COLGATE PALMOLIVE CO
Form 10-K
February 19, 2015

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

FORM 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
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

(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)

Registrant's telephone number, including area code 212-310-2000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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

The aggregate market value of Colgate-Palmolive Company Common Stock held by non-affiliates as of June 30, 2014 (the last business day of its most recently completed second quarter) was approximately $62.1 billion.

There were 907,081,762 shares of Colgate-Palmolive Company Common Stock outstanding as of January 31, 2015.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of Proxy Statement for the 2015 Annual Meeting of Stockholders	Part III, Items 10 through 14

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PART I

ITEM 1. BUSINESS

(a) General Development of the Business

Colgate-Palmolive Company (together with its subsidiaries, the “Company” or “Colgate”) is a leading consumer products company whose products are marketed in over 200 countries and territories throughout the world. Colgate was founded in 1806 and incorporated under the laws of the State of Delaware in 1923.

For recent business developments and other information, refer to the information set forth under the captions “Executive Overview and Outlook,” “Results of Operations,” “Restructuring and Related Implementation Charges” and “Liquidity and Capital Resources” in Part II, Item 7 of this report.

(b) Financial Information about Segments

Worldwide Net sales and Operating profit by business segment and geographic region during the last three years appear under the caption “Results of Operations” in Part II, Item 7 of this report and in Note 15, Segment Information to the Consolidated Financial Statements.

(c) Narrative Description of the Business

The Company operates in two product segments: Oral, Personal and Home Care; and Pet Nutrition. Colgate is a global leader in Oral Care with the leading toothpaste and manual toothbrush brands throughout many parts of the world according to market share data. Colgate’s Oral Care products include Colgate Total, Colgate Sensitive Pro-Relief, Colgate Max Fresh, Colgate Optic White and Colgate Luminous White toothpastes, Colgate 360° and Colgate Slim Soft manual toothbrushes and Colgate Optic White, Colgate Total and Colgate Plax mouthwash. Colgate’s Oral Care business also includes pharmaceutical products for dentists and other oral health professionals.

Colgate is a leader in many product categories of the Personal Care market with global leadership in liquid hand soap, which it sells under the Palmolive, Protex and Softsoap brands. Colgate’s Personal Care products also include Palmolive, Sanex and Softsoap brand shower gels, Palmolive, Irish Spring and Protex bar soaps and Speed Stick, Lady Speed Stick and Sanex deodorants and antiperspirants. Colgate is the market leader in liquid hand soap in the U.S. with its line of Softsoap brand products according to market share data. Colgate’s Personal Care business outside the U.S. also includes Palmolive and Caprice shampoos and conditioners.

Colgate manufactures and markets a wide array of products for the Home Care market, including Palmolive and Ajax dishwashing liquids, Fabuloso and Ajax household cleaners and Murphy’s Oil Soap. Colgate is a market leader in fabric softeners with leading brands including Suavitel in Latin America and Soupline in Europe. Colgate is a market leader in fabric softeners in the South Pacific according to market share data.

Sales of Oral, Personal and Home Care products accounted for 46%, 21% and 20%, respectively, of the Company’s total worldwide Net sales in 2014. Geographically, Oral Care is a significant part of the Company’s business in Asia, comprising approximately 86% of Net sales in that region for 2014.

Colgate, through its Hill's Pet Nutrition segment ("Hill's"), is a world leader in specialty pet nutrition products for dogs and cats with products marketed in over 95 countries worldwide. Hill's markets pet foods primarily under three trademarks: Hill's Science Diet, which is sold by authorized pet supply retailers and veterinarians for everyday nutritional needs; Hill's Prescription Diet, a range of therapeutic products sold by veterinarians and authorized pet supply retailers to help nutritionally manage disease conditions in dogs and cats; and Hill's Ideal Balance, a range of products with natural ingredients, sold by authorized pet supply retailers and veterinarians. Sales of Pet Nutrition products accounted for 13% of the Company's total worldwide Net sales in 2014.

For more information regarding the Company's worldwide Net sales by product category, refer to Note 1, Nature of Operations and Note 15, Segment Information to the Consolidated Financial Statements.

For additional information regarding market share data, see "Market Share Information" in Part II, Item 7 of this report.

Research and Development

Strong research and development capabilities and alliances enable Colgate to support its many brands with technologically sophisticated products to meet consumers' oral, personal and home care and pet nutrition needs. The Company's spending related to research and development activities was $277 million in 2014, $267 million in 2013 and $259 million in 2012.

Distribution; Raw Materials; Competition; Trademarks and Patents

The Company's products are marketed by a direct sales force at individual operating subsidiaries or business units and by distributors or brokers. No single customer accounts for 10% or more of the Company's sales.

The majority of raw and packaging materials are purchased from other companies and are available from several sources. No single raw or packaging material represents, and no single supplier provides, a significant portion of the Company's total material requirements. For certain materials, however, new suppliers may have to be qualified under industry, governmental and Colgate standards, which can require additional investment and take some period of time. Raw and packaging material commodities such as resins, pulp, essential oils, tropical oils, tallow, poultry, corn and soybeans are subject to market price variations.

The Company's products are sold in a highly competitive global marketplace which has experienced increased trade concentration and the growing presence of large-format retailers and discounters. Products similar to those produced and sold by the Company are available from multinational and local competitors in the U.S. and overseas. Certain of the Company's competitors are larger and have greater resources than the Company. In addition, private label brands sold by retail trade chains are a source of competition for certain of the Company's product lines. Product quality, innovation, brand recognition, marketing capability and acceptance of new products largely determine success in the Company's operating segments.

Trademarks are considered to be of material importance to the Company's business. The Company follows a practice of seeking trademark protection in the U.S. and throughout the world where the Company's products are sold. Principal global and regional trademarks include Colgate, Palmolive, Speed Stick, Lady Speed Stick, Softsoap, Irish Spring, Protex, Sorriso, Kolynos, elmex, Tom's of Maine, Sanex, Ajax, Axion, Fabuloso, Soupline and Suavitel, as well as Hill's Science Diet, Hill's Prescription Diet and Hill's Ideal Balance. The Company's rights in these trademarks endure for as long as they are used and/or registered. Although the Company actively develops and maintains a portfolio of patents, no single patent is considered significant to the business as a whole.

Environmental Matters

The Company has programs that are designed to ensure that its operations and facilities meet or exceed standards established by applicable environmental rules and regulations. Capital expenditures for environmental control facilities totaled $41 million for 2014. For future years, expenditures are currently expected to be of a similar magnitude. For additional information regarding environmental matters refer to Note 13, Commitments and Contingencies to the Consolidated Financial Statements.

Employees

As of December 31, 2014, the Company employed approximately 37,700 employees.

Executive Officers of the Registrant

The following is a list of executive officers as of February 19, 2015:

Name	Age	Date First Elected Officer	Present Title
Ian Cook	62	1996	Chairman of the Board President and Chief Executive Officer
Fabian T. Garcia	55	2003	Chief Operating Officer Global Innovation and Growth, Europe/South Pacific and Hill's Pet Nutrition
Franck J. Moison	61	2002	Chief Operating Officer Emerging Markets and Business Development
Dennis J. Hickey	66	1998	Chief Financial Officer
Andrew D. Hendry	67	1991	Vice Chairman
Jennifer M. Daniels	51	2014	Chief Legal Officer and Secretary
Victoria L. Dolan	55	2011	Vice President and Corporate Controller
John J. Huston	60	2002	Senior Vice President Office of the Chairman
Delia H. Thompson	65	2002	Senior Vice President Investor Relations
Daniel B. Marsili	54	2005	Senior Vice President Global Human Resources
P. Justin Skala	55	2008	President Colgate – North America and Global Sustainability
Noel R. Wallace	50	2009	President Colgate – Latin America
Patricia Verduin	55	2011	Chief Technology Officer
Nigel B. Burton	56	2012	Chief Marketing Officer

Each of the executive officers listed above has served the registrant or its subsidiaries in various executive capacities for the past five years with the exception of Jennifer M. Daniels, who joined the Company in 2014 as Chief Legal Officer and Secretary. Ms. Daniels joined the Company from NCR Corporation where she was Senior Vice President, General Counsel and Secretary. Prior to joining NCR Corporation in 2010, Ms. Daniels was Vice President, General Counsel and Secretary of Barnes & Noble, Inc., which she joined in 2007.

Under the Company's By-Laws, the officers of the corporation hold office until their respective successors are chosen and qualified or until they have resigned, retired or been removed by the affirmative vote of a majority of the Board of Directors of the Company (the "Board"). There are no family relationships between any of the executive officers, and there is no arrangement or understanding between any executive officer and any other person pursuant to which the executive officer was elected.

(d) Financial Information about Geographic Areas

For financial data by geographic region, refer to the information set forth under the caption "Results of Operations" in Part II, Item 7, of this report and in Note 15, Segment Information to the Consolidated Financial Statements. For a discussion of risks associated with our international operations, see Item 1A "Risk Factors."

(e) Available Information

The Company's web site address is www.colgatepalmolive.com. The information contained on the Company's web site is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. The Company makes available, free of charge, on its web site its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its interactive data files posted pursuant to Rule 405 of Regulation S-T, its current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after the Company has electronically filed such material with, or furnished it to, the United States Securities and Exchange Commission (the "SEC"). Also available on the Company's web site are the Company's Code of Conduct and Corporate Governance Guidelines, the charters of the Committees of the Board, reports under Section 16 of the Exchange Act of transactions in Company stock by directors and officers and its proxy statements.

ITEM 1A. RISK FACTORS

Set forth below is a summary of the material risks to an investment in our securities. These risks are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also have an adverse effect on us. If any of the below risks actually occur, our business, results of operations, cash flows or financial condition could be materially and adversely impacted, which might cause the value of our securities to decline.

We face risks associated with significant international operations, including exposure to foreign currency fluctuations.

We operate on a global basis with approximately 80% of our Net sales originating in markets outside the U.S. While geographic diversity helps to reduce our exposure to risks in any one country or part of the world, it also means that we are subject to the full range of risks associated with significant international operations, including, but not limited to:

changes in exchange rates for foreign currencies, which may reduce the U.S. dollar value of revenues, profits and cash flows we receive from non-U.S. markets or increase our supply costs, as measured in U.S. dollars, in those markets,
exchange controls and other limits on our ability to import raw materials or finished product or to repatriate earnings from overseas,
political or economic instability, social or labor unrest or changing macroeconomic conditions in our markets, including as a result of volatile commodity prices, including the price of oil,
lack of well-established or reliable legal systems in certain countries where we operate,
foreign ownership restrictions and the potential for nationalization or expropriation of property or other resources, and
other foreign or domestic legal and regulatory requirements, including those resulting in potentially adverse tax consequences or the imposition of onerous trade restrictions, price controls, labor laws, profit controls or other government controls.

These risks could have a significant impact on our ability to sell our products on a competitive basis in international markets and may adversely affect our business, results of operations, cash flows and financial condition.

In an effort to minimize the impact on earnings of foreign currency rate movements, we engage in a combination of selling price increases, where permitted, sourcing strategies, cost-containment measures and selective hedging of foreign currency transactions. However, these measures may not succeed in offsetting any negative impact of foreign currency rate movements on our business and results of operations.

For example, the Company's ability to manage its Venezuelan operations has been and will continue to be negatively impacted by difficult conditions in Venezuela, including the significant devaluations of the Venezuelan bolivar that occurred in 2010 and in February 2013 and the effective devaluations that occurred in 2014 as a result of the introduction of a multi-tier foreign exchange system in 2014. Since April 2012, when price controls affecting most of our Venezuelan subsidiary's ("CP Venezuela") product portfolio became effective, we have not been able to implement price increases without government approval, which has limited our ability to offset the effects of continuing high inflation and the impact of currency devaluations. In addition, labor laws limit our ability to manage overhead costs and, at times, production at CP Venezuela has been negatively impacted by local labor issues. Going forward, additional government actions, including in the form of further currency devaluations or effective devaluations or continued or worsening import authorization controls, foreign exchange, price or profit controls or expropriation or other form of government take-over could have further adverse impacts on our business, results of operations, cash flows and financial condition, as could economic instability resulting from the decline in the price of oil. For additional information regarding these and other risks associated with our operations in Venezuela, refer to Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Executive Overview and Outlook" and Note 14, Venezuela to the Consolidated Financial Statements.

Significant competition in our industry could adversely affect our business.

We face vigorous competition worldwide, including from local competitors and other large, multinational companies, some of which have greater resources than we do. We face this competition in several aspects of our business, including, but not limited to, the pricing of products, promotional activities, new product introductions and expansion into new geographies. Such competition also extends to administrative and legal challenges of product claims and advertising. Our ability to compete also depends on the strength of our brands and on our ability to defend our patent, trademark and trade dress rights against legal challenges brought by competitors.

We may be unable to anticipate the timing and scale of such initiatives or challenges by competitors or to successfully counteract them, which could harm our business. In addition, the cost of responding to such initiatives and challenges, including management time, out-of-pocket expenses and price reductions, may affect our performance in the relevant period. A failure to compete effectively could adversely affect our business, results of operations, cash flows and financial condition.

Our business is subject to legal and regulatory risks in the U.S. and abroad.

Our business is subject to extensive legal and regulatory requirements in the U.S. and abroad. Such legal and regulatory requirements apply to most aspects of our products, including their development, ingredients, manufacture, packaging, labeling, storage, transportation, distribution, export, import, advertising and sale. U.S. federal authorities, including the U.S. Food and Drug Administration (the "FDA"), the Federal Trade Commission, the Consumer Product Safety Commission and the Environmental Protection Agency, regulate different aspects of our business, along with parallel authorities at the state and local levels and comparable authorities overseas. Also, our selling practices are regulated by competition law authorities in the U.S. and abroad.

New or more stringent legal or regulatory requirements, or more restrictive interpretations of existing requirements, could adversely impact our business, results of operations, cash flows and financial condition. For example, from time to time, various regulatory authorities and consumer groups in Europe, the U.S. and other countries request or conduct reviews of the use of various ingredients in consumer products. Triclosan, an ingredient used by us primarily in Colgate Total toothpaste and certain other oral care products, is an example of an ingredient that has undergone reviews by various regulatory authorities worldwide. Triclosan is currently being evaluated under the European Union's Regulation for the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which requires the registration of all covered chemicals used in the European Union by 2018. In the U.S., the FDA is evaluating the use of benzalkoniam chloride (an ingredient used in certain of our hand soap products) and triclosan in hand soaps and hand sanitizers. In 2014, a law banning the sale of certain products containing triclosan was passed in Minnesota, but the law does not cover Colgate Total toothpaste. Similar legislation has been proposed in Iowa, New York and Michigan, while legislation seeking to ban the sale of all consumer products containing triclosan has been proposed in Chicago, Illinois. Environment Canada, the federal environmental authority in Canada, is also conducting a review to assess human and environmental risks of triclosan and is expected to issue its final assessment in March 2015. Depending on the findings in the final assessment, it is possible that Environment Canada will issue voluntary or mandatory risk management measures for triclosan. A decision by a regulatory or governmental authority that triclosan, or any other of our ingredients, should not be used in certain consumer products or should otherwise be newly regulated, could adversely impact our business, as could negative reactions by our consumers, trade customers or non-governmental organizations to our use of such ingredients. Additionally, an inability to develop new or reformulated products containing alternative ingredients or to obtain regulatory approval of such products on a timely basis could likewise adversely affect our business.

Because of our extensive international operations, we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act (the “FCPA”) and similar worldwide anti-bribery laws. The FCPA and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials or other third parties for the purpose of obtaining or retaining business. While our policies mandate compliance with these anti-bribery laws, we cannot provide assurance that our internal control policies and procedures will always protect us from reckless or criminal acts committed by our employees, joint-venture partners or agents. Violations of these laws, or allegations of such violations, could disrupt our business and adversely affect our reputation and our business, results of operations, cash flows and financial condition.

While it is our policy and practice to comply with all legal and regulatory requirements applicable to our business, a finding that we are in violation of, or out of compliance with, applicable laws or regulations could subject us to civil remedies, including fines, damages, injunctions or product recalls, or criminal sanctions, any of which could adversely affect our business, results of operations, cash flows and financial condition. Even if a claim is unsuccessful, is without merit or is not fully pursued, the negative publicity surrounding such assertions regarding our products, processes or business practices could adversely affect our reputation and brand image. For information regarding our legal and regulatory matters, see Item 3 “Legal Proceedings” and Note 13, Commitments and Contingencies to the Consolidated Financial Statements.

Uncertain global economic conditions and disruptions in the credit markets may adversely affect our business.

Uncertain global economic conditions could adversely affect our business. Recent global economic trends pose challenges to our business and could result in declining revenues, profitability and cash flows. Although we continue to devote significant resources to support our brands, during periods of economic uncertainty consumers may switch to economy brands, which could reduce sales volumes of our products or result in a shift in our product mix from higher margin to lower margin product offerings. Additionally, retailers may increase pressure on our selling prices or increase promotional activity for lower-priced or value offerings as they seek to maintain sales volumes and margins.

While we currently generate significant cash flows from ongoing operations and have access to global credit markets through our various financing activities, a disruption in the credit markets could limit the availability of credit. Recent and proposed changes in the bank regulatory environment could reduce the ability of financial institutions to extend credit or increase the cost we are charged to receive credit. Reduced access to credit or increased costs could adversely affect our liquidity and capital resources or significantly increase our cost of capital. In addition, if any financial institutions that hold our cash or other investments or that are parties to our revolving credit facilities supporting our commercial paper program or other financing arrangements, such as interest rate or foreign exchange hedging instruments, were to declare bankruptcy or become insolvent, they may be unable to perform under their agreements with us. This could leave us with reduced borrowing capacity or unhedged against certain interest rate or foreign currency exposures. In addition, tighter credit markets may lead to business disruptions for certain of our suppliers, contract manufacturers or trade customers which could, in turn, adversely impact our business, results of operations, cash flows and financial condition.

Increasing dependence on key retailers in developed markets, changes in the policies of our retail trade customers and the emergence of new sales channels may adversely affect our business.

Our products are sold in a highly competitive global marketplace which has experienced increased trade concentration and the growing presence of large-format retailers and discounters. With the growing trend toward retail trade consolidation, we are increasingly dependent on key retailers, and some of these retailers, including large-format retailers, may have greater bargaining strength than we do. They may use this leverage to demand higher trade discounts, allowances or slotting fees, which could lead to reduced sales or profitability.

We may also be negatively affected by changes in the policies of our retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of our products, environmental or sustainability initiatives and other conditions. For example, a determination by a key retailer that any of our ingredients should not be used in certain consumer products could adversely impact our business, results of operations, cash flows and financial condition. In addition, private label products sold by retail trade chains, which are typically sold at lower prices than branded products, are a source of competition for certain of our product lines, including liquid hand soaps and shower gels. The emergence of new sales channels, such as sales via e-commerce, may affect consumer preferences and market dynamics and could also adversely impact our business, results of operations, cash flows and financial condition.

The growth of our business depends on the successful identification, development and launch of innovative new products.

Our growth depends on the continued success of existing products as well as the successful identification, development and launch of innovative new products and line extensions. The identification, development and introduction of innovative new products and line extensions involve considerable costs, and any new product or line extension may not generate sufficient customer and consumer interest and sales to become a profitable product or to cover the costs of its development and promotion. Our ability to achieve a successful launch of a new product or line extension could be adversely affected by preemptive actions taken by competitors in response to the launch, such as increased promotional activities and advertising. In addition, our ability to create new products and line extensions and to sustain existing products is affected by whether we can successfully:

- identify, develop and fund technological innovations,
- obtain and maintain necessary patent and trademark protection and avoid infringing intellectual property rights of others,
- obtain approvals and registrations of regulated products, including from the FDA and other regulatory bodies in the U.S. and abroad, and
- anticipate and respond to consumer needs and preferences.

The failure to develop and launch successful new products could hinder the growth of our business and any delay in the development or launch of a new product could result in us not being the first to market, which could compromise our competitive position and adversely affect our business, results of operations, cash flows and financial condition.

If, in the course of identifying or developing new products, we are found to have infringed the trademark, trade secret, copyright, patent or other intellectual property rights of others, directly or indirectly, through the use of third-party ideas or technologies, such a finding could adversely affect our ability to develop innovative new products and adversely affect our business, results of operations, cash flows and financial condition. Even if we are not found to infringe on a third party's intellectual property rights, claims of infringement could adversely affect us, including by increasing costs and by delaying the launch of new products.

We may not realize the benefits that we expect from our 2012 Restructuring Program.

In the fourth quarter of 2012, we commenced a four-year Global Growth and Efficiency Program for sustained growth, which was expanded in the fourth quarter of 2014 to take advantage of additional savings opportunities (as expanded, the "2012 Restructuring Program"). The 2012 Restructuring Program's initiatives are expected to help us ensure continued and solid worldwide growth in unit volume, organic sales and earnings per share and enhance our global leadership positions in our core businesses. The successful implementation of the remainder of the 2012 Restructuring Program presents significant organizational challenges and in many cases requires successful negotiations with third parties, including labor organizations, suppliers and other business partners. As a result, we may not be able to continue to realize the anticipated benefits from the 2012 Restructuring Program. Events and circumstances, such as financial or strategic difficulties, delays and unexpected costs may occur that could result in our not realizing all of the anticipated benefits or our not realizing the anticipated benefits on our expected timetable. If we are unable to realize the anticipated savings of the 2012 Restructuring Program, our ability to fund other initiatives and enhance profitability may be adversely affected. Any failure to implement the 2012 Restructuring Program in accordance with our expectations could adversely affect our business, results of operations, cash flows and financial condition. For additional information regarding the 2012 Restructuring Program, refer to Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Executive Overview and Outlook" and "– Restructuring and Related Implementation Charges."

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Volatility in material and other costs and our increasing dependence on key suppliers could adversely impact our profitability.

Raw and packaging material commodities such as resins, pulp, essential oils, tropical oils, tallow, poultry, corn and soybeans are subject to wide price variations. Increases in the costs and availability of these commodities and the costs of energy, transportation and other necessary services may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies, such as in manufacturing and distribution. In addition, our move to global suppliers for materials and other services in order to achieve cost reductions and simplify our business has resulted in an increasing dependence on key suppliers. For certain key materials, including the triclosan used in Colgate Total toothpaste, we use single-source suppliers. In addition, for certain materials, new suppliers may have to be qualified under industry, governmental and Colgate standards, which can require additional investment and take a significant period of time. While we believe that the supplies of raw materials needed to manufacture our products are adequate, global economic conditions, supplier capacity constraints, climatic events such, as droughts or hurricanes, and other factors could affect the availability of, or prices for, those raw materials, and an interruption in their supply could adversely affect our business, results of operations, cash flows and financial condition.

Damage to our reputation could have an adverse effect on our business.

Maintaining our strong reputation with consumers and our trade partners globally is critical to selling our branded products. Accordingly, we devote significant time and resources to programs designed to protect and preserve our reputation, such as our Ethics and Compliance, Sustainability, Brand Protection and Product Safety, Regulatory and Quality initiatives.

In addition, third parties sell counterfeit versions of our products, which are inferior or may pose safety risks. As a result, consumers of our brands could confuse our products with these counterfeit products, which could cause them to refrain from purchasing our brands in the future and in turn could impair our brand equity and adversely affect our business, results of operations, cash flows and financial condition.

Similarly, adverse publicity about us, our brands or our ingredients regarding health concerns, legal or regulatory proceedings, environmental impacts, including packaging, energy and water use and waste management, or other sustainability issues, whether or not deserved, could jeopardize our reputation. In addition, negative posts or comments about us on any social media web site could harm our reputation. Damage to our reputation or loss of consumer confidence in our products for these or any other reasons could adversely affect our business, results of operations, cash flows and financial condition, as well as require resources to rebuild our reputation.

Our business is subject to product liability, false advertising and consumer fraud claims.

From time to time, we may be subject to product liability claims alleging, among other things, that our products cause damage to property or persons, provide inadequate instructions or warnings regarding their use or contain design or manufacturing defects or contaminants. In addition, from time to time, we may be subject to claims from competitors and consumers, including consumer class actions, alleging that our product claims are deceptive or that our ingredient or content labeling is defective. Regardless of their merit, these claims can require significant time and expense to investigate and defend. For example, as described in Item 3 “Legal Proceedings,” we have been named in product liability actions alleging that certain talc products we sold prior to 1996 were contaminated with asbestos, causing harm to consumers. In addition, if one of our products, or a raw material contained in our products, is perceived or found to be defective or unsafe, we may need to recall some of our products. Whether or not a product liability, false advertising or consumer fraud claim is successful, or a recall is required, such assertions could have an adverse effect on our business, results of operations, cash flows and financial condition, and the negative publicity surrounding them could harm our reputation and brand image.

There is no guarantee that our ongoing efforts to reduce costs will be successful.

We develop investments needed to support growth through our continuous, Company-wide initiatives to lower costs and increase effective asset utilization, which we refer to as our funding-the-growth initiatives. These initiatives are designed to reduce costs associated with direct materials, indirect expenses and distribution and logistics. The achievement of our funding-the-growth targets depends on our ability to successfully identify and realize additional savings opportunities. Events and circumstances, such as financial or strategic difficulties, delays and unexpected costs may occur that could result in our not realizing all of the anticipated benefits or our not realizing the anticipated benefits on our expected timetable. If we are unable to realize the anticipated savings of our funding-the-growth initiatives, our ability to fund other initiatives and enhance profitability may be adversely affected. Any failure to implement our funding-the-growth initiatives in accordance with our expectations could adversely affect our business, results of operations, cash flows and financial condition. For additional information regarding our funding-the-growth initiatives, refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Executive Overview and Outlook.”

Our business is subject to the risks inherent in global manufacturing and sourcing activities.

We are engaged in manufacturing and sourcing of products and materials on a global scale. We are subject to the risks inherent in such activities, including, but not limited to:

industrial accidents or other occupational health and safety issues,
environmental events,
strikes and other labor disputes,
disruptions in logistics,
loss or impairment of key manufacturing sites,
raw material and product quality or safety issues,
the impact on our suppliers of tighter credit or capital markets, and
natural disasters, including climatic events and earthquakes, acts of war or terrorism and other external factors over which we have no control.

While we have business continuity and contingency plans in place for key manufacturing sites and the supply of raw materials, significant disruption of manufacturing for any of the above reasons could interrupt product supply and, if not remedied, have an adverse impact on our business, results of operations, cash flows and financial condition.

A breach of information security, a cyber-security incident or a failure of a key information technology system could adversely impact our business or reputation.

We rely extensively on information technology systems, including some which are managed, hosted, provided and/or used by third parties and their vendors, in order to conduct our business. Our uses of these systems include, but are not limited to:

communicating within the Company and with other parties,
ordering and managing materials from suppliers,
converting materials to finished products,
receiving and processing orders from and shipping products to our customers,
marketing products to consumers,

collecting and storing customer, consumer, employee, investor and other stakeholder information and personal data,
processing transactions, including but not limited to employee payroll and employee benefits,
hosting, processing and sharing confidential and proprietary research, business plans and financial information,
complying with legal, regulatory or tax requirements,
providing data security, and
handling other processes involved in managing our business.

Although we have network security measures in place, our information technology systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyber-attacks. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts will prevent breaches or breakdowns of our or our third-party service providers' databases or systems. If we suffer a loss or disclosure of confidential business or stakeholder information as a result of a breach of our information technology systems, including those of third-party service providers with whom we have contracted, we may suffer reputational, competitive, and/or business harm, incur significant costs and be subject to government investigations, civil litigation, fines and/or damages, which may adversely impact our business, results of operations, cash flows and financial condition. Furthermore, while we have disaster recovery and business continuity plans in place, if the systems are damaged or cease to function properly for any reason, including the poor performance, failure or cyber-attack of third-party service providers, catastrophic events, power outages, cyber-security breaches, network outages, failed upgrades or other similar events, and if the disaster recovery and business continuity plans do not effectively resolve such issues on a timely basis, we may suffer interruptions in our ability to manage or conduct business as well as reputational harm and litigation, which may adversely impact our business, results of operations, cash flows and financial condition.

Our success depends upon our ability to attract and retain key employees and the succession of senior management.

Our success largely depends on the performance of our management team and other key employees. If we are unable to attract and retain talented, highly qualified senior management and other key people, our business, results of operations, cash flows and financial condition could be adversely affected. In addition, if we are unable to effectively provide for the succession of senior management, including our Chief Executive Officer, our business, results of operations, cash flows and financial condition may be adversely affected. While we follow a disciplined, ongoing succession planning process and have succession plans in place for senior management and other key executives, these do not guarantee that the services of qualified senior executives will continue to be available to us at particular moments in time.

We may acquire or divest brands or businesses, which could adversely impact our results.

We may pursue acquisitions of brands or businesses from third parties. Acquisitions involve numerous risks, including difficulties in the integration of the operations, technologies, services and products of the acquired brands or businesses, estimation of and assumption of liabilities and contingencies, personnel turnover and the diversion of management's attention from other business priorities, which may adversely impact our business, results of operations, cash flows and financial condition. In addition, we may be unable to achieve anticipated benefits or cost savings from acquisitions in the timeframe we anticipate, or at all.

Moreover, acquisitions could result in substantial additional debt, exposure to contingent liabilities such as litigation or earn-out obligations, the potential impairment of goodwill or other intangible assets, or transaction costs, all of which may adversely impact our business, results of operations, cash flows and financial condition.

We also may periodically divest brands or businesses. These divestitures may adversely impact our results of operations if we are unable to offset the dilutive impacts from the loss of revenue associated with the divested brands or businesses, or otherwise achieve the anticipated benefits or cost savings from the divestitures. In addition, businesses under consideration for or otherwise subject to divestiture may be adversely impacted prior to the divestiture, which could negatively impact our results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns or leases approximately 360 properties which include manufacturing, distribution, research and office facilities worldwide. Our corporate headquarters is located in leased property at 300 Park Avenue, New York, New York.

In the U.S., the Company operates approximately 70 properties, of which 15 are owned. Major U.S. manufacturing and warehousing facilities used by the Oral, Personal and Home Care product segment of our business are located in Morristown, New Jersey; Morristown, Tennessee; and Cambridge, Ohio. The Pet Nutrition segment has major manufacturing and warehousing facilities in Bowling Green, Kentucky; Topeka, Kansas; Emporia, Kansas; and Richmond, Indiana. The primary research center for Oral, Personal and Home Care products is located in Piscataway, New Jersey, and the primary research center for Pet Nutrition products is located in Topeka, Kansas. Our global data center is also located in Piscataway, New Jersey.

Overseas, the Company operates approximately 290 properties, of which 79 are owned, in over 80 countries. Major overseas manufacturing and warehousing facilities used by the Oral, Personal and Home Care product segment of our business are located in Australia, Brazil, China, Colombia, France, Greece, India, Italy, Mexico, Poland, South Africa, Thailand, Turkey, Venezuela and Vietnam. The Pet Nutrition segment has major manufacturing and warehousing facilities in the Czech Republic and the Netherlands.

The Company has shared business service centers in Mexico, Poland and India, which are located in leased properties.

All of the facilities we operate are well maintained and adequate for the purpose for which they are intended.

ITEM 3. LEGAL PROCEEDINGS

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 million (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.

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 $107 million. 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. The Company intends to challenge these assessments vigorously. Although there can be no assurances, management believes, based on the opinion of its Brazilian legal counsel and other advisors, that the disallowances are without merit and that the Company should ultimately prevail on appeal, if necessary, in the Brazilian federal courts.

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 $66 million, 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.

Competition Matters

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 million 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 million 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 million. The Company is appealing the fine in the Italian courts.
In March 2012, the French competition law authority found that three pet food producers, including the Company's Hill's French subsidiary, had violated competition law, for which it imposed a fine of $7 million on the Company's Hill's French subsidiary for alleged restrictions on exports from France, which the Company contested. In October 2013, the Company's appeal was denied. The Company is appealing before the French Supreme Court.

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 million. 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 another consumer goods company, are jointly and severally liable for fines of $25 million assessed against Sara Lee's French subsidiary. The Company is seeking indemnification for the $25 million fine from Unilever under the Sanex Purchase Agreement. 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 on 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.

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.

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.

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. Since 2008, the Company has challenged and intends to continue to challenge these cases vigorously, and although there can be no assurances, it believes, based on the advice of its legal counsel, that they are without merit and the Company should ultimately prevail. Currently, there are 13 single plaintiff cases pending against the Company in state courts in California, Delaware, Illinois, Maryland, New Jersey and New York and one case pending in federal court in North Carolina. 19 similar cases previously filed against the Company have been dismissed and final judgment entered in favor of the Company. To date, there have been no findings of liability against the Company in any of these cases. Since the amount of any potential losses from these 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.

Some of these cases are currently expected to go to trial in 2015, although the Company may succeed in dismissing or otherwise resolving some or all of them prior to trial. As stated above, while the Company believes, based on the advice of its legal counsel, that it should ultimately prevail, there can be no assurances of the outcome at trial.

ERISA Matters

In July 2014, the Colgate-Palmolive Company Employees' Retirement Income Plan (the "Plan") settled a putative class action alleging improper calculation of lump sum distributions and failure to satisfy minimum accrual requirements under the Plan. Under the settlement agreement, the Plan agreed to pay approximately $40 million after application of certain offsets to resolve the litigation.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

For information regarding the market for the Company’s common stock, including quarterly market prices and dividends and stock price performance graphs, refer to “Market and Dividend Information” included in Part IV, Item 15 of this report. For information regarding the number of common shareholders of record, refer to “Historical Financial Summary” included in Part IV, Item 15 of this report. For information regarding the securities authorized for issuance under our equity compensation plans, refer to “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” included in Part III, Item 12 of this report.

Issuer Purchases of Equity Securities

The share repurchase program approved by the Board on September 8, 2011 (the “2011 Program”) authorized the repurchase of up to 50 million shares of the Company’s common stock. The Board authorized that the number of shares remaining under the 2011 Program as of May 15, 2013 be increased by 100% as a result of the two-for-one stock split of the Company’s common stock in 2013. The Board also has authorized share repurchases on an ongoing basis to fulfill certain requirements of the Company’s compensation and benefit programs. The shares will be repurchased from time to time in open market or privately negotiated transactions at the Company’s discretion, subject to market conditions, customary blackout periods and other factors.

The following table shows the stock repurchase activity for each of the three months in the quarter ended December 31, 2014:

Month	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[3]
October 1 through 31, 2014	864,507	$65.56	791,500	9,589,086
November 1 through 30, 2014	1,715,867	$68.19	1,661,705	7,927,381
December 1 through 31, 2014	3,722,203	$69.50	3,660,593	4,266,788
Total	6,302,577	$68.60	6,113,798	

(1) Includes share repurchases under the 2011 Program and those associated with certain employee elections under the Company’s compensation and benefit programs.

(2) The difference between the total number of shares purchased and the total number of shares purchased as part of publicly announced plans or programs is 188,779 shares, all of which relate to shares deemed surrendered to the Company to satisfy certain employee elections under the Company’s compensation and benefit programs.

(3) Includes maximum number of shares that were available to be purchased under the publicly announced plans or programs that were in effect on December 31, 2014.

On February 19, 2015, the Board authorized the repurchase of shares of the Company’s common stock having an aggregate purchase price of up to $5 billion under a new share repurchase program (the “2015 Program”), which replaced the 2011 Program. The Company will commence repurchase of shares of the Company’s common stock under the 2015 Program after February 19, 2015.

ITEM 6. SELECTED FINANCIAL DATA

Refer to the information set forth under the caption “Historical Financial Summary” included in Part IV, Item 15 of this report.

(Dollars in Millions Except Per Share Amounts)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview and Outlook

Colgate-Palmolive Company 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.

(Dollars in Millions Except Per Share Amounts)

As discussed in Part I, Item 1A "Risk Factors," 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, 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. 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 particular, the Company has been and will continue to be impacted as a result of the significant devaluations of the Venezuelan bolivar that occurred in 2010 and in February 2013, and the effective devaluations that have occurred in 2014 as a result of the introduction of a multi-tier foreign exchange system implemented during the first quarter of 2014. In addition, the decline in the price of oil may result in a reduced availability of U.S. dollars to fund CP Venezuela's imports.

During the first quarter of 2014, the Venezuelan government enacted several changes to Venezuela's foreign exchange regime, introducing a multi-tier foreign exchange system creating three exchange rate mechanisms available to convert Venezuelan bolivares to U.S. dollars. Although the official exchange rate, as determined by the National Center for Foreign Commerce ("CENCOEX"), remained at 6.30 bolivares per dollar, the exchange rate for foreign investments moved to the rate available on the SICAD I (Supplementary System for the Administration of Foreign Currency) currency market. The Venezuelan government also introduced an alternative currency market known as SICAD II. 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 the SICAD I rate.

During the year ended December 31, 2014, the Company incurred net pretax losses of $327 ($214 aftertax losses or $0.23 per diluted common share) related to the remeasurement of CP Venezuela's local currency-denominated net monetary assets at the quarter-end SICAD I rate for each of the first three quarters of 2014. The SICAD I rate did not revalue during the fourth quarter of 2014 and remained at 12.00 bolivares per dollar as of December 31, 2014. Included in the net remeasurement losses during 2014 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 I currency market but remained at the official exchange rate which resulted in an impairment in the fair value of the bonds. The net remeasurement losses incurred in 2014 are referred to as the "2014 Venezuela Remeasurements."

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 I exchange rate as some imports may still qualify for the official rate. Because the SICAD I market is auction-based and auctions are held periodically during each quarter, the exchange rate available through SICAD I 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.

CP Venezuela continues to be able to settle certain of its U.S. dollar obligations for imported materials at the official rate of 6.30 bolivares per dollar and records the gains related to such transactions when the funds are authorized by CENCOEX and the liabilities are paid.

As part of the announcements during the first quarter of 2014, the Venezuelan government also issued a new Law on Fair Pricing, establishing a maximum profit margin of 30%. The new law does not apply to products that are subject to price controls, which includes most of the products in CP Venezuela's portfolio. 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.

(Dollars in Millions Except Per Share Amounts)

During the year ended December 31, 2013, the Company incurred a pretax loss of $172 ($111 aftertax loss or $0.12 per diluted common share) related to the remeasurement of CP Venezuela's local currency-denominated net monetary assets at the date of the devaluation that changed the official exchange rate from 4.30 to 6.30 bolivares per dollar (the "2013 Venezuela Remeasurement"). The 2014 Venezuela Remeasurements and the 2013 Venezuela Remeasurement are referred to together as the "Venezuela Remeasurements."
CP Venezuela funds its requirements for imported goods through a combination of U.S. dollars obtained from CENCOEX and intercompany borrowings. 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 I currency market during the second and fourth quarters of 2014 and received less than $1 in each of those quarters at a rate of 10.50 bolivares per dollar and 12.00 bolivares per dollar, respectively. Although accessible to the Company, the Company did not participate in the SICAD II currency market during 2014. 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, at times, production at CP Venezuela has also been negatively impacted by labor issues within the country.

For the year ended December 31, 2014, CP Venezuela represented approximately 3% of the Company's consolidated Net sales and approximately 1% of the Company's consolidated Operating profit excluding the impacts of the 2014 Venezuela Remeasurements, charges related to the 2012 Restructuring Program and certain European competition law matters and the sale of land in Mexico (discussed below). At December 31, 2014, 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 I rate, was $549. This amount includes the devaluation-protected bonds issued by the Venezuelan government. CP Venezuela's local currency-denominated non-monetary assets were $310 at December 31, 2014 and included $235 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 to fund imports.

In February 2015, the Venezuelan government announced changes in Venezuela's foreign exchange regime. While the official exchange rate, as determined by CENCOEX, remains at 6.30 bolivares per dollar and the SICAD I market (now known as SICAD) is unchanged and the rate currently remains at 12.00 bolivares per dollar, the SICAD II market, discussed above, has been eliminated and a new, alternative currency market, the Foreign Exchange Marginal System ("SIMADI"), has been created with a floating exchange rate determined by market participants. The SIMADI market became operational with an initial exchange rate of 170.04 bolivares per dollar. While the Company will continue to assess the impact, if any, of these changes as the government of Venezuela issues regulations to implement them, 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.

The Company continues to actively manage its investment in and limit its exposure to Venezuela. The Company's business in Venezuela, and the Company's ability to repatriate its earnings, continue to be negatively affected by the difficult conditions described above. 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 December 31, 2014, the Company's total investment in CP Venezuela was $955, which included intercompany payables of CP 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.

(Dollars in Millions Except Per Share Amounts)

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"). 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. In 2014, 2013 and 2012, the Company incurred aftertax costs of $208, $278 and $70, respectively, associated with the 2012 Restructuring Program. For more information regarding the 2012 Restructuring Program, see "Restructuring and Related Implementation Charges" below.

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, with the final installment due upon the transfer of the property, which is subject to the Company's satisfaction of certain closing conditions relating to site preparation by March 20, 2015. While these conditions are not expected to be fully satisfied by March 20, 2015, in which case the Purchaser has several options under the agreement (including termination and the return to it of the first two installment payments), based on the transaction to date, the Company believes that the transfer of the property is 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.

In 2014, 2013 and 2012, the Company incurred aftertax costs of $3, $12 and $18, respectively, related to the sale of land in Mexico and, in 2012, the Company incurred aftertax costs of $14 associated with various business realignment and other cost-saving initiatives.

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.

(Dollars in Millions Except Per Share Amounts)

Results of Operations

Net Sales

Worldwide Net sales were $17,277 in 2014, down 1.0% from 2013, as volume growth of 3.0% and net selling price increases of 2.0% were more than offset by negative foreign exchange of 6.0%. Organic sales (Net sales excluding the impact of foreign exchange, acquisitions and divestments), a non-GAAP financial measure as discussed below, increased 5.0% in 2014.

Net sales in the Oral, Personal and Home Care product segment were $15,022 in 2014, down 1.0% from 2013, as volume growth of 3.5% and net selling price increases of 1.5% were more than offset by negative foreign exchange of 6.0%. Organic sales in the Oral, Personal and Home Care product segment increased 5.0% in 2014.

The increase in organic sales in 2014 versus 2013 was driven by an increase in Oral Care organic sales, with the toothpaste, manual toothbrush and mouthwash categories all contributing to growth. Personal Care and Home Care also contributed to organic sales growth due to strong organic sales in the bar soap and the fabric softener categories, respectively.

The Company’s share of the global toothpaste market was 44.4% for full year 2014 and its share of the global manual toothbrush market was 33.4% for full year 2014. Full year 2014 market shares in toothpaste were up in Europe/South Pacific and Africa/Eurasia and down in North America, Latin America and Asia versus full year 2013. In the manual toothbrush category, full year 2014 market shares were up in North America, Europe/South Pacific and Asia and down in Latin America and Africa/Eurasia versus full year 2013. For additional information regarding market shares, see “Market Share Information” below.

Net sales for Hill’s Pet Nutrition increased 2.0% in 2014 to $2,255, as volume growth of 1.0% and net selling price increases of 3.0% were partially offset by negative foreign exchange of 2.0%. Organic sales for Hill’s Pet Nutrition increased 4.0% in 2014.

The increase in organic sales in 2014 versus 2013 was driven by continued growth in the Prescription Diet category. The Advanced Nutrition and Naturals categories also contributed to organic sales growth.

Worldwide Net sales were $17,420 in 2013, up 2.0% from 2012, as volume growth of 5.0% and net selling price increases of 1.0% were partially offset by negative foreign exchange of 4.0%. Organic sales increased 6.0% in 2013.

(Dollars in Millions Except Per Share Amounts)

Gross Profit/Margin

Worldwide Gross profit decreased 1% to $10,109 in 2014 from $10,201 in 2013. Gross profit in both periods included charges related to the 2012 Restructuring Program and costs related to the sale of land in Mexico. Excluding these items in both periods, Gross profit decreased to $10,142 in 2014 from $10,248 in 2013, primarily due to lower sales ($84), as the growth in organic sales was more than offset by the impact of negative foreign exchange, and lower Gross profit margin ($22).

Worldwide Gross profit margin decreased to 58.5% in 2014 from 58.6% in 2013. Excluding the items described above in both periods, Gross profit margin decreased by 10 basis points (bps) to 58.7% in 2014 from 58.8% in 2013. This decrease was primarily due to higher raw and packaging material costs (290 bps), which included foreign exchange transaction costs, which were largely offset by the benefits from cost savings from the Company's funding-the-growth initiatives (200 bps), higher pricing (70 bps) and cost savings from the 2012 Restructuring Program (20 bps).

Worldwide Gross profit increased 3% to $10,201 in 2013 from $9,932 in 2012. Gross profit in both periods included charges related to the 2012 Restructuring Program and costs related to the sale of land in Mexico. Gross profit in 2012 also included costs associated with various business realignment and other cost-saving initiatives. Excluding these items in both periods as applicable, Gross profit increased to $10,248 in 2013 from $9,963 in 2012, primarily due to sales growth ($195) and Gross profit margin expansion ($90).

Worldwide Gross profit margin increased to 58.6% in 2013 from 58.1% in 2012. Excluding the items described above in both periods as applicable, Gross profit margin increased by 50 bps to 58.8% in 2013. The increase was primarily due to cost savings from the Company's funding-the-growth initiatives (220 bps) and higher pricing (30 bps), which were partially offset by higher raw and packaging material costs (210 bps), which included foreign exchange transaction costs.

	2014	2013	2012
Gross profit, GAAP	$10,109	$10,201	$9,932
2012 Restructuring Program	29	32	2
Costs related to the sale of land in Mexico	4	15	24
Business realignment and other cost-saving initiatives	—	—	5
Gross profit, non-GAAP	$10,142	$10,248	$9,963

	2014	2013	Basis Point Change	2012	Basis Point Change
Gross profit margin, GAAP	58.5%	58.6%	(10)	58.1%	50
2012 Restructuring Program	0.2	0.2	—	—	
Costs related to the sale of land in Mexico	—	—	—	0.2	
Business realignment and other cost-saving initiatives	—	—	—	—	
Gross profit margin, non-GAAP	58.7%	58.8%	(10)	58.3%	50

(Dollars in Millions Except Per Share Amounts)

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 4% to $5,982 in 2014 from $6,223 in 2013. Selling, general and administrative expenses in both periods included charges related to the 2012 Restructuring Program. Excluding these charges in both periods, Selling, general and administrative expenses decreased to $5,920 in 2014 from $6,086 in 2013, reflecting decreased advertising investment of $107 and lower overhead expenses of $59.

Selling, general and administrative expenses as a percentage of Net sales decreased to 34.6% in 2014 from 35.7% in 2013. Excluding charges related to the 2012 Restructuring Program in both periods, Selling, general and administrative expenses as a percentage of Net sales were 34.3%, a decrease of 60 bps as compared to 2013. This decrease in 2014 was primarily driven by decreased advertising investment as a percentage of Net sales (60 bps). In 2014, advertising investment decreased 5.7% to $1,784 as compared with $1,891 in 2013 and decreased as a percentage of Net sales to 10.3% from 10.9% in 2013.

Selling, general and administrative expenses increased 5% to $6,223 in 2013 from $5,930 in 2012. Selling, general and administrative expenses in both periods included charges related to the 2012 Restructuring Program. Selling, general and administrative expenses in 2012 also included costs associated with various business realignment and other cost-saving initiatives. Excluding these items in both periods as applicable, Selling, general and administrative expenses increased to $6,086 in 2013 from $5,910 in 2012, reflecting increased advertising investment of $99 and higher overhead expenses of $77.

Selling, general and administrative expenses as a percentage of Net sales increased to 35.7% in 2013 from 34.7% in 2012. Excluding the items described above in both periods as applicable, Selling, general and administrative expenses as a percentage of Net sales were 34.9%, an increase of 30 bps as compared to 2012. This increase in 2013 was driven by increased advertising investment (40 bps) as a percentage of Net sales. In 2013, advertising investment increased 5.5% to $1,891 as compared with $1,792 in 2012 and increased as a percentage of Net sales to 10.9% from 10.5% in 2012.

	2014	2013	2012
Selling, general and administrative expenses, GAAP	$5,982	$6,223	$5,930
2012 Restructuring Program	(62)	(137)	(6)
Business realignment and other cost-saving initiatives	—	—	(14)
Selling, general and administrative expenses, non-GAAP	$5,920	$6,086	$5,910

	2014	2013	Basis Point Change	2012	Basis Point Change
Selling, general and administrative expenses as a percentage of Net sales, GAAP	34.6 %	35.7 %	(110)	34.7 %	100
2012 Restructuring Program	(0.3)	(0.8)	—	—	
Business realignment and other cost-saving initiatives	—	—	—	(0.1)	
Selling, general and administrative expenses as a percentage of Net sales, non-GAAP	34.3 %	34.9 %	(60)	34.6 %	30

(Dollars in Millions Except Per Share Amounts)

Other (Income) Expense, Net

Other (income) expense, net was $570, $422 and $113 in 2014, 2013 and 2012, respectively. The components of Other (income) expense, net are presented below:

Other (income) expense, net	2014	2013	2012
Amortization of intangible assets	$32	$32	$31
2012 Restructuring Program	195	202	81
Venezuela remeasurement charges	327	172	—
Charges for European competition law matters	41	23	—
Costs related to the sale of land in Mexico	—	3	—
Business realignment and other cost-saving initiatives	—	—	2
Equity (income)	(7)	(5)	(7)
Other, net	(18)	(5)	6
Total Other (income) expense, net	$570	$422	$113

Other (income) expense, net was $570 in 2014 as compared to $422 in 2013. Other (income) expense, net in both periods included charges related to the 2012 Restructuring Program, charges related to the Venezuela Remeasurements and charges for European competition law matters. In 2013, Other (income) expense, net also included costs related to the sale of land in Mexico.

Other (income) expense, net was $422 in 2013 as compared to $113 in 2012. In 2012, Other (income) expense, net included charges related to the 2012 Restructuring Program and costs associated with various business realignment and other cost-saving initiatives.

Excluding the items described above in all years, as applicable, Other (income) expense, net was $7 in 2014, $22 in 2013 and $30 in 2012.

	2014	2013	2012
Other (income) expense, net, GAAP	$570	$422	$113
2012 Restructuring Program	(195)	(202)	(81)
Venezuela remeasurement charges	(327)	(172)	—
Charges for European competition law matters	(41)	(23)	—
Costs related to the sale of land in Mexico	—	(3)	—
Business realignment and other cost-saving initiatives	—	—	(2)
Other (income) expense, net, non-GAAP	$7	$22	$30

(Dollars in Millions Except Per Share Amounts)

Operating Profit

In 2014, Operating profit was $3,557, even with 2013. In 2013, Operating profit decreased 9% to $3,556 from $3,889 in 2012.

In 2014 and 2013, Operating profit included charges related to the Venezuela Remeasurements and charges for European competition law matters. In 2014, 2013 and 2012, Operating profit included charges related to the 2012 Restructuring Program and costs related to the sale of land in Mexico. In 2012, Operating profit also included costs associated with various business realignment and other cost-saving initiatives. Excluding these items in all years, as applicable, Operating profit increased 2% in 2014, primarily due to lower Selling, general and administrative expenses, which more than offset the decrease in Gross profit, and Operating profit increased 3% in 2013, primarily due to sales growth and higher Gross profit margin.

Operating profit margin was 20.6% in 2014, compared with 20.4% in 2013 and 22.8% in 2012. Excluding the items described above in both periods as applicable, Operating profit margin increased 60 bps to 24.4% in 2014 compared to 23.8% in 2013. This increase is mainly due to a decrease in Selling, general and administrative expenses as a percentage of Net sales (60 bps).

Excluding the items described above in both periods as applicable, Operating profit margin increased 30 bps in 2013 compared to 2012, primarily due to an increase in Gross profit (50 bps), which was partially offset by an increase in Selling, general and administrative expenses (30 bps), both as a percentage of Net sales.

	2014	2013	% Change	2012	% Change
Operating profit, GAAP	$3,557	$3,556	— %	$3,889	(9)%
2012 Restructuring Program	286	371		89	
Venezuela remeasurement charges	327	172		—	
Charges for European competition law matters	41	23		—	
Costs related to the sale of land in Mexico	4	18		24	
Business realignment and other cost-saving initiatives	—	—		21	
Operating profit, non-GAAP	$4,215	$4,140	2 %	$4,023	3 %

	2014	2013	Basis Point Change	2012	Basis Point Change
Operating profit margin, GAAP	20.6 %	20.4 %	20	22.8 %	(240)
2012 Restructuring Program	1.7	2.2		0.5	
Venezuela remeasurement charges	1.9	1.0		—	
Charges for European competition law matters	0.2	0.1		—	
Costs related to the sale of land in Mexico	—	0.1		0.1	
Business realignment and other cost-saving initiatives	—	—		0.1	
Operating profit margin, non-GAAP	24.4 %	23.8 %	60	23.5 %	30

(Dollars in Millions Except Per Share Amounts)

Interest (Income) Expense, Net

Interest (income) expense, net was $24 in 2014 compared with $(9) in 2013 and $15 in 2012. The increase in Interest (income) expense, net from 2013 to 2014 was primarily due to higher debt levels as a result of the debt issuances in the first and fourth quarters of 2014 and lower interest income on investments held outside the United States. The decrease in Interest (income) expense, net from 2012 to 2013 was primarily due to an increase in interest income on investments held outside of the United States, which was partially offset by an increase in interest expense due to higher debt balances.

Income Taxes

The effective income tax rate was 33.8% in 2014, 32.4% in 2013 and 32.1% in 2012. As reflected in the table below, the non-GAAP effective income tax rate was 31.5% in 2014, 31.7% in 2013 and 31.8% in 2012.

	2014		2013		2012	
Effective income tax rate, GAAP	33.8	%	32.4	%	32.1	%
2012 Restructuring Program	(0.5	)	(0.7	)	(0.3	)
Venezuela remeasurement charges	0.1		0.2		—	
Charges for European competition law matters	(0.3	)	(0.2	)	—	
Costs related to the sale of land in Mexico	—		—		—	
Charge for a foreign tax matter	(1.6	)	—		—	
Business realignment and other cost-saving initiatives	—		—		—	
Effective income tax rate, non-GAAP	31.5	%	31.7	%	31.8	%

The charge for a foreign tax matter relates to a notice of an adverse decision in a foreign court regarding a tax position taken in prior years received by the Company in the second quarter of 2014. Although it plans to appeal this decision, the Company, as required, reassessed its tax position in light of the decision and concluded it needed to increase its unrecognized tax benefits by $30 and write off a $36 deferred tax asset. The Company recorded this $66 income tax charge in the third quarter of 2014.

The effective income tax rate in all years benefited from tax planning associated with the Company’s global business initiatives.

(Dollars in Millions Except Per Share Amounts)

Net Income attributable to Colgate-Palmolive Company and Earnings per share, diluted

Net income attributable to Colgate-Palmolive Company was $2,180, or $2.36 per share on a diluted basis, in 2014 compared to $2,241, or $2.38 per share on a diluted basis, in 2013 and $2,472, or $2.57 per share on a diluted basis, in 2012. In 2014 and 2013, Net income attributable to Colgate-Palmolive Company included aftertax charges related to the Venezuela Remeasurements and charges for European competition law matters. In 2014, 2013 and 2012, Net income attributable to Colgate-Palmolive Company included aftertax charges related to the 2012 Restructuring Program and aftertax costs related to the sale of land in Mexico. In 2014, Net income attributable to Colgate-Palmolive Company also included a charge for a foreign tax matter. In 2012, Net income attributable to Colgate-Palmolive Company also included aftertax costs associated with various business realignment and other cost-saving initiatives.

Excluding the items described above in all years, as applicable, Net income attributable to Colgate-Palmolive Company increased 2% to $2,712 in 2014 and Earnings per share, diluted increased 3% to $2.93, and Net income attributable to Colgate-Palmolive Company increased 4% to $2,665 in 2013, as compared to $2,574 in 2012, and Earnings per share, diluted increased 6% to $2.84 in 2013.

	2014	2013	% Change	2012	% Change
Net income attributable to Colgate-Palmolive Company, GAAP	$2,180	$2,241	(3)%	$2,472	(9)%
2012 Restructuring Program	208	278		70	
Venezuela remeasurement charges	214	111		—	
Charges for European competition law matters	41	23		—	
Costs related to the sale of land in Mexico	3	12		18	
Charge for a foreign tax matter	66	—		—	
Business realignment and other cost-saving initiatives	—	—		14	
Net income attributable to Colgate-Palmolive Company, non-GAAP	$2,712	$2,665	2 %	$2,574	4 %

	2014	2013	% Change	2012	% Change
Earnings per share, diluted, GAAP	$2.36	$2.38	(1)%	$2.57	(7)%
2012 Restructuring Program	0.23	0.30		0.07	
Venezuela remeasurement charges	0.23	0.12		—	
Charges for European competition law matters	0.04	0.03		—	
Costs related to the sale of land in Mexico	—	0.01		0.02	
Charge for a foreign tax matter	0.07	—		—	
Business realignment and other cost-saving initiatives	—	—		0.02	
Earnings per share, diluted, non-GAAP	$2.93	$2.84	3 %	$2.68	6 %

(Dollars in Millions Except Per Share Amounts)

Segment Results

The Company markets its products in over 200 countries and territories throughout the world in two product segments: Oral, Personal and Home Care; and Pet Nutrition. The Company evaluates segment performance based on several factors, including Operating profit. The Company uses Operating profit as a measure of the operating segment performance because it excludes the impact of corporate-driven decisions related to interest expense and income taxes.

Oral, Personal and Home Care

North America

	2014	2013	% Change	2012	% Change
Net sales	$3,124	$3,072	1.5 %	$2,971	3.5 %
Operating profit	$926	$927	— %	$810	14 %
% of Net sales	29.6 %	30.2 %	(60) bps	27.3 %	290 bps

Net sales in North America increased 1.5% in 2014 to $3,124, driven by volume growth of 3.5%, which was partially offset by net selling prices decreases of 1.0% due to increased promotional activities and negative foreign exchange of 1.0%. Organic sales in North America increased 2.5% in 2014.

The increase in organic sales in North America in 2014 versus 2013 was driven by an increase in Oral Care organic sales due to strong organic sales in the toothpaste and the manual toothbrush categories.

Net sales in North America increased 3.5% in 2013 to $3,072, driven by volume growth of 3.5%, while net selling prices and foreign exchange were flat. Organic sales in North America increased 3.5% in 2013.

Operating profit in North America was $926 in 2014, even with 2013, while as a percentage of Net sales it decreased 60 bps to 29.6%. This decrease in Operating profit as a percentage of Net sales was primarily due to a decrease in Gross profit (30 bps) and an increase in Selling, general and administrative expenses (10 bps), both as a percentage of Net sales. This decrease in Gross profit was primarily due to higher raw and packaging material costs (200 bps) and lower pricing due to increased promotional activities, which were partially offset by cost savings from the Company’s funding-the-growth initiatives (210 bps) and the 2012 Restructuring Program (10 bps). This increase in Selling, general and administrative expenses was due to increased advertising investment (40 bps), which was partially offset by lower overhead expenses (30 bps).

Operating profit in North America increased 14% in 2013 to $927, or 290 bps to 30.2% of Net sales. This increase in Operating profit as a percentage of Net sales was primarily due to an increase in Gross profit (230 bps) and a decrease in Selling, general and administrative expenses (40 bps), both as a percentage of Net sales. This increase in Gross profit was mainly driven by cost savings from the Company’s funding-the-growth initiatives (200 bps). This decrease in Selling, general and administrative expenses was due to lower overhead expenses (70 bps), which were partially offset by increased advertising investment (30 bps).

(Dollars in Millions Except Per Share Amounts)

Latin America

	2014	2013	% Change	2012	% Change
Net sales	$4,769	$5,012	(5.0)%	$5,032	(0.5)%
Operating profit	$1,279	$1,385	(8)%	$1,454	(5)%
% of Net sales	26.8 %	27.6 %	(80) bps	28.9 %	(130) bps

Net sales in Latin America decreased 5.0% in 2014 to $4,769, as volume growth of 2.5% and net selling price increases of 7.0% were more than offset by negative foreign exchange of 14.5%. Organic sales in Latin America increased 9.0% in 2014. Volume gains were led by Venezuela, Mexico and Colombia and were partially offset by volume declines in Brazil.

The increase in organic sales in Latin America in 2014 versus 2013 was due to an increase in Oral Care, Personal Care and Home Care organic sales. The increase in Oral Care organic sales was driven by strong organic sales in the toothpaste category. Personal Care and Home Care organic sales growth was driven by gains in the bar soap and the fabric softener categories, respectively.

Net sales in Latin America decreased 0.5% in 2013 to $5,012, as volume growth of 5.5% and net selling price increases of 3.5% were more than offset by negative foreign exchange of 9.5%. Organic sales in Latin America increased 9.5% in 2013.

Operating profit in Latin America decreased 8% in 2014 to $1,279, or 80 bps to 26.8% of Net sales. This decrease in Operating profit as a percentage of Net sales was primarily due to a decrease in Gross profit (130 bps), which was partially offset by a decrease in Selling, general and administrative expenses (60 bps), both as a percentage of Net sales. This decrease in Gross profit was primarily due to higher raw and packaging material costs (570 bps), which included the impact of foreign exchange transaction costs, which were partially offset by cost savings from the Company's funding-the-growth initiatives (200 bps) and higher pricing. This decrease in Selling, general and administrative expenses was primarily due to decreased advertising investment (70 bps).

Operating profit in Latin America decreased 5% in 2013 to $1,385, or 130 bps to 27.6% of Net sales. This decrease in Operating profit as a percentage of Net sales was primarily due to a decrease in Gross profit (110 bps) and an increase in Selling, general and administrative expenses (10 bps), both as a percentage of Net sales. This decrease in Gross profit was due to higher costs (490 bps), primarily in Venezuela, which were partially offset by cost savings from the Company's funding-the-growth initiatives (260 bps) and higher pricing. This increase in Selling, general and administrative expenses was driven by increased advertising investment (10 bps).

(Dollars in Millions Except Per Share Amounts)

Europe/South Pacific

	2014	2013	% Change	2012	% Change
Net sales	$3,406	$3,396	0.5 %	$3,417	(0.5)%
Operating profit	$877	$805	9 %	$747	8 %
% of Net sales	25.7 %	23.7 %	200 bps	21.9 %	180 bps

Net sales in Europe/South Pacific increased 0.5% in 2014 to $3,406, as volume growth of 3.5% was partially offset by net selling price decreases of 2.5% due to increased promotional activities and negative foreign exchange of 0.5%. Organic sales in Europe/South Pacific increased by 1.5% in 2014. Volume gains were led by Australia, France and the United Kingdom.

The increase in organic sales in Europe/South Pacific in 2014 versus 2013 was driven by higher Oral Care organic sales, which were partially offset by declines in organic sales in the Home Care category. The toothpaste category contributed to the increase in Oral Care organic sales. The decrease in Home Care organic sales was due to organic sales declines in the liquid cleaners category.

Net sales in Europe/South Pacific decreased 0.5% in 2013 to $3,396, as volume growth of 1.5% and positive foreign exchange of 0.5% were more than offset by net selling price decreases of 2.5%. Organic sales in Europe/South Pacific decreased by 0.5% in 2013.

Operating profit in Europe/South Pacific increased 9% in 2014 to $877, or 200 bps to 25.7% of Net sales. This increase in Operating profit as a percentage of Net sales was due to an increase in Gross profit (170 bps) and a decrease in Selling, general and administrative expenses (30 bps), both as a percentage of Net sales. This increase in Gross profit was driven by cost savings from the Company’s funding-the-growth initiatives (190 bps) and the 2012 Restructuring Program (70 bps), which more than offset higher raw and packaging material costs (20 bps) and lower pricing due to increased promotional activities. This decrease in Selling, general and administrative expenses was primarily due to decreased advertising investment (50 bps), which was partially offset by higher overhead expenses (20 bps).

Operating profit in Europe/South Pacific increased 8% in 2013 to $805, or 180 bps to 23.7% of Net sales. The increase in Operating profit as a percentage of Net sales was due to an increase in Gross profit (200 bps), which was partially offset by an increase in Selling, general and administrative expenses (10 bps), both as a percentage of Net sales. This increase in Gross profit was driven by cost savings from the Company’s funding-the-growth initiatives (220 bps), which were partially offset by lower pricing. This increase in Selling, general and administrative expenses was primarily driven by increased advertising investment (90 bps), which was partially offset by lower overhead expenses (80 bps).

(Dollars in Millions Except Per Share Amounts)

Asia

	2014	2013	% Change	2012	% Change
Net sales	$2,515	$2,472	1.5 %	$2,264	9.0 %
Operating profit	$736	$698	5 %	$619	13 %
% of Net sales	29.3 %	28.2 %	110 bps	27.3 %	90 bps

Net sales in Asia increased 1.5% in 2014 to $2,515, driven by volume growth of 3.5% and net selling prices increases of 1.0%, which were largely offset by negative foreign exchange of 3.0%. Organic sales in Asia grew 4.5% in 2014. Volume gains were led by the Philippines, India and the Greater China region.

The increase in organic sales in 2014 versus 2013 was driven by an increase in Oral Care organic sales with the toothpaste and the manual toothbrush categories contributing to growth. Personal Care organic sales also contributed to organic sales growth with gains in the shampoo category.

Net sales in Asia increased 9.0% in 2013 to $2,472, driven by volume growth of 10.5% as net selling prices were flat and foreign exchange was negative 1.5%. Organic sales in Asia grew 10.5% in 2013.

Operating profit in Asia increased 5% in 2014 to $736, or 110 bps to 29.3% of Net sales. This increase in Operating profit as a percentage of Net sales was due to a decrease in Selling, general and administrative expenses (120 bps), which was partially offset by a decrease in Gross profit (20 bps), both as a percentage of Net sales. This decrease in Gross profit was primarily due to higher costs (250 bps), primarily driven by raw and packaging material costs, which included foreign exchange transaction costs, partially offset by cost savings from the Company's funding-the-growth initiatives (200 bps) and higher pricing. This decrease in Selling, general and administrative expenses was primarily due to decreased advertising investment (110 bps).

Operating profit in Asia increased 13% in 2013 to $698, or 90 bps to 28.2% of Net sales. This increase in Operating profit as a percentage of Net sales was due to an increase in Gross profit (140 bps), which was partially offset by an increase in Selling, general and administrative expenses (50 bps), both as a percentage of Net sales. This increase in Gross profit was due to cost savings from the Company's funding-the-growth initiatives (220 bps), partially offset by higher raw and packaging material costs (90 bps), which included foreign exchange transaction costs. This increase in Selling, general and administrative expenses was driven by increased advertising investment (50 bps).

Africa/Eurasia

	2014	2013	% Change	2012	% Change
Net sales	$1,208	$1,257	(4.0)%	$1,241	1.5 %
Operating profit	$235	$268	(12)%	$267	— %
% of Net sales	19.5 %	21.3 %	(180)bps	21.5 %	(20)bps

Net sales in Africa/Eurasia decreased 4.0% in 2014 to $1,208. Volume growth of 6.0% and net selling price increases of 1.0% were more than offset by negative foreign exchange of 11.0%. Organic sales in Africa/Eurasia grew 7.0% in 2014. Volume gains were led by South Africa, the Sub-Saharan Africa region, Russia and Turkey.

The increase in organic sales in 2014 versus 2013 was driven by an increase in Oral Care organic sales due to strong organic sales in the toothpaste and the manual toothbrush categories. Personal Care organic sales also contributed to organic sales growth with gains in the shower gel category.

Net sales in Africa/Eurasia increased 1.5% in 2013 to $1,257, driven by volume growth of 8.0%, which was partially offset by net selling price decreases of 1.0% and negative foreign exchange of 5.5%. Organic sales in Africa/Eurasia grew 7.0% in 2013.

(Dollars in Millions Except Per Share Amounts)

Operating profit in Africa/Eurasia decreased 12% in 2014 to $235, or 180 bps to 19.5% of Net sales. This decrease in Operating profit as a percentage of Net sales was primarily due to a decrease in Gross profit (200 bps), while Selling, general and administrative expenses were even with 2013. This decrease in Gross profit was primarily due to higher raw and packaging material costs (470 bps), driven by higher foreign exchange transaction costs, which were partially offset by cost savings from the Company's funding-the-growth initiatives (170 bps) and the 2012 Restructuring Program (10 bps) and higher pricing. Selling, general and administrative expenses were even with 2013, as higher overhead expenses (100 bps) were offset by decreased advertising investment (100 bps).

While Operating profit in Africa/Eurasia was flat in 2013 at $268, it decreased 20 bps as a percentage of Net sales to 21.3%. This decrease in Operating profit as a percentage of Net sales was due to increases in Selling, general and administrative expenses (110 bps) and Other (income) expense, net (30 bps), which were partially offset by an increase in Gross profit (120 bps), all as a percentage of Net sales. This increase in Gross profit was mainly driven by cost savings from the Company's funding-the-growth initiatives (110 bps), which were partially offset by lower pricing. This increase in Selling, general and administrative expenses was driven by higher overhead expenses (70 bps) and increased advertising investment (40 bps).

Hill's Pet Nutrition

	2014	2013	% Change	2012	% Change
Net sales	$2,255	$2,211	2.0 %	$2,160	2.5 %
Operating profit	$592	$563	5 %	$589	(4)%
% of Net sales	26.3 %	25.5 %	80 bps	27.3 %	(180) bps

Net sales for Hill's Pet Nutrition increased 2.0% in 2014 to $2,255, driven by volume growth of 1.0% and net selling price increases of 3.0%, which were partially offset by negative foreign exchange of 2.0%. Organic sales in Hill's Pet Nutrition increased 4.0% in 2014. Volume gains were led by Russia and South Africa and were partially offset by volume declines in the United States.

The increase in organic sales in 2014 versus 2013 was driven by continued growth in the Prescription Diet category. Advanced Nutrition and Naturals categories also contributed to organic sales growth.

Net sales for Hill's Pet Nutrition increased 2.5% in 2013 to $2,211, driven by volume growth of 1.5% and net selling price increases of 3.5%, which were partially offset by negative foreign exchange of 2.5%. Organic sales in Hill's Pet Nutrition increased 5.0% in 2013.

Operating profit in Hill's Pet Nutrition increased 5% in 2014 to $592, or 80 bps to 26.3% of Net sales. This increase in Operating profit as a percentage of Net sales was primarily due to a decrease in Selling, general and administrative expenses (20 bps) and a decrease in Other (income) expense, net (100 bps), which were partially offset by a decrease in Gross profit (40 bps), all as a percentage of Net sales. This decrease in Gross profit was primarily due to higher raw and packaging material costs (290 bps), due in part to formulation changes and foreign exchange transaction costs, which were partially offset by cost savings from the Company's funding-the-growth initiatives (180 bps) and higher pricing. This decrease in Selling, general and administrative expenses was primarily due to decreased advertising investment (90 bps), partially offset by higher overhead expenses as a result of increased investment in customer development initiatives (60 bps). This decrease in Other (income) expense, net was in part due to the expiration of a third-party royalty agreement.

Operating profit in Hill's Pet Nutrition decreased 4% in 2013 to $563, or 180 bps to 25.5% of Net sales. This decrease in Operating profit as a percentage of Net sales was due to a decrease in Gross profit (190 bps) and an increase in Selling, general and administrative expenses (20 bps), both as a percentage of Net sales. This decrease in Gross profit was primarily driven by higher raw and packaging material costs (470 bps), due in part to formulation changes and foreign exchange transaction costs, which were partially offset by cost savings from the Company's funding-the-growth initiatives (200 bps) and higher pricing. This increase in Selling, general and administrative expenses was primarily due to increased investment in customer development initiatives (20 bps) and increased advertising investment (10 bps).

(Dollars in Millions Except Per Share Amounts)

Corporate

	2014	2013	% Change	2012	% Change
Operating profit (loss)	$(1,088)	$(1,090)	— %	$(597)	83 %

Corporate operations include Corporate overhead costs, research and development costs, stock-based compensation expense related to stock options and restricted stock unit awards, restructuring and related implementation costs and gains and losses on sales of non-core product lines. The components of Operating profit (loss) for the Corporate segment are presented as follows:

	2014	2013	2012
2012 Restructuring Program	$(286)	$(371)	$(89)
Venezuela remeasurement charges	(327)	(172)	—
Charges for European competition law matters	(41)	(23)	—
Costs related to the sale of land in Mexico	(4)	(18)	(24)
Business realignment and other cost-saving initiatives	—	—	(21)
Corporate overhead costs and other, net	(430)	(506)	(463)
Total Corporate Operating profit (loss)	$(1,088)	$(1,090)	$(597)

Corporate overhead costs and other, net decreased to $430 in 2014 from $506 in 2013 primarily due to a decrease in pension expense as a result of changes to the Company’s defined benefit retirement plans in the U.S. For more information regarding the Company’s pension and other postretirement plans, refer to Note 10, Retirement Plans and Other Retiree Benefits to the Consolidated Financial Statements.

(Dollars in Millions Except Per Share Amounts)

Restructuring and Related Implementation Charges

2012 Restructuring Program

In the fourth quarter of 2012, the Company commenced the 2012 Restructuring Program. 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.

The 2012 Restructuring Program is expected to produce significant benefits in the Company's long-term business performance. The major objectives of the program include:

Becoming even stronger on the ground through the continued evolution and expansion of proven global and regional commercial capabilities, which have already been successfully implemented in a number of the Company's operations around the world.

Simplifying and standardizing how work gets done by increasing technology-enabled collaboration and taking advantage of global data and analytic capabilities, leading to smarter and faster decisions.

Reducing structural costs to continue to increase the Company's gross and operating profit.

Building on Colgate's current position of strength to enhance its leading market share positions worldwide and ensure sustained sales and earnings growth.

On October 23, 2014, the Company's Board of Directors approved an expansion of the 2012 Restructuring Program. The initiatives under the 2012 Restructuring Program continue to be focused on the following areas:

Expanding Commercial Hubs - Building on the success of this structure already implemented in several divisions, continuing to cluster single-country subsidiaries into more efficient regional hubs, in order to drive smarter and faster decision making, strengthen capabilities available on the ground and improve cost structure.

Extending Shared Business Services and Streamlining Global Functions - Implementing the Company's shared service organizational model, already successful in Europe, in all regions of the world. Initially focused on finance and accounting, these shared services will be expanded to additional functional areas to streamline global functions.

Optimizing Global Supply Chain and Facilities - Continuing to optimize manufacturing efficiencies, global warehouse networks and office locations for greater efficiency, lower cost and speed to bring innovation to market.

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. 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.

(Dollars in Millions Except Per Share Amounts)

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.

Savings from the 2012 Restructuring Program, substantially all of which are expected to increase future cash flows, are projected to be in the range of $405 to $475 pretax ($340 to $390 aftertax) annually by the fourth year of the program. Savings in 2015 are expected to amount to approximately $80 to $100 pretax ($60 to $75 aftertax).

For the years ended December 31, 2014, 2013 and 2012, restructuring and implementation-related charges are reflected in the Consolidated Statements of Income as follows:

	2014	2013	2012
Cost of sales	$29	$32	$2
Selling, general and administrative expenses	62	137	6
Other (income) expense, net	195	202	81
Total 2012 Restructuring Program charges, pretax	$286	$371	$89
Total 2012 Restructuring Program charges, aftertax	$208	$278	$70

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:

	2014	2013	2012	Program-to-date Accumulated Charges
North America	11 %	11 %	2 %	10 %
Latin America	4 %	4 %		