11% to $663.2 as a result of volume gains, higher gross profit margins, ongoing cost containment and efficiencies in advertising spending.

Europe

Net sales in Europe increased 8.0% to $1,984.3 on unit volume gains of 5.0% and the impact of the stronger Euro. The United Kingdom, Russia, Turkey, France and Greece achieved the strongest volume increases in the region. New products including Colgate Total Plus Whitening toothpaste and Colgate 2 in 1 toothpaste and mouthwash contributed to regional volume growth in the Oral Care category. In the Personal, Household Surface and Fabric Care categories, new products such as Palmolive Aromatherapy shower gel, foam bath and liquid hand soap, Palmolive Soft & Gentle deodorant, Soupline Lily of the Valley fabric conditioner and Ajax Wipes contributed to increased volumes and market share. In 2001, Europe net sales increased 1.0%, excluding divestitures, to $1,835.0 on volume growth of 5.5%, partially offset by the weakened Euro.

Operating profit in Europe increased 19% to $409.0 as a result of volume growth, gross margin improvement, the impact of the stronger Euro, and the discontinuation of amortization of goodwill and indefinite life intangible assets. Operating profit in 2001 increased 7%, excluding divestitures, to $342.6 due to volume gains and higher gross profit margins.

Asia/Africa

Net sales in Asia/Africa increased 4.0% to $1,542.0 on volume gains of 4.5% offset by the impact of foreign currencies. The Philippines, China, South Africa and Australia achieved the strongest volume gains in the region. New products including Colgate Herbal and Colgate Triple Action toothpastes, and Colgate Active Flexible and Colgate Extra Clean manual toothbrushes contributed to volume gains in the Oral Care category. In the Personal and Household Surface Care categories, recently introduced products such as Protex Herbal antibacterial bar soap and talc, Palmolive Naturals shampoo and Ajax Fêtes des Fleurs liquid cleaner helped to drive volume growth in the region. In 2001, net sales in Asia/Africa declined 1.0% to $1,484.3 as volume gains of 6.0% were offset by foreign currency weakness.

Operating profit grew 19% in Asia/Africa to $232.6 in 2002 and 1% to $195.9 in 2001, driven by volume gains and higher gross profit margins benefiting from regionalization of manufacturing facilities.

Pet Nutrition

Net sales for Hill's Pet Nutrition increased 7.0% to $1,187.1 on 5.5% volume growth. North American sales increased due to the introduction of innovative new products including Science Diet Nature's Best, a line of natural cat and dog food. Hill's also experienced strong volume growth in Europe, South Pacific and Asia driven by new products such as Prescription Diet Canine b/d, a clinically proven product that reduces the signs of canine brain aging. In 2001, net sales for the Pet Nutrition segment increased 4.5% to $1,109.1 on 5.5% volume gains.

Operating profit in Pet Nutrition grew 13% to $318.3 in 2002 and 16% to $282.1 in 2001 as a result of strong volume gains and higher gross profit margins, as well as ongoing cost-savings initiatives.

Liquidity and Capital Resources

Net cash provided by operations increased 7% to $1,611.2 compared with $1,503.9 in 2001 and $1,536.2 in 2000. The increase reflects the Company's improved profitability and working capital management partially offset by higher cash taxes, a portion of which related to a deferral of 2001 taxes into 2002 under a government relief program as a result of the events of September 11, 2001. The decrease in 2001 reflected voluntary contributions to employee benefit plans and higher cash taxes. Cash taxes in 2000 were reduced by certain tax credits that have been fully utilized. Cash generated from operations was used to fund capital spending, pay increased dividends and repurchase common shares. Voluntary contributions to benefit plans made in 2001 were reclassified in the Consolidated Statements of Cash Flows from investing activities to operating activities consistent with current year presentation.

Capital expenditures were 4% of net sales for 2002, 2001 and 2000. Capital spending continues to be focused primarily on projects that yield high aftertax returns. Capital expenditures for 2003 are expected to continue at the current rate of approximately 4% of net sales.

In 2000, other investing activities included acquisitions with an aggregate purchase price of $64.9. There were no significant acquisitions in 2002 or 2001. Certain detergent product lines in Central America were sold in 2001 and the Mexico Viva detergent brand was sold in 2000. The aggregate sale price of all 2001 and 2000 sales of brands was $12.5 and $102.5, respectively. There were no significant divestitures in 2002.

During 2002, long-term debt increased to $3,509.3 from $3,137.5 and total debt increased to $3,603.9 from $3,239.1, primarily due to continued share repurchases and the impact of translating debt denominated in Euros. The Company's long-term debt rating was upgraded in 2001 to AA– by Standard & Poor's and Aa3 by Moody's.

Domestic and foreign commercial paper outstanding was $391.4 and $605.8, as of December 31, 2002 and 2001, respectively. These borrowings carry a Standard & Poor's rating of A1+ and a Moody's rating of P1. The commercial paper and certain current maturities of notes payable are classified as long-term debt at December 31, 2002, as the Company has the intent and ability to refinance such obligations on a long-term basis.

Certain of the Company's financing arrangements require the maintenance of a minimum ratio of operating cash flow to debt. The ESOP notes guaranteed by the Company and certain amounts payable to banks contain cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote.

In 1993, the Company formed a financing subsidiary with outside equity investors that purchases some of the Company's receivables. The Company consolidates this entity, including such receivables, and reports the amounts invested by outside investors as a minority interest. The purpose of this arrangement is to provide the Company access to low-cost sources of capital. During 2000, this subsidiary ceased operations resulting in a cash payment of $113.9 to the outside investors. In 2001, the subsidiary resumed operations with funding of $89.7 from outside investors.

Dollars in Millions Except Per Share Amounts

The Company repurchases common shares in the open-market and in private transactions for employee benefit plans and to maintain its targeted capital structure. Aggregate repurchases for 2002 were 20.0 million shares, with a total purchase price of $1,082.9. In 2001 and 2000, 21.7 million and 19.1 million shares were repurchased, respectively, with total purchase prices of $1,230.2 and $1,040.6, respectively.

Dividend payments were $413.4, up from $396.7 in 2001 and $382.4 in 2000. Common stock dividend payments increased to $.72 per share in 2002 from $.68 per share in 2001 and $.63 per share in 2000. The Series B Preference Stock dividend payments were increased to $5.76 per share in 2002 from $5.40 per share in 2001 and $5.04 in 2000. The Company recently increased the annualized common stock dividend to $.96 per share and the annualized Series B Preference Stock dividend to $7.68 per share effective in the second quarter of 2003.

Internally generated cash flows are adequate to support currently planned business operations and capital expenditures. Free cash flow (defined as cash generated by the business after capital expenditures and dividend payments but before acquisitions, divestitures and share repurchases) was $854.1, $767.0 and $787.2 in 2002, 2001 and 2000, respectively, and provides the Company with flexibility for further investments and/or financing. The Company has additional sources of liquidity available in the form of lines of credit maintained with various banks and access to financial markets worldwide. At December 31, 2002, the Company had access to unused lines of credit of $2,082.6 and also had $586.8 available under medium-term notes.

The following represents the scheduled maturities of the Company's long-term contractual obligations as of December 31, 2002.

	Payments Due by Period						
	Total	2003	2004	2005	2006	2007	Thereafter
Long-term debt including current portion	$3,459.1	$1,109.1(1)	$308.2	$400.4	$266.3	$247.7	$1,127.4
Capitalized leases	50.2	4.9	5.1	5.4	5.6	5.8	23.4
Operating leases	387.6	72.3	62.7	55.8	49.7	48.8	98.3
Unconditional purchase obligations	108.2	71.5	35.5	1.2	—	—	—
Total	$4,005.1	$1,257.8	$411.5	$462.8	$321.6	$302.3	$1,249.1

(1) Long-term debt due in 2003 includes $815.5 of commercial paper and certain current maturities of notes payable that have been classified as long-term debt as of December 31, 2002, as the Company has the intent and ability to refinance such obligations on a long-term basis under its unused lines of credit which expire in 2007.

The Company does not have off-balance sheet financing or unconsolidated special purpose entities. The Company's treasury and risk management policies prohibit the use of leveraged derivatives or derivatives for trading purposes. The valuations of financial instruments that are marked to market are based upon independent third-party sources including quoted market prices.

As more fully described in Note 13 to the Consolidated Financial Statements, the Company is party to various superfund and other environmental matters in connection with prior acquisitions. Substantially all of these liabilities have been acknowledged in writing as being covered by investment-grade insurance carriers that are presently making all their required payments directly to the cleanup efforts and are expected to do so in the future. The Company is also contingently liable with respect to lawsuits, taxes and other matters arising out of the normal course of business. 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 financial position, results of operations or ongoing cash flows of the Company.

Restructuring Reserves

In December 2000, the Company recorded a charge of $63.9 ($42.5 aftertax) associated with the realignment of three manufacturing locations in Latin America and the exiting of its business in Nigeria. The charge recorded included $14.2 for termination costs and $49.7 for exiting of manufacturing operations. The restructuring was completed in 2001.

Managing Foreign Currency, Interest Rate and Commodity Price Exposure

The Company is exposed to market risk from foreign currency exchange rates, interest rates and commodity price fluctuations. Volatility relating to these exposures is managed on a consolidated basis by utilizing a number of techniques, including working capital management, selective borrowings in local currencies and entering into certain derivative instrument transactions in accordance with the Company's treasury and risk management policies. The Company's treasury and risk management policies prohibit the use of leveraged derivatives or derivatives for trading purposes.

With operations in over 200 countries and territories, the Company is exposed to currency fluctuation related to manufacturing and selling its products in currencies other than the U.S. Dollar. The major foreign currency exposures involve the markets in the European Union and certain Latin American countries, although all regions of the world are subject to foreign currency changes versus the U.S. Dollar. The Company actively monitors its foreign currency exposures in these markets and has been able to substantially offset the impact on earnings of foreign currency rate movements through a combination of cost-containment measures, foreign currency hedging activities and selling price increases. The Company primarily utilizes currency forward and swap contracts to hedge portions of its exposures relating to foreign currency purchases and assets and liabilities created in the normal course of business. From time to time, the Company hedges certain of its forecasted foreign currency purchases using forward contracts with durations no greater than 18 months.

Interest rate swaps and debt issuances are utilized to manage the Company's targeted mix of fixed and floating rate debt and to minimize significant fluctuations in earnings and cash flows that may result from interest rate volatility.

The Company is exposed to price volatility related to raw materials used in production. Futures and option contracts are used on a limited basis to manage volatility related to anticipated raw material inventory purchases. The results of the Company's commodity hedging activities are not material.

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; 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.

Value at Risk

The Company's risk management procedures include the monitoring of interest rate and foreign exchange exposures and hedge positions utilizing statistical analyses of cash flows, market value and sensitivity analysis. 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. Market exposures are evaluated using a value-at-risk (VAR) model and an earnings-at-risk (EAR) model that are intended to measure the maximum potential loss in 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 in 2002 and 2001. 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 in 2002 and 2001. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets.

For information regarding the Company's accounting policies for financial instruments and a description of financial instrument activities, refer to Note 2 and Note 7 to the Consolidated Financial Statements.

Recent Accounting Pronouncements

On January 1, 2002, the Company adopted the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) Issue No. 00-14, "Accounting for Certain Sales Incentives," and Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," that relate to the classification of various types of sales incentives and promotional expenses. The Consolidated Statements of Income for 2001 and 2000 have been revised to reflect the reclassification of certain sales incentives and promotional expenses from selling, general and administrative expenses to a reduction of net sales and cost of sales; however, the revisions had no impact on the Company's financial position, net income or earnings per share. These reclassifications reduced net sales by $343.5 and $353.5 and cost of sales by $2.0 and $8.5 for the years ended December 31, 2001 and 2000, respectively, with an offsetting reduction in each period in selling, general and administrative expenses.

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which eliminates the amortization of goodwill and indefinite life intangible assets but requires annual impairment reviews. In accordance with SFAS No. 142, prior period amounts were not restated. A reconciliation of previously reported net income, basic earnings per share and diluted earnings per share for 2001 and 2000 to the amounts adjusted to exclude goodwill and indefinite life intangible assets amortization is presented in Note 2 to the Consolidated Financial Statements.

Refer to Note 2 to the Consolidated Financial Statements for further discussion of recent accounting pronouncements.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires management to use judgment and make estimates. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results could ultimately differ from those estimates. The accounting policies that are most critical in the preparation of the Company's Consolidated Financial Statements are those that are both important to the portrayal of the Company's financial condition and results of operations and require significant or complex judgments and estimates on the part of management. The Company's critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

In certain instances, accounting principles generally accepted in the United States of America allow for the selection of alternative accounting methods. The Company's significant policies that involve the selection of alternative methods are accounting for stock options, shipping and handling costs, and inventories.

- Two alternative methods for accounting for stock options are available, the intrinsic value method and the fair value method. The Company uses the intrinsic value method of accounting for stock options, and accordingly, no compensation expense has been recognized. Under the fair value method, the determination of the pro forma amounts involves several assumptions including option life and future volatility. If the fair value method were used, diluted earnings per share for 2002 would decrease approximately 3%. (Refer to Note 2 to the Consolidated Financial Statements.)

- Shipping and handling costs may be reported as either a component of cost of sales or selling, general and administrative expenses. The Company reports such costs, primarily related to warehousing and outbound freight, in the Consolidated Statements of Income as a component of selling, general and administrative expenses. If such costs were included in cost of sales, gross margin as a percent to sales would decrease from 54.6% to 47.6% in 2002 with no impact on reported earnings.

- The Company accounts for inventories using both the first-in, first-out (FIFO) method (80% of inventories) and the last-in, first-out (LIFO) method (20% of inventories). There would be no impact on reported earnings for 2002, 2001 and 2000 if all inventories were accounted for under the FIFO method.

The areas of accounting that involve significant or complex judgments and estimates are pensions and other postretirement benefits, asset impairment, tax valuation allowances, and legal and other contingencies.

- In pension accounting, the most significant actuarial assumptions are the discount rate and the long-term rate of return on plan assets. The discount rate for domestic plans was 6.75%, 7.25% and 7.75% as of December 31, 2002, 2001 and 2000, respectively. As required, the discount rate is based upon published year-end rates on high-quality bonds. The assumed long-term rate of return on plan assets for domestic plans was 8.0%, 9.0% and 9.25% as of December 31, 2002, 2001 and 2000, respectively. This assumption is based on historical experience and long-term expectations of asset performance. A 1% change in either the discount rate or the assumed return on plan assets would impact net income by approximately $6. A third less significant assumption is the long-term rate of compensation increase, a change in which, would partially offset the impact of a change in either of the above rates.

- The most judgmental assumption in accounting for other post-retirement benefits is the medical cost trend rate. In 2002, the assumed rate was 9% for 2003 and declining 1% per year until reaching the ultimate assumed rate of 5% per year. The effect of a 1% increase in the assumed long-term medical cost trend rate would reduce net income by approximately $1.5.

- Asset impairment analysis is primarily performed for intangible assets and requires several estimates including future cash flows, growth rates and the selection of a discount rate. Since the estimated fair value of the Company's intangible assets substantially exceeds the recorded book value, significant changes in these estimates would have to occur to result in an impairment charge.

- Tax valuation allowances are established to reduce tax assets, such as tax loss carryforwards, to net realizable value. Factors considered in estimating net realizable value include carryforward periods, income tax strategies and forecasted taxable income. A significant change to the Company's valuation allowances will not materially impact reported earnings.

- Legal and other contingency reserves are based on management's assessment of the risk of potential loss, which includes consultation with outside legal counsel and advisors. Such assessments are reviewed each period and revised, based on current facts and circumstances, if necessary. It is management's opinion 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 position, results of operations or ongoing cash flows. (Refer to Note 13 to the Consolidated Financial Statements for further discussion of the Company's contingencies.)

The Company generates revenue through the sale of well-known consumer products to trade customers under established trading terms. While the recognition of revenue and receivables requires the use of estimates, there is a short time frame (typically less than 60 days) between the shipment of product and cash receipt, thereby reducing the level of uncertainty in these estimates. (Refer to Note 2 to the Consolidated Financial Statements for further description of the Company's significant accounting policies.)

Outlook

Looking forward into 2003, the Company is well positioned for continued growth in most of its markets. However, the Company operates in a highly competitive global marketplace that is experiencing increased trade concentration. In addition, movements in foreign currency exchange rates can impact future operating results as measured in U.S. Dollars. In particular, economic uncertainty in some countries in Latin America and changes in the value of the Euro may impact the overall results of Latin America and Europe.

The Company expects the continued success of Colgate toothpaste, using patented and proprietary technology, to bolster worldwide Oral Care leadership and expects new products in Oral Care and other categories to add potential for further growth. Overall, subject to global economic conditions, the Company does not expect the 2003 market conditions to be materially different from those experienced in 2002 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. 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.

Cautionary Statement on Forward-Looking Statements

In this report and from time to time, the Company may make statements that constitute or contain "forward-looking" information as that term is defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission in its rules, regulations and releases. Such statements may relate, for example, to sales or volume growth, earnings growth, financial goals, cost-reduction plans and new product introductions among other matters. The Company cautions investors that any such forward-looking statements made by the Company are not guarantees of future performance and that actual results may differ materially from anticipated results or expectations expressed in the Company's forward-looking statements. The following are some of the factors that could cause actual results to differ materially from forward-looking statements:

1. Global Economic Conditions. The Company operates on a global basis, with approximately 70% of its net sales coming from operations outside the U.S. The Company is subject to the full range of economic risks, including those associated with international operations, such as economic recession, inflation, access to capital markets and related costs, movements in currency exchange rates and interest rates, return on pension assets, trade restrictions, tax law changes, political and legal instability, the imposition of trade restrictions and similar factors beyond the control of the Company.

2. Competition. The Company faces vigorous competition from multinational consumer product companies throughout the world with the same or greater resources than the Company. Such competition is based on pricing of products, promotional activities, advertising, new product introductions, electronic commerce initiatives and other activities of competitors, the timing and scale of which cannot be foreseen by the Company. The Company's ability to compete also depends on the strength of its brands, its ability to attract and retain key talent, and its ability to protect its patent, trademark and trade dress rights and to defend against related challenges brought by competitors.

3. Retail Trade. The Company can be negatively affected by changes in the policies of its retail trade customers, such as inventory destocking, limitations on access to shelf space, electronic data transmission requirements and other conditions. With the growing trend towards retail trade consolidation, especially in developed markets such as the U.S. and Europe, the Company is increasingly dependent on key retailers, and these retailers have increasingly greater bargaining strength. In addition, private label brands sold by retail trade chains are becoming a source of competition for certain product lines of the Company.

4. Products. The Company's growth depends on the successful development and introduction of new products and line extensions, which face the uncertainty of retail and consumer acceptance and reaction from competitors, as well as the continued success of existing products. In addition, the Company's ability to create new products and line extensions and to sustain existing products is affected by its ability to develop technological innovations, to receive and maintain necessary patent and trademark protection and regulatory approvals, and to anticipate successfully consumer needs and preferences.

5. Cost Pressures. The Company's ability to manage its cost structure can be adversely affected by movements in raw material prices and by unanticipated delays or difficulties in achieving cost efficiencies in manufacturing and distribution. In addition, the Company's move to global suppliers, to achieve cost reductions and simplify its business, has resulted in an increasing dependence on key suppliers. For certain materials, new suppliers may have to be qualified under industry and government standards, which can require additional investment and take some period of time.

6. Manufacturing. As a company engaged in manufacturing on a global scale, the Company is subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labor disputes, loss or impairment of key manufacturing sites, product quality and safety issues, natural disasters and other external factors over which the Company has no control.

Reports of Independent Public Accountants

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

In our opinion, the accompanying consolidated balance sheet as of December 31, 2002 and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts and cash flows for the year then ended present fairly, in all material respects, the financial position of Colgate-Palmolive Company and its subsidiaries (the "Company") at December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Company as of December 31, 2001 and for each of the two years in the period ended December 31, 2001 (the "Prior Year Financial Statements") before the adjustments disclosed in the Summary of Significant Accounting Policies note ("Note 2"), for each of the two years in the period ended December 31, 2001 were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated February 4, 2002.

As disclosed in Note 2, the Company changed the manner in which it accounts for goodwill and other intangible assets upon adoption of the accounting guidance of Statement of Financial Accounting Standards No. 142 ("SFAS 142") on January 1, 2002. In addition, as disclosed in Note 2, effective January 1, 2002, the Company changed the manner in which it recognizes, measures and displays certain sales incentives upon the adoption of the accounting guidance of Emerging Issues Task Force Issues 00-14 and 00-25 ("EITF 00-14 and 00-25").

As discussed above, the Prior Year Financial Statements were audited by other independent accountants who have ceased operations. As disclosed in Note 2, such financial statements have been revised to include the transitional disclosures required by SFAS 142 and to reflect the adoption of EITF 00-14 and 00-25. We have audited the transitional disclosures contained in Note 2, and the adjustments applied to revise the Prior Year Financial Statements. In our opinion, these transitional disclosures and adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the Prior Year Financial Statements other than with respect to such transitional disclosures and adjustments and, accordingly, we do not express an opinion or any other form of assurance on the Prior Year Financial Statements taken as a whole.

PricewaterhouseCoopers LLP

New York, New York
February 3, 2003

The following report is a copy of a report previously issued by Arthur Andersen LLP that has not been reissued. The Arthur Andersen LLP report does not extend to the revision of the 2001 and 2000 Consolidated Statements of Income related to the change in accounting for sales incentives or the transitional disclosures related to the change in accounting for goodwill and intangible assets presented in Note 2 to the Consolidated Financial Statements. These revisions and transitional disclosures were audited by PricewaterhouseCoopers LLP as stated in their report appearing herein.

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, 2001 and 2000, and the related consolidated statements of income, retained earnings, comprehensive income and changes in capital accounts, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

New York, New York
February 4, 2002

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 accounting principles generally accepted in the United States of America 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 utilized PricewaterhouseCoopers LLP in 2002 and Arthur Andersen LLP in 2001 and 2000, independent public accountants, to examine these financial statements. Their accompanying reports are based on examinations conducted in accordance with auditing standards generally accepted in the United States of America, which include 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 independent 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

Dollars in Millions Except Per Share Amounts

Consolidated Statements of Income

For the years ended December 31,	*2002*	2001	2000
Net sales	*$9,294.3*	$9,084.3	$9,004.4
Cost of sales	*4,224.2*	4,234.9	4,257.0
Gross profit	*5,070.1*	4,849.4	4,747.4
Selling, general and administrative expenses	*3,034.0*	2,920.1	2,954.6
Other expense, net	*23.0*	94.5	52.3
Operating profit	*2,013.1*	1,834.8	1,740.5
Interest expense, net	*142.8*	166.1	173.3
Income before income taxes	*1,870.3*	1,668.7	1,567.2
Provision for income taxes	*582.0*	522.1	503.4
Net income	*$1,288.3*	$1,146.6	$1,063.8
Earnings per common share, basic	*$ 2.33*	$ 2.02	$ 1.81
Earnings per common share, diluted	*$ 2.19*	$ 1.89	$ 1.70

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

Consolidated Balance Sheets

As of December 31,	2002	2001
Assets		
Current Assets		
Cash and cash equivalents	$ 167.9	$ 172.7
Receivables (less allowances of $45.9 and $45.6, respectively)	1,145.4	1,124.9
Inventories	671.7	677.0
Other current assets	243.1	228.8
Total current assets	2,228.1	2,203.4
Property, plant and equipment, net	2,491.3	2,513.5
Goodwill, net	1,182.8	1,284.2
Other intangible assets, net	608.5	619.8
Other assets	576.5	363.9
Total assets	$ 7,087.2	$ 6,984.8
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	$ 94.6	$ 101.6
Current portion of long-term debt	298.5	325.5
Accounts payable	728.3	678.1
Accrued income taxes	121.7	195.0
Other accruals	905.6	823.3
Total current liabilities	2,148.7	2,123.5
Long-term debt	3,210.8	2,812.0
Deferred income taxes	488.8	480.6
Other liabilities	888.6	722.3
Shareholders' Equity		
Preferred stock	323.0	341.3
Common stock, $1 par value (1,000,000,000 shares authorized, 732,853,180 shares issued)	732.9	732.9
Additional paid-in capital	1,133.9	1,168.7
Retained earnings	6,518.5	5,643.6
Accumulated other comprehensive income	(1,865.6)	(1,491.2)
	6,842.7	6,395.3
Unearned compensation	(340.1)	(345.4)
Treasury stock, at cost	(6,152.3)	(5,203.5)
Total shareholders' equity	350.3	846.4
Total liabilities and shareholders' equity	$ 7,087.2	$ 6,984.8

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

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

	Common Shares		Additional Paid-in Capital	Treasury Shares		Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income
	Shares	Amount		Shares	Amount			
Balance, January 1, 2000	578,863,046	$732.9	$1,063.2	153,999,624	$3,056.4	$4,212.3	$(1,136.2)	
Net income						1,063.8		$1,063.8
Other comprehensive income:								
Cumulative translation adjustment							(133.5)	(133.5)
Total comprehensive income								$ 930.3
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(20.3)		
Preferred stock						(.4)		
Common stock						(361.7)		
Shares issued for stock options	4,796,186		96.7	(4,796,186)	54.3			
Treasury stock acquired	(19,099,681)			19,099,681	1,040.6			
Other	2,096,323		(15.0)	(2,084,163)	(107.9)			
Balance, December 31, 2000	566,655,874	$732.9	$1,144.9	166,218,956	$4,043.4	$4,893.7	$(1,269.7)	
Net income						1,146.6		$1,146.6
Other comprehensive income:								
Cumulative translation adjustment							(198.5)	(198.5)
Other							(23.0)	(23.0)
Total comprehensive income								$ 925.1
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(21.3)		
Preferred stock						(.4)		
Common stock						(375.0)		
Shares issued for stock options	2,705,887		62.4	(2,705,887)	20.5			
Treasury stock acquired	(21,662,879)			21,662,879	1,230.2			
Other	3,023,451		(38.6)	(3,023,261)	(90.6)			
Balance, December 31, 2001	550,722,333	$732.9	$1,168.7	182,152,687	$5,203.5	$5,643.6	$(1,491.2)	
Net income						1,288.3		$1,288.3
Other comprehensive income:								
Cumulative translation adjustment							(327.1)	(327.1)
Other							(47.3)	(47.3)
Total comprehensive income								$ 913.9
Dividends declared:								
Series B Convertible Preference Stock, net of income taxes						(21.5)		
Preferred stock						(.4)		
Common stock						(391.5)		
Shares issued for stock options	2,218,959		7.0	(2,218,959)	(45.4)			
Treasury stock acquired	(20,036,204)			20,036,204	1,082.9			
Other	3,096,696		(41.8)	(3,096,696)	(88.7)			
Balance, December 31, 2002	*536,001,784*	*$732.9*	*$1,133.9*	*196,873,236*	*$6,152.3*	*$6,518.5*	*$(1,865.6)*	

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

Consolidated Statements of Cash Flows

For the years ended December 31,	2002	2001	2000
Operating Activities			
Net income	$ 1,288.3	$ 1,146.6	$ 1,063.8
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	296.5	336.2	337.8
Gain on sale of businesses and other investment activities	(5.2)	(10.8)	(125.6)
Voluntary contributions to benefit plans	(110.0)	(95.7)	—
Cash effects of changes in:			
Receivables	(18.0)	19.4	(91.9)
Inventories	(2.4)	(18.7)	59.0
Accounts payable and other accruals	137.7	(52.5)	97.8
Deferred and accrued income taxes	5.3	146.4	197.1
Other non-current assets and liabilities	19.0	33.0	(1.8)
Net cash provided by operations	1,611.2	1,503.9	1,536.2
Investing Activities			
Capital expenditures	(343.7)	(340.2)	(366.6)
Payment for acquisitions, net of cash acquired	—	(10.2)	(64.9)
Sale of non-core product lines	—	12.5	102.5
Sale of marketable securities and investments	1.5	9.3	137.4
Other	(15.0)	5.1	(17.0)
Net cash used in investing activities	(357.2)	(323.5)	(208.6)
Financing Activities			
Principal payments on debt	(763.5)	(595.9)	(739.4)
Proceeds from issuance of debt	964.5	887.9	925.4
Payments from (to) outside investors	—	89.7	(113.9)
Dividends paid	(413.4)	(396.7)	(382.4)
Purchase of common stock	(1,082.9)	(1,230.2)	(1,040.6)
Other	35.3	34.5	34.9
Net cash used in financing activities	(1,260.0)	(1,210.7)	(1,316.0)
Effect of exchange rate changes on cash and cash equivalents	1.2	(3.6)	(4.6)
Net (decrease) increase in cash and cash equivalents	(4.8)	(33.9)	7.0
Cash and cash equivalents at beginning of year	172.7	206.6	199.6
Cash and cash equivalents at end of year	$ 167.9	$ 172.7	$ 206.6
Supplemental Cash Flow Information			
Income taxes paid	$ 558.8	$ 346.8	$ 306.3
Interest paid	163.0	221.5	203.0
Principal payments on ESOP debt, guaranteed by the Company	17.8	12.9	8.8

See Notes to Consolidated Financial Statements.

Dollars in Millions Except Per Share Amounts

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, Household Surface and Fabric Care; and Pet Nutrition. Oral, Personal, Household Surface and Fabric Care products include toothpaste, oral rinses and toothbrushes, bar and liquid hand soaps, shower gels, shampoos, conditioners, deodorants and antiperspirants, shave products, laundry and dishwashing detergents, fabric conditioners, 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, Kolynos, Sorriso, 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:

	2002	2001	2000
Oral Care	*34%*	34%	34%
Personal Care	*24*	24	24
Household Surface Care	*16*	16	16
Fabric Care	*13*	13	14
Pet Nutrition	*13*	13	12

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. The Company's investments in consumer products companies with interests ranging between 20% and 50% are accounted for using the equity method. As of December 31, 2002 and 2001, equity method investments were $12.5 and $14.5, respectively. Investments with less than a 20% interest are accounted for using the cost method. Unrelated third parties hold the remaining ownership interest in these investments. Net income (loss) from such investments is recorded in Other expense, net, in the Consolidated Statements of Income.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to use judgment and make estimates 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. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. As such, the most significant uncertainty in the Company's assumptions and estimates involved in preparing the financial statements include pension and other retiree benefit cost assumptions, asset impairment, tax valuation allowances, and legal and other contingency reserves. Actual results could ultimately differ from those estimates.

Revenue Recognition

Sales are recorded at the time products are shipped to trade customers and when risk of ownership transfers. Net sales reflect units shipped at selling list prices reduced by sales returns and the cost of current and continuing promotional programs. Current promotional programs such as product listing allowances are recorded in the period incurred. Continuing promotional programs are predominantly consumer coupons and volume-based sales incentive arrangements with trade customers. The redemption cost of consumer coupons is based on historical redemption experience and is recorded when coupons are distributed. Volume-based incentives offered to trade customers are based on the estimated cost of the program and are recorded as products are sold.

Shipping and Handling Costs

Shipping and handling costs are classified as selling, general and administrative expenses and were $647.8, $631.0 and $619.9 for the years ended December 31, 2002, 2001 and 2000, respectively.

Marketing Costs

The Company markets its products through advertising and other promotional activities. Advertising costs are included in selling, general and administrative expenses and are expensed as incurred. Promotional programs, such as consumer coupons, are recorded as a reduction of sales.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. The cost of approximately 80% of inventories is determined using the first-in, first-out (FIFO) method. The cost of all other inventories, predominantly in the U.S. and Mexico, is determined using the last-in, first-out (LIFO) method.

Dollars in Millions Except Per Share Amounts

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

As described further below, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142 on January 1, 2002. In accordance with SFAS No. 142, goodwill and indefinite life intangible assets, such as the Company's global brands, are no longer amortized but subject to annual impairment tests. The required impairment tests were performed and did not result in an impairment charge. Prior to 2002, these assets were amortized on the straight-line method, generally over 40 years. Other intangible assets with finite lives, such as non-compete agreements, continue to be amortized over their useful lives, ranging from 5 to 40 years.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based upon the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect at the time such differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. 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.

Financial Instruments

Derivative instruments are recorded as assets and liabilities at estimated fair value based on available market information. The Company's derivative instruments that qualify for hedge accounting are primarily designated as either fair value hedges or cash flow hedges. For fair value hedges, changes in fair value of the derivative, as well as the offsetting changes in fair value of the hedged item, are recognized in earnings each period. For cash flow hedges, changes in fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the offsetting effect of the hedged item is also recognized in earnings.

The Company may also enter into certain foreign currency and interest rate derivative instruments that economically hedge certain of its risks but do not qualify for hedge accounting. Changes in fair value of these derivative instruments, based on quoted market prices, are recognized in earnings each period.

Stock-Based Compensation

Stock-based compensation plans, more fully described in Note 8, are accounted for under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The value of restricted stock awards, based on market prices, is amortized over the restriction period. No compensation expense has been recognized for stock option grants as all such grants had an exercise price not less than fair market value on the date of grant. The following illustrates the effect on net income and earnings per share if the Company had applied the fair value method of SFAS No. 123, "Accounting for Stock-Based Compensation":

Year Ended December 31,	*2002*	2001	2000
Net income, as reported	*$1,288.3*	$1,146.6	$1,063.8
Deduct: pro forma stock option compensation expense, net of tax	*39.5*	44.9	57.7
Pro forma net income	*$1,248.8*	$1,101.7	$1,006.1
Earnings per share:			
Basic – as reported	*$ 2.33*	$ 2.02	$ 1.81
Basic – pro forma	*2.26*	1.94	1.71
Diluted – as reported	*2.19*	1.89	1.70
Diluted – pro forma	*2.12*	1.81	1.60

Pro forma stock option compensation expense above is the estimated fair value of options granted amortized over the vesting period. The weighted average estimated fair value of stock options granted in 2002, 2001 and 2000 was $9.50, $9.37 and $10.95, respectively. Fair value is estimated using the Black-Scholes option pricing model with the following assumptions: option term until exercise ranging from 2 to 8 years, volatility ranging from 21% to 41%, risk-free interest rate ranging from 1.7% to 6.2% and an expected dividend yield ranging from 2.0% to 2.5%. Options issued under the reload feature, as described in Note 8, are treated as newly issued options in the model.

Translation of Overseas Currencies

The assets and liabilities of foreign 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 translated 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.

Recent Accounting Pronouncements

On January 1, 2002, the Company adopted the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) Issue No. 00-14, "Accounting for Certain Sales Incentives," and Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," that relate to the classification of various types of sales incentives and promotional expenses. The Consolidated Statements of Income for 2001 and 2000 have been revised to reflect the reclassification of certain sales incentives and promotional expenses from selling, general and administrative expenses to a reduction of net sales and cost of sales; however, the revisions had no impact on the Company's financial position, net income or earnings per share. These reclassifications reduced net sales by $343.5 and $353.5 and cost of sales by $2.0 and $8.5, for the years ended December 31, 2001 and 2000, respectively, with an offsetting reduction in each period in selling, general and administrative expenses.

Dollars in Millions Except Per Share Amounts

On January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which eliminates the amortization of goodwill and indefinite life intangible assets but requires annual impairment reviews. In accordance with SFAS No. 142, prior period amounts were not restated. (Refer to Note 5 for additional information on goodwill and other intangible assets.) The following table presents previously reported net income and earnings per share for the years ended December 31, 2001 and 2000, adjusted to exclude amortization expense, net of the related income tax effect for goodwill and other intangible assets that are no longer being amortized:

	2001			2000		
	Net Income	Basic EPS	Diluted EPS	Net Income	Basic EPS	Diluted EPS
Reported	$1,146.6	$2.02	$1.89	$1,063.8	$1.81	$1.70
Add: amortization adjustment, net of tax	43.8	.08	.07	47.8	.08	.07
Adjusted	$1,190.4	$2.10	$1.96	$1,111.6	$1.89	$1.77

On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which establishes criteria and methodologies for the measurement, recognition and classification of long-lived assets. The adoption of SFAS No. 144 did not have a material impact on the Company's Consolidated Financial Statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," requiring companies to recognize liabilities and costs associated with exit or disposal activities initiated after December 31, 2002 when they are incurred, rather than when management commits to an exit or disposal plan. SFAS No. 146 also requires that such liabilities be measured at fair value. SFAS No. 146 had no impact on the Company's Consolidated Financial Statements but may affect the measurement and recognition of any future restructuring activities.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure of Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on the existing disclosure requirements for guarantees and provides clarification on when a company must measure and recognize a liability related to guarantees issued. The disclosure requirements of Interpretation No. 45 are effective for the Company's Consolidated Financial Statements for the year ended December 31, 2002. The measurement and recognition provisions are to be applied on a prospective basis for guarantees issued or modified after December 31, 2002. The adoption of Interpretation No. 45 did not require additional disclosures and is not expected to impact the Company's Consolidated Financial Statements as the Company does not issue guarantees related to third-party indebtedness or performance.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which provides new guidance with respect to the consolidation of all unconsolidated entities, including special purpose entities. The adoption of Interpretation No. 46 in 2003 is not expected to impact the Company's Consolidated Financial Statements as the Company does not have investments in any unconsolidated special purpose or variable interest entities.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

> 3. *Acquisitions and Divestitures*

During 2002 and 2001, the Company did not make any significant acquisitions. In 2000, the Company made several acquisitions totaling $64.9. Individually, none of these acquisitions were significant to the Company. The acquisitions were accounted for as purchases, and accordingly, the purchase prices were allocated to the net tangible and intangible assets acquired based on estimated fair values at the dates the acquisitions were consummated.

The Company did not have any significant divestitures in 2002. The aggregate sale price of all 2001 and 2000 divestitures was $12.5 and $102.5, respectively. These divestitures included certain Central American detergent product lines in 2001 and the Mexico Viva detergent brand in 2000.

> 4. *Restructured Operations*

In December 2000, the Company recorded a charge of $63.9 ($42.5 aftertax) associated with the realignment of three manufacturing locations in Latin America and the exiting of its business in Nigeria. The charge, recorded in Other expense, net, included $14.2 for termination costs and $49.7 for exiting of manufacturing operations. The restructuring was completed in 2001.

> 5. *Goodwill and Other Intangible Assets*

The net carrying value of goodwill as of December 31, 2002 and 2001 by operating segment is as follows:

	2002	2001
North America	*$ 250.1*	$ 249.6
Latin America	*433.6*	568.7
Europe	*379.9*	350.2
Asia/Africa	*104.2*	100.7
Total Oral, Personal, Household Surface and Fabric Care	*1,167.8*	1,269.2
Total Pet Nutrition	*15.0*	15.0
	$1,182.8	$1,284.2

Dollars in Millions Except Per Share Amounts

The change in the net carrying amount of goodwill during the year ended December 31, 2002 is due to the impact of foreign currency translation adjustments. The net carrying value of indefinite life intangible assets as of December 31, 2002 was $357.5 and relates to certain of the Company's global brands.

Finite life intangible assets as of December 31, 2002, subject to amortization, are comprised of the following:

	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks	$367.1	$(120.1)	$247.0
Other intangible assets	7.8	(3.8)	4.0
	$374.9	$(123.9)	$251.0

Amortization expense of the above trademarks and other intangible assets was $12.5 for the year ended December 31, 2002. Annual estimated amortization expense for each of the next five years is expected to approximate $12.

6. Long-Term Debt and Credit Facilities

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

	Weighted Average Interest Rate	Maturities	*2002*	2001
Notes	4.8%	2003-2078	*$2,244.7*	$1,724.7
Commercial paper	1.7	2003	*391.4*	605.8
ESOP notes, guaranteed by the Company	8.7	2003-2009	*327.3*	345.2
Payable to banks	4.4	2003-2007	*495.7*	451.5
Capitalized leases			*50.2*	10.3
			3,509.3	3,137.5
Less: current portion of long-term debt			*298.5*	325.5
			$3,210.8	$2,812.0

Commercial paper and certain current maturities of notes payable totaling $815.5 are classified as long-term debt as the Company has the intent and ability to refinance such obligations on a long-term basis. Scheduled maturities of long-term debt and capitalized leases outstanding as of December 31, 2002, excluding commercial paper and certain current maturities of notes payable reclassified, are as follows: 2003—$298.5; 2004—$313.3; 2005—$405.8; 2006—$271.9; 2007—$253.5 and $1,150.8 thereafter. The Company has entered into interest rate swap agreements and foreign exchange contracts related to certain of these debt instruments (see Note 7).

At December 31, 2002, the Company had unused credit facilities amounting to $2,082.6. Commitment fees related to credit facilities are not material. The weighted average interest rate on short-term borrowings, included in Notes and loans payable in the Consolidated Balance Sheets, as of December 31, 2002 and 2001, was 6.4% and 5.6%, respectively.

Certain of the Company's financing arrangements require the maintenance of a minimum ratio of operating cash flow to debt. The ESOP notes guaranteed by the Company and certain amounts payable to banks contain cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote.

7. Fair Value of Financial Instruments

The Company uses available market information and other valuation methodologies in assessing the fair value of financial instruments. Some judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, changes in assumptions or the estimation methodologies may affect the fair value estimates.

Derivative Instruments

Following are the notional amounts and net recorded fair values of the Company's derivative instruments:

	2002		2001	
	Notional Amount	*Fair Value*	Notional Amount	Fair Value
Interest rate swap contracts	*$1,103*	*$46.6*	$788.8	$(13.7)
Foreign currency contracts	*1,334*	*4.6*	591.2	11.9

The Company utilizes interest rate swap contracts to manage its targeted mix of fixed and floating rate debt. Forward and swap contracts are utilized to hedge a portion of the Company's foreign currency purchases and assets and liabilities created in the normal course of business. Forward contracts used in hedging forecasted foreign currency purchases have durations no greater than 18 months. It is the Company's policy to enter into derivative instruments with terms that match the underlying exposure being hedged. As such, the Company's derivative instruments are considered highly effective and the net gain or loss from hedge ineffectiveness was not material.

The cumulative gains (losses) related to those foreign currency contracts and interest rate swap contracts designated as cash flow hedges expected to be recognized in earnings over the next 12 months, when the offsetting effects of the hedged item are also recorded in earnings, are $(3.2) and $(6.8), respectively.

Other Financial Instruments

The carrying amount of cash and cash equivalents, marketable securities, long-term investments and short-term debt approximated fair value as of December 31, 2002 and 2001. The estimated fair value of the Company's long-term debt, including current portion, as of December 31, 2002 and 2001, was $3,779.7 and $3,312.5, respectively, and the related carrying value was $3,509.3 and $3,137.5, respectively.

Credit Risk

The Company is exposed to credit loss in the event of nonperformance by counterparties to the financial instrument contracts held by the Company; 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.

8. *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. The $4.25 Preferred Stock is redeemable only at the option of the Company. As of December 31, 2002 and 2001, 103,160 shares of $4.25 Preferred Stock were outstanding.

Preference Stock

In 1988, the Company authorized the issuance of 50,000,000 shares of Series B Convertible Preference Stock (the "Preference Stock"), without par value. The Preference Stock is convertible into eight shares of common stock and ranks junior to all series of the Preferred Stock. As of December 31, 2002 and 2001, 4,777,538 and 5,059,086 shares of the Preference Stock, respectively, were outstanding and issued to the Company's Employee Stock Ownership Plan.

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 do not have voting power or pay dividends and become exercisable upon the acquisition or tender of 15% or more of the Company's common stock. When exercisable, each Right entitles a holder to buy one two-hundredth of a share of a new series of preference stock at an exercise price of $220.00, subject to adjustment.

If 15% or more of the Company's common stock is acquired, each Right will entitle its holder (other than the acquirer) 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.

In addition, if 15% to 50% of the Company's common stock is acquired, the Board of Directors may exchange part or all of the Rights (other than Rights held by the acquirer) for shares of the Company's common stock on a one-for-one basis.

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.

The Board of Directors may amend the Rights or redeem the Rights for $.01 at any time before the acquisition of 15% or more of the Company's common stock and is also authorized to reduce the 15% threshold to not less than 10%. Unless redeemed earlier, the Rights will expire on October 31, 2008.

Stock Repurchases

The Company purchases shares under a stock repurchase program authorized by the Board of Directors. Stock purchases in 2002 of $1,082.9 included $388.9 for the termination of all forward purchase agreements in which the Company repurchased all of the shares held by the counterparty under the agreement.

Incentive Stock Plan

The Company has a plan that provides for grants of restricted stock awards for officers and other executives of the Company and its major subsidiaries. A committee of independent members of the Board of Directors administers the plan. The awarded shares are made in common stock and vest at the end of the restriction period, generally between three and five years. During 2002 and 2001, 549,000 and 511,000 shares, respectively, were awarded to employees in accordance with the provisions of the plan. The Company recognized compensation expense for the plan of $29.5, $26.6 and $23.6 for the years ended December 31, 2002, 2001 and 2000, respectively. As of December 31, 2002, there were 2,252,000 restricted shares awarded but not vested.

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 with a term of up to ten years and generally vest over three to five years. As of December 31, 2002, 15,936,000 shares of common stock were available for future grants.

The Plans contain a reload feature that 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 shorter expected lives as they have the same expiration date as the original options exercised and vest over six months.

Stock option plan activity is summarized below:

	2002		2001		2000	
	Shares (in thousands)	*Weighted Average Exercise Price*	Shares (in thousands)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
Options outstanding, January 1	*40,933*	*$44*	39,143	$41	39,196	$36
Granted	*6,229*	*55*	7,842	57	9,762	53
Exercised	*(3,049)*	*32*	(5,565)	37	(9,361)	32
Canceled or expired	*(1,059)*	*56*	(487)	56	(454)	40
Options outstanding, December 31	*43,054*	*46*	40,933	44	39,143	41
Options exercisable, December 31	*30,555*	*$43*	26,549	$39	24,840	$35

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 2002:

Range of Exercise Prices	Weighted Average Remaining Contractual Life (in years)	Options Outstanding (in thousands)	Weighted Average Exercise Price	Options Exercisable (in thousands)	Weighted Average Exercise Price
$12.95–$19.42	1	3,173	$16	3,173	$16
$19.43–$32.37	2	5,393	25	5,286	25
$32.38–$45.32	5	4,624	37	4,482	37
$45.33–$51.80	7	4,962	48	3,107	48
$51.81–$58.27	7	21,884	55	11,787	55
$58.28–$64.75	4	3,018	60	2,720	60
	6	43,054	$46	30,555	$43

9. Employee Stock Ownership Plan

In 1989, the Company expanded its Employee Stock Ownership Plan ("ESOP") through the introduction of a leveraged ESOP that funds certain benefits for employees who have met eligibility requirements. The ESOP issued $410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. The long-term notes, which are guaranteed by the Company, are reflected in the accompanying Consolidated Balance Sheets. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Series B Convertible Preference Stock (the "Preference Stock") from the Company. The Preference 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 eight common shares for the comparable six-month period. During 2000, the ESOP entered into a loan agreement with the Company under which the benefits of the ESOP may be extended through 2035.

Dividends on the Preference Stock, as well as on the common shares also held by the ESOP, are paid to the ESOP trust and, together with cash contributions and advances from the Company, are used by the ESOP to repay principal and interest on the outstanding notes. Preference Stock is 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. As of December 31, 2002, 1,635,000 shares were allocated to participant accounts and 3,143,000 shares were available for future allocation. Each share may be converted by the ESOP Trustee into eight common shares but allocated Preference Stock generally converts only after the employee ceases to work for the Company.

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

Annual expense related to the leveraged ESOP, determined as interest incurred on the original notes, plus the higher of either principal payments or the historical cost of Preference Stock allocated, less dividends received on the shares held by the ESOP and advances from the Company, was $7.0 in 2002, $0 in 2001 and $3.4 in 2000. Unearned compensation, which is shown as a reduction in shareholders' equity, represents the amount of ESOP debt outstanding reduced by the difference between the cumulative cost of Preference Stock allocated and the cumulative principal payments.

Interest incurred on the ESOP's notes was $29.0 in 2002, $30.4 in 2001 and $31.4 in 2000. The Company paid dividends on the shares held by the ESOP of $29.6 in 2002, $29.4 in 2001 and $28.6 in 2000. Company contributions to the ESOP were $15.9 in 2002, $0 in 2001 and $4.8 in 2000.

10. Retirement Plans and Other Retiree Benefits

Retirement Plans

The Company, its U.S. subsidiaries and some of its overseas subsidiaries maintain defined benefit retirement plans covering substantially all of their employees. Benefits are based primarily on years of service and employees' career earnings. In the Company's principal U.S. plans, funds are contributed to the trusts in accordance with regulatory limits to provide for current service and for any unfunded projected benefit obligation over a reasonable period. Assets of the plans consist principally of common stocks, guaranteed investment contracts with insurance companies, investments in real estate funds, and U.S. Government and corporate obligations. Domestic plan assets also include investments in the Company's common stock representing 9% and 10% of plan assets at December 31, 2002 and 2001, respectively.

Other Retiree Benefits

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

Dollars in Millions Except Per Share Amounts

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

	Pension Benefits				Other Retiree Benefits	
	2002	2001	2002	2001	2002	2001
	United States		International			
Change in Benefit Obligation						
Benefit obligation at beginning of year	$1,028.5	$ 938.3	$ 357.1	$ 345.0	$ 183.6	$ 164.2
Service cost	34.5	31.8	12.4	11.1	(4.0)	(4.6)
Interest cost	72.6	71.5	22.6	21.5	17.5	16.6
Participants' contributions	2.9	2.7	2.2	2.1	—	—
Acquisitions/plan amendments	1.0	—	.2	1.9	(.4)	—
Actuarial loss	62.4	70.3	8.1	10.3	.5	23.9
Foreign exchange impact	—	—	34.6	(14.9)	2.6	(3.7)
Benefit payments	(85.6)	(86.1)	(24.2)	(19.9)	(14.0)	(12.8)
Benefit obligation at end of year	$1,116.3	$1,028.5	$ 413.0	$ 357.1	$ 185.8	$ 183.6
Change in Plan Assets						
Fair value of plan assets at beginning of year	$ 900.1	$ 932.7	$ 217.1	$ 243.7	$ —	$ —
Actual return on plan assets	(57.2)	(54.2)	(11.5)	(8.2)	—	—
Company contributions	145.5	105.0	17.8	12.6	14.0	12.8
Participants' contributions	2.9	2.7	2.2	2.1	—	—
Foreign exchange impact	—	—	15.6	(13.2)	—	—
Benefit payments	(85.6)	(86.1)	(24.2)	(19.9)	(14.0)	(12.8)
Fair value of plan assets at end of year	$ 905.7	$ 900.1	$ 217.0	$ 217.1	$ —	$ —
Funded Status						
Funded status at end of year	$ (210.6)	$ (128.4)	$(196.0)	$(140.0)	$(185.8)	$(183.6)
Unrecognized net actuarial loss	393.5	200.8	95.3	46.4	14.7	13.5
Unrecognized transition/prior service costs	18.5	20.7	6.4	7.6	(4.3)	(5.4)
Net amount recognized	$ 201.4	$ 93.1	$ (94.3)	$ (86.0)	$(175.4)	$(175.5)
Amounts Recognized in Balance Sheet						
Prepaid benefit cost	$ 311.6	$ 198.4	$ 16.0	$ 22.6	$ —	$ —
Accrued benefit liability	(148.8)	(105.3)	(159.4)	(120.7)	(175.4)	(175.5)
Accumulated other comprehensive income	38.6	—	49.1	12.1	—	—
Net amount recognized	$ 201.4	$ 93.1	$ (94.3)	$ (86.0)	$(175.4)	$(175.5)
Weighted Average Assumptions						
Discount rate	6.75%	7.25%	6.51%	6.69%	6.75%	7.25%
Long-term rate of return on plan assets	8.00%	9.00%	8.48%	8.86%	—	—
Long-term rate of compensation increase	4.25%	4.75%	3.84%	3.96%	—	—
ESOP growth rate	—	—	—	—	10.00%	10.00%

The United States pension benefits include funded qualified plans covering most domestic employees and certain unfunded non-qualified plans. As of December 31, 2002 and 2001, the United States qualified pension plans had benefit obligations of $939.8 and $892.2, and plan assets of $902.4 and $896.8, respectively.

	Pension Benefits						Other Retiree Benefits		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
	United States			International					
Components of Net Periodic Benefit Costs									
Service cost	$ 34.5	$ 31.8	$ 27.8	$ 12.4	$ 11.1	$ 12.4	$ 5.0	$ 4.0	$ 3.7
Interest cost	72.6	71.5	68.2	22.6	21.5	22.0	17.5	16.6	16.6
Annual ESOP allocation	—	—	—	—	—	—	(9.0)	(8.6)	(9.2)
Expected return on plan assets	(82.5)	(86.6)	(92.9)	(16.9)	(18.7)	(19.1)	—	—	—
Amortization of transition/prior service costs	3.1	7.1	7.2	(.1)	.1	—	(1.0)	(1.0)	(1.0)
Amortization of actuarial loss (gain)	9.5	.8	(6.6)	2.0	.7	.3	.2	.1	.2
Net periodic benefit cost	$ 37.2	$ 24.6	$ 3.7	$ 20.0	$ 14.7	$ 15.6	$12.7	$11.1	$10.3

The accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $448.5 and $148.2, respectively, as of December 31, 2002, and $287.2 and $69.5, respectively, as of December 31, 2001. These amounts represent non-qualified domestic plans and plans at foreign locations that are primarily unfunded; as such, book reserves equal to the unfunded amounts have been recorded.

Dollars in Millions Except Per Share Amounts

The projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were $1,517.6 and $1,108.5, respectively, as of December 31, 2002, and $472.6 and $199.5, respectively, as of December 31, 2001.

The assumed medical cost trend rate used in measuring the postretirement benefit obligation was 9% for 2003, 8% for 2004, 7% for 2005, 6% for 2006 and 5% for years thereafter. Changes in this rate can have a significant effect on amounts reported. The effect of a 1% increase in the assumed medical cost trend rate would increase the accumulated postretirement benefit obligation by approximately $17.0 and increase the annual expense by approximately $2.0. The effect of a 1% decrease in the assumed medical cost trend rate would decrease the accumulated postretirement benefit obligation by approximately $13.0 and decrease the annual expense by approximately $1.5.

11. Income Taxes

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

	2002	2001	2000
United States	$176.5	$153.5	$150.9
International	405.5	368.6	352.5
	$582.0	$522.1	$503.4

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

	2002	2001	2000
United States	$ 548.4	$ 474.5	$ 483.3
International	1,321.9	1,194.2	1,083.9
	$1,870.3	$1,668.7	$1,567.2

The difference between the statutory U.S. 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	2002	2001	2000
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	.6	.6	.4
Earnings taxed at other than U.S. statutory rate	(3.2)	(3.0)	(1.7)
Other, net	(1.3)	(1.3)	(1.6)
Effective tax rate	31.1%	31.3%	32.1%

In addition, net tax benefits of $51.1 in 2002, $54.4 in 2001 and $91.6 in 2000 were recorded directly through equity which included tax benefits related to certain employee benefit plans and exchange losses on U.S. Dollar-denominated investments in foreign subsidiaries.

Temporary differences between accounting for financial statement purposes and accounting for tax purposes result in taxes currently payable being lower than the total provision for income taxes as follows:

	2002	2001	2000
Property, plant and equipment	$(12.4)	$(12.1)	$ (3.2)
Pension and other postretirement benefits	(19.6)	(29.0)	(8.2)
Alternative Minimum Tax credit utilization	—	—	(89.1)
Other, net	(18.5)	(.7)	44.1
	$(50.5)	$(41.8)	$(56.4)

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

	2002	2001
Deferred Taxes – Current:		
Accrued liabilities	$ 75.3	$ 65.3
Other, net	35.1	43.5
Total deferred taxes, current	110.4	108.8
Deferred Taxes – Long-term:		
Intangible assets	(268.0)	(266.7)
Property, plant and equipment	(278.5)	(269.5)
Tax loss and tax credit carryforwards	146.1	100.0
Other, net	47.1	40.0
Valuation allowance	(135.5)	(84.4)
Total deferred taxes, long-term	(488.8)	(480.6)
Net deferred taxes	$(378.4)	$(371.8)

The major component of the 2002 and 2001 valuation allowance relates to tax benefits in certain jurisdictions arising from net operating losses expiring through 2007, not expected to be realized.

Applicable U.S. income and foreign withholding taxes have not been provided on approximately $954.5 of undistributed earnings of foreign subsidiaries at December 31, 2002. These earnings have been and are currently considered to be permanently invested and are currently not subject to such taxes. Determining the tax liability that would arise if these earnings were remitted is not practicable.

12. Earnings Per Share

	For the Year Ended 2002			For the Year Ended 2001			For the Year Ended 2000		
	Income	Shares (millions)	Per Share	Income	Shares (millions)	Per Share	Income	Shares (millions)	Per Share
Net income	$1,288.3			$1,146.6			$1,063.8		
Preferred dividends	(21.9)			(21.7)			(20.7)		
Basic EPS	1,266.4	542.7	$2.33	1,124.9	557.8	$2.02	1,043.1	574.9	$1.81
Stock options and restricted stock		7.3			8.8			9.8	
Convertible preference stock	21.5	39.1		21.3	41.1		20.3	42.6	
Diluted EPS	$1,287.9	589.1	$2.19	$1,146.2	607.7	$1.89	$1,063.4	627.3	$1.70

In determining the dilutive effect of the stock options, the number of shares resulting from the assumed exercise of the options is appropriately reduced by the number of shares that could have been purchased by the Company with the proceeds from the exercise of such options.

13. *Commitments and Contingencies*

Minimum rental commitments under noncancellable operating leases, primarily for office and warehouse facilities, are $72.3 in 2003, $62.7 in 2004, $55.8 in 2005, $49.7 in 2006, $48.8 in 2007 and $98.3 thereafter. Rental expense amounted to $97.8 in 2002, $96.9 in 2001 and $90.6 in 2000. 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 $108.2 that expire through 2005.

The Company is party to various superfund and other environmental matters in connection with prior acquisitions and has been named as a potentially responsible party for the cleanup, restoration and post-closure monitoring of several sites. The Company has been apportioned a share of the liabilities associated with the cleanup activities, and substantially all of these liabilities have been acknowledged in writing as being covered by investment-grade insurance carriers that are presently making all their required payments directly to the cleanup efforts and are expected to do so in the future. Management proactively reviews and monitors its exposure to, and the impact of, environmental matters. While it is possible that the nonperformance of other potentially responsible parties could affect the cash flows and results of operations in any particular quarter or year, 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 financial position, results of operations or ongoing cash flows of the Company.

In 1995, the Company acquired the Kolynos oral care business from Wyeth (formerly American Home Products) (the “Seller”), as described in the Company’s Form 8-K dated January 10, 1995. On September 8, 1998, the Company’s Brazilian subsidiary received notice of an administrative proceeding from the Central Bank of Brazil primarily taking issue with certain foreign exchange filings made with the Central Bank in connection with the financing of this strategic transaction, but in no way challenging or seeking to unwind the acquisition. The Central Bank of Brazil in January 2001 notified the Company of its decision in this administrative proceeding to impose a fine, which, at the current exchange rate, approximates $75. The Company has appealed the decision to the Brazilian Monetary System Appeals Council (the “Council”), thereby suspending the fine pending the decision of the Council. If the fine is affirmed, interest and penalties may also be assessed. Further appeals are available within the Brazilian federal courts. Management believes, based on the opinion of its Brazilian legal counsel and other experts, that the filings challenged by the Central Bank fully complied with Brazilian law and that the Company will prevail on appeal. The Company intends to challenge this fine vigorously. In addition, Brazilian prosecutors are reviewing the foregoing transactions as part of an overall examination of all international transfers of Reais through non-resident current accounts during the 1992 to 1998 time frame. The Company understands that this examination involves hundreds and possibly thousands of other individuals and companies. In 2002, the Brazilian Federal Public Attorney filed a civil action against the federal government of Brazil, Laboratorios Wyeth-Whitehall Ltda., the Brazilian subsidiary of the Seller, and the Company, as represented by its Brazilian subsidiary, seeking to annul an April 2000 decision by the Brazilian Board of Tax Appeals that found in favor of the Seller’s subsidiary on the issue of whether it had incurred taxable capital gains as a result of the divestiture of Kolynos. The action seeks to make the Company’s Brazilian subsidiary jointly and severally liable for any tax due from the Seller’s subsidiary. Management believes, based on the opinion of its Brazilian legal counsel, that the Company will ultimately prevail in this action. The Company intends to challenge this action vigorously.

In addition, the Brazilian internal revenue authority has disallowed interest deductions and foreign exchange losses taken by the Company’s Brazilian subsidiary in connection with the financing of the Kolynos acquisition, imposing a tax assessment that has been determined, at the current exchange rate, to approximate $30. The Company has filed an administrative appeal with the Brazilian internal revenue authority, and further appeals are available within the Brazilian federal courts. Management believes, based on the opinion of its Brazilian legal counsel and other experts, that the disallowance is without merit and that the Company will prevail on appeal. The Company intends to challenge this assessment vigorously.

While it is possible that the Company’s cash flows and results of operations in a particular quarter or year 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 position, results of operations or ongoing cash flows.

14. *Segment Information*

The Company operates in two product segments: Oral, Personal, Household Surface and Fabric Care; and Pet Nutrition. The operations of the Oral, Personal, Household Surface and Fabric Care segment are managed geographically in four reportable operating segments: North America, Latin America, Europe and Asia/Africa. Management evaluates segment performance based on several factors, including operating profit. The Company uses operating profit as a measure of the basic health of the operating segments because it excludes the impact of corporate-driven decisions related to interest expense and income taxes.

The accounting policies of the operating segments are generally the same as those described in Note 2. Intercompany sales have been eliminated. Amounts for certain businesses in the Caribbean, which were previously reported in Latin America, have been reclassified to North America to conform with current year presentation and change in management responsibilities. Corporate operations include research and development costs, unallocated overhead costs, and gains and losses on sales of non-strategic brands and assets. Corporate assets primarily include benefit plan assets. Segment information regarding net sales, operating profit, identifiable assets, capital expenditures, and depreciation and amortization is detailed below:

Dollars in Millions Except Per Share Amounts

	2002	2001	2000
Net Sales			
Oral, Personal, Household			
Surface and Fabric Care			
North America (1)	*$2,374.1*	$2,299.9	$2,216.5
Latin America	*2,206.8*	2,356.0	2,406.6
Europe	*1,984.3*	1,835.0	1,825.8
Asia/Africa	*1,542.0*	1,484.3	1,496.6
Total Oral, Personal, Household Surface and Fabric Care	*8,107.2*	7,975.2	7,945.5
Total Pet Nutrition (2)	*1,187.1*	1,109.1	1,058.9
Total Net Sales	*$9,294.3*	$9,084.3	$9,004.4

(1) Net sales in the U.S. for Oral, Personal, Household Surface and Fabric Care were $2,030.4, $1,976.7 and $1,896.7 in 2002, 2001 and 2000, respectively.
(2) Net sales in the U.S. for Pet Nutrition were $714.5, $661.5 and $633.9 in 2002, 2001 and 2000, respectively.

	2002	2001	2000
Operating Profit			
Oral, Personal, Household			
Surface and Fabric Care			
North America	*$ 578.7*	$ 516.6	$ 487.9
Latin America	*647.4*	663.2	597.6
Europe	*409.0*	342.6	320.0
Asia/Africa	*232.6*	195.9	194.0
Total Oral, Personal, Household Surface and Fabric Care	*1,867.7*	1,718.3	1,599.5
Total Pet Nutrition	*318.3*	282.1	243.5
Total Corporate	*(172.9)*	(165.6)	(102.5)
Total Operating Profit	*$2,013.1*	$1,834.8	$1,740.5

	2002	2001	2000
Identifiable Assets			
Oral, Personal, Household			
Surface and Fabric Care			
North America	*$2,064.3*	$2,108.6	$2,172.6
Latin America	*1,661.4*	1,934.9	2,041.5
Europe	*1,371.9*	1,263.6	1,369.4
Asia/Africa	*1,005.3*	942.7	1,013.0
Total Oral, Personal, Household Surface and Fabric Care	*6,102.9*	6,249.8	6,596.5
Total Pet Nutrition	*552.5*	497.6	478.5
Total Corporate	*431.8*	237.4	177.3
Total Identifiable Assets(1)	*$7,087.2*	$6,984.8	$7,252.3

(1) Long-lived assets in the U.S., primarily property, plant and equipment and goodwill and other intangibles, represented approximately one-third of total long-lived assets of $4,315.7, $4,667.1 and $4,813.3 in 2002, 2001 and 2000, respectively.

	2002	2001	2000
Capital Expenditures			
Oral, Personal, Household			
Surface and Fabric Care			
North America	*$ 65.0*	$ 70.5	$ 93.4
Latin America	*106.4*	115.6	119.7
Europe	*37.7*	33.3	41.7
Asia/Africa	*54.6*	36.5	45.8
Total Oral, Personal, Household Surface and Fabric Care	*263.7*	255.9	300.6
Total Pet Nutrition	*39.4*	37.0	29.2
Total Corporate	*40.6*	47.3	36.8
Total Capital Expenditures	*$343.7*	$340.2	$366.6

	2002	2001	2000
Depreciation and Amortization			
Oral, Personal, Household			
Surface and Fabric Care			
North America	*$ 82.1*	$102.8	$101.2
Latin America	*53.8*	69.3	73.0
Europe	*57.3*	64.9	67.8
Asia/Africa	*46.3*	47.8	47.0
Total Oral, Personal, Household Surface and Fabric Care	*239.5*	284.8	289.0
Total Pet Nutrition	*28.7*	28.1	30.6
Total Corporate	*28.3*	23.3	18.2
Total Depreciation and Amortization	*$296.5*	$336.2	$337.8

> 15. *Supplemental Income Statement Information*

Other Expense, Net	2002	2001	2000
Minority interest	*$ 41.3*	$ 40.1	$ 32.6
Amortization of intangible assets	*12.5*	68.0	72.1
Loss (gain) on equity investments	*.6*	(.2)	(2.2)
Other, net	*(31.4)*	(13.4)	(50.2)
	$ 23.0	$ 94.5	$ 52.3

Interest Expense, Net	2002	2001	2000
Interest incurred	*$158.2*	$192.4	$203.5
Interest capitalized	*(7.4)*	(14.4)	(3.8)
Interest income	*(8.0)*	(11.9)	(26.4)
	$142.8	$166.1	$173.3
Research and development	*$196.6*	$184.9	$176.1
Media advertising(1)	*$486.6*	$509.0	$550.9

(1) Total advertising support behind Colgate brands, including media, promotion and other consumer and trade incentives, some of which reduce reported net sales, has increased in each of the years presented. The trend in media spending reflects lower media pricing, the negative impact of foreign exchange and a slight shift in investment to other forms of total advertising support.

> 16. *Supplemental Balance Sheet Information*

Inventories	2002	2001
Raw materials and supplies	*$176.6*	$188.0
Work-in-process	*30.1*	27.9
Finished goods	*465.0*	461.1
	$671.7	$677.0

Inventories valued under LIFO amounted to $155.8 and $143.1 at December 31, 2002 and 2001, respectively. The excess of current cost over LIFO cost at the end of each year was $44.1 and $30.5, respectively. The liquidations of LIFO inventory quantities had no effect on income in 2002, 2001 and 2000.

Property, Plant and Equipment, Net	2002	2001
Land	*$ 132.7*	$ 128.8
Buildings	*771.8*	726.7
Machinery and equipment	*3,752.4*	3,553.4
	4,656.9	4,408.9
Accumulated depreciation	*(2,165.6)*	(1,895.4)
	$ 2,491.3	$ 2,513.5

Dollars in Millions Except Per Share Amounts

Other Accruals	2002	2001
Accrued advertising	$315.2	$261.8
Accrued payroll and employee benefits	231.4	254.9
Accrued interest	19.1	23.9
Accrued taxes other than income taxes	75.3	48.6
Other	264.6	234.1
	$905.6	$823.3

Other Liabilities	2002	2001
Minority interest	$209.1	$204.1
Pension and other benefits	483.6	401.5
Other	195.9	116.7
	$888.6	$722.3

Accumulated Other Comprehensive Income

Accumulated other comprehensive income is comprised of cumulative foreign currency translation gains and losses, minimum pension liability adjustments, unrealized gains and losses from derivative instruments designated as cash flow hedges, and unrealized gains and losses from available-for-sale securities. As of December 31, 2002 and 2001, accumulated other comprehensive income primarily consisted of cumulative foreign currency translation adjustments.

The 2002 and 2001 cumulative translation adjustments resulted primarily from devaluation of the Brazilian Real of $175.9 and $105.0, and the Argentine Peso of $28.5 and $66.8, in each year, respectively. In 2000, the cumulative translation adjustments related primarily to the devaluation of the Brazilian Real of $45.1. These adjustments represented write-downs of foreign currency-denominated assets (primarily goodwill and property, plant and equipment) that will result in lower depreciation expense in future periods.

> 17. *Quarterly Financial Data* (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002				
Net sales	*$2,195.2*	*$2,297.0*	*$2,381.7*	*$2,420.4*
Gross profit	*1,202.8*	*1,244.0*	*1,302.6*	*1,320.7*
Net income	*289.7*	*327.0*	*330.7*	*340.9*
Earnings per common share:				
Basic	*.52*	*.59*	*.60*	*.62*
Diluted	*.49*	*.55*	*.57*	*.59*
2001				
Net sales	$2,212.2	$2,238.7	$2,304.9	$2,328.5
Gross profit	1,180.4	1,188.2	1,232.4	1,248.4
Net income	267.9	287.2	296.2	295.3
Earnings per common share:				
Basic	.47	.50	.52	.53
Diluted	.44	.47	.49	.49

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 common share has increased for 40 consecutive years.

Market Price

	Common Stock				$4.25 Preferred Stock			
Quarter Ended	2002		2001		2002		2001	
	High	Low	High	Low	High	Low	High	Low
March 31	*$57.75*	*$54.10*	$62.50	$51.00	*$90.50*	*$86.00*	$89.00	$86.85
June 30	*58.73*	*47.95*	61.00	51.26	*90.00*	*86.50*	89.75	85.93
September 30	*56.14*	*44.36*	60.25	52.64	*90.50*	*87.00*	88.00	85.50
December 31	*57.91*	*51.04*	59.41	56.15	*97.00*	*88.50*	88.00	85.00
Closing Price	*$52.43*		$57.75		*$95.25*		$87.50	

Dividends Paid Per Share

Quarter Ended	2002	2001	2002	2001
March 31	*$.1800*	$.1575	*$1.0625*	$1.0625
June 30	*.1800*	.1575	*1.0625*	1.0625
September 30	*.1800*	.1800	*1.0625*	1.0625
December 31	*.1800*	.1800	*1.0625*	1.0625
Total	*$.72*	$.675	*$4.25*	$4.25

Eleven-Year Financial Summary[1]

	Ten-year compound annual growth rate	*2002*	2001	2000
Continuing Operations				
Net sales[2]	3.1%	*$9,294.3*	$9,084.3	$9,004.4
Results of operations:				
Net income	10.4%	*1,288.3*	1,146.6	1,063.8
Per share, basic	12.3%	*2.33*	2.02	1.81
Per share, diluted	12.4%	*2.19*	1.89	1.70
Depreciation and amortization expense		*296.5*	336.2	337.8
Financial Position				
Current ratio		*1.0*	1.0	1.0
Property, plant and equipment, net		*2,491.3*	2,513.5	2,528.3
Capital expenditures		*343.7*	340.2	366.6
Total assets		*7,087.2*	6,984.8	7,252.3
Long-term debt		*3,210.8*	2,812.0	2,536.9
Shareholders' equity		*350.3*	846.4	1,468.1
Share and Other				
Book value per common share		*.69*	1.54	2.57
Cash dividends declared and paid per common share		*.72*	.675	.63
Closing price		*52.43*	57.75	64.55
Number of common shares outstanding (in millions)		*536.0*	550.7	566.7
Number of shareholders of record:				
$4.25 Preferred		*215*	224	247
Common		*38,800*	40,900	42,300
Average number of employees		*37,700*	38,500	38,300

(1) All share and per share amounts have been restated to reflect the 1999 and 1997 two-for-one stock splits.
(2) Net sales amounts have been revised to reflect the reclassification of certain sales incentives and promotional expenses from selling, general and administrative expenses to a reduction of net sales and cost of sales in accordance with new accounting standards.
(3) Income in 1995 includes a net provision for restructured operations of $369.2. (Excluding this charge, earnings per share would have been $.89, basic and $.84, diluted.)
(4) Income in 1994 includes a one-time charge of $5.2 for the sale of a non-core business, Princess House.
(5) 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 $.84, basic and $.79, diluted.)

Glossary of Terms

- **Market share:** the percentage of a category or segment's retail sales obtained by one brand or company. In this report, market shares are based on value share data provided primarily by ACNielsen. Global or regional shares are a weighted average of markets where Colgate competes and purchases third party syndicated data.
- **Regionalization:** the concentration of manufacturing in fewer, focused facilities that service the needs of an entire region or several regions, thereby maximizing efficiencies and standardization, quality control and return on investment.
- **Retail trade:** the stores that sell our products directly to consumers. These stores vary in size from small, local, privately run outlets to large super centers that are part of national chains.
- **Return on capital (ROC):** ratio that measures how effectively the Company is utilizing its capital invested in the business. ROC is calculated as net income excluding aftertax interest expense, divided by average capital. Capital consists of total debt and total shareholders' equity.
- **SAP:** computer software that links all business processes into one integrated system that can be viewed in real-time by everyone connected to it. This facilitates efficiencies and smooth running of the business. SAP is a trademark of SAP Aktiengesellschaft.
- **"360-degree" marketing:** reaching consumers throughout their daily activities by going beyond the use of traditional media and finding ways to promote products at special events or in activities involving many people.
- **Unit volume growth:** growth in product units sold, weighted to reflect price per unit.

Dollars in Millions Except Per Share Amounts

1999	1998	1997	1996	1995	1994	1993	1992
$8,801.5	$8,660.8	$8,786.8	$8,493.1	$8,201.5	$7,444.5	$7,009.3	$6,881.2
937.3	848.6	740.4	635.0	172.0[3]	580.2[4]	189.9[5]	477.0
1.57	1.40	1.22	1.05	.26[3]	.96[4]	.27[5]	.73
1.47	1.30	1.13	.98	.25[3]	.89[4]	.26[5]	.68
340.2	330.3	319.9	316.3	300.3	235.1	209.6	192.5
1.0	1.1	1.1	1.2	1.3	1.4	1.5	1.5
2,551.1	2,589.2	2,441.0	2,428.9	2,155.2	1,988.1	1,766.3	1,596.8
372.8	389.6	478.5	459.0	431.8	400.8	364.3	318.5
7,423.1	7,685.2	7,538.7	7,901.5	7,642.3	6,142.4	5,761.2	5,434.1
2,243.3	2,300.6	2,340.3	2,786.8	2,992.0	1,751.5	1,532.4	946.5
1,833.7	2,085.6	2,178.6	2,034.1	1,679.8	1,822.9	1,875.0	2,619.8
3.14	3.53	3.65	3.42	2.84	3.12	3.10	4.05
.59	.55	.53	.47	.44	.39	.34	.29
65.00	46.44	36.75	23.06	17.56	15.84	15.59	13.94
578.9	585.4	590.8	588.6	583.4	577.6	597.0	641.0
275	296	320	350	380	400	450	470
44,600	45,800	46,800	45,500	46,600	44,100	40,300	36,800
37,200	38,300	37,800	37,900	38,400	32,800	28,000	28,800

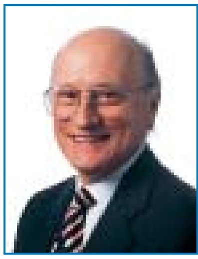
Hill's Science Diet Nature's Best

Responding to pet owners' desire to feed their pets natural products made from wholesome ingredients, Hill's Science Diet Nature's Best has been well received by consumers since its introduction in 2002.

United States

Colgate's Corporate Governance Commitment

Colgate's Board of Directors believes strongly that good corporate governance accompanies and greatly aids our long-term business success. This success has been the direct result of Colgate's key business strategies, including its focus on core product categories and global brands, people development programs emphasizing "pay for performance" and the highest business standards. Colgate's Board has been at the center of these key strategies, helping to design and implement them, and seeing that they guide the Company's operations.



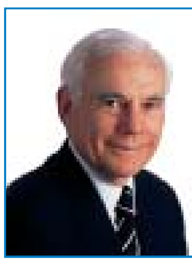
Reuben Mark
Chairman of the Board and Chief Executive Officer of Colgate-Palmolive Company. Mr. Mark joined Colgate in 1963 and held a series of significant positions in the United States and abroad before being elected CEO in 1984. Elected director in 1983. Age 64

Jill K. Conway
Chairman of Lend Lease Corporation and Visiting Scholar, Program in Science, Technology and Society at Massachusetts Institute of Technology. Mrs. Conway was President of Smith College from 1975 to 1985. Elected director in 1984. Age 68

Ronald E. Ferguson
Consultant to General Re Corporation. Mr. Ferguson joined General Re in 1969, serving as Chairman from 1987 until 2002 and Chief Executive Officer from 1987 to 2001. Elected director in 1987. Age 61

Carlos M. Gutierrez
Chairman of the Board, President and Chief Executive Officer of Kellogg Company since April 2000. Mr. Gutierrez joined Kellogg de Mexico in 1975 and held numerous important positions in the United States and abroad, being appointed President and Chief Operating Officer in 1998. Mr. Gutierrez became a Director, and President and Chief Executive Officer in 1999. Elected director in 2002. Age 49

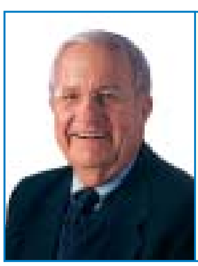
Ellen M. Hancock
Former Chairman and Chief Executive Officer of Exodus Communications, Inc. from 1998 to 2001. Mrs. Hancock previously was Executive Vice President of Research and Development and Chief Technology Officer at Apple Computer Inc., Executive Vice President and Chief Operating Officer at National Semiconductor, and Senior Vice President at IBM. Elected director in 1988. Age 59



David W. Johnson
Chairman Emeritus of Campbell Soup Company. Mr. Johnson previously was Campbell Chairman from 1993 to 1999 and President and Chief Executive Officer, 1990-1997 and March 2000 – January 2001. From 1987 to 1989, he served as Chairman and Chief Executive Officer of Gerber Products Company. Elected director in 1991. Age 70

Richard J. Kogan
President and Chief Executive Officer of Schering-Plough Corporation. Mr. Kogan was also Chairman of Schering-Plough Corporation from 1998 to 2002. Mr. Kogan joined Schering-Plough as Executive Vice President, Pharmaceutical Operations, in 1982 and became President and Chief Operating Officer of that company in 1986 and President and Chief Executive Officer in 1996. Elected director in 1996. Age 61

Delano E. Lewis
Former U.S. Ambassador to South Africa from December 1999 to July 2001. Mr. Lewis served as the Chief Executive Officer and President of National Public Radio from 1994 to 1998, and President and Chief Executive Officer of Chesapeake & Potomac Telephone Company from 1988 to 1993, having joined that company in 1973. Director from 1991 to 1999 and since 2001. Age 64



Howard B. Wentz, Jr.
Former 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. Age 73

Audit Committee:
Ronald E. Ferguson, Chair., Jill K. Conway, Ellen M. Hancock, Howard B. Wentz, Jr.

Committee on Directors:
David W. Johnson, Chair., Jill K. Conway, Delano E. Lewis, Howard B. Wentz, Jr.

Finance Committee:
Howard B. Wentz, Jr., Chair., Ronald E. Ferguson, Carlos M. Gutierrez, Ellen M. Hancock, Richard J. Kogan, Reuben Mark

Personnel and Organization Committee:
Jill K. Conway, Chair., Ronald E. Ferguson, Carlos M. Gutierrez, David W. Johnson, Richard J. Kogan, Delano E. Lewis

Your Management Team

***Reuben Mark,** 64
Chairman of the Board and Chief Executive Officer

See biographical information, left.

***William S. Shanahan,** 62
President

Mr. Shanahan joined Colgate in 1965. He held a series of important positions in the United States and overseas, and became General Manager for Colgate's subsidiary in Brazil in 1972. In 1980, he was promoted to Vice President-General Manager for the Western Hemisphere and later became Group Vice President for Europe/Africa, Colgate-U.S., Canada, South Africa, Australia and New Zealand. He was elected Chief Operating Officer in 1989 and President in 1992.

***Lois D. Juliber,** 54
Chief Operating Officer

Ms. Juliber is responsible for Latin America and for the Company's growth functions: Global Business Development, R&D, Manufacturing and Information Technology, Corporate Development and Strategic Planning. She joined Colgate in 1988 from General Foods, where she was a Vice President. Appointed to her current position in 2002, she was previously President, Far East/Canada; Chief Technological Officer; President, North America; Executive Vice President, North America and Europe; and COO responsible for international operations.

***Javier G. Teruel,** 52
Executive Vice President

Mr. Teruel is responsible for Asia and South Pacific, Central Europe and Russia, Africa/Middle East and Hill's Pet Nutrition divisions. After joining Colgate in Mexico in 1971, he advanced through marketing and management positions in Latin America, becoming President of Colgate-Mexico. He was appointed to his current position in 2002, having recently held the positions of Chief Growth Officer, responsible for all of Colgate's growth functions, and President of Colgate-Europe.

***Ian M. Cook,** 50
Executive Vice President

Mr. Cook is responsible for Europe, United States, Canada, Puerto Rico, Caricom and Colgate Oral Pharmaceuticals. Mr. Cook joined Colgate in the United Kingdom in 1976 and progressed through marketing and management positions in the United States, Philippines, Dominican Republic and Nordic Group. Appointed to his current position in 2002, he had most recently been Executive Vice President and President, Colgate-North America and Colgate Oral Pharmaceuticals, and President, Colgate-North America.

***Michael J. Tangney,** 58
Executive Vice President and President, Colgate-Latin America

Mr. Tangney joined Colgate in 1971 and held various U.S. and international management positions in Latin America and Europe. He was appointed to his current position in 2000, having most recently been President of Colgate-Latin America and President of Colgate-Mexico.

***Stephen C. Patrick,** 53
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.

***Andrew D. Hendry,** 55
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 a New York law firm and at Reynolds Metals Company (now part of Alcoa, Inc.).

Esmond Alleyne
VP, Global Information Technology

Emilio Alvarez-Recio
VP, Advertising

***Steven R. Belasco**
VP, Taxation and Real Estate

David P. Bencze
VP, Colgate-North America

Philip A. Berry
VP, Global Employee Relations-Best Place to Work

Mauricio Boscan
VP, Division General Counsel Latin America

John H. Bourne
VP, Colgate-North America

Johannes C. Brouwer
VP, Germany

Don Buchner
VP, Hill's Pet Nutrition

Stuart D. Burkhead
VP, Hill's Pet Nutrition

Nigel B. Burton
VP, Global Oral Care

Marsha Butler
VP, Global Professional Relations and Marketing

Antonio Campos-Neto
VP, Philippines

Antonio Caro
VP, Worldwide Sales

Jay Cassidy
VP, Audit

Peter C. Chase
VP, Marketing, Colgate-U.S.

James H. Clark
VP, Colgate-Africa/Middle East

Stephen J. Conboy
VP, Assistant Corporate Controller

Charlotte Copperthite
VP, Associate General Counsel, Patents

Michael A. Corbo
VP, Colgate-Latin America

Graeme D. Dalziel
VP, South Asia Region

S. Peter Dam
President, Colgate-Asia Pacific

Edward C. Davis
VP, Budget and Planning

Alec de Guillenchmidt
VP, Colgate-Europe

Robert W. Dietz
VP, Colgate-Europe

Hector I. Erezuma
VP, International Taxes

Guillermo M. Fernandez
VP, Mexico

James S. Figura
VP, Colgate-U.S.

Edward J. Filusch
VP, Treasury

Stephen J. Fogarty
VP, Oral Care

Chester P.W. Fong
VP, Greater China

Robert E. Frazier
VP, Manufacturing & Product Supply Chain, Colgate-Asia Pacific

Abdul Gaffar
VP, Growth Technology Development

Jill Garrity
VP, Colgate Oral Pharmaceuticals

James J. Gerchow
VP, Colgate-Africa/Middle East

Nina D. Gillman
VP, Legal and Associate General Counsel

Walter H. Golembeski
VP, Product Supply Chain

Stefan S. Gorkin
VP, Global Labor Relations

Tom Greene
VP, Global Information Technology, Americas

David R. Groener
VP, Global Product Supply Chain

Karen Guerra
VP, France

John Guiney
VP, Colgate-Asia Pacific

Luis Gutierrez
VP, Colombia

Jack J. Haber
VP, e-Business

Tarek S. Hallaba
President, Global Personal Care

Suzan F. Harrison
VP, Colgate-U.S.

Richard F. Hawkins
Vice Chairman Hill's Pet Nutrition

Roland Heincke
VP, Colgate-Europe

***Dennis J. Hickey**
VP, Corporate Controller

Sheila A. Hopkins
VP, Colgate-U.S.

Al Horning
VP, Human Resources-Latin America Division

Stuart A. Hulke
VP, Technology

***John J. Huston**
VP, Office of the Chairman

Hope Jaglowitz
VP, Hill's Pet Nutrition

Henning Jakobsen
VP, South Africa

N. Jay Jayaraman
VP, Oral Care

Scott W. Jeffery, Jr.
President, Central Europe and Russia Division

Malcolm Jones
VP, Colgate-U.S.

***Robert J. Joy**
Sr. VP, Global Human Resources

Jules P. Kaufman
VP, Associate General Counsel-Europe

Patrick A. Keefe
VP, Global Security

Robert G. Kirkpatrick
VP, Media

Joy D. Klemencic
VP, Hill's Pet Nutrition

Donald R. Klock
VP, Global Materials, Logistics & Sourcing

Betty M. Kong
VP, Quality

Yoshio Koshimura
VP, Hill's-Asia Pacific

Andrea Lagioia
VP, CP-Turkiye and Central Asia

Leo Laitem
VP, Research and Development

Cheryl Lobell
VP, Colgate-Asia Pacific

Daniel B. Marsili
VP, Colgate-U.S.

***Ronald T. Martin**
VP, Global Business Practices and Public Affairs

Steven G. Marton
President & COO Hill's Pet Nutrition

Seamus E. McBride
President, Colgate-U.S.

Charles F. McGraw
VP, Colgate-North America

Donna B. McNamara
VP, Human Resources

Beth McQuillan
VP, Legal and Assistant General Counsel

Richard Mener
President, Africa/Middle East Division

***Franck J. Moison**
President, Colgate-Europe

Francis A. Morelli
VP, Global Systems

Steven K. Morse
VP, Hill's Pet Nutrition

Josue M. Muñoz
VP, Colgate-Latin America

Graeme B. Murray
VP, Canada

Robert A. Murray
VP, Corporate Communications

James A. Napolitano
VP, Colgate-U.S.

Jean-Marc Navez
VP, Colgate-Asia Pacific

Rosemary Nelson
VP, Colgate-U.S.

Talulla R. Newsome
VP, Finance & Operations, Global Growth Group

Debra Nichols
VP, Hill's Pet Nutrition

Alan Nimmey
VP, Technology

James Norfleet
VP, Research and Development

Paul T. Parker
VP, Colgate-Africa/Middle East

Chris E. Pedersen
VP, CP-United Kingdom

Robert C. Pierce
VP, Research and Development

Hans L. Pohlschroeder
VP, Treasury

Roger M. Pratt
VP, Brazil

Ricardo Ramos
VP, Greece

Grace E. Richardson
VP, Consumer Affairs

Jill H. Rothman
VP, Human Resources

Peter Q. Ryan
VP, Home Care, CP-U.S.

Reuven M. Sacher
VP, Research and Development

Jeff Salguero
VP, Advertising Production

Derrick E.M. Samuel
VP, South Pacific Region

Raffy L. Santos
VP, Hawley & Hazel Taiwan

Lim Kim Seng
VP, China

Paul Shapiro
VP, Chief Patent Counsel

James H. Shoultz
VP, Venezuela

Barry N. Simpson
VP, Colgate-Asia Pacific

Justin P. Skala
VP, Hill's-Europe

Coleen Smith
VP, Human Resources

Leonard D. Smith
VP, Global Supply Chain

P. Dorset Sutton
VP, Southeast Asia Region

Richard F. Theiler
VP, Research and Development

***Bina H. Thompson**
VP, Investor Relations

Scott E. Thompson
VP, Legal and Associate General Counsel

Kathleen A. Thornhill
VP, Global Consumer and Market Knowledge

Heiko Tietke
VP, Colgate-Europe

Edmund D. Toben
Chief Information Officer

Panagiotis Tsourapas
VP, Colgate-Europe

Joseph A. Uzzolina
VP, Africa/Middle East Division

Angela Vallot
VP, Global Workplace Initiatives

Daniel A. Vettoretti
VP, Italy

J. Nicholas Vinke
President, Colgate Oral Pharmaceuticals

Anthony R. Volpe
VP, Research and Development

Noel R. Wallace
VP, Global Toothbrush Division

Katherine S. Weida
VP, Human Resources, Global Growth Group

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

Richard J. Wienckowski
VP, Hill's Pet Nutrition

David K. Wilcox
VP, Product Safety, Regulatory and Information

Francis M. Williamson
VP, Colgate-Latin America

Paul A. Witmond
VP, CP-Malaysia

Gregory P. Woodson
President, Global Home Care

Julie A. Zerbe
VP, Hill's Pet Nutrition

John E. Zoog
VP, Human Resources

*Corporate Officer

COLGATE-PALMOLIVE COMPANY
300 Park Avenue New York, NY 10022-7499

Shareholder Information

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

Annual Meeting
Colgate shareholders are invited to attend our annual meeting. It will be on **Tuesday, May 6, 2003** at 10:00 a.m. in the Broadway Ballroom of the Marriott Marquis Hotel, Sixth Floor, Broadway at 45th Street, New York, NY. Even if you plan to attend the meeting, please vote by proxy. You may do so by using the telephone, the internet or your proxy card.

CL Listed NYSE

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 Frankfurt, London, Zurich and Euronext.

All financial information such as financial results, dividend news and other information is available on Colgate's internet site: www.colgate.com

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.

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

Attn: Colgate-Palmolive Company
EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, RI 02940-3069
Telephone: 1-800-756-8700
E-mail: equiserve@equiserve.com
Internet address: www.equiserve.com
Hearing impaired: TDD: 1-800-952-9245

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

Independent Public Accountants
PricewaterhouseCoopers LLP

Investor Relations/Reports
Copies of annual reports, press releases, product brochures, Form 10-K and other publications are available without charge 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) 310-2575

Individual investors with other requests:
- please write Investor Relations at the corporate address or
- call (212) 310-2575

Institutional investors:
- call Bina Thompson at (212) 310-3072

Other Reports
You can obtain a copy of Colgate's Environmental Policy Statement, Code of Conduct, Advertising Placement Policy Statement, Product Safety Research Policy or our 2002 Report of Laboratory Research with Animals by writing to Consumer Affairs at Colgate-Palmolive Company, 300 Park Avenue, New York, NY 10022-7499, or you may call toll-free at 1-800-468-6502.

Corporate Social Responsibility
As stated in the Colgate-Palmolive Code of Conduct, "By living Colgate's values—Caring, Continuous Improvement and Global Teamwork—all around the world, we have built a reputation as a company with the highest ethical standards. All Colgate people share the responsibility to preserve and enhance this reputation. This means not only complying with the law, but abiding by the highest principles of integrity, honor and concern for one another. We demonstrate our values every day as we increase shareholder value, provide consumers with safe, quality products, offer Colgate people opportunities for growth, and meet our responsibilities as members of the global community." All employees, and increasingly all business associates, are guided by our worldwide Code of Conduct.

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

Printed entirely on recycled paper.
Design by RWI (www.rwidesign.com)
Printing by Quebecor World Acme.
Major photography by Richard Alcorn.
Other photos by Tom Ferraro and Richard Lord.
Typography by Grid Typographic Services, Inc.