COLGATE PALMOLIVE CO
Form 10-Q
April 30, 2015

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

OR

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

Commission File Number: 1-644

COLGATE-PALMOLIVE COMPANY
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

(Do not check if a smaller reporting company)

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

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

Class	Shares Outstanding	Date
Common stock, $1.00 par value	904,569,917	March 31, 2015

PART I. FINANCIAL INFORMATION

COLGATE-PALMOLIVE COMPANY
Condensed Consolidated Statements of Income
(Dollars in Millions Except Per Share Amounts)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net sales	$4,070	$4,325
Cost of sales	1,678	1,801
Gross profit	2,392	2,524
Selling, general and administrative expenses	1,450	1,544
Other (income) expense, net	82	346
Operating profit	860	634
Interest (income) expense, net	8	7
Income before income taxes	852	627
Provision for income taxes	269	195
Net income including noncontrolling interests	583	432
Less: Net income attributable to noncontrolling interests	41	44
Net income attributable to Colgate-Palmolive Company	$542	$388
Earnings per common share, basic	$0.60	$0.42
Earnings per common share, diluted	$0.59	$0.42
Dividends declared per common share *	$0.74	$0.70

* Two dividends were declared in each period.

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
Condensed Consolidated Statements of Comprehensive Income
(Dollars in Millions)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net income including noncontrolling interests	$583	$432
Other comprehensive income (loss), net of tax:		
Cumulative translation adjustments	(351)	(44)
Retirement plans and other retiree benefit adjustments	13	13
Gains (losses) on available-for-sale securities	(1)	(56)
Gains (losses) on cash flow hedges	—	—
Total Other comprehensive income (loss), net of tax	(339)	(87)
Total Comprehensive income including noncontrolling interests	244	345
Less: Net income attributable to noncontrolling interests	41	44
Less: Cumulative translation adjustments attributable to noncontrolling interests	1	(1)
Total Comprehensive income attributable to noncontrolling interests	42	43
Total Comprehensive income attributable to Colgate-Palmolive Company	$202	$302

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
Condensed Consolidated Balance Sheets
(Dollars in Millions)
(Unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$859	$1,089
Receivables (net of allowances of $58 and $54, respectively)	1,611	1,552
Inventories	1,350	1,382
Other current assets	880	840
Total current assets	4,700	4,863
Property, plant and equipment:		
Cost	8,212	8,385
Less: Accumulated depreciation	(4,244)	(4,305)
	3,968	4,080
Goodwill	2,186	2,307
Other intangible assets, net	1,356	1,413
Deferred income taxes	79	76
Other assets	867	720
Total assets	$13,156	$13,459
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	$18	$16
Current portion of long-term debt	488	488
Accounts payable	1,167	1,231
Accrued income taxes	417	294
Other accruals	2,233	1,917
Total current liabilities	4,323	3,946
Long-term debt	5,622	5,644
Deferred income taxes	233	261
Other liabilities	2,239	2,223
Total liabilities	12,417	12,074
Shareholders' Equity		
Common stock	1,466	1,466
Additional paid-in capital	1,272	1,236
Retained earnings	18,704	18,832
Accumulated other comprehensive income (loss)	(3,847)	(3,507)
Unearned compensation	(13)	(20)
Treasury stock, at cost	(17,122)	(16,862)
Total Colgate-Palmolive Company shareholders' equity	460	1,145
Noncontrolling interests	279	240
Total shareholders' equity	739	1,385
Total liabilities and shareholders' equity	$13,156	$13,459

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
Condensed Consolidated Statements of Cash Flows
(Dollars in Millions)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Operating Activities		
Net income including noncontrolling interests	$583	$432
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operations:		
Depreciation and amortization	114	108
Restructuring and termination benefits, net of cash	57	45
Venezuela remeasurement charges	—	266
Stock-based compensation expense	32	34
Deferred income taxes	(22)	(21)
Cash effects of changes in:		
Receivables	(150)	(77)
Inventories	(23)	(67)
Accounts payable and other accruals	111	100
Other non-current assets and liabilities	25	—
Net cash provided by operations	727	820
Investing Activities		
Capital expenditures	(122)	(168)
Purchases of marketable securities and investments	(252)	(151)
Proceeds from sale of marketable securities and investments	110	74
Payment for acquisitions, net of cash acquired	—	(25)
Other	7	21
Net cash used in investing activities	(257)	(249)
Financing Activities		
Principal payments on debt	(2,171)	(1,938)
Proceeds from issuance of debt	2,105	2,960
Dividends paid	(329)	(316)
Purchases of treasury shares	(374)	(453)
Proceeds from exercise of stock options and excess tax benefits	128	50
Net cash (used in) provided by financing activities	(641)	303
Effect of exchange rate changes on Cash and cash equivalents	(59)	(41)
Net (decrease) increase in Cash and cash equivalents	(230)	833
Cash and cash equivalents at beginning of the period	1,089	962
Cash and cash equivalents at end of the period	$859	$1,795
Supplemental Cash Flow Information		
Income taxes paid	$164	$171

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

1. Basis of Presentation

The Condensed Consolidated Financial Statements reflect all normal recurring adjustments which, in management's opinion, are necessary for a fair statement of the results for interim periods. Results of operations for interim periods may not be representative of results to be expected for a full year. Certain prior year amounts have been reclassified to conform to the current year presentation.

For a complete set of financial statement notes, including the significant accounting policies of Colgate-Palmolive Company (together with its subsidiaries, the "Company" or "Colgate"), refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission.

2. Use of Estimates

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

3. Recent Accounting Pronouncements

On April 7, 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03 "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of related debt liability, consistent with debt discounts. Under current accounting standards, such costs are recorded as an asset. The new guidance is effective for the Company beginning January 1, 2016, with early adoption permitted. This new guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

On February 18, 2015, the FASB issued ASU No. 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis" that amends the current consolidation guidance. The amendments affect both the variable interest entity and voting interest entity consolidation models. The new guidance is effective for the Company beginning January 1, 2016, with early adoption permitted. This new guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

On May 28, 2014, the FASB and the International Accounting Standards Board ("IASB") issued their final converged standard on revenue recognition. The standard, issued as ASU No. 2014-09 "Revenue from Contracts with Customers" by the FASB, provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes current revenue recognition guidance. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The new standard also includes enhanced disclosures which are significantly more comprehensive than those in existing revenue standards. This new guidance is currently effective for the Company beginning January 1, 2017, with no early adoption permitted. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. While the Company is currently assessing the impact of the new standard, it does not expect this new guidance to have a material impact on its Consolidated Financial Statements.

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COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

4. Acquisitions and Divestitures

Acquisition

On October 3, 2014, the Company acquired an oral care business in Myanmar for $62 in cash plus additional consideration contingent upon achievement of performance targets under a distribution services agreement.

Sale of Land in Mexico

On September 13, 2011, the Company's Mexican subsidiary entered into an agreement to sell to the United States of America (the "Purchaser") the Mexico City site on which its commercial operations, technology center and soap production facility were located. The sale price is payable in three installments. During the third quarter of 2011, the Company received the first installment of $24 upon signing the agreement. During the third quarter of 2012, the Company received the second installment of $36. The parties subsequently amended that agreement to extend the closing date and are in the process of negotiating an additional amendment. Under the existing agreement, the final installment of the purchase price is due upon the transfer of the property, which is subject to the Company's satisfaction of certain closing conditions relating to site preparation by May 19, 2015. While these conditions are not expected to be fully satisfied by May 19, 2015, in which case the Purchaser has several options under the agreement (including termination and the return to it of the first two installments of the purchase price), based on the discussions to date, the Company believes that the transfer of the property is still likely to occur in 2015. The Company has reinvested the first two installments to relocate its soap production to a new state-of-the-art facility at its Mission Hills, Mexico site, to relocate its commercial and technology operations within Mexico City and to prepare the existing site for transfer. Exit costs incurred during the project primarily relate to staff leaving indemnities, accelerated depreciation and demolition to make the site building-ready. During the three months ended March 31, 2015 and 2014, the Company recorded $0 and $1 of pretax costs ($0 and $1 of aftertax costs), respectively, related to the sale.

5. Restructuring and Related Implementation Charges

In the fourth quarter of 2012, the Company commenced a four-year Global Growth and Efficiency Program for sustained growth. The program's initiatives are expected to help Colgate ensure continued solid worldwide growth in unit volume, organic sales and earnings per share and enhance its global leadership positions in its core businesses.

On October 23, 2014, the Company's Board of Directors approved an expansion of the Global Growth and Efficiency Program (as expanded, the "2012 Restructuring Program") to take advantage of additional savings opportunities.

Cumulative pretax charges related to the 2012 Restructuring Program, once all phases are approved and implemented, are estimated to be $1,285 to $1,435 ($950 to $1,050 aftertax). Implementation of the 2012 Restructuring Program is expected to be substantially completed by December 31, 2016. These pretax charges are currently estimated to be comprised of the following categories: Employee-Related Costs, including severance, pension and other termination benefits (50%); asset-related costs, primarily Incremental Depreciation and Asset Impairments (10%); and Other charges, which include contract termination costs, consisting primarily of implementation-related charges resulting directly from exit activities (20%) and the implementation of new strategies (20%). Anticipated pretax charges for 2015 are expected to amount to approximately $330 to $385 ($245 to $285 aftertax). Over the course of the 2012 Restructuring Program, it is currently estimated that approximately 75% of the charges will result in cash expenditures.

It is expected that the cumulative pretax charges, once all projects are approved and implemented, will relate to initiatives undertaken in North America (15%), Europe/South Pacific (20%), Latin America (5%), Asia (5%), Africa/Eurasia (5%), Hill's Pet Nutrition (10%) and Corporate (40%), which includes substantially all of the costs related to the implementation of new strategies, noted above, on a global basis. It is expected that, by the end of 2016, the 2012 Restructuring Program will contribute a net reduction of approximately 2,000-2,500 positions from the Company's global employee workforce.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

For the three months ended March 31, 2015 and 2014, restructuring and implementation-related charges are reflected in the Condensed Consolidated Statements of Income as follows:

	Three Months Ended March 31,	
	2015	2014
Cost of sales	$4	$10
Selling, general and administrative expenses	18	17
Other (income) expense, net	78	75
Total 2012 Restructuring Program charges, pretax	$100	$102
Total 2012 Restructuring Program charges, aftertax	$67	$73

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

Total charges incurred for the 2012 Restructuring Program relate to initiatives undertaken by the following reportable operating segments:

	Three Months Ended March 31,		Program-to-date Accumulated Charges
	2015	2014	
North America	18 %	9 %	11 %
Latin America	— %	4 %	3 %
Europe/South Pacific	7 %	21 %	25 %
Asia	— %	— %	1 %
Africa/Eurasia	3 %	2 %	5 %
Hill's Pet Nutrition	4 %	8 %	8 %
Corporate	68 %	56 %	47 %

Since the inception of the 2012 Restructuring Program in the fourth quarter of 2012, the Company has incurred pretax cumulative charges of $846 ($623 aftertax) in connection with the implementation of various projects as follows:

	Cumulative Charges as of March 31, 2015
Employee-Related Costs	$330
Incremental Depreciation	57
Asset Impairments	2
Other	457
Total	$846

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

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

The following table summarizes the activity for the restructuring and implementation-related charges discussed above and the related accruals:

	Three Months Ended March 31, 2015				
	Employee-Related Costs	Incremental Depreciation	Asset Impairments	Other	Total
Balance at December 31, 2014	$85	$—	$—	$107	$192
Charges	35	6	—	59	100
Cash payments	(15)	—	—	(26)	(41)
Charges against assets	(8)	(6)	—	—	(14)
Foreign exchange	(5)	—	—	(1)	(6)
Balance at March 31, 2015	$92	$—	$—	$139	$231

Employee-Related Costs primarily include severance and other termination benefits and are calculated based on long-standing benefit practices, local statutory requirements and, in certain cases, voluntary termination arrangements. Employee-Related Costs also include pension and other retiree benefit enhancements amounting to $8 for the three months ended March 31, 2015, which are reflected as Charges against assets within Employee-Related Costs in the preceding tables, as the corresponding balance sheet amounts are reflected as a reduction of pension assets or an increase in pension and other retiree benefit liabilities (see Note 10, Retirement Plans and Other Retiree Benefits).

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

Other charges consist primarily of charges resulting directly from exit activities and the implementation of new strategies as a result of the 2012 Restructuring Program. These charges for the three months ended March 31, 2015 include third-party incremental costs related to the development and implementation of new business and strategic initiatives of $12 and contract termination costs and charges resulting directly from exit activities of $3 directly related to the 2012 Restructuring Program. These charges were expensed as incurred. Also included in Other charges for the three months ended March 31, 2015 are other exit costs of $44 related to the consolidation of facilities.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

6. Inventories

Inventories by major class are as follows:

	March 31, 2015	December 31, 2014
Raw materials and supplies	$323	$349
Work-in-process	56	55
Finished goods	971	978
Total Inventories	$1,350	$1,382

7. Shareholders' Equity

Changes in the components of Shareholders' Equity for the three months ended March 31, 2015 are as follows:

	Colgate-Palmolive Company Shareholders' Equity						Noncontrolling Interests
	Common Stock	Additional Paid-in Capital	Unearned Compensation	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
Balance, December 31, 2014	$1,466	$1,236	$(20)	$(16,862)	$18,832	$(3,507)	$240
Net income					542		41
Other comprehensive income (loss), net of tax						(340)	1
Dividends					(670)		(3)
Stock-based compensation expense		32					
Shares issued for stock options		32		85			
Shares issued for restricted stock awards		(29)		29			
Treasury stock acquired				(374)			
Other		1	7				
Balance, March 31, 2015	$1,466	$1,272	$(13)	$(17,122)	$18,704	$(3,847)	$279

Accumulated other comprehensive income (loss) includes cumulative translation losses of $2,805 and $2,453 at March 31, 2015 and December 31, 2014, respectively, and unrecognized retirement plan and other retiree benefits costs of $1,051 and $1,064 at March 31, 2015 and December 31, 2014, respectively.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

8. Earnings Per Share

	Three Months Ended March 31, 2015			March 31, 2014		
	Net income attributable to Colgate-Palmolive Company	Shares (millions)	Per Share	Net income attributable to Colgate-Palmolive Company	Shares (millions)	Per Share
Basic EPS	$542	907.7	$0.60	$388	919.5	$0.42
Stock options and restricted stock units		8.6			9.1	
Diluted EPS	$542	916.3	$0.59	$388	928.6	$0.42

For the three months ended March 31, 2015 and 2014, the average number of stock options and restricted stock units that were anti-dilutive and not included in diluted earnings per share calculations were 1,566,993 and 3,374,995, respectively.

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

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

9. Other Comprehensive Income (Loss)

Additions to and reclassifications out of Accumulated other comprehensive income (loss) attributable to the Company for the three months ended March 31, 2015 and 2014 were as follows:

	2015		2014	
	Pretax	Net of Tax	Pretax	Net of Tax
Cumulative translation adjustments	$(340)	$(352)	$(39)	$(43)
Retirement plans and other retiree benefits:				
Net actuarial gain (loss) and prior service costs arising during the period	(1)	(1)	3	2
Amortization of net actuarial loss, transition and prior service costs [(1)]	22	14	14	11
Retirement plans and other retiree benefits adjustments	21	13	17	13
Available-for-sale securities:				
Unrealized gains (losses) on available-for-sale securities [(2)]	(1)	(1)	(298)	(194)
Reclassification of (gains) losses into net earnings on available-for-sale securities [(3)]	—	—	211	138
Gains (losses) on available-for-sale securities	(1)	(1)	(87)	(56)
Cash flow hedges:				
Unrealized gains (losses) on cash flow hedges	6	4	2	1
Reclassification of (gains) losses into net earnings on cash flow hedges [(4)]	(6)	(4)	(3)	(1)
Gains (losses) on cash flow hedges	—	—	(1)	—
Total Other comprehensive income (loss)	$(320)	$(340)	$(110)	$(86)

(1) These components of Other comprehensive income (loss) are included in the computation of total pension cost. See Note 10, Retirement Plans and Other Retiree Benefits for additional details.
(2) For the three months ended March 31, 2014, these amounts included pretax losses of $276 related to the remeasurement of the bolivar denominated fixed interest rate bonds and the devaluation-protected bonds in Venezuela as a result of the effective devaluation in the first quarter of 2014.
(3) Represents reclassification of losses on the Venezuela bonds into Other (income) expense, net due to an impairment in the fair value of the bonds as a result of the effective devaluation in the first quarter of 2014. See Note 13, Fair Value Measurements and Financial Instruments for additional details.
(4) These (gains) losses are reclassified into Cost of sales. See Note 13, Fair Value Measurements and Financial Instruments for additional details.

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

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

10. Retirement Plans and Other Retiree Benefits

Components of Net periodic benefit cost for the three months ended March 31, 2015 and 2014 were as follows:

	Pension Benefits				Other Retiree Benefits	
	United States		International			
	Three Months Ended March 31,					
	2015	2014	2015	2014	2015	2014
Service cost	$—	$—	$5	$5	$4	$3
Interest cost	25	25	8	9	11	10
Expected return on plan assets	(29)	(27)	(8)	(7)	(1)	—
Amortization of transition and prior service costs (credits)	—	—	—	1	—	—
Amortization of actuarial loss (gain)	12	8	3	1	7	4
Net periodic benefit cost	$8	$6	$8	$9	$21	$17

For the three months ended March 31, 2015 and March 31, 2014, the Company did not make any voluntary contributions to its U.S. postretirement plans.

11. Contingencies

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

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

The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible and it is able to determine such estimates. For those matters disclosed below, the Company currently estimates that the aggregate range of reasonably possible losses in excess of any accrued liabilities is $0 to approximately $200 (based on current exchange rates). The estimates included in this amount are based on the Company's analysis of currently available information and, as new information is obtained, these estimates may change. Due to the inherent subjectivity of the assessments and the unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to the Company from the matters in question. Thus, the Company's exposure and ultimate losses may be higher or lower, and possibly significantly so, than the amounts accrued or the range disclosed above.

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

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

Brazilian Matters

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

The Brazilian internal revenue authority has disallowed interest deductions and foreign exchange losses taken by the Company's Brazilian subsidiary for certain years in connection with the financing of the Kolynos acquisition. The tax assessments with interest, at the current exchange rate, are approximately $90. The Company has been disputing the disallowances by appealing the assessments within the internal revenue authority's appellate process since October 2001. Numerous appeals are currently pending at the administrative level. In the event the Company is ultimately unsuccessful, further appeals are available within the Brazilian federal courts. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the disallowances are without merit and that the Company should ultimately prevail on appeal, if necessary, in the Brazilian federal courts. The Company intends to challenge these assessments vigorously.

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

In December 2005, the Brazilian internal revenue authority issued to the Company's Brazilian subsidiary a tax assessment with interest and penalties of approximately $55, at the current exchange rate, based on a claim that certain purchases of U.S. Treasury bills by the subsidiary and their subsequent disposition during the period 2000 to 2001 were subject to a tax on foreign exchange transactions. The Company has been disputing the assessment within the internal revenue authority's administrative appeals process. In November 2014, the Superior Chamber of Administrative Tax Appeals denied the Company's most recent appeal. Further appeals are available both at the administrative level and within the Brazilian federal courts. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel, that the tax assessment is without merit and that the Company should ultimately prevail on appeal, if not at the administrative level, in the Brazilian federal courts. The Company intends to challenge this assessment vigorously.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

Competition Matters

The Company's policy is to comply with antitrust and competition laws and, if a violation of any such laws is found, to take appropriate remedial action and to cooperate fully with any related governmental inquiry. Competition and antitrust law investigations often continue for several years and can result in substantial fines for violations that are found. While the Company cannot predict the final financial impact of these competition law issues, as these matters may change, the Company evaluates developments in these matters quarterly and accrues liabilities as and when appropriate.

European Competition Matters

Certain of the Company's subsidiaries in Europe are subject to investigations, and in some cases fines, by governmental authorities in a number of European countries related to potential competition law violations. The Company understands that substantially all of these matters also involve other consumer goods companies and/or retail customers. The status of the various pending matters is discussed below.

Fines have been imposed on the Company in the following matters, although, as noted below, the Company has appealed each of these fines:
In December 2009, the Swiss competition law authority imposed a fine of $6 on the Company's GABA subsidiary for alleged violations of restrictions on parallel imports into Switzerland, which the Company appealed. In January 2014, this appeal was denied. The Company is appealing before the Swiss Supreme Court.
In January 2010, the Company's Spanish subsidiary was fined $3 by the Spanish competition law authority on the basis that it had entered an agreement with other shower gel manufacturers regarding product downsizing, which the Company contested. The fine was annulled by the Court of Appeal in July 2013. The Spanish competition law authority is appealing this judgment before the Spanish Supreme Court.
In December 2010, the Italian competition law authority found that 16 consumer goods companies, including the Company's Italian subsidiary, exchanged competitively sensitive information in the cosmetics sector, for which the Company's Italian subsidiary was fined $3. The Company is appealing the fine in the Italian courts.
In December 2014, the French competition law authority found that 13 consumer goods companies, including the Company's French subsidiary, exchanged competitively sensitive information related to the French home care and personal care sectors, for which the Company's French subsidiary was fined $57. In addition, as a result of the Company's acquisition of the Sanex personal care business in 2011 from Unilever N.V. and Unilever PLC (together with Unilever N.V., "Unilever") pursuant to a Business and Share Sale and Purchase Agreement (the "Sanex Purchase Agreement"), the French competition law authority found that the Company's French subsidiary, along with Hillshire Brands Company (formerly Sara Lee Corporation ("Sara Lee")), were jointly and severally liable for fines of $25 assessed against Sara Lee's French subsidiary. The Company is entitled to indemnification for this fine under the Sanex Purchase Agreement and is seeking indemnification from Unilever. The Company is appealing both fines in the French courts.

Currently, formal claims of violations or statements of objections are pending against the Company as follows:
In October 2012, the Belgian competition law authority alleged that 11 branded goods companies, including the Company's Belgian subsidiary, assisted retailers to coordinate their retail prices in the Belgian market. The defendants have initiated preliminary talks with the authority regarding a possible settlement.
In July 2014, the Greek competition law authority issued a statement of objections alleging the Company and its Greek subsidiary restricted parallel imports into Greece. The Company has responded to this statement of objections.

Since December 31, 2014, the following matter has been resolved:

In March 2015, the French Supreme Court confirmed the French competition law authority's March 2012 fine of the Company's Hill's French subsidiary in the amount of $7.

Australian Competition Matter

In December 2013, the Australian competition law authority instituted civil proceedings in the Sydney registry of the Federal Court of Australia alleging that three consumer goods companies, including the Company's Australian subsidiary, a retailer and a former employee of the Company's Australian subsidiary violated the Australian competition law by coordinating the launching and pricing of ultra concentrated laundry detergents. The Company is defending these proceedings. Since the amount of any potential losses from these proceedings currently cannot be estimated, the range of reasonably possible losses in excess of accrued liabilities disclosed above does not include any amount relating to these proceedings.

Talcum Powder Matters

The Company is a defendant in a number of civil actions alleging that certain talc products it sold prior to 1996 were contaminated with asbestos. The Company is challenging these cases vigorously. Nineteen cases filed against the Company have been dismissed and had final judgment entered in favor of the Company. In April 2015, an agreement in principle was reached to settle four individual cases following a trial and jury verdict in one of the cases in California against the Company and others. The amount of the settlement in principle is not material to the Company's results of operations for the quarter ended March 31, 2015.

There are 13 additional individual cases pending against the Company in state courts in Illinois, Maryland, New Jersey, New York and South Carolina. Some of these cases are expected to go to trial in 2015, although the Company may succeed in dismissing or otherwise resolving them. While the Company and its legal counsel believe these cases are without merit and intend to challenge them vigorously, there can be no assurances of the outcome at trial. Since the amount of any potential losses from these additional cases currently cannot be estimated, the range of reasonably possible losses in excess of accrued liabilities disclosed above does not include any amount relating to these cases.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

12. Segment Information

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

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

The accounting policies of the operating segments are generally the same as those described in Note 2, Summary of Significant Accounting Policies to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Intercompany sales have been eliminated. Corporate operations include costs related to stock options and restricted stock unit awards, research and development costs, Corporate overhead costs, restructuring and related implementation costs, and gains and losses on sales of non-core product lines and assets. The Company reports these items within Corporate operations as they relate to Corporate-based responsibilities and decisions and are not included in the internal measures of segment operating performance used by the Company to measure the underlying performance of the operating segments.

Net sales and Operating profit by segment were as follows:

	Three Months Ended March 31,	
	2015	2014
Net sales		
Oral, Personal and Home Care		
North America	$789	$785
Latin America	1,087	1,152
Europe/South Pacific	741	865
Asia	661	672
Africa/Eurasia	254	298
Total Oral, Personal and Home Care	3,532	3,772
Pet Nutrition	538	553
Total Net sales	$4,070	$4,325
Operating profit		
Oral, Personal and Home Care		
North America	$218	$216
Latin America	308	290
Europe/South Pacific	184	217
Asia	193	193
Africa/Eurasia	39	59
Total Oral, Personal and Home Care	942	975
Pet Nutrition	147	144
Corporate	(229)	(485)
Total Operating profit	$860	$634

Approximately 80% of the Company’s Net sales are generated from markets outside the U.S., with over 50% of the Company’s Net sales coming from emerging markets (which consist of Latin America, Asia (excluding Japan), Africa/Eurasia and Central Europe).

For the three months ended March 31, 2015, Corporate Operating profit (loss) includes charges of $100 related to the 2012 Restructuring Program. For the three months ended March 31, 2014, Corporate Operating profit (loss) included charges of $102 related to the 2012 Restructuring Program, a charge of $266 related to the 2014 Venezuela Remeasurements and costs of $1 related to the sale of land in Mexico. For further information regarding the 2012 Restructuring Program, refer to Note 5, Restructuring and Related Implementation Charges. For further information regarding Venezuela, refer to Note 14, Venezuela. For further information regarding the sale of land in Mexico, refer to Note 4, Acquisitions and Divestitures.

13. Fair Value Measurements and Financial Instruments

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

The Company is exposed to market risk from foreign currency exchange rates, interest rates and commodity price fluctuations. Volatility relating to these exposures is managed on a global basis by utilizing a number of techniques, including working capital management, sourcing strategies, selling price increases, selective borrowings in local currencies and entering into selective derivative instrument transactions, issued with standard features, in accordance with the Company’s treasury and risk management policies, which prohibit the use of derivatives for speculative purposes and leveraged derivatives for any purpose. It is the Company’s policy to enter into derivative instrument contracts with terms that match the underlying exposure being hedged. Hedge ineffectiveness, if any, is not material for any period presented.

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

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

The following summarizes the fair value of the Company's derivative instruments and other financial instruments at March 31, 2015 and December 31, 2014:

	Assets			Liabilities		
	Account	Fair Value		Account	Fair Value	
Designated derivative instruments		3/31/15	12/31/14		3/31/15	12/31/14
Interest rate swap contracts	Other current assets	$1	$1	Other accruals	$—	$—
Interest rate swap contracts	Other assets	16	12	Other liabilities	—	2
Foreign currency contracts	Other current assets	36	21	Other accruals	18	4
Foreign currency contracts	Other assets	121	60	Other liabilities	—	—
Commodity contracts	Other current assets	—	—	Other accruals	1	1
Total designated		$174	$94		$19	$7
Derivatives not designated						
Foreign currency contracts	Other assets	$13	$8	Other liabilities	$—	$—
Total not designated		$13	$8		$—	$—
Total derivative instruments		$187	$102		$19	$7
Other financial instruments						
Marketable securities	Other current assets	$250	$200			
Available-for-sale securities	Other assets	398	322			
Note receivable	Other current assets	42	42			
Total other financial instruments		$690	$564			

The carrying amount of cash, cash equivalents, accounts receivable, a note receivable and short-term debt approximated fair value as of March 31, 2015 and December 31, 2014. The estimated fair value of the Company's long-term debt, including the current portion, as of March 31, 2015 and December 31, 2014, was $6,463 and $6,346, respectively, and the related carrying value was $6,110 and $6,132, respectively. The estimated fair value of long-term debt was derived principally from quoted prices on the Company's outstanding fixed-term notes (Level 2 valuation).

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
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Fair Value Hedges

The Company has designated all interest rate swap contracts and certain foreign currency forward and option contracts as fair value hedges, for which the gain or loss on the derivative and the offsetting gain or loss on the hedged item are recognized in current earnings. The impact of foreign currency contracts is primarily recognized in Selling, general and administrative expenses and the impact of interest rate swap contracts is recognized in Interest (income) expense, net.

Activity related to fair value hedges recorded during the three months ended March 31, 2015 and 2014 was as follows:

	2015			2014		
	Foreign Currency Contracts	Interest Rate Swaps	Total	Foreign Currency Contracts	Interest Rate Swaps	Total
Notional Value at March 31,	$1,213	$1,438	$2,651	$681	$1,688	$2,369
Three months ended March 31:						
Gain (loss) on derivative	2	6	8	2	(10)	(8)
Gain (loss) on hedged items	(2)	(6)	(8)	(2)	10	8

Cash Flow Hedges

All of the Company's commodity contracts and certain foreign currency forward contracts have been designated as cash flow hedges, for which the effective portion of the gain or loss is reported as a component of Other comprehensive income ("OCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Activity related to cash flow hedges recorded during the three months ended March 31, 2015 and 2014 was as follows:

	2015			2014		
	Foreign Currency Contracts	Commodity Contracts	Total	Foreign Currency Contracts	Commodity Contracts	Total
Notional Value at March 31,	$595	$12	$607	$401	$15	$416
Three months ended March 31:						
Gain (loss) recognized in OCI	7	(1)	6	—	2	2
Gain (loss) reclassified into Cost of sales	7	(1)	6	2	1	3

The net gain (loss) recognized in OCI for both foreign currency contracts and commodity contracts is expected to be recognized in Cost of sales within the next twelve months.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

Net Investment Hedges

The Company has designated certain foreign currency forward and option contracts and certain foreign currency-denominated debt as net investment hedges, for which the gain or loss on the instrument is reported as a component of Cumulative translation adjustments within OCI, along with the offsetting gain or loss on the hedged items.

Activity related to net investment hedges recorded during the three months ended March 31, 2015 and 2014 was as follows:

	2015			2014		
	Foreign Currency Contracts	Foreign Currency Debt	Total	Foreign Currency Contracts	Foreign Currency Debt	Total
Notional Value at March 31,	$768	$273	$1,041	$680	$256	$936
Three months ended March 31:						
Gain (loss) on instruments	62	27	89	—	1	1
Gain (loss) on hedged items	(62)	(27)	(89)	1	(1)	—

Derivatives Not Designated as Hedging Instruments

Derivatives not designated as hedging instruments for each period consist of a cross-currency swap that serves as an economic hedge of a foreign currency deposit, for which the gain or loss on the instrument and the offsetting gain or loss on the hedged item are recognized in Other (income) expense, net for each period.

Activity related to this contract during the three months ended March 31, 2015 and 2014 was as follows:

	2015 Cross-currency Swap	2014 Cross-currency Swap
Notional Value at March 31,	$102	$96
Three months ended March 31:		
Gain (loss) on instrument	5	(1)
Gain (loss) on hedged item	(5)	1

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

Other Financial Instruments

Other financial instruments are classified as Other current assets or Other assets.

Other financial instruments classified as Other current assets include marketable securities and a fixed interest rate note receivable. Marketable securities consist of bank deposits of $217 with original maturities greater than 90 days (Level 1 valuation) and the current portion of bonds issued by the Venezuelan government (Level 2 valuation) in the amount of $33. The long-term portion of these bonds in the amount of $398 is included in Other assets.

Through its subsidiary in Venezuela, the Company is invested in U.S. dollar-linked, devaluation-protected bonds and bolivar denominated fixed interest rate bonds, both of which are issued by the Venezuelan government. These bonds are actively traded and, therefore, are considered Level 2 investments as their values are determined based upon observable market-based inputs or unobservable inputs that are corroborated by market data. As of March 31, 2015, the fair market value of U.S. dollar-linked devaluation-protected bonds and bolivar denominated fixed interest rate bonds was $72 and $359, respectively. These bonds are considered available-for-sale securities and, as noted above, the long-term portion in the amount of $398 is included in Other assets.

The following table presents a reconciliation of the Venezuelan bonds at fair value for the three months ended March 31, 2015 and 2014:

	2015	2014
Beginning balance as of January 1,	$399	$685
Unrealized gain (loss) on investment	(1)	(298)
Purchases and sales during the period	33	54
Ending balance as of March 31,	$431	$441

Unrealized loss on investment for the three months ended March 31, 2014 consisted primarily of a charge of $276 related to the remeasurement of the bolivar denominated fixed interest rate bonds and the devaluation-protected bonds in Venezuela as a result of the effective devaluation in the first quarter of 2014.

For further information regarding Venezuela, refer to Note 14, Venezuela.

COLGATE-PALMOLIVE COMPANY
Notes to Condensed Consolidated Financial Statements (continued)
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

14. Venezuela

Venezuela has been designated hyper-inflationary and, therefore, the functional currency for the Company’s Venezuelan subsidiary (“CP Venezuela”) is the U.S. dollar and Venezuelan currency fluctuations are reported in income.

In February 2015, the Venezuelan government implemented changes in Venezuela’s foreign exchange regime. While the official exchange rate, as determined by the National Center for Foreign Commerce (“CENCOEX”), remains at 6.30 bolivares per dollar and the SICAD I (Supplementary System for the Administration of Foreign Currency) currency market, now known as SICAD, is unchanged, the SICAD II market was eliminated and a new, alternative currency market, the Foreign Exchange Marginal System (“SIMADI”), was created and became operational with a floating exchange rate determined by market participants.

The Company remeasures the financial statements of CP Venezuela at the end of each month at the rate at which it expects to remit future dividends which, based on the advice of legal counsel, is currently the SICAD rate. During the quarter ended March 31, 2015, the SICAD rate did not revalue, remaining at 12.00 bolivares per dollar as of March 31, 2015.

During the quarter ended March 31, 2014, the Company incurred pretax losses of $266 ($174 aftertax losses, or $0.19 per diluted common share) related to the remeasurement of CP Venezuela’s local currency-denominated net monetary assets at the quarter-end SICAD rate. Included in the remeasurement losses were charges related to the devaluation-protected bonds issued by the Venezuelan government and held by CP Venezuela. Because the official exchange rate remained at 6.30 bolivares per dollar, the devaluation-protected bonds did not revalue at the rate available on the SICAD currency market but remained at the official exchange rate, resulting in an impairment in the fair value of the bonds.

CP Venezuela funds its requirements for imported goods through a combination of U.S. dollars obtained from CENCOEX and intercompany borrowings. Because most of the products in CP Venezuela’s portfolio have been designated as “essential” by the Venezuelan government, CP Venezuela’s access to U.S. dollars at the official rate of 6.30 bolivares per dollar has generally been sufficient to settle most of its U.S. dollar obligations for imported materials and the gains related to such transactions are recorded when the funds are authorized by CENCOEX and the liabilities are paid.

Although the SIMADI market was accessible to CP Venezuela, it did not participate in the market through March 31, 2015. Since its inception, the volume of transactions in the SIMADI market has been very limited and the exchange rate at March 31, 2015 was 192.95 bolivares per dollar.

For the three months ended March 31, 2015, CP Venezuela represented approximately 4% of the Company’s consolidated Net sales. At March 31, 2015, CP Venezuela’s local currency-denominated net monetary asset position, which would be subject to remeasurement in the event of further changes in the SICAD rate, was $589. This amount includes the devaluation-protected bonds issued by the Venezuelan government. CP Venezuela’s local currency-denominated net non-monetary assets were $302 at March 31, 2015 and included $234 of fixed assets that could be subject to impairment if CP Venezuela is not able to implement further price increases to offset the impacts of continued high inflation or further devaluations, or if it does not have sufficient access to U.S. dollars from CENCOEX or the SICAD market to fund imports.

Additional devaluations or the imposition of additional or more stringent controls on foreign currency exchange, pricing, payments, profits or imports or other governmental actions or continued or increased labor unrest would further negatively affect the Company’s business in Venezuela and the Company’s ability to effectively make key operational decisions in regard to its Venezuelan operations, both of which could result in an impairment of the Company’s investment in CP Venezuela. At March 31, 2015, the Company’s total investment in CP Venezuela was $987, which included intercompany payables of CP Venezuela.

COLGATE-PALMOLIVE COMPANY
Management's Discussion and Analysis of Financial
Condition and Results of Operations
(Dollars in Millions Except Share and Per Share Amounts)

Executive Overview and Outlook

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

To this end, the Company is tightly focused on two product segments: Oral, Personal and Home Care; and Pet Nutrition. Within these segments, the Company follows a closely defined business strategy to develop and increase market leadership positions in key product categories. These product categories are prioritized based on their capacity to maximize the use of the organization's core competencies and strong global equities and to deliver sustainable long-term growth.

Operationally, the Company is organized along geographic lines with management teams having responsibility for the business and financial results in each region. The Company competes in more than 200 countries and territories worldwide with established businesses in all regions contributing to the Company's sales and profitability. Approximately 80% of the Company's Net sales are generated from markets outside the U.S., with over 50% of the Company's Net sales coming from emerging markets (which consist of Latin America, Asia (excluding Japan), Africa/Eurasia and Central Europe). This geographic diversity and balance help to reduce the Company's exposure to business and other risks in any one country or part of the world.

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

On an ongoing basis, management focuses on a variety of key indicators to monitor business health and performance. These indicators include market share, net sales (including volume, pricing and foreign exchange components), organic sales growth (net sales growth excluding the impact of foreign exchange, acquisitions and divestments), gross profit margin, operating profit, net income and earnings per share, as well as measures used to optimize the management of working capital, capital expenditures, cash flow and return on capital. The monitoring of these indicators and the Company's Code of Conduct and corporate governance practices help to maintain business health and strong internal controls.

To achieve its business and financial objectives, the Company focuses the organization on initiatives to drive and fund growth. The Company seeks to capture significant opportunities for growth by identifying and meeting consumer needs within its core categories, through its focus on innovation and the deployment of valuable consumer and shopper insights in the development of successful new products regionally, which are then rolled out on a global basis. To enhance these efforts, the Company has developed key initiatives to build strong relationships with consumers, dental and veterinary professionals and retail customers. Growth opportunities are greater in those areas of the world in which economic development and rising consumer incomes expand the size and number of markets for the Company's products.

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

With approximately 80% of its Net sales generated outside the United States, the Company is exposed to changes in economic conditions and foreign currency exchange rates, as well as political uncertainty in some countries, all of which could impact future operating results. For example, as discussed in detail below, the operating environment in Venezuela is challenging, with economic uncertainty fueled by currency devaluations in 2010 and 2013 and the effective devaluations in 2014, high inflation and the decline in the price of oil, and governmental restrictions in the form of import authorization controls, currency exchange and payment controls, price and profit controls and the possibility of expropriation of property or other resources. In addition, at times, the Company's production in Venezuela has also been negatively impacted by labor issues within the country. Price controls, which became effective in April 2012, affect most products in the portfolio of the Company's Venezuelan subsidiary ("CP Venezuela") and restrict the Company's ability to implement price increases without government approval, which has limited the Company's ability to offset the effects of continuing high inflation and the impact of currency devaluations. In addition, during the first quarter of 2014, the Venezuelan government issued a new Law on Fair Pricing, establishing a maximum profit margin of 30% for products and services. The Company's business in Venezuela and the Company's ability to repatriate its earnings continue to be negatively affected by these difficult conditions.

In February 2015, the Venezuelan government implemented changes in Venezuela's foreign exchange regime. While the official exchange rate, as determined by the National Center for Foreign Commerce ("CENCOEX"), remains at 6.30 bolivares per dollar and the SICAD I (Supplementary System for the Administration of Foreign Currency) currency market, now known as SICAD, is unchanged, the SICAD II market was eliminated and a new, alternative currency market, the Foreign Exchange Marginal System ("SIMADI"), was created and became operational with a floating exchange rate determined by market participants.

The Company remeasures the financial statements of CP Venezuela at the end of each month at the rate at which it expects to remit future dividends which, based on the advice of legal counsel, is currently the SICAD rate. During the quarter ended March 31, 2015, the SICAD rate did not revalue, remaining at 12.00 bolivares per dollar as of March 31, 2015.

There continue to be ongoing impacts primarily related to the translation of the local financial statements and, to a lesser degree, the import of materials at the SICAD exchange rate as most imports still qualify for the official rate. Because the SICAD market is auction-based and auctions are held periodically during the year, the exchange rate available through SICAD may vary throughout the year which would cause additional remeasurements of CP Venezuela's local currency-denominated net monetary assets and further impact CP Venezuela's ongoing results.

Although the SIMADI market was accessible to CP Venezuela, it did not participate in the market through March 31, 2015. Since its inception, the volume of transactions in the SIMADI market has been very limited and the exchange rate at March 31, 2015 was 192.95 bolivares per dollar.

During the quarter ended March 31, 2014, the Company incurred pretax losses of $266 ($174 aftertax losses, or $0.19 per diluted common share) related to the remeasurement of CP Venezuela's local currency-denominated net monetary assets at the quarter-end SICAD rate. Included in the remeasurement losses were charges related to the devaluation-protected bonds issued by the Venezuelan government and held by CP Venezuela. Because the official exchange rate remained at 6.30 bolivares per dollar, the devaluation-protected bonds did not revalue at the rate available on the SICAD currency market but remained at the official exchange rate, resulting in an impairment in the fair value of the bonds. The net remeasurement losses incurred in the quarter ended March 31, 2014 are referred to as the "2014 Venezuela Remeasurements."

During the third quarter of 2014, the Venezuelan government approved price increases for the majority of CP Venezuela's product portfolio, which were implemented in the fourth quarter of 2014.

CP Venezuela funds its requirements for imported goods through a combination of U.S. dollars obtained from CENCOEX and intercompany borrowings. Because most of the products in CP Venezuela’s portfolio have been designated as “essential” by the Venezuelan government, CP Venezuela’s access to U.S. dollars at the official rate of 6.30 bolivares per dollar has generally been sufficient to settle most of its U.S. dollar obligations for imported materials and the gains related to such transactions are recorded when the funds are authorized by CENCOEX and the liabilities are paid. However, CP Venezuela’s supply of U.S. dollars to fund imports has been limited and sporadic. CP Venezuela was invited to participate in the SICAD currency market during the second and fourth quarters of 2014 and received less than $1 in each of those quarters at rates of 10.50 bolivares per dollar and 12.00 bolivares per dollar, respectively. No SICAD auctions were held during the first quarter of 2015. CP Venezuela’s difficulty in accessing U.S. dollars to support its operations has had and is expected to continue to have an adverse effect on the business. Additionally, the decline in the price of oil may result in reduced availability of U.S. dollars in Venezuela to fund CP Venezuela’s imports. If CP Venezuela is unable to obtain sufficient U.S. dollars from CENCOEX or the SICAD market to fund its requirements for imported goods and instead needs to access the SIMADI market, it could significantly impact the Company’s operations in Venezuela.

For the three months ended March 31, 2015, CP Venezuela represented approximately 4% of the Company’s consolidated Net sales and approximately 3% of the Company’s consolidated Operating profit excluding charges related to the 2012 Restructuring Program. At March 31, 2015, CP Venezuela’s local currency-denominated net monetary asset position, which would be subject to remeasurement in the event of further changes in the SICAD rate, was $589. This amount includes the devaluation-protected bonds issued by the Venezuelan government. If the Company had to use the SIMADI rate to remeasure CP Venezuela’s local currency-denominated net monetary asset position at March 31, 2015, which could occur if CP Venezuela were unable to continue to obtain sufficient U.S. dollars from CENCOEX or SICAD to fund its requirements for imported goods, the Company would have incurred a remeasurement loss related to CP Venezuela’s local currency-denominated net monetary assets of approximately $500 ($321 aftertax loss, or $0.35 per diluted common share). CP Venezuela’s local currency-denominated net non-monetary assets were $302 at March 31, 2015 and included $234 of fixed assets that could be subject to impairment if CP Venezuela is not able to implement further price increases to offset the impacts of continued high inflation or further devaluations, or if it does not have sufficient access to U.S. dollars from CENCOEX or the SICAD market to fund imports. Additional devaluations or the imposition of additional or more stringent controls on foreign currency exchange, pricing, payments, profits or imports or other governmental actions or continued or increased labor unrest would further negatively affect the Company’s business in Venezuela and the Company’s ability to effectively make key operational decisions in regard to its Venezuelan operations, both of which could result in an impairment of the Company’s investment in CP Venezuela. At March 31, 2015, the Company’s total investment in CP Venezuela was $987, which included intercompany payables of CP Venezuela. The Company continues to actively manage its investment in and limit its exposure to Venezuela.

In the fourth quarter of 2012, the Company commenced a four-year Global Growth and Efficiency Program for sustained growth. The program’s initiatives are expected to help the Company ensure continued solid worldwide growth in unit volume, organic sales and earnings per share and enhance its global leadership positions in its core businesses.

On October 23, 2014, the Company’s Board of Directors (the “Board”) approved an expansion of the Global Growth and Efficiency Program (as expanded, the “2012 Restructuring Program”). The initiatives under the 2012 Restructuring Program continue to be focused on the following areas:
Expanding Commercial Hubs

Extending Shared Business Services and Streamlining Global Functions
Optimizing Global Supply Chain and Facilities

The Board authorized the expansion of the 2012 Restructuring Program to take advantage of additional savings opportunities identified in all three areas.

Cumulative pretax charges related to the 2012 Restructuring Program, once all phases are approved and implemented, are estimated to be $1,285 to $1,435 ($950 to $1,050 aftertax). Implementation of the 2012 Restructuring Program is expected to be substantially completed by December 31, 2016. Savings, substantially all of which are expected to increase future cash flows, are projected to be approximately $405 to $475 pretax ($340 to $390 aftertax) annually by the fourth year of the program. For more information regarding the 2012 Restructuring Program, see "Restructuring and Related Implementation Charges" below.

In the first quarter of 2015, the Company incurred aftertax costs of $67 associated with the 2012 Restructuring Program.

On September 13, 2011, the Company's Mexican subsidiary entered into an agreement to sell to the United States of America (the "Purchaser") the Mexico City site on which its commercial operations, technology center and soap production facility were located. The parties subsequently amended that agreement to extend the closing date and are in the process of negotiating an additional amendment. Under the existing agreement, the final installment of the purchase price is due upon the transfer of the property, which is subject to the Company's satisfaction of certain closing conditions relating to site preparation by May 19, 2015. While these conditions are not expected to be fully satisfied by May 19, 2015, in which case the Purchaser has several options under the agreement (including termination and the return to it of the first two installments of the purchase price), based on the discussions to date, the Company believes that the transfer of the property is still likely to occur in 2015. The Company has reinvested the first two installments to relocate its soap production to a new state-of-the-art facility at its Mission Hills, Mexico site, to relocate its commercial and technology operations within Mexico City and to prepare the existing site for transfer. Exit costs incurred during the project primarily relate to staff leaving indemnities, accelerated depreciation and demolition to make the site building-ready.

Looking forward, the Company expects global macroeconomic and market conditions to remain highly challenging. While the global marketplace in which the Company operates has always been highly competitive, the Company continues to experience heightened competitive activity in certain markets from local competitors and other large multinational companies, some of which have greater resources than the Company does. Such activities have included more aggressive product claims and marketing challenges, as well as increased promotional spending and geographic expansion. Additionally, the Company continues to experience volatile foreign currency fluctuations and high raw and packaging material costs, driven by foreign exchange transaction costs. While the Company has taken, and will continue to take, measures to mitigate the effect of these conditions, should they persist, they could adversely affect the Company's future results.

The Company believes it is well prepared to meet the challenges ahead due to its strong financial condition, experience operating in challenging environments and continued focus on the Company's strategic initiatives: engaging to build our brands; innovation for growth; effectiveness and efficiency; and leading to win. This focus, together with the strength of the Company's global brand names, its broad international presence in both mature and emerging markets and initiatives, such as the 2012 Restructuring Program, should position the Company well to increase shareholder value over the long term.

Results of Operations

Three Months

Net Sales

Worldwide Net sales were $4,070 in the first quarter of 2015, down 6.0% from the first quarter of 2014, as volume growth of 1.5% and net selling price increases of 2.5% were more than offset by negative foreign exchange of 10.0%. Organic sales (Net sales excluding the impact of foreign exchange, acquisitions and divestments), a non-GAAP financial measure as discussed below, increased 4.0% in the first quarter of 2015.

Net sales in the Oral, Personal and Home Care product segment were $3,532 in the first quarter of 2015, down 6.5% from the first quarter of 2014, as volume growth of 1.5% and net selling price increases of 2.5% were more than offset by negative foreign exchange of 10.5%. Organic sales in the Oral, Personal and Home Care product segment increased 4.0% in the first quarter of 2015.

The increase in organic sales in the first quarter of 2015 versus the first quarter of 2014 was driven by an increase in Oral Care organic sales with the toothpaste and the manual toothbrush categories contributing to growth. Personal Care and Home Care also contributed to organic sales growth. The increase in Personal Care organic sales was due to strong growth in the bar soap and the shower gel categories. Home Care organic sales growth was driven by gains in the fabric softener category.

The Company's share of the global toothpaste market was 45.2% on a year-to-date basis, up 0.7% from the year ago period, and its share of the global manual toothbrush market was 33.8% on a year-to-date basis, up 0.3% from the year ago period. Year-to-date market shares in toothpaste were up in North America, Latin America, Europe/South Pacific and Africa/Eurasia and down in Asia versus the comparable 2014 period. In the manual toothbrush category, year-to-date market shares were up in North America and Europe/South Pacific and down in Latin America, Asia and Africa/Eurasia versus the comparable 2014 period. For additional information regarding market shares, see "Market Share Information" below.

Net sales for Hill's Pet Nutrition decreased 2.5% in the first quarter of 2015 to $538, as volume growth of 2.0% and net selling price increases of 3.5% were more than offset by negative foreign exchange of 8.0%. Organic sales in Hill's Pet Nutrition increased 5.5% in the first quarter of 2015.

The increase in organic sales in the first quarter of 2015 versus the first quarter of 2014 was driven by continued organic sales growth in the Prescription Diet category. The Advanced Nutrition and Naturals categories also contributed to organic sales growth.

COLGATE-PALMOLIVE COMPANY
Management's Discussion and Analysis of Financial
Condition and Results of Operations
(Dollars in Millions Except Share and Per Share Amounts)

Gross Profit/Margin

Worldwide Gross profit decreased 5% to $2,392 in the first quarter of 2015 from $2,524 in the first quarter of 2014. Gross profit in both periods included charges related to the 2012 Restructuring Program. Gross profit in the first quarter of 2014 also included costs related to the sale of land in Mexico. Excluding these items in both periods as applicable, Gross profit decreased to $2,396 in the first quarter of 2015 from $2,535 in the first quarter of 2014, primarily due to lower sales ($150), as the growth in organic sales was more than offset by the impact of negative foreign exchange, partially offset by higher Gross profit margin ($11).

Worldwide Gross profit margin increased to 58.8% in the first quarter of 2015 from 58.4% in the first quarter of 2014. Excluding the items described above in both periods as applicable, Gross profit margin increased by 30 bps to 58.9% in the first quarter of 2015 from 58.6% in the first quarter of 2014, as higher pricing (100 bps) and cost savings from the Company's funding-the-growth initiatives (160 bps) and the 2012 Restructuring Program (10 bps) more than offset higher raw and packaging material costs (230 bps), driven by significant foreign exchange transaction costs.

	Three Months Ended March 31,	
	2015	2014
Gross profit, GAAP	$2,392	$2,524
2012 Restructuring Program	4	10
Costs related to the sale of land in Mexico		