

This commentary, the remarks made during our fourth quarter 2016 earnings release conference call and our fourth quarter 2016 earnings press release filed with the SEC are integrally related and are intended to be presented and understood together.

Colgate-Palmolive Company
Fourth Quarter 2016
Earnings Release Prepared Remarks
Friday, January 27, 2017

Today's conference call will include forward-looking statements. Actual results could differ materially from these statements. Please refer to the earnings press release and the most recent Form 10-K and subsequent SEC filings, all available on Colgate's website, for a discussion of the factors that could cause actual results to differ materially from these statements. This conference call will also include a discussion of non-GAAP financial measures, including those identified in Tables 8 and 9 of the earnings press release. A full reconciliation with the corresponding GAAP measures is included in the earnings press release and is available on Colgate's website.

Good morning and welcome to our fourth quarter earnings release conference call. This is John Faucher, Senior Vice President for investor relations. Joining me this morning are Ian Cook, Chairman, President and CEO, Dennis Hickey, CFO, Victoria Dolan, Corporate Controller, Elaine Paik, Treasurer, and Bina Thompson, Chief Investor Relations Officer.

On a reported basis, our net sales were down 4.5% in the fourth quarter primarily due to foreign exchange and the impact of the Venezuela deconsolidation. Organic sales were up 1.5% in the fourth quarter. The organic sales growth in the quarter was driven by improvement in pricing, while volume, excluding the impact of the deconsolidation of Venezuela, was down 1%. Pricing was up 2.5% in the quarter. Latin America was the driver of our organic sales growth this quarter, posting continued volume growth (excluding the impact of the deconsolidation of Venezuela) and strong pricing. In other regions, we saw headwinds in several of our markets, some of which were driven by one-time factors, like Indian demonetization and some distribution challenges in certain of our African businesses. We also did see a slowdown in category growth later in the quarter in some markets.

For the year, reported net sales declined 5%, while our organic sales grew 4%, driven by a combination of pricing and volume growth. For the full year, organic sales grew in every division except Europe, which was flat.

Excluding the items specified in table 8 of our press release, gross profit margin was up 180 bps in fourth quarter 2016 versus fourth quarter 2015, led by cost savings from our Funding the Growth initiatives and our Restructuring Program. On a GAAP basis, our gross profit margin was up 160 basis points in fourth quarter 2016 from fourth quarter 2015. Excluding the items specified in table 9 of our press release, our full year gross profit margin rose 160 basis points to 60.3%. On a GAAP basis, our gross profit margin was up 140 basis points versus the year ago period to 60.0%.

Excluding the items specified in tables 8 and 9 of our press release, our operating profit was up 2% in the quarter, and flat for the year. Operating profit on a GAAP basis was up significantly, as we lapped the deconsolidation of our Venezuelan operations.

Excluding the items in table 8 of the press release, diluted earnings per share on a dollar basis for the fourth quarter was \$0.75, up 3% year over year. On a full year basis, diluted earnings per share on a dollar basis, excluding the items in table 9 of our press release, was even with last year, but up double digit on a currency neutral basis after also excluding Venezuela's results in both periods. On a GAAP basis, EPS was up 79% year over year, primarily due to the impact of the deconsolidation of Venezuela in fourth quarter 2015.

Through strong working capital performance we continue to grow our free cash flow, further strengthening our balance sheet. For 2016, our net cash provided by operations was up 7%. A year over year reduction in capital expenditures as our Restructuring Program is entering its final stages meant that free cash flow before dividends was up 13% year-over-year.

While the Q4 organic sales growth was lower than anticipated, we are optimistic that the pace of our growth will improve as we progress through the year, driven by increased advertising support behind a full pipeline of new products around the world.

From an EPS standpoint, on dollar basis, excluding charges from the 2012 Restructuring Program and the other 2016 items specified in table 9 of our press release, based on current spot

rates, we are planning for growth in the low single digits. The main drivers versus our previous expectations, are foreign exchange, and slowing category growth in several key markets.

We expect free cash flow before dividends to be strong in 2017, reflecting solid operational results and continued focus on working capital.

Now we'll go through the performance in the divisions.

North America

North America net sales, unit volume, pricing, foreign exchange and organic sales were all even with last year's fourth quarter. In the U.S., volume growth in toothpaste was offset by declines in toothbrushes and liquid hand soap. In the quarter we saw strong volume growth for our Canadian business and for Tom's of Maine.

Operating profit declined 3% in the quarter as gross profit margin expansion was more than offset by an increase in selling, general, and administrative expenses.

A few North America highlights in the quarter:

- In the U.S., we finished the year with market shares either up or flat in the majority of our categories. Our innovation continues to perform well, with a strong pipeline planned as we head into 2017.
- Our premiumization strategy continues to pay dividends. The Colgate Optic White franchise finished 2016 with 6.4% market share year to date, up 80 basis points year over year. We expect further momentum in 2017 behind this month's launch of Colgate Optic White Radiant. We are also seeing year over year improvement in market shares for our sensitivity business, helped by our latest launch of Colgate Sensitive Smart White toothpaste.
- Tom's of Maine also posted good growth in the quarter and the year. Year to date, Tom's toothpaste market share is up 20 basis points versus last year, driven by new products, particularly Rapid Relief Sensitive toothpaste.

Latin America

Latin America finished the year strongly, with organic sales growth of 10.5% in the fourth quarter. Including the impact of the deconsolidation of Venezuela and foreign exchange, net sales were down 10.5% for the quarter. We remind you that we have now lapped the Venezuela deconsolidation, and 2017 numbers will not need to be adjusted.

Excluding the impact of the deconsolidation of Venezuela, we saw volume growth of 1.5% in the quarter, with growth in markets including Mexico, Colombia, and Argentina, partially offset by declines in Brazil.

While currency and the impact of the Venezuela deconsolidation resulted in a net sales decline in this division, productivity from Funding the Growth and pricing helped deliver 550 bps of operating profit margin expansion. Thus, operating profit grew in the quarter, despite the net sales decline.

Key highlights for the Latin America division:

- In Brazil, our toothpaste share is at 73% year to date, up 1 share point year over year. We are seeing strong share growth in both Colgate Triple Action, and Colgate Maximum Cavity Protection.
- In Mexico, we maintained toothpaste market leadership with an 81% share behind strength in our Colgate Luminous White brand, with market share performance improving sequentially as we finished the year. We remain encouraged by the solid volume and organic sales performance of our Mexican business.
- Latin America should continue to see benefits from a strong innovation calendar in the second half of 2016. In personal care, we have seen multiple innovations across the Protex, Palmolive, Speed Stick, and Lady Speed Stick brands in the 3rd and 4th quarter.

Europe

Europe's net sales and organic sales in the fourth quarter were down year over year, with sales impacted by macroeconomic conditions, foreign exchange, and difficult retail dynamics. Organic sales were down 3.5% in the quarter, driven primarily by volume declines in France, where our categories slowed sharply in the quarter, with the United Kingdom partially offsetting the decline.

Operating profit in Europe was down 5% in the quarter, driven by the net sales decline. Operating profit margin was up 70 basis points as a percentage of sales, driven by lower selling, general, and administrative expenses.

- Our market share performance in Europe is solid. We continued our toothpaste share leadership at 35% of the market. Our premium priced Gaba business continues to grow share, up 40 basis points year to date in Europe.
- We have seen regional share of market gains year to date in manual and battery toothbrushes, body wash, bar soap, body lotion, and fabric softener. Our manual toothbrush share is up 170 bps for 2016, driven by the premium priced Colgate Max White toothbrush plus built-in whitening pen.
- In Q1 we have significant new product news in toothpaste, behind the launch of Colgate Enamel Strength and our Colgate Natural Extracts toothpastes.

Asia Pacific

Organic sales declined -2% in Asia Pacific, with flat volume and negative pricing. Volume growth across most of the division was offset by a decline in India, caused by the demonetization. The negative impact of foreign exchange further contributed to the net sales decline of 4% in the quarter.

Operating profit was up 3% year over year. Operating profit margin was up 240 basis points year over year driven primarily by lower selling, general and administrative expenses.

Some points on Asia Pacific include:

- As mentioned above, in India, demonetization caused us to swing from strong growth through Q3 to a decline in Q4. Our recent launch of Colgate Cibaca Vedshakti continues to gain momentum in the fast growing naturals space.
- In Greater China, we still have work to do, but our organic sales growth improved sequentially, and our volume was positive for the quarter. Our on-line business is accelerating, offsetting most of the impact from a difficult off-line market.

Africa/Eurasia

Net sales in the region were down 1.5% in the quarter and organic sales declined 2.0%. Our Africa/Eurasia business was negatively impacted by business disruptions with certain distributors primarily due to liquidity issues in Sub-Saharan Africa. Volume was down 12% in the quarter, driven by the Sub-Saharan Africa region and South Africa. Pricing was up 10%, and was positive across much of the region.

Operating profit was down 4% in the quarter. Strong gross profit margin improvement driven by pricing and Funding the Growth was offset by increased advertising investment.

Overall, our toothpaste market shares in Africa/Eurasia continue to trend positively with our shares up year to date in the majority of our markets in the division.

Q4 highlights in the Africa/Eurasia division include:

- Our toothpaste market share in Turkey continues to grow year over year, driven by Colgate Total. Colgate Total brand market share is up 70 basis points year to date, driven by the Colgate Total Pro line with share growth for Pro Breath Health and Pro White.
- In Saudi Arabia, the second largest oral care market in the region, our toothpaste market share is up 100 basis points year to date, driven by Colgate Maximum Cavity Protection, Colgate Sensitive Pro-Relief and Colgate Total.

Hill's

Q4 was a difficult quarter for Hill's due to challenges in the pet specialty channel. Organic sales were flat in the quarter, as growth in pricing was offset by volume declines. Net sales were up slightly and included a benefit from slightly favorable currency.

Operating profit grew 7%, driven primarily by gross profit margin expansion, as Funding the Growth savings and increased pricing offset higher costs.

In the U.S., our strong growth in on-line and vet was more than offset by weakness in the pet specialty channel. We continue to expand our on-line availability in the U.S. and our e-commerce growth in the quarter and the year was very strong. We also are seeing significant

growth in our on-line business in Europe, where e-commerce is an even bigger piece of the pet food category.

Developing market volumes were up nicely, driven by Hill's Prescription Diet Metabolic + Mobility and Metabolic + Urinary, Hill's Prescription Diet Derm Defense, and Hill's Prescription Diet z/d.

Summary

And with that, I'm going to turn it over to Ian who has some thoughts on our 2017 outlook.

Ian...