Citi Trends Inc
Form DEF 14A
April 20, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

Citi Trends, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

Table of Contents

104 Coleman Boulevard

Savannah, Georgia 31408

(912) 236-1561

April 19, 2012

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc. to be held at 9:00 a.m., EDT, on Wednesday, May 23, 2012, at the Embassy Suites-Airport, 145 West Mulberry Boulevard, Savannah, Georgia 31322. The formal notice of annual meeting appears on the next page.

In addition to the formal items of business to be brought before the meeting, we will be pleased to report on the affairs of the Company.

We look forward to greeting personally those stockholders who are able to be present at the meeting. However, whether or not you plan to be with us at the meeting, it is important that your shares be represented. Accordingly, you are requested to complete, sign, date and return the enclosed proxy card promptly in the envelope provided.

Very truly yours,

R. Edward Anderson
Chairman of the Board of Directors

Table of Contents

Citi Trends, Inc.

104 Coleman Boulevard
Savannah, Georgia 31408

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on May 23, 2012

TO THE STOCKHOLDERS:

You are cordially invited to attend the annual meeting of stockholders of Citi Trends, Inc., a Delaware corporation, which will be held at the Embassy Suites-Airport, 145 West Mulberry Boulevard, Savannah, Georgia 31322, on Wednesday, May 23, 2012, at 9:00 a.m., EDT, for the following purposes:

1. To elect the nominee named in the attached proxy statement to the board of directors to serve as a Class I director whose term will expire in 2015;

2. To hold an advisory vote to approve the compensation of our named executive officers for 2011;

3. To approve the Citi Trends, Inc. 2012 Incentive Plan;

4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2013; and

5. To transact any other business properly brought before the meeting or any adjournment or postponement of the meeting.

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on March 26, 2012, the record date for the annual meeting.

For directions to the annual meeting, please call the Embassy Suites-Airport at (912) 330-8222.

Whether or not you plan to attend the meeting in person, please complete, sign, date and return the accompanying proxy card promptly, so that your shares may be represented and voted at the annual meeting. A return envelope is enclosed for your convenience. No postage need be affixed to the enclosed envelope if mailed in the United States.

By Order of the Board of Directors,

Bruce D. Smith
Executive Vice President, Chief Financial Officer and Secretary

April 19, 2012

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 23, 2012: The Proxy Statement and our 2011 Annual Report are available at *http://ir.cititrends.com/annual-proxy.cfm*

Table of Contents

TABLE OF CONTENTS

Table of Contents

CITI TRENDS, INC.
104 Coleman Boulevard
Savannah, Georgia 31408

PROXY STATEMENT

Annual Meeting of Stockholders

to be held on May 23, 2012

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This proxy statement is furnished in connection with the solicitation by the board of directors of Citi Trends, Inc. of proxies to be voted at the annual meeting of stockholders on May 23, 2012. This proxy statement, the accompanying proxy card and the annual report to stockholders are being mailed to stockholders on or about April 20, 2012.

The principal executive offices of Citi Trends, Inc., a Delaware corporation, are located at 104 Coleman Boulevard, Savannah, Georgia 31408, and our telephone number is (912) 236-1561.

The terms Citi Trends or the Company (as well as the words we, us and our) refer to Citi Trends, Inc. References to you or your refer t stockholders.

In this section of the proxy statement, we answer some common questions regarding the annual meeting of stockholders and the voting of shares of common stock at the meeting.

Where and when will the annual meeting be held?

The date, time and place of the meeting are: May 23, 2012, at 9:00 a.m., EDT, at Embassy Suites-Airport, 145 West Mulberry Boulevard, Savannah, Georgia 31322. For directions to the meeting, please call the Embassy Suites-Airport at (912) 330-8222.

Why did you send me this proxy statement?

This proxy statement was prepared under the direction of our board of directors to solicit your proxy for voting at our annual meeting. We sent you this proxy statement and the enclosed proxy card because our board of directors is asking for your proxy to vote your shares at the annual meeting. We have summarized information in this proxy statement that you should consider in deciding how to vote at the meeting. But you do not have to attend in order to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

What can I vote on at the meeting?

The matters scheduled to be voted on at the meeting are:

(1) The election of the nominee named in the proxy statement to our board of directors to hold office until the annual meeting of stockholders in 2015 and until her successor is elected and qualified;

(2) An advisory vote to approve the compensation of our named executive officers for 2011;

(3) The approval of the Citi Trends, Inc. 2012 Incentive Plan; and

(4) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2013.

Table of Contents

How does the board of directors recommend that I vote?

The board of directors recommends that you vote your shares (i) FOR the nominee to the board of directors, (ii) FOR the approval of the compensation paid to our named executive officers, (iii) FOR the approval of the Citi Trends, Inc. 2012 Incentive Plan; and (iv) FOR the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2013.

Who can vote?

You can vote your shares of common stock if our records show that you were the owner of the shares as of the close of business on March 26, 2012, the record date for determining the stockholders who are entitled to vote at the annual meeting. As of the close of business on March 26, 2012, there were a total of 14,925,882 shares of our common stock outstanding and entitled to vote at the annual meeting. You get one vote for each share of common stock that you own. Holders of shares of common stock do not have cumulative voting rights. The enclosed proxy card shows the number of shares you can vote.

What is the required vote for approval?

The election of our nominee for director requires a plurality of the votes cast at the annual meeting.

The advisory vote to approve the compensation of our named executive officers requires a majority of the votes cast at the annual meeting.

The approval of the Citi Trends, Inc. 2012 Incentive Plan requires a majority of the votes cast at the annual meeting.

The ratification of the appointment of KPMG LLP as our independent registered public accounting firm requires a majority of the votes cast at the annual meeting on such matter.

How are votes counted?

We will hold the annual meeting if stockholders representing the required quorum of shares of common stock entitled to vote either sign and return their proxy cards or attend the meeting in person. One third of the shares of common stock outstanding and entitled to vote at the meeting present in person or by proxy will constitute a quorum. If you sign and return your proxy card, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated on the proxy card.

Votes withheld from the director nominee, abstentions and broker non-votes will be counted as shares present for the purpose of determining a quorum but will not be counted in determining the number of shares voted FOR the director nominee or treated as votes cast on any other proposal and, therefore, will not affect the outcome of the election of our director nominee or these other proposals.

A broker non-vote occurs when a bank, broker or other nominee who holds shares for another person returns a proxy but does not vote on a particular item, usually because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares.

How do I vote?

Stockholders of record may vote in person by attending the annual meeting or by completing and returning the proxy by mail. Your vote is very important, so regardless of whether you plan to attend the annual meeting, we encourage you to vote by proxy as soon as possible.

Table of Contents

How do I vote by proxy?

Follow the instructions on the enclosed proxy card to vote on the matters to be considered at the annual meeting. The individuals named and designated as proxies in the proxy card will vote your shares as you instruct. If you do not mark a selection, your proxy will be voted as recommended by the board of directors.

You have the following choices in completing your proxy:

- You may vote on each proposal, in which case your shares will be voted in accordance with your choices.

- In voting on the nominee for director, you can either vote FOR the nominee or withhold your vote on the nominee.

- You may abstain on one or more of the Company s proposals: to approve, on a non-binding, advisory basis, the compensation of our named executive officers, to approve the Citi Trends, Inc. 2012 Incentive Plan and to ratify the appointment of KPMG LLP as our independent registered public accounting firm.

- You may return a signed proxy card without indicating your vote on any matter, in which case the designated proxies will vote (i) to elect the nominee as director, (ii) to approve the compensation of our named executive officers, (iii) to approve the Citi Trends, Inc. 2012 Incentive Plan, and (iv) to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2013.

How do I vote if my shares are held in street name ?

If your shares are held in the name of your broker, a bank or other nominee, that party will give you instructions for voting your shares. Under the rules of the New York Stock Exchange, if you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. In the case of non-discretionary items, the shares will be treated as broker non-votes. If you do not provide voting instructions to your bank or broker, under a recent rule change the organization that holds your shares will not be authorized to vote on the election of directors or on any matter involving executive compensation (including the advisory vote to approve the compensation of our named executive officers and the proposal to approve the Citi Trends, Inc. 2012 Incentive Plan). Accordingly, we encourage you to vote promptly, even if you plan to attend the annual meeting.

What if other matters come up at the annual meeting?

The only matters we now know of that will be voted on at the annual meeting are the proposals we have described in this proxy statement: the election of the Class I director, the advisory vote to approve the compensation of our named executive officers, the proposal to approve the Citi Trends, Inc. 2012 Incentive Plan and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 2, 2013. If other matters are properly presented at the meeting, the designated proxies will vote your shares in their discretion.

Can I change my vote after I return my proxy card?

Yes, so long as you are the record holder and not a nominee holder of the shares. At any time before the vote on a proposal, you can change your vote either by giving us a written notice revoking your proxy card, or by signing, dating and returning to us a new proxy card or by attending the annual meeting and voting your shares in person. We will honor the proxy card with the latest date.

Proxy revocation notices or new proxy cards should be sent to Citi Trends, Inc. c/o American Stock Transfer and Trust Company, 6201 15th Avenue, Brooklyn, New York 11219.

Can I vote in person at the annual meeting rather than by completing the proxy card?

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person even if you have submitted a proxy card if you are a stockholder of record on the record date. If your shares are held in street name, then you may vote your shares in person only if you have a legal proxy from the entity that holds your shares giving you the right to vote the shares. A legal proxy is a written document from your brokerage firm or bank authorizing you to vote the shares it holds in its name. If you attend the meeting and vote your shares by ballot, your vote at the meeting will revoke any vote you submitted by mail.

Table of Contents

What do I do if I receive duplicate proxy statements and cards?

You may receive more than one proxy statement, proxy card or annual report. This duplication will occur if you have shares registered in different names or your shares are in more than one type of account maintained by American Stock Transfer and Trust Company, our transfer agent. To have all your shares voted, please sign, date and return all proxy cards.

Who will count the votes?

American Stock Transfer and Trust Company will tabulate the votes. Corporate Communications, Inc. will serve as the inspector of election.

Who will conduct this proxy solicitation and who pays for this proxy solicitation?

We regularly retain the services of Corporate Communications, Inc. to assist with our investor relations and other stockholder communications issues. Corporate Communications, Inc. will assist in the solicitation of proxies and will not receive any additional compensation for these services. Corporate Communications, Inc. may solicit proxies by telephone, facsimile, other forms of electronic transmission and by mail. We will reimburse the firm s expenses in connection with the solicitation. In addition, proxies may be solicited on our behalf by our directors, officers or employees in person or by telephone, facsimile, electronic transmission and by mail. None of these persons will receive any extra compensation for doing this.

In addition, we will request that brokerage houses, banks and other custodians or nominees holding shares in their names for others forward proxy materials to their customers or principals who are the beneficial owners of shares and we will reimburse them for their expenses in doing so.

Table of Contents

PROPOSAL 1:
ELECTION OF DIRECTORS

Our board of directors currently consists of five directors, R. Edward Anderson, Brian P. Carney, Lawrence E. Hyatt, John S. Lupo, and Patricia M. Luzier. Our directors are divided into three classes with staggered three-year terms so that the term of one class expires at each annual meeting of stockholders. One nominee will be proposed for election as a Class I director at the annual meeting.

It is intended that the persons named in the accompanying proxy will vote to elect the nominee listed below unless authority to vote is withheld. The elected director will serve until the annual meeting of stockholders in 2015 or until an earlier resignation or retirement or until a successor is elected and qualifies to serve.

The nominee has agreed to stand for election and is available for election. However, if a vacancy in the slate of nominees is caused by death or other unexpected occurrence, it is intended that shares represented by the accompanying proxy will be voted for the election of a substitute nominee selected by the persons named in the proxy.

Nominee for Election as Class I Director

Patricia M. Luzier currently serves as a Class I director whose term expires at the annual meeting. Ms. Luzier has been nominated by our board of directors to stand for re-election at the annual meeting for a three-year term expiring in 2015.

Ms. Luzier currently is Chair of the Nominating and Corporate Governance Committee of our board of directors and a member of the Compensation Committee and the Audit Committee of our board of directors. Ms. Luzier s biographical information is set forth on the following page.

The board of directors recommends that stockholders vote FOR the nominee for election as a Class I director.

Table of Contents

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

Board Leadership Structure

The board of directors does not have a set policy with respect to the separation of the offices of the chairman and chief executive officer, as the board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the board. Mr. Anderson held both offices from May 2006 through his retirement as Chief Executive Officer (CEO) in April 2009, at which time he became Executive Chairman of the board in order to provide for an orderly transition of the CEO role to David Alexander. In April 2010, Mr. Anderson transitioned from Executive Chairman to non-executive Chairman. As a result, the two offices were separated from April 2009 to January 2012, at which point the board asked Mr. Anderson to return to the CEO role upon the departure of Mr. Alexander.

Our board of directors consists of five directors (Messrs. Anderson, Carney, Hyatt and Lupo and Ms. Luzier), all of whom, except Mr. Anderson, have been determined by the board to be independent under NASDAQ listing standards. Our Second Amended and Restated Certificate of Incorporation divides our board into three classes having staggered terms, with one of such classes being elected each year for a new three-year term. Our Class I director, Ms. Luzier, has a term expiring in 2012, our Class II directors, Messrs. Carney and Lupo, have terms expiring in 2013, and our Class III directors, Messrs. Anderson and Hyatt, have terms expiring in 2014.

Directors

The following sets forth selected biographical information for our directors.

Nominee for Class I Director.

Patricia M. Luzier. Ms. Luzier, age 62, has served as a director since 2005 and is the Chair of the Nominating and Corporate Governance Committee, as well as a member of the Audit Committee and the Compensation Committee. Ms. Luzier currently has her own private consulting business focused on human resource management, organizational development and executive coaching. Ms. Luzier was previously the Senior Vice President and Chief Administrative Officer of Cole National Corporation, a specialty retailer, from 1999 through 2004. She served as Senior Vice President, Human Resources and Administration, for HomePlace Group, Inc. from 1998 until 1999. She also served as Senior Vice President of Human Resources with Vicorp Restaurants, Inc. from 1994 until 1998. Ms. Luzier currently serves as a director for Dale Carnegie and Associates, a private performance-based training company.

In determining that Ms. Luzier should continue serving as one of our directors, the Board considered in particular her experience in the area of human resources with retail companies and her performance as a member of the board of directors of Citi Trends.

Continuing Class II Directors with Terms Expiring in 2013.

Brian P. Carney. Mr. Carney, age 51, has served as a director since 2007, and is a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Mr. Carney currently serves as Executive Vice President and Chief Financial Officer of BI-LO, LLC, a grocery retailer, a position he has held since 2005. Prior to that time, Mr. Carney had served as Executive Vice-President and Chief Financial Officer of Jo-Ann Stores, Inc., a specialty retailer, from 1997 to 2005, as Senior Vice President of Finance of Revco, D.S., Inc., a drug store retailer, from 1989 to 1997, and as an Audit Manager with Arthur Andersen & Co., a public accounting firm, from 1982 to 1989.

On March 23, 2009, BI-LO, LLC filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. BI-LO, LLC emerged from Chapter 11 through a plan of reorganization on May 12, 2010.

In determining that Mr. Carney should continue serving as one of our directors, the board considered in particular his financial, accounting and audit experience with publicly reporting retail companies and a public accounting firm, as well as his performance as a member of the board of directors of Citi Trends. His financial background is such that he is considered to be an audit committee financial expert as defined by the rules of the Securities and Exchange Commission (the SEC).

John S. Lupo. Mr. Lupo, age 65, has served as a director since 2003, and is Chairman of the Compensation Committee, as well as a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Lupo was a principal in the consulting firm, Renaissance Partners, LLC, from 2000 through 2008. From 1998 through 1999, Mr. Lupo served as Executive Vice President of Basset Furniture. From 1996 until 1998, Mr. Lupo served as the Chief Operating Officer of the International Division of Wal-Mart Stores Inc., and from 1990 until 1996, Mr. Lupo served as Senior Vice President and General Merchandise Manager of Wal-Mart Stores, Inc.

Table of Contents

Mr. Lupo has also served as a director of Cobra Electronics Corp since 2007. Mr. Lupo served as a director of Spectrum Brands Inc. (formerly Rayovac Corporation) from 1998 to 2009 and as a director of AB Electrolux from 2007 to 2012.

In determining that Mr. Lupo should continue serving as one of our directors, the board considered in particular his retail merchandising and operational experience with Wal-Mart Stores, Inc. and as a consultant with Renaissance Partners, LLC, as well as his performance as a member of the board of directors of Citi Trends.

Continuing Class III Directors with Terms Expiring in 2014.

R. Edward Anderson. Mr. Anderson, age 62, has served as Chairman of the board of directors since May 2006, including as Executive Chairman from October 2011 to January 2012 and from April 2009 to April 2010, and as a director since 2001. He served as Chief Executive Officer of the Company from 2001 to April 2009 and returned to that position in January 2012. From 1997 to 2001, Mr. Anderson was Chief Financial Officer of Variety Wholesalers, Inc., an operator of discount stores. Prior to 1997, Mr. Anderson served as Chairman, President and Chief Executive Officer of Rose s Stores, Inc., a discount retailer.

In determining that Mr. Anderson should continue serving as one of our directors, the board considered in particular his in-depth knowledge of Citi Trends attained from his tenure of more than seven years as CEO and ten years as a director. In addition, the board considered his experience as CFO, CEO and Chairman of other discount retailers prior to joining Citi Trends.

Lawrence E. Hyatt. Mr. Hyatt, age 57, has served as a director since 2006, and is Chairman of the Audit Committee, and a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Hyatt has served as the Senior Vice President and Chief Financial Officer of Cracker Barrel Old Country Store, Inc., a restaurant and retail company, since January 2011. From 2004 through 2010, Mr. Hyatt served as the Chief Financial Officer, Secretary and Treasurer of O Charley s Inc., a multi-concept restaurant company. He also served as Interim Chief Executive Officer of O Charley s Inc. from February 2009 through June 2009. Mr. Hyatt served as the Executive Vice President and Chief Financial Officer of Cole National Corporation, a specialty retailer, from 2002 to 2004, as Chief Financial and Restructuring Officer of PSINet Inc., an internet service provider, from 2000 to 2002, as Chief Financial Officer of HMS Host Corporation, a subsidiary of Autogrill S.p.A., from 1999 to 2000, and as Chief Financial Officer of Sodexho Marriott Services, Inc. and its predecessor company from 1989 to 1999.

In determining that Mr. Hyatt should continue serving as one of our directors, the board considered in particular his experience as a public company CFO and his retail background. His financial background is such that he is considered to be an audit committee financial expert as defined by the rules of the SEC and, as a result, the board named him Chairman of the Audit Committee. In addition, the board considered his performance as a director of Citi Trends.

Board Risk Oversight

Our management team is responsible for identifying, assessing and managing our exposure to risk, while the board of directors is responsible for providing oversight of risk management. The oversight role performed by the board and its committees includes, among other things, the following:

- Review of risks associated with our long-term strategic plan and annual budgets;

- Meetings with various members of management regarding initiatives being undertaken in their areas, including, among others, merchandising, real estate, finance, human resources and information systems;

- Private meetings with our independent registered public accounting firm, our Chief Financial Officer, and our Director of Internal Audit;

- Performance of a comprehensive risk assessment, including those significant risk factors discussed in Item 1A of our Annual Report on Form 10K;

- Review and approval of our Investment Policy; and

- Review of legal matters

Our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee each have responsibility for addressing risks inherent within their areas of oversight. In accordance with its charter, the Audit Committee is responsible for assisting the board with its oversight of our overall risk management profile and our financial reporting risks. The Compensation Committee s responsibilities related to risk include ensuring that compensation policies have a fair balance of risk and reward. The Nominating and Corporate Governance Committee s primary risk-related responsibilities deal with the development and recommendation

Table of Contents

of appropriate corporate governance guidelines and oversight to ensure compliance with such guidelines. Each of the committee chairs regularly reports to the board regarding significant issues addressed.

Risk and Employee Compensation

We believe that Citi Trends compensation policies do not create risks that are reasonably likely to have a material adverse effect on the Company. Instead, we believe that our compensation structure encourages a fair balance of risk and reward. The process undertaken by the board to determine that the compensation policies do not create unnecessary risk includes detailed reviews of the assumptions used in the budget on which annual cash incentives are based. In addition, the board participates in the strategic planning process to ensure that the goals and planned strategies to achieve such goals are aligned between management and the board. As a retail company operating only one store concept, we are not subject to many of the issues that caused employees in the financial services sector to take excessive and unnecessary risks in order to maximize their compensation. We believe that the components of our employee-wide compensation program are consistent in form with similar companies. Also, the performance targets for our named executive officers are at the consolidated company level, not at individual division or subsidiary levels, and there is a balance between annual cash incentive compensation and long-term equity incentives to enhance the likelihood that management will not make decisions in the short-term to earn cash incentives at the risk of achieving long-term success.

Board of Directors Committees

The board of directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each comprised solely of the independent members of our board of directors, Messrs. Carney, Hyatt and Lupo and Ms. Luzier.

Audit Committee

The Audit Committee, currently consisting of all four of the Company s independent directors, reviews our internal accounting procedures and consults with and reviews the services provided by our independent registered public accountants. The current members of the Audit Committee satisfy NASDAQ s audit committee member independence requirements. Mr. Hyatt is the Chairman of the Audit Committee. The board of directors has determined that Mr. Hyatt and Mr. Carney are audit committee financial experts as defined by the rules of the SEC. During fiscal 2011, the Audit Committee met 10 times.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee oversees the Company s accounting and financial reporting processes, both internal and external, and audits of the Company s financial statements, on behalf of the board of directors. The principal duties and responsibilities of our Audit Committee, among other things, are to:

- have direct responsibility for the appointment, selection, compensation, retention, replacement and oversight of the work of our independent registered public accounting firm, including prescribing what services are allowable and approving in advance all services provided by them;

- discuss with the internal auditors and the independent registered public accounting firm the overall scope and plans for their respective audits and the results of their respective audits;

- review our annual audited financial statements and quarterly unaudited financial statements, and discuss the statements with management and the independent registered public accounting firm and review our earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

- review and discuss with management, the internal auditors and the independent registered public accounting firm the adequacy and effectiveness of our internal controls, including our ability to monitor and manage business risk, legal and ethical compliance programs and financial reporting;

- review and approve all related party transactions consistent with the rules applied to companies listed on The NASDAQ Stock Market; and

- establish procedures regarding complaints received by us or our employees regarding accounting, accounting controls or auditing matters.

The Audit Committee is required to report regularly to our board of directors to discuss any issues that arise with respect to the quality or integrity of our financial statements, our compliance with legal or regulatory requirements, the performance and independence

Table of Contents

of our independent registered public accounting firm, or the performance of the internal audit function. The Audit Committee s work is guided by a written charter which has been approved and adopted by the board of directors. A copy of the current Audit Committee charter is available on the Company s website located at *http://www.cititrends.com*. The information set forth on this website should not be deemed filed with, and is not incorporated by reference into, this proxy statement or any of the Company s other filings under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically so provides.

Compensation Committee

The Compensation Committee, currently consisting of all four of the Company s independent directors, reviews and determines the compensation and benefits of the Company s executive officers and administers our incentive and equity-based compensation plans. Mr. Lupo is the Chairman of the Compensation Committee. The Compensation Committee has adopted a formal charter which is available on our corporate website at *http://www.cititrends.com*. During fiscal 2011, the Compensation Committee met 9 times. The principal duties and responsibilities of our Compensation Committee, among other things, are to:

- review and approve corporate goals and objectives relevant to our CEO s and other named executive officers compensation and evaluate the CEO s performance in light of these goals and objectives;
- review and administer the Company s incentive and equity-based compensation plans;
- determine and approve the CEO s compensation;
- make recommendations to our board of directors regarding the salaries, incentive compensation plans and equity-based plans for our executive officers;
- oversee, in consultation with management, regulatory compliance with respect to compensation matters;
- review and approve any severance or similar termination payments proposed or made to any of our current or former executive officers; and
- review and approve any employment contracts or other contractual arrangements resulting in any payment to any employee of the Company proposed to be made as a result of a change in control of the Company.

The form and amount of director compensation is annually determined by our board of directors after a recommendation from the Nominating and Corporate Governance Committee.

The Compensation Committee has the discretion to delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. In addition, the Compensation Committee has delegated limited authority to a committee consisting of our CEO to grant awards under the 2005 Long-Term Incentive Plan to non-executive employees of the Company. The Compensation Committee has the authority and resources to engage compensation consultants and legal, accounting or other advisors to provide the committee with advice and information in connection with carrying out its responsibilities. In 2011, the Compensation Committee engaged Hay Group (the   Compensation Consultant   ) to provide advice on the Company   s executive and director compensation practices.

See   Compensation Discussion and Analysis   elsewhere in this proxy statement for a discussion of the role of the Compensation Consultant and executive officers in the compensation process and further discussion of the processes and procedures of the Compensation Committee. See also   Compensation Committee Report   elsewhere in this proxy statement.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently consists of all four of the Company   s independent directors. Ms. Luzier is the Chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee has adopted a formal charter which is available on our corporate website at *http://www.cititrends.com*. During fiscal 2010, the Nominating and Corporate Governance Committee met 4 times. The principal duties and responsibilities of our Nominating and Corporate Governance Committee, among other things, are to:

- review the composition of our board of directors and committee structure and evaluate the performance of directors and committees;

Table of Contents

- identify individuals qualified to become board members, consistent with criteria approved by our board of directors;

- select and recommend individuals as nominees for directors at annual meetings of our stockholders;

- develop and recommend to the board of directors a set of corporate governance principles applicable to us and periodically review and assess such corporate governance principles;

- review the institutional and other affiliations of our board members and nominees for directors for any potential conflicts of interest and make recommendations to our board of directors with respect to the determination of director independence; and

- review and make recommendations to our board of directors concerning compensation arrangements for non-employee members of our board of directors.

Code of Business Conduct and Ethics

We have adopted a written Code of Business Conduct and Ethics applicable to our directors, executive officers (including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions) and employees in accordance with the rules of The NASDAQ Stock Market and the SEC. Our Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;

- full, fair, accurate, timely and understandable disclosure in reports and documents that we file with the SEC and in all other public communications;

- compliance with applicable laws, rules and regulations, including insider trading compliance; and

- accountability for adherence to the code and prompt internal reporting of violations of the code, including illegal or unethical behavior regarding accounting or auditing practices.

The Code of Business Conduct and Ethics is available on our corporate website at *http://www.cititrends.com.* In the event of any amendment or waiver of our Code of Business Conduct and Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, such amendment or waiver will be posted on our website. Our directors, executive officers and employees are required to affirm annually their compliance with the Code of Business Conduct and Ethics.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Messrs. Carney, Hyatt and Lupo and Ms. Luzier. No current member of the Compensation Committee serves or has ever served as one of our executive officers or employees. None of our executive officers serves or has ever served as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our board of directors or our Compensation Committee.

Attendance of Directors

During fiscal 2011, the board of directors held 18 meetings. Each director attended at least 75% of the aggregate of the total number of meetings held by the board of directors and the total number of meetings held by all committees of the board of directors on which he or she served, which meetings were held when he or she was a director.

Policies Relating to our Board of Directors

Nomination and Selection of Directors

Our Nominating and Corporate Governance Committee identifies and evaluates potential director candidates in a variety of ways. Recommendations may come from current members of our board of directors, professional search firms, members of management, stockholders or other persons. In assessing the qualifications of potential nominees, the Nominating and Corporate Governance Committee may rely on personal interviews or discussions with the candidate and others familiar with the candidate s professional

Table of Contents

background, on third-party background and reference checks and on such other due diligence information as reasonably available. The Nominating and Corporate Governance Committee must be satisfied that the candidate possesses the highest professional and personal ethics and values and has broad experience at the policy-making level in business before it would recommend a candidate as a nominee to our board of directors, and the nominee must meet the following minimum qualifications:

- demonstrates personal integrity and moral character;
- shows a willingness to apply sound and independent business judgment for the long-term interests of stockholders of the Company;
- possesses relevant business or professional experience, technical expertise or specialized skills;
- exhibits personality traits and background that appear to fit with those of the other directors to produce a collegial and cooperative board responsive to the Company s needs; and
- maintains the ability to commit sufficient time to effectively carry out the substantial duties of a director.

Neither the board nor the Nominating and Corporate Governance Committee has a formal diversity policy with regard to the consideration of diversity in identifying director candidates; however, our Corporate Governance Guidelines state that the committee will review candidates experience, integrity, competence, diversity, skills, and dedication in the context of the needs of the board. Accordingly, in connection with its evaluation of each candidate, the committee takes into account how all of these factors pertaining to a candidate may complement or supplement those skills of other board members. This helps to explain how our board, consisting of five members, represents such a wide range of experiences, including executive, financial, merchandising, retail operations, distribution and human resources.

The Nominating and Corporate Governance Committee evaluates nominees submitted by stockholders in the same manner as nominees from other sources. Stockholders may recommend nominees for consideration at the annual meeting by submitting the names and supporting information to the Secretary of the Company at: Stockholder Nominations, Citi Trends, Inc., 104 Coleman Boulevard, Savannah, Georgia 31408. Such submissions must be delivered or mailed to the Secretary not less than ninety (90) calendar days and not more than one hundred twenty (120) calendar days prior to the first anniversary of the previous year s annual meeting. The submission should include a current resume and curriculum vitae of the candidate, a statement describing the candidate s qualifications and contact information for personal and professional references. The submission must also include the name and address of the stockholder who is submitting the nominee, the number of shares which are owned of record or beneficially by the submitting stockholder and a description of all arrangements or understandings between the submitting stockholder and the candidate and must also comply with the requirements of our bylaws.

Communications with our Board of Directors

Stockholders and other interested parties may communicate directly with our board of directors, the non-management directors as a group or individual directors. All communications should be in writing and should be directed to the Secretary of the Company at: Stockholder Communications, Citi Trends, Inc., 104 Coleman Boulevard, Savannah, Georgia 31408. The sender should indicate in the address whether it is intended for the entire board of directors, the non-management directors as a group or an individual director. Each communication received by the Secretary will be forwarded to the intended recipients.

Director Attendance at Annual Meeting of Stockholders

We do not have a formal policy regarding attendance by directors at our annual meeting of stockholders but invite, expect and encourage all directors to attend. All of our directors attended the 2011 annual meeting of stockholders.

Table of Contents

AUDIT COMMITTEE REPORT

The Audit Committee reviews the Company s financial reporting process on behalf of the board of directors. Management has primary responsibility for the financial statements, the reporting process, and maintaining an effective system of internal controls over financial reporting. The Audit Committee operates under a written charter adopted by the board of directors, a copy of which is available on the Investor Relations section of the Company s website at www.cititrends.com.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements in the Annual Report on Form 10-K for the 2011 fiscal year. The Audit Committee has also discussed with KPMG LLP, the Company s independent registered public accounting firm during the 2011 fiscal year, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from KPMG LLP required by applicable requirements of the PCAOB regarding KPMG LLP s communications with the Audit Committee concerning independence and has discussed with KPMG LLP its independence from the Company.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the board of directors that the audited financial statements of the Company be included in the Company s Annual Report on Form 10-K for the fiscal year ended January 28, 2012 for filing with the SEC.

Submitted by the Audit Committee of the board of directors:

Lawrence E. Hyatt, Chairman

Brian P. Carney

John S. Lupo

Patricia M. Luzier

Table of Contents

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the Compensation Discussion and Analysis section of this proxy statement and discussed that disclosure with management. Based on its review and discussions with management, the committee recommended to our board of directors that the Compensation Discussion and Analysis be included in the Company s proxy statement for the 2012 annual meeting of stockholders and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended January 28, 2012.

The undersigned members of the Compensation Committee have submitted this Report to the Board of Directors.

Submitted by the Compensation Committee of the board of directors:

John S. Lupo, Chairman

Brian P. Carney

Lawrence E. Hyatt

Patricia M. Luzier

Table of Contents

EXECUTIVE OFFICERS

The following table sets forth the names, ages and positions of our current executive officers.

Name	Age	Position
R. Edward Anderson	62	Chairman and Chief Executive Officer
Jason T. Mazzola	42	Executive Vice President and Chief Merchandising Officer
Bruce D. Smith	53	Executive Vice President and Chief Financial Officer
Ivy D. Council	55	Executive Vice President of Human Resources
James A. Dunn	55	Senior Vice President of Store Operations
Charles D. Crowell	59	Senior Vice President of Supply Chain

The following sets forth selected biographical information for our executive officers who are not directors.

Jason T. Mazzola. Mr. Mazzola has served as our Executive Vice President and Chief Merchandising Officer since February 2012. From May 2011 to February 2012, Mr. Mazzola was the Chief Merchandising Officer of ideeli Inc., an online apparel retailer. From November 2009 to May 2011, Mr. Mazzola served as a consultant and Executive Vice President of Sales and Design for Long Street Industries Inc., an apparel wholesaler. From 2001 to 2009, as well as from 1993 to 1996, Mr. Mazzola was employed in various merchandising positions with TJX Companies, Inc., including Senior Vice President/General Merchandise Manager-Ladies Sportswear, Shoes, Domestics, and Giftware of the A. J. Wright division. Mr. Mazzola received an MBA from Cornell University s Johnson Graduate School of Management.

Bruce D. Smith. Mr. Smith has served as our Executive Vice President and Chief Financial Officer since March 2010 and as our Senior Vice President and Chief Financial Officer since April 2007. From 2005 to March 2007, Mr. Smith served as Executive Vice President, Chief Financial Officer and Treasurer of Hancock Fabrics, Inc. (Hancock), a specialty retailer of fabrics and related accessories, and served as the Senior Vice President, Chief Financial Officer and Treasurer of Hancock from 1996 until 2005. From 1991 to 1996, Mr. Smith served as Executive Vice President and Chief Financial Officer of Fred s, Inc. From 1980 to 1991, Mr. Smith was a Senior Manager with Price Waterhouse (now PricewaterhouseCoopers LLP). Mr. Smith is a certified public accountant.

On March 21, 2007, Hancock, for which Mr. Smith served as an executive officer as described above, filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. On August 1, 2008, Hancock s plan of reorganization became effective and Hancock emerged from bankruptcy protection.

Ivy D. Council. Ms. Council has served as our Executive Vice President of Human Resources since March 2012 and as our Senior Vice President of Human Resources since January 2007. In 2006, Ms. Council served as Vice President of Human Resources for Baja Fresh Restaurants, a division of Wendy s, Inc. From 2003 to 2006, Ms. Council served as Executive Vice President of Human Resources for Pasta Pomodoro Restaurants and as a director of such entity from 2001 through 2002. Prior to that, Ms. Council served as Senior Vice President of Human Resources for Ross Stores.

James A. Dunn. Mr. Dunn has served as our Senior Vice President of Store Operations since 2006 and as our Vice President of Store Operations since 2001. From January to April 2001, Mr. Dunn was our Director of Training and Development and from 2000 to 2001, was one of our Regional Managers. Prior to joining us, Mr. Dunn was a Store Manager at Staples from 1999 to 2000. Prior to that, Mr. Dunn was a Regional Manager at Dress Barn, where he supervised 77 stores and 10 district managers.

Charles D. Crowell. Mr. Crowell has served as our Senior Vice President of Supply Chain since April 2011. From 2004 to March 2011, Mr. Crowell served as Vice President, Distribution for Hecht s, a division of May Department Stores Company prior to being merged with Macy s, Inc. Mr. Crowell served as Vice President, Distribution Services for The Home Depot from 1997 to 2002 where he was responsible for the operations of a worldwide network of 62 distribution facilities. Prior to that, Mr. Crowell served as Vice President of Transportation and Distribution for Best Products.

Each of the executive officers serves at the discretion of the board of directors and holds office until his or her successor is elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of the directors or executive officers.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In the paragraphs that follow, we will give an overview and analysis of the material elements of our compensation program and policies, the material compensation decisions we have made under those programs and policies with respect to our top executive officers, and the material factors that we considered in making those decisions. This information should be read in conjunction with the compensation tables, related narratives and notes contained later in this proxy statement, containing specific information about the compensation earned or paid in fiscal 2011 to the following individuals, whom we refer to as our named executive officers:

- R. Edward Anderson, our Chief Executive Officer,
- R. David Alexander, Jr., our former President and Chief Executive Officer,
- Elizabeth R. Feher, our former Executive Vice President and Chief Merchandising Officer,
- Bruce D. Smith, our Executive Vice President and Chief Financial Officer,
- Ivy D. Council, our Executive Vice President of Human Resources,
- James A. Dunn, our Senior Vice President of Store Operations, and
- Charles D. Crowell, our Senior Vice President of Supply Chain.

The discussion below is intended to help you understand the detailed information provided in the compensation tables and put that information into context within our overall compensation program.

Summary of Fiscal 2011

Fiscal 2011 was a very challenging year for Citi Trends. There were certain external factors that affected our sales, including high unemployment rates and rising gas and food prices. In addition, competition continued to be strong and many of our urban brands that have historically been an important part of our business did not resonate with our customers as they once did. However, despite all of the external factors, our own performance was likely the biggest contributor to our weak operating results. We did not react to this challenging retail environment as well as we could have.

While we continue to run efficient stores with reasonable labor productivity and low inventory shrinkage and continue to operate productive distribution centers, negative comparable store sales make it difficult to maintain profitability. In January 2012, we asked our Chairman of the Board, Ed Anderson, to return to his previous role as CEO and we also hired a new Chief Merchandising Officer, Jason Mazzola, to help us regain our sales momentum. Together, they have begun the process of improving our merchandising in order to deliver great values to our customers. In order to accomplish that, we must buy great values, which means shifting more of our buying back to off-price and close-out buying and away from up-front buying.

From a financial standpoint, our results swung from net income of $20.9 million in fiscal 2010 to a net loss of $10.0 million in fiscal 2011. As a result, we did not reach our EBITDA goal, as discussed in the Annual Cash Incentives section below. We have a compensation program that is designed to link the interests of management and stockholders, such that the achievement of challenging goals results in rewards for our executive officers. Accordingly, in years such as 2011, when the goals are not achieved, no cash incentives are paid to our named executive officers.

Consideration of Last Year s Advisory Stockholder Vote on Executive Compensation

At the annual meeting of stockholders on May 25, 2011, over 98% of the shares cast were voted to approve the compensation of the Company s named executive officers, as discussed and disclosed in the 2011 proxy statement. The Board and the Compensation Committee appreciate and value the views of our stockholders. In considering the results of this advisory vote on executive compensation, the Committee concluded that the compensation paid to our named executive officers and the Company s overall pay practices enjoy strong stockholder support.

In light of the strong stockholder support of the compensation paid to our named executive officers evidenced by the results of this advisory vote, the Compensation Committee has decided to retain our general approach to executive compensation and does not intend to

Table of Contents

make significant changes to our executive compensation programs for 2012 as a result of this advisory vote. Going forward, future advisory votes on executive compensation will serve as an additional tool to guide the Committee in evaluating the alignment of the Company s executive compensation programs with the interests of the Company and its stockholders.

Also at the annual meeting of stockholders on May 25, 2011, our stockholders expressed a preference that advisory votes on executive compensation occur annually. Consistent with this preference, the Board determined to implement an advisory vote on executive compensation every year until the next required vote on the frequency of stockholder votes on the compensation of executive officers, which is scheduled to occur at the 2017 annual meeting.

Objective of Our Compensation Program

In order to maintain a critical advantage in our competitive marketplace, we believe our compensation program should be designed to provide market-competitive compensation and benefits that will enable us to attract and retain a talented, diverse workforce. In furtherance of those goals, our compensation program is designed to:

- enable the Company to attract, retain and motivate a team of high quality executives who will create long-term stockholder value;
- create opportunities to participate in the ownership of the Company and to share in the value the executives help create; and
- provide rewards that are proportional to each executive s contribution to our success.

Our compensation philosophy emphasizes each individual s responsibility for high achievement and provides a strong link between pay and performance on both an individual and Company level. Our management team and Compensation Committee will continue to develop and refine our compensation philosophy, program and practices over time, with the goal of maximizing stockholder value.

How We Determine and Assess Executive Compensation

Role of the Compensation Committee and Executive Officers

The Compensation Committee plays an integral role in the strategic direction and administration of the compensation structure of the Company. The Compensation Committee and our CEO work together to ensure that the compensation paid to our named executive officers is in line with our compensation philosophy and furthers our long-term goals.

Our CEO recommends to the Compensation Committee base salary, target annual cash incentive amounts and formulas, and long-term equity incentive grants for our executive officers (other than himself), after forming qualitative judgments regarding individual performance within each executive s areas of direct responsibility, as well as how such performance serves the entire Company, and having discussions with the Compensation Committee and other members of management regarding appropriate levels of compensation. The Compensation Committee reviews such recommendations and determines whether, in light of our compensation philosophy, the recommended compensation levels are appropriate. This determination includes consideration of recommendations by the Compensation Consultant as described below. Upon such determination, the Compensation Committee formally approves the compensation levels for recommendation to the board of directors. Our CEO is not involved with any aspect of determining his own compensation. The Compensation Committee independently sets the CEO s total compensation package, taking into account the same factors as for the other executive officers.

Compensation Consultant

From time to time, the Compensation Committee engages outside compensation consultants for survey data and other information as it deems appropriate. As discussed in further detail in the following section, the committee engaged Hay Group in 2011 to provide an analysis of the Company s compensation practices and to provide an update to the Committee as to current compensation trends. There are no conflicts of interest between the Company and Hay Group, and Hay Group reports directly to the Compensation Committee.

Table of Contents

Market Data

Periodically, the Compensation Committee reviews the compensation practices of a group of public companies selected from an industry peer group comprised primarily of specialty apparel retailers that are similar in size to the Company. The peer group used by the Compensation Consultant in the 2011 peer group analysis consisted of the apparel retailers indicated below. The Compensation Committee believes that the companies comprising this peer group represent appropriate comparisons due to the similarity in business and financial characteristics.

bebe stores, inc.	Hot Topic, Inc.
Body Central Corp.	Jos. A. Bank Clothiers, Inc.
The Buckle Inc.	New York & Company, Inc.
Casual Male Retail Group, Inc.	Pacific Sunwear of California, Inc.
The Cato Corporation	rue 21, inc.
Christopher & Banks Corporation	Stage Stores, Inc.
Destination Maternity Corporation	The Wet Seal, Inc.
The Finish Line, Inc.	Zumiez Inc.

The Committee also reviewed compensation information provided by the Compensation Consultant from a survey of more than 100 retail companies, including five of the companies in our peer group. The Compensation Consultant s analysis focused on the following areas of compensation:

- base salary,
- annual cash incentives,
- total cash compensation (the sum of base salary and annual cash incentives),
- long-term equity incentives (a variable incentive vesting over a multi-year period), and
- total direct compensation (the sum of total cash compensation and long-term equity incentives).

We do not strive to set our executive officers targeted total direct compensation at a specific level relative to the median reflected in the Compensation Consultant s peer group study or retail survey. Instead, the use of the data as a guide is combined with the experience and judgment of the Compensation Committee s members to determine the reasonableness of total direct compensation. The 2011 analysis by the Compensation Consultant indicated that each of our executive officers total direct compensation at target levels was at or below median in relation to the peer group or retail survey, as applicable, with the exception of one position that has total targeted direct compensation above the peer group s median, but below the survey s median.

The allocation of our executive officers total direct compensation among base salary, annual cash incentives and long-term equity incentives is based on the Compensation Committee s judgment, taking into consideration market practices reflected in previous and current peer group and retail surveys, together with a goal of providing a fair balance of risk and reward through an allocation that includes a reasonable mix of both fixed and variable components.

Elements of our Compensation Program

Our executive officer compensation program consists of the following elements: base salary, annual cash incentives, long-term equity incentives, and certain other benefits.

Table of Contents

Base Salary

Base salaries fulfill the fixed portion of our compensation program. Base salaries are set annually by the Compensation Committee based on a variety of factors, including peer group information, a qualitative review of the executive s performance and contributions to the Company during the year and over a number of years, and changes in responsibilities, if any. After considering these factors, the Compensation Committee approved increases to each of our named executive officers base salaries in March 2011 as shown below:

Name and Principal Position (1)	Fiscal 2010 Base Salary Rate	Fiscal 2011 Base Salary Rate	% Change
R. David Alexander, Jr. Former President and Chief Executive Officer	$ 535,000	$ 547,000	2.2%
Elizabeth R. Feher Former Executive Vice President and Chief Merchandising Officer	$ 400,000	$ 410,000	2.5%
Bruce D. Smith Executive Vice President and Chief Financial Officer	$ 310,000	$ 322,000	3.9%
Ivy D. Council Executive Vice President of Human Resources	$ 250,000	$ 260,000	4.0%
James A. Dunn Senior Vice President of Store Operations	$ 240,000	$ 250,000	4.2%

(1) R. Edward Anderson, Chief Executive Officer, and Charles D. Crowell, Senior Vice President of Supply Chain, joined the Company as employees during fiscal 2011 and did not receive base salary increases.

Annual Cash Incentives

We measure our overall financial performance based on a number of financial metrics, of which the most important are (1) earnings before interest, taxes, depreciation and amortization (EBITDA) and (2) Adjusted EBITDA, which is comprised of EBITDA plus asset impairment expense, a non-cash charge similar in certain respects to depreciation and amortization. The Company s performance in these areas allows us to evaluate the Company s success in any given year. The Company s success and performance impacts our compensation decisions with respect to our executive officers. Only our annual cash incentives are formally tied to these financial metrics, although the future value of long-term equity incentives is at least indirectly tied to such metrics.

Our annual cash incentive program provides our executive officers with an opportunity to earn cash awards based on the achievement of our budgeted goal for EBITDA. Due to the importance of this financial metric to the annual and long-term success of the Company, we strive to make the achievement of this goal each year to be a meaningful challenge to our executive officers. The budgeted EBITDA that represents our goal considers many key operating and financial factors, including the following:

- Store selling square footage growth;
- Comparable store sales;
- Average sales per store;
- Gross margin;
- Store and distribution operating expenses as a percentage of sales; and
- Corporate expenses.

The annual cash incentive program is directly linked to our budget, such that if the Company achieves 100% of its budgeted EBITDA, it is expected that the executive officers would receive 100% of their target award. There is a scale in place that dictates

Table of Contents

payment of annual cash incentives in the event that actual EBITDA results are between 90% (threshold) and 120% (maximum) of budget. Using the scale, if actual EBITDA is 90% of budget, then 50% of the target award is paid, while if actual EBITDA is equal to or greater than 120% of budget, then 200% of the target award is paid. If actual EBITDA is less than 90% of budget, no cash incentive compensation is paid. In 2011, the EBITDA goal was $58,878,000, representing a 13% increase over 2010 s actual EBITDA. Actual 2011 EBITDA was $6,964,000, or 11.8% of budget. Accordingly, no cash incentive compensation was paid to executive officers for 2011.

In future years, we expect to shift from using EBITDA as the metric for our cash incentive program to Adjusted EBITDA, because Adjusted EBITDA includes all of the components of EBITDA and excludes non-cash asset impairment expense which is similar in certain respects to depreciation and amortization. In addition, items such as unplanned and significant costs related to litigation, claim judgments or settlements, gain or loss on significant sales of property and equipment, and the effect every five to six years of a 53rd week will be excluded from both the budget and actual amounts used in the cash incentive calculation. Since the calculation of cash incentives is based on performance versus budget, the exclusion of items such as those mentioned above ensures that the ability to accurately budget such items does not positively or negatively influence cash incentives.

Our CEO recommends a target award for each executive officer (other than himself) based on the executive s position within the Company and consideration of data provided by the Compensation Consultant and, together with the Compensation Committee, determines the appropriate target award for each executive. For fiscal 2011, each executive officer s target award (as a percentage of base salary) was as follows:

Name	**Target Award**
Mr. Alexander	100%
Ms. Feher	65%
Mr. Smith	65%
Ms. Council	50%
Mr. Dunn	50%
Mr. Crowell	50%

Mr. Anderson was not included in the annual cash incentive program in 2011, as he did not rejoin the Company as Chief Executive Officer until late in the fiscal year. The Compensation Committee did not exercise any discretion to adjust computed awards in 2011. Actual awards earned in each of the past three years by our named executive officers are shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table elsewhere in this proxy statement.

Long-Term Equity Incentives

Long-term equity incentive compensation awards are designed to encourage the creation of long-term value for our stockholders by increasing the retention of qualified key employees and aligning the interests of executive officers with our stockholders through the officers ownership of equity in the Company.

The dollar value of each equity grant is within the discretion of the Compensation Committee and is based on recommendations made by our CEO, which take into account the executive s past performance, the executive s position within the Company, and an evaluation of other elements of compensation provided to the executive officer. The committee also considers studies performed by the Compensation Consultant to determine the appropriate size of the equity-based awards.

We believe that grants of full-value restricted stock provide strong incentives for the creation of long-term stockholder value and provide significant retention value for the executives. The 2011 grants were determined as a percentage of base pay, ranging from 50% for the named executive officers that are senior vice presidents to 65% for the named executive officers that are executive vice presidents and 120% for the CEO. As previously discussed, the grant levels were determined as one of several components designed to achieve the desired total direct compensation; however, they were not set to be at any specific level within our peer group. The vesting period, which is generally set as four equal installments on the first four anniversaries of the grant date, was determined based on consideration of peer group practices and discussions with the Compensation Consultant. For more information regarding these long-term incentives granted to our named executive officers in fiscal 2011, please see Grants of Plan-Based Awards Table for Fiscal Year 2011 and Outstanding Equity Awards at 2011 Fiscal Year-End Table and the related footnotes elsewhere in this proxy statement.

Other Benefits

Retirement. We maintain the Citi Trends, Inc. 401(k) Profit Sharing Plan, a tax-qualified, defined contribution employee benefit plan in which a substantial majority of our employees, including the named executive officers, are eligible to participate. We match 50% of employee contributions to the plan, up to a maximum of 4% of an employee s total calendar year compensation (subject to IRS limits).

Table of Contents

Perquisites. During fiscal 2011, the Company provided Mr. Dunn with the use of a Company car and paid a car allowance to Ms. Feher. Each executive officer also received life/long-term disability insurance coverage. We did not provide any other special benefits or perquisites to our executive officers. We believe these perquisites are reasonable in light of peer group practices. We provide health and welfare benefits to our executive officers on the same basis as we provide to all of our salaried employees.

Employment Agreements and Severance Agreements. We maintained employment agreements with each of Mr. Alexander and Ms. Feher prior to their departures. Such agreements outlined the terms of the initial compensation packages of Mr. Alexander and Ms. Feher.

We have entered into severance agreements with all of the named executive officers, which provide severance benefits in the event their employment is terminated by the Company without Cause (as defined in the severance agreement) or in connection with a Change in Control (as defined in the severance agreement) of the Company. Each severance agreement provides that if the Company terminates an executive s employment without Cause or if the executive terminates his or her employment within twelve months of a Change in Control, provided that within such period the executive s job duties have been materially diminished or compensation has been materially decreased, the Company will provide the executive with separation payments of twelve months base salary. The Company provides these involuntary termination severance benefits to protect individuals from events outside their control and to offer compensation packages similar to those commonly found in our market for competing executive talent. Furthermore, the Company provides these benefits to protect the Company against disruption in the event of a change in control. We believe that these severance agreements serve as an important retention element of the compensation package provided to these officers. The potential severance benefits payable to our named executive officers are described in Potential Payments upon Termination or Change in Control elsewhere in this proxy statement.

Equity Grant Practices

The Company has a practice of generally making equity awards on pre-established dates. Annual equity awards are presented to the Compensation Committee for approval at a regularly scheduled Compensation Committee meeting, usually held in March. Equity awards are also given to employees throughout the year as they are hired or promoted into positions eligible for those awards. We make decisions on equity grants based solely on our compensation and retention objectives and our established measurements of the value of these awards. The Company makes an effort to issue the annual grants each March after the Company s fourth quarter earnings release, in order to allow time for the release to be disseminated to the investment community.

Tax and Accounting Considerations

The accounting treatment of compensation has been a factor in determining the type of equity awards to grant to our executive officers. Prior to fiscal 2007, the favorable accounting treatment of stock options played an important role in the Company s decision to use this form of equity award. However, following the adoption of new accounting regulations requiring the recording of stock-based compensation expense, the Company reevaluated its equity grant practices, and in fiscal 2007 shifted to restricted stock as its primary form of equity awards, as discussed above.

It is the Compensation Committee s intent to maximize tax deductibility of executive compensation while retaining some discretion needed to compensate executives in a manner commensurate with performance and the competitive landscape for executive talent. Section 162(m) of the

Internal Revenue Code of 1986, as amended (the Code), places a limit of $1 million on the amount of compensation that we may deduct in any year with respect to any one of our named executive officers. This limitation does not apply to compensation that meets the requirements under Section 162(m) for qualifying performance-based compensation. No deductions for compensation paid for 2011 or prior years have been limited under Section 162(m) of the Code. In 2009, the Company received stockholder approval of an incentive bonus plan designed to enhance the Company s ability to deduct executive compensation on its tax returns.

Table of Contents

2011 Fiscal Year Compensation Tables

Summary Compensation Table

The following table sets forth the cash and other compensation that we paid to our named executive officers, or that was otherwise earned by our named executive officers, for their services in all capacities during fiscal years 2009, 2010 and 2011.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
R. Edward Anderson	2011	100,000		442,000		232,557	774,557
Chief Executive Officer	2010	64,904		559,500		186,750	811,154
	2009	396,635		375,000		10,602	782,237
R. David Alexander, Jr.	2011	546,077		656,400		1,960	1,204,437
Former President and Chief Executive	2010	532,308		642,000		14,671	1,188,979
Officer	2009	500,000		125,000	601,000	232,322	1,458,322
Elizabeth R. Feher	2011	320,924		266,500		125,247	712,671
Former Executive Vice President and	2010	398,077		260,000		12,341	670,418
Chief Merchandising Officer	2009	373,077		243,750	292,988	12,354	922,169
Bruce D. Smith	2011	321,077		209,300		2,819	533,196
Executive Vice President and Chief	2010	309,231		201,500		1,544	512,275
Financial Officer	2009	298,462		150,000	180,300	509	629,271
Ivy D. Council	2011	259,231		130,000		2,219	391,450
Executive Vice President of Human	2010	249,231		125,000		861	375,092
Resources	2009	239,231		120,000	144,240	2,376	505,847
James A. Dunn	2011	249,231		125,000		42,969	417,200
Senior Vice President of Store	2010	238,462		120,000		10,364	368,826
Operations	2009	219,231		110,000	132,220	9,484	470,935
Charles D. Crowell (5)	2011	203,539	175,000	122,500		32,915	533,954
Senior Vice President of Supply Chain							

(1) Mr. Crowell received a signing bonus of $150,000 upon joining the Company to be used, in part, to offset relocation expenses. In addition, Mr. Crowell received a $25,000 year-end bonus that was guaranteed as a condition of his accepting employment with the Company in 2011.

(2) Reflects the grant-date fair value of restricted stock awards computed in accordance with FASB ASC Topic 718 and based on the Company s stock price at the close of business on the date of grant. For Mr. Anderson, such amount includes a $42,000 grant to

Table of Contents

him as a director on March 15, 2011, and a $400,000 grant to him on November 16, 2011 in connection with his appointment to Executive Chairman of the Board. Both of Mr. Anderson s awards vest one year after the grant dates.

(3) Reflects the value of cash incentive compensation earned under our annual cash incentive program.

(4) Mr. Anderson s Other Compensation in 2011 consisted of director fees earned by him prior to his return to the employ of the Company as Chief Executive Officer (January 2012). Ms. Feher s 2011 Other Compensation included $113,615 of severance and a car allowance of $10,615. Mr. Dunn s Other Compensation in 2011 included $40,810 related to the aggregate incremental cost to the Company of leasing a car in the first six months of the year and then later purchasing a Company car for his use. Mr. Crowell s Other Compensation included relocation costs of $19,315 and a tax gross-up of $10,608 in connection with such relocation costs. Additionally, 2011 Other Compensation included amounts for each officer other than Mr. Anderson related to life/long-term disability insurance coverage and amounts for Mr. Smith, Ms. Council, Mr. Dunn and Mr. Crowell representing the Company s 401(k) matching contributions.

(5) Mr. Crowell joined the Company as Senior Vice President of Supply Chain in April 2011.

Grants of Plan-Based Awards Table for Fiscal Year 2011

The following table sets forth the individual grants of awards made to each of our named executive officers during fiscal year 2011.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards ($) (3)
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**(#) (2)**	
Mr. Anderson	03/15/11				1,802	42,000
	11/16/11				37,951	400,000
Mr. Alexander		273,500	547,000	1,094,000		
	03/15/11				28,160	656,400
Ms. Feher		133,250	266,500	533,000		
	03/15/11				11,433	266,500
Mr. Smith		104,650	209,300	418,600		
	03/15/11				8,979	209,300
Ms. Council		65,000	130,000	260,000		
	03/15/11				5,577	130,000
Mr. Dunn		62,500	125,000	250,000		

	03/15/11				5,363	125,000
Mr. Crowell		61,250	122,500	245,000		
	04/01/11				5,526	122,500

(1) Represents threshold, target and maximum payout values pursuant to our annual cash incentive program for fiscal year 2011 performance. For more information on our annual cash incentive program, see the description contained in the Compensation Discussion and Analysis elsewhere in this proxy statement. Since the Company did not achieve its threshold fiscal year 2011 performance goal, there were no payments of cash incentives to named executive officers pursuant to our annual cash incentive program for 2011.

(2) Awards of time-vesting restricted stock under the 2005 Long-Term Incentive Plan, which vest in four equal installments on the first four anniversaries of the grant date, with the exception of Mr. Anderson s grants which vest on the first anniversary of the grant date.

(3) Reflects the grant-date fair value of restricted stock awards computed in accordance with FASB ASC Topic 718 and based on the Company s stock price at the close of business on the date of grant.

Table of Contents

Employment Agreements

In January 2012, the Compensation Committee of our board of directors approved Mr. Anderson s compensation, which provides for an annual gross starting salary of $700,000 and participation in our annual bonus plan for management. Letter agreements with Mr. Smith (March 2007), Ms. Council (December 2006) and Mr. Crowell (February 2011) provided for an annual gross starting salary of $250,000, $200,000 and $245,000, respectively, and participation in our annual bonus plan. The letter agreements may be terminated by the executive or us at any time for any reason or no reason.

Outstanding Equity Awards at 2011 Fiscal Year-End Table

The following table provides information concerning unexercised options and unvested restricted stock outstanding as of January 28, 2012 for each of our named executive officers.

Option Awards	Stock Awards

$
213

$
598

$
599

Latin America
371

364

1,082

1,050

Europe/South Pacific
198

196

560

551

Greater Asia/Africa
231

202

671

604

Total Oral, Personal and Home Care
1,019

975

2,911

2,804

Pet Nutrition
147

127

440

408

Corporate
(139
)

(67

)

(404
)

(294
)
Total Operating profit
$
1,027

$
1,035

$
2,947

$
2,918

13

COLGATE-PALMOLIVE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

For the nine months ended September 30, 2012, Corporate Operating profit (loss) includes costs of $21 associated with the business realignment and other cost-saving initiatives and costs of $20 related to the sale of land in Mexico. For the three months ended September 30, 2012, Corporate Operating profit (loss) includes costs of $3 associated with the business realignment and other cost-saving initiatives and costs of $7 related to the sale of land in Mexico. For the three and nine months ended September 30, 2011, Corporate Operating profit (loss) included a gain on the sale of the non-core laundry detergent business in Colombia of $207, costs of $168 associated with the business realignment and other cost-saving initiatives and costs of $7 related to the sale of land in Mexico. The business realignment and other cost-saving initiatives include the integration of Sanex, the right-sizing of the Colombia business and the closing of an oral care facility in Mississauga, Canada and a Hill's facility in Los Angeles, California. For further information regarding the Sanex acquisition, the sale of the non-core laundry detergent business in Colombia and the sale of land in Mexico, refer to Note 4.

11. Fair Value Measurements and Financial Instruments

The Company uses available market information and other valuation methodologies in assessing the fair value of financial instruments. Judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, changes in assumptions or the estimation methodologies may affect the fair value estimates. The Company is exposed to credit losses in the event of nonperformance by counterparties to financial instrument contracts; however, nonperformance is considered unlikely as it is the Company's policy to contract only with diverse, highly rated counterparties.

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

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

COLGATE-PALMOLIVE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

The following summarizes the fair value of the Company's derivative instruments and other financial instruments at September 30, 2012 and December 31, 2011:

	Assets			Liabilities		
	Account	Fair Value		Account	Fair Value	
Designated derivative instruments		9/30/12	12/31/11		9/30/12	12/31/11
Interest rate swap contracts	Other current assets	$5	$2	Other accruals	$—	$—
Interest rate swap contracts	Other assets	45	40	Other liabilities	—	2
Foreign currency contracts	Other current assets	4	8	Other accruals	9	6
Foreign currency contracts	Other assets	28	28	Other liabilities	—	—
Commodity contracts	Other current assets	5	—	Other accruals	—	1
Total designated		$87	$78		$9	$9
Derivatives not designated						
Foreign currency contracts	Other assets	$—	$3	Other liabilities	$1	$—
Total not designated		$—	$3		$1	$—
Total derivative instruments		$87	$81		$10	$9
Other financial instruments						
Marketable securities	Other current assets	$81	$72			
Available-for-sale securities	Other assets	623	236			
Total other financial instruments		$704	$308			

The carrying amount of cash, cash equivalents, accounts receivable and short-term debt approximated fair value as of September 30, 2012 and December 31, 2011. The estimated fair value of the Company's long-term debt, including the current portion, as of September 30, 2012 and December 31, 2011, was $5,635 and $5,121, respectively, and the related carrying value was $5,193 and $4,776, respectively. The estimated fair value of long-term debt was derived principally from quoted prices on the Company's outstanding fixed-term notes (Level 2 valuation).

COLGATE-PALMOLIVE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

Fair value hedges

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

Activity related to fair value hedges recorded during the three-month and nine-month periods ended September 30, 2012 and 2011 was as follows:

	2012 Foreign Currency Contracts	Interest Rate Swaps	Total	2011 Foreign Currency Contracts	Interest Rate Swaps	Total
Notional Value at September 30,	$944	$1,338	$2,282	$619	$1,288	$1,907
Three-months ended September 30:						
Gain (loss) on derivative	(8)	5	(3)	—	22	22
Gain (loss) on hedged items	8	(5)	3	—	(22)	(22)
Nine-months ended September 30:						
Gain (loss) on derivative	2	12	14	6	30	36
Gain (loss) on hedged items	(2)	(12)	(14)	(6)	(30)	(36)

Cash flow hedges

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

Activity related to cash flow hedges recorded during the three-month and nine-month periods ended September 30, 2012 and 2011 was as follows:

	2012 Foreign Currency Contracts	Commodity Contracts	Total	2011 Foreign Currency Contracts	Commodity Contracts	Total
Notional Value at September 30,	$347	$26	$373	$326	$32	$358
Three-months ended September 30:						
Gain (loss) recognized in OCI	(7)	6	(1)	(2)	(2)	(4)
Gain (loss) reclassified into Cost of sales	(1)	4	3	(5)	1	(4)
Nine-months ended September 30:						
Gain (loss) recognized in OCI	(4)	11	7	(9)	(2)	(11)
Gain (loss) reclassified into Cost of sales	—	4	4	(13)	6	(7)

COLGATE-PALMOLIVE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

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

Net investment hedges

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

Activity related to net investment hedges recorded during the three-month and nine-month periods ended September 30, 2012 and 2011 was as follows:

	2012			2011		
	Foreign Currency Contracts	Foreign Currency Debt	Total	Foreign Currency Contracts	Foreign Currency Debt	Total
Notional Value at September 30,	$527	$296	$823	$32	$348	$380
Three-months ended September 30:						
Gain (loss) on instruments	(6)	(2)	(8)	2	23	25
Gain (loss) on hedged items	8	2	10	(2)	(23)	(25)
Nine-months ended September 30:						
Gain (loss) on instruments	2	2	4	(8)	(10)	(18)
Gain (loss) on hedged items	(5)	(2)	(7)	8	10	18

Derivatives Not Designated as Hedging Instruments

Derivatives not designated as hedging instruments for each period consist of a cross-currency swap that serves as an economic hedge of a foreign currency deposit, for which the gain or loss on the instrument and the offsetting gain or loss on the hedged item are recognized in Other (income) expense, net for each period. The cross-currency swap outstanding at December 31, 2010 was settled during the second quarter of 2011, resulting in a realized loss of $6 which was offset by a corresponding gain on an underlying deposit. A new cross-currency swap with similar terms and an underlying foreign currency deposit was entered into during June 2011.

Activity related to these contracts during the three-month and nine-month periods ended September 30, 2012 and 2011 was as follows:

	2012	2011
	Cross-currency Swap	Cross-currency Swap
Notional Value at September 30,	$96	$96
Three-months ended September 30:		
Gain (loss) on instrument	(3)	2
Gain (loss) on hedged item	3	(2)
Nine-months ended September 30:		
Gain (loss) on instrument	(4)	(2)
Gain (loss) on hedged item	4	2

COLGATE-PALMOLIVE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

Other Financial Instruments

Other financial instruments include marketable securities and Venezuelan bonds. The marketable securities primarily consist of bank deposits with original maturities greater than 90 days (Level 1 valuation) and are included in Other current assets.

Through its subsidiary in Venezuela, the Company is invested in U.S. dollar-linked, devaluation-protected bonds and fixed interest rate bonds, both of which are issued by the Venezuelan government. These bonds are actively traded and, therefore, are considered Level 2 investments as their values are determined based upon observable market-based inputs or unobservable inputs that are corroborated by market data. As of September 30, 2012, the U.S. dollar-linked, devaluation protected bonds and the fixed interest rate bonds had fair market values of $250 and $373, respectively. These investments are considered available-for-sale securities and are included in Other assets.

The following table presents a reconciliation of the Venezuelan bonds at fair value for the nine months ended September 30:

	2012	2011
Beginning balance as of January 1,	$236	$96
Unrealized gain (loss) on investment	14	60
Purchases and sales during the period	373	77
Ending balance as of September 30,	$623	$233

As a result of the Venezuelan government's elimination of the two-tier exchange rate structure effective January 1, 2011, the U.S. dollar-linked, devaluation-protected bonds revalued and the Company recorded an unrealized gain of $62 in the first quarter of 2011. For further information regarding Venezuela, refer to Note 12 below.

12. Venezuela

Effective January 1, 2010, Venezuela was designated as hyperinflationary and, therefore, the functional currency for the Company's Venezuelan subsidiary (CP Venezuela) became the U.S. dollar. As a result, the impact of Venezuelan currency fluctuations is reported in income. The change in the reporting currency from the Venezuelan bolivar fuerte to the U.S. dollar resulted in a one-time charge of $271 recorded within Other (income) expense, net in the first quarter of 2010.

On January 8, 2010, the Venezuelan government announced its decision to devalue its currency and implement a two-tier exchange rate structure. As a result, the official exchange rate changed from 2.15 to 2.60 for essential goods and 4.30 for non-essential goods. The devaluation resulted in a one-time pretax gain of $46 recorded in Other (income) expense and an aftertax gain of $59 in the first quarter of 2010. In December 2010, the Venezuelan government announced that, effective January 1, 2011, the 2.60 exchange rate for essential goods would be abolished. As a result, CP Venezuela incurred an aftertax loss of $36 in the fourth quarter of 2010.

The Company remeasures the financial statements of CP Venezuela at the rate at which it expects to remit future dividends, which currently is 4.30. For the nine months ended September 30, 2012, CP Venezuela represented approximately 5% of the Company's consolidated Net sales. At September 30, 2012, CP Venezuela's bolivar fuerte-denominated net monetary asset position, which would be subject to translation adjustment in the event of a devaluation, was approximately $500. This amount does not include $250 of devaluation-protected bonds issued by the Venezuelan government, as these bonds provide protection against devaluations by adjusting the amount of bolivares fuerte received at maturity for any devaluation subsequent to issuance.

COLGATE-PALMOLIVE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions Except Share and Per Share Amounts)
(Unaudited)

13. Subsequent Event

On October 24, 2012, the Company's Board of Directors approved a four-year Global Growth and Efficiency Program (the "2012 Restructuring Program") for sustained growth. The program's initiatives are expected to help Colgate ensure continued solid worldwide growth in unit volume, organic sales and earnings per share and enhance its global leadership positions in its core businesses.

Implementation of the 2012 Restructuring Program, which is expected to be substantially completed by December 31, 2016, is projected to result in cumulative pretax charges, once all phases are approved and implemented, totaling between $1,100 and $1,250 ($775 and $875 aftertax), which are currently estimated to be comprised of the following: employee-related costs, including severance, pension and other termination benefits (50%); asset-related costs, primarily accelerated depreciation and asset write-downs (15%); 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 (15%). Over the course of the four-year 2012 Restructuring Program, it is estimated that approximately 75% of the charges will result in cash expenditures.

Charges related to the 2012 Restructuring Program will be recorded in the Corporate segment as these decisions are predominantly centrally directed and controlled and are not included in internal measures of segment operating performance. 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%), Greater Asia/Africa (10%), Hill's Pet Nutrition (15%) and Corporate (35%), 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 reduce the Company's global employee workforce by approximately 6% from the current level of 38,600.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Executive Overview and Outlook

Colgate-Palmolive Company 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 approximately 50% of the Company's net sales coming from emerging markets (which consist of Latin America, Greater Asia/Africa (excluding Japan) 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 segment is operated through four reportable operating segments: North America, Latin America, Europe/South Pacific and Greater Asia/Africa, 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 specialty pet retailers and the veterinary profession.

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.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

On June 20, 2011, the Company, Colgate-Palmolive Europe Sàrl, Unilever N.V. and Unilever PLC (together with Unilever N.V., "Unilever") finalized the Company's acquisition from Unilever of the Sanex personal care business in accordance with a Business and Share Sale and Purchase Agreement for an aggregate purchase price of €676 ($966). The acquisition was financed with available cash, proceeds from the sale of the Company's Euro-denominated investment portfolio and the issuance of commercial paper.

On July 29, 2011, in connection with the Sanex acquisition, Colgate sold its non-core laundry detergent business in Colombia to Unilever for $215 resulting in a pretax gain of $207 ($135 aftertax gain). In 2011, this gain was more than offset by pretax costs of $224 ($177 aftertax costs) associated with the implementation of business realignment and other cost-saving initiatives, the sale of land in Mexico discussed below and a competition law matter in France related to a divested detergent business as discussed in Note 9 "Contingencies" to the Condensed Consolidated Financial Statements. The business realignment and other cost-saving initiatives include the integration of Sanex, the right-sizing of the Colombia business and the closing of an oral care facility in Mississauga, Canada and a Hill's facility in Los Angeles, California. In the nine months ended September 30, 2012, the Company incurred aftertax costs of $14 associated with the business realignment and other cost-saving initiatives and aftertax costs of $15 related to the sale of land in Mexico.

On September 13, 2011, the Company's Mexican subsidiary entered into an agreement to sell to the United States of America the Mexico City site on which its commercial operations, technology center and soap production facility are located. The sale price is payable in three installments, with the final installment due upon the transfer of the property, which is expected to occur in 2014. The Company is re-investing these payments to relocate its soap production to a new state-of-the-art facility to be constructed at its Mission Hills, Mexico site, to relocate its commercial and technology operations within Mexico City and to prepare the existing site for transfer. As a result, the Company expects to make capital improvements and incur costs to exit the site through 2014. These exit costs will primarily be related to staff leaving indemnities, accelerated depreciation and demolition to make the site building-ready.

With over 80% of its Net sales generated outside of 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 and high inflation and governmental restrictions in the form of import authorization controls, currency exchange controls, price controls and the possibility of expropriation of property or other resources.

In particular, the Company has been impacted as a result of the significant devaluations of the Venezuelan bolivar fuerte, described more fully in Note 12 "Venezuela" to the Condensed Consolidated Financial Statements. In addition, the Venezuelan government continues to impose import authorization controls, currency exchange and payment controls and price controls. CP Venezuela continues to have limited access to U.S. dollars at the official rate, and currently only for imported goods. Under existing regulations, CP Venezuela is not permitted to access the currency market established in 2010, and as a result, CP Venezuela funds its requirements for imported goods through a combination of U.S. dollars obtained from the government at the official rate, intercompany borrowings, the use of financial and other intermediaries and existing U.S. dollar cash balances, which were obtained previously through parallel market transactions and through the prior liquidation of its U.S. dollar-denominated bond portfolio. On April 1, 2012, price controls became effective, affecting most products in CP Venezuela's portfolio, thereby further restricting the Company's ability to implement price increases, which has been one of the key mechanisms to offset the effects of continuing high inflation.

21

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

The Company's business in Venezuela, and the Company's ability to repatriate its earnings, continue to be negatively affected by these difficult conditions and would be further negatively affected by additional devaluations or the imposition of additional or more stringent controls on foreign currency exchange, pricing or imports or other governmental actions. For the nine months ended September 30, 2012, CP Venezuela represented approximately 5% of the Company's consolidated Net sales. At September 30, 2012, CP Venezuela's local currency net monetary asset position was approximately $500. The Company actively manages its investment in and exposure to Venezuela.

On October 24, 2012, the Company's Board of Directors approved a four-year Global Growth and Efficiency Program (the "2012 Restructuring Program") for sustained growth. The program's initiatives are expected to help Colgate ensure continued solid worldwide growth in unit volume, organic sales and earnings per share and enhance its global leadership positions in its core businesses.

This four-year Global Growth and Efficiency 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.

Implementation of the 2012 Restructuring Program is projected to result in cumulative pretax charges, once all phases are approved and implemented, totaling between $1,100 and $1,250 ($775 and $875 aftertax), beginning with approximately $110 to $120 ($90 to $100 aftertax) in the fourth quarter of 2012. The anticipated charges for 2013 are expected to amount to approximately $260 to $310 ($185 to $220 aftertax). Over the course of the four-year 2012 Restructuring Program, it is estimated that approximately 75% of the charges will result in cash expenditures. It is expected that by the end of 2016, the 2012 Restructuring Program will reduce the Company's global employee workforce by approximately 6% from the current level of 38,600.

Savings are projected to be in the range of $365 to $435 ($275 to $325 aftertax) annually by the fourth year of the program, substantially all of which are expected to increase future cash flows. Savings in 2013 should approximate $40 to $50 ($30 to $40 aftertax) effective in the latter part of the year.
Initiatives under the program will focus on the following three areas:

- Expanding Commercial Hubs - Building on the success of this structure already implemented in several divisions, continue 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.

Looking forward, we expect global macroeconomic and market conditions to remain highly challenging. While the global marketplace in which we operate has always been highly competitive, the Company continues to experience heightened competitive activity in certain markets from other large multinational companies, some of which have greater resources than we do. Such activities have included more aggressive product claims and marketing challenges, as well as increased promotional spending and geographic expansion. Additionally, we continue to experience volatile foreign currency fluctuations and high commodity 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.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Results of Operations

Three Months

Worldwide Net sales were $4,332 in the third quarter of 2012, down 1.0% from the third quarter of 2011, as volume growth of 2.0% and net selling price increases of 3.0% were more than offset by negative foreign exchange of 6.0%. Organic sales (Net sales excluding foreign exchange, acquisitions and divestments), a non-GAAP financial measure as discussed below, increased 5.0% in the third quarter of 2012.

Net sales in the Oral, Personal and Home Care segment were $3,804 in the third quarter of 2012, down 1.0% from the third quarter of 2011, as volume growth of 2.5% and net selling price increases of 2.5% were more than offset by negative foreign exchange of 6.0%. Excluding the impact of the divestment of the non-core laundry detergent business in Colombia, volume increased 3.0%. Organic sales in the Oral, Personal and Home Care segment increased 5.5%.

Gross Profit/Margin

Worldwide Gross profit increased 3% to $2,529 in the third quarter of 2012 from $2,462 in the third quarter of 2011.

Gross profit in both periods included costs associated with the business realignment and other cost-saving initiatives. Gross profit in the third quarter of 2012 also included the impact of costs related to the sale of land in Mexico. Excluding the items described above in both periods, Gross profit increased to $2,537 in the third quarter of 2012 from $2,490 in the third quarter of 2011, primarily due to higher gross profit margin.

Worldwide Gross profit margin increased to 58.4% in the third quarter of 2012 from 56.2% in the third quarter of 2011. Excluding the items described above, Gross profit margin increased by 180 bps to 58.6% in the third quarter of 2012. This increase in the third quarter of 2012 was primarily due to cost savings from the Company's funding-the-growth initiatives (210 bps) and higher pricing (115 bps), which were partially offset by higher raw and packaging material costs driven by higher global commodity costs and negative foreign exchange transaction costs (185 bps).

	Three Months Ended September 30,	
	2012	2011
Gross profit, GAAP	$2,529	$2,462
Costs related to the sale of land in Mexico	7	—
Business realignment and other cost-saving initiatives	1	28
Gross profit, non-GAAP	$2,537	$2,490

	Three Months Ended September 30,				
	2012		2011		Basis Point Change
Gross profit margin, GAAP	58.4	%	56.2	%	220
Costs related to the sale of land in Mexico	0.2	%	—		
Business realignment and other cost-saving initiatives	—		0.6	%	
Gross profit margin, non-GAAP	58.6	%	56.8	%	180

24

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Selling, General and Administrative expenses

Selling, general and administrative expenses increased 1% to $1,501 in the third quarter of 2012 from $1,489 in the third quarter of 2011.

Selling, general and administrative expenses in both periods included the impact of costs associated with the business realignment and other cost-saving initiatives. Excluding the impact of costs associated with the business realignment and other cost-saving initiatives in both periods, Selling, general and administrative expenses increased to $1,499 in the third quarter of 2012 from $1,484 in the third quarter of 2011.

Selling, general and administrative expenses as a percentage of Net sales increased to 34.6% in the third quarter of 2012 from 34.0% in the third quarter of 2011. Excluding the impact of costs associated with the business realignment and other cost-saving initiatives in both periods, Selling, general and administrative expenses as a percentage of Net sales were 34.6%, an increase of 70 bps as compared to the year ago quarter. The increase was a result of higher overhead expenses and higher advertising expenses, both as a percentage of Net sales. This increase in overhead expenses is mainly due to negative foreign exchange transaction costs, higher costs due to inflation, higher postretirement benefit expenses and the timing of expenses incurred during the year. In the third quarter of 2012, advertising increased 0.7% to $453, as compared with $450 in the third quarter of 2011, and increased as a percentage of Net sales to 10.5% in the third quarter of 2012 from 10.3% in the third quarter of 2011.

	Three Months Ended September 30,	
	2012	2011
Selling, general and administrative expenses, GAAP	$1,501	$1,489
Business realignment and other cost-saving initiatives	(2)	(5)
Selling, general and administrative expenses, non-GAAP	$1,499	$1,484

	Three Months Ended September 30,		
	2012	2011	Basis Point Change
Selling, general and administrative expenses as a percentage of Net sales, GAAP	34.6%	34.0%	60
Business realignment and other cost-saving initiatives	—	(0.1)%	
Selling, general and administrative expenses as a percentage of Net sales, non-GAAP	34.6%	33.9%	70

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Other (income) expense, net

Other (income) expense, net was $1 in the third quarter of 2012, as compared to ($62) in the third quarter of 2011. In the third quarter of 2011, Other (income) expense, net included costs related to the sale of land in Mexico, costs associated with the business realignment and other cost-saving initiatives and the gain on the sale of the non-core laundry detergent business in Colombia. Excluding these items, Other (income) expense, net decreased to $1 in the third quarter of 2012 from $3 in the third quarter of 2011. In the third quarter of 2011, Other (income) expense, net also included transaction costs of $2 related to the Sanex acquisition.

	Three Months Ended September 30,	
	2012	2011
Other (income) expense, net, GAAP	$1	$(62)
Costs related to the sale of land in Mexico	—	(7)
Business realignment and other cost-saving initiatives	—	(135)
Gain on sale of non-core detergent business in Colombia	—	207
Other (income) expense, net, non-GAAP	$1	$3

Operating Profit

Operating profit decreased 1% to $1,027 in the third quarter of 2012 from $1,035 in the third quarter of 2011.

Operating profit in both periods included the impact of costs related to the sale of land in Mexico and costs associated with the business realignment and other cost-saving initiatives. Operating profit for the three months ended September 30, 2011 also included the gain on the sale of the non-core laundry detergent business in Colombia. Excluding the items described above in both periods, Operating profit increased 3% to $1,037 in the third quarter of 2012 as compared to the third quarter of 2011, primarily due to higher Gross profit as a percentage of Net sales.

Operating profit margin was 23.7% in the third quarter of 2012, an increase of 10 bps compared to the third quarter of 2011. Excluding the items described above in both periods, Operating profit margin increased 100 bps to 23.9% in the third quarter of 2012 as compared to 22.9% in the third quarter of 2011. This increase is mainly due to an increase in Gross profit as a percentage of Net sales.

	Three Months Ended September 30,		
	2012	2011	% Change
Operating profit, GAAP	$1,027	$1,035	(1)%
Costs related to the sale of land in Mexico	7	7	
Business realignment and other cost-saving initiatives	3	168	
Gain on sale of non-core detergent business in Colombia	—	(207)	
Operating profit, non-GAAP	$1,037	$1,003	3%

	Three Months Ended September 30,		
	2012	2011	Basis Point Change
Operating profit margin, GAAP	23.7%	23.6%	10
Costs related to the sale of land in Mexico	0.1%	0.2%	
Business realignment and other cost-saving initiatives	0.1%	3.8%	
Gain on sale of non-core detergent business in Colombia	—	(4.7)%	

Operating profit margin, non-GAAP	23.9 %	22.9 %	100

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Net Sales and Operating Profit by Segment

Oral, Personal and Home Care

North America

	Three Months Ended September 30,					
	2012		2011		Change	
Net sales	$797		$776		2.5	%
Operating profit	$219		$213		3	%
% of Net sales	27.5	%	27.4	%	10	bps

Net sales in North America increased 2.5% in the third quarter of 2012 to $797, driven by volume growth of 2.0% and net selling price increases of 0.5%. Organic sales in North America increased 2.5% in the third quarter of 2012.

Operating profit in North America increased 3% in the third quarter of 2012 to $219, or 27.5% of Net sales. This increase in Operating profit was due to an increase in Gross profit, which was partially offset by an increase in Selling, general and administrative expenses, both as a percentage of Net sales. This increase in Gross profit was driven by higher pricing and cost savings from the Company's funding-the-growth initiatives, which were partially offset by higher raw and packaging material costs. This increase in Selling, general and administrative expenses was primarily due to higher advertising expenses.

Latin America

	Three Months Ended September 30,					
	2012		2011		Change	
Net sales	$1,245		$1,243		—	%
Operating profit	$371		$364		2	%
% of Net sales	29.8	%	29.3	%	50	bps

Net sales in Latin America increased to $1,245 in the third quarter of 2012. Volume growth of 2.5% and net selling price increases of 5.5% were offset by a significant negative foreign exchange of 8.0%. The divestment of the non-core laundry detergent business in Colombia in 2011 had an impact of 1.0% on Net sales and volume growth in Latin America. Organic sales in Latin America increased 9.0% in the third quarter of 2012. Volume gains were led by Brazil, Ecuador, Mexico and Central America and were partially offset by a volume decline in Venezuela.

Operating profit in Latin America increased 2% in the third quarter of 2012 to $371, or 29.8% of Net sales. This increase in Operating profit was due to an increase in Gross profit, which was partially offset by an increase in Selling, general and administrative expenses, both as a percentage of Net sales. This increase in Gross profit was driven by higher pricing and cost savings from the Company's funding-the-growth initiatives, which were partially offset by higher raw and packaging material costs. This increase in Selling, general and administrative expenses was primarily due to higher overhead expenses, which were partially offset by lower advertising expenses. This increase in overhead expenses was mainly due to negative foreign exchange transaction costs and higher costs due to inflation in Venezuela.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Europe/South Pacific

	Three Months Ended September 30,		
	2012	2011	Change
Net sales	$865	$972	(11.0)%
Operating profit	$198	$196	1 %
% of Net sales	22.9 %	20.2 %	270 bps

Net sales in Europe/South Pacific decreased 11.0% in the third quarter of 2012 to $865, as a result of volume decline of 1.5%, net selling price decreases of 1.0% and a significant negative impact of foreign exchange of 8.5%. Organic sales in Europe/South Pacific decreased 2.5% in the third quarter of 2012. Volume gains in Australia were more than offset by volume declines in Western Europe.

Operating profit in Europe/South Pacific increased 1% in the third quarter of 2012 to $198, or 22.9% of Net sales. The increase in Operating profit was due to an increase in Gross profit and a decrease in Selling, general and administrative expenses, both as a percentage of Net sales. This increase in Gross profit was driven by savings from the Company's funding-the-growth initiatives, which were partially offset by lower pricing. This decrease in Selling, general and administrative expenses was driven by lower overhead expenses, which were partially offset by higher advertising expenses.

Greater Asia/Africa

	Three Months Ended September 30,		
	2012	2011	Change
Net sales	$897	$855	5.0 %
Operating profit	$231	$202	14 %
% of Net sales	25.8 %	23.6 %	220 bps

Net sales in Greater Asia/Africa increased 5.0% in the third quarter of 2012 to $897, as volume growth of 7.5% and net selling price increases of 4.0% were significantly impacted by negative foreign exchange of 6.5%. Organic sales in Greater Asia/Africa grew 11.5% in the third quarter of 2012. Volume gains were led by India, the Greater China region, Russia, South Africa and Thailand.

Operating profit in Greater Asia/Africa increased 14% in the third quarter of 2012 to $231, or 25.8% of Net sales. This increase was mainly a result of an increase in Gross profit as a percentage of Net sales. This increase in Gross profit was due to higher pricing and cost savings from the Company's funding-the-growth initiatives, partially offset by higher raw and packaging material costs.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Pet Nutrition

	Three Months Ended September 30,		
	2012	2011	Change
Net sales	$528	$537	(1.5)%
Operating profit	$147	$127	16 %
% of Net sales	27.8 %	23.6 %	420 bps

Net sales for Hill's Pet Nutrition decreased 1.5% in the third quarter of 2012 to $528, as a volume decline of 2.5% and negative foreign exchange of 3.0% were partially offset by net selling price increases of 4.0%. Organic sales in Hill's Pet Nutrition increased 1.5% in the third quarter of 2012. Volume declines in the United States, Japan and Europe were partially offset by volume gains in Russia, Canada and South Africa.

Operating profit in Hill's Pet Nutrition increased 16% in the third quarter of 2012 to $147, or 27.8% of Net sales. This increase in Operating profit was due to an increase in Gross profit and a decrease in Selling, general and administrative expenses, both as a percentage of Net sales. This increase in Gross profit was driven by higher pricing and cost savings from the Company's funding-the-growth initiatives, which were partially offset by higher raw and packaging material costs. This decrease in Selling, general and administrative expenses was primarily due to lower overhead expenses.

Corporate

	Three Months Ended September 30,		
	2012	2011	Change
Operating profit	$(139)	$(67)	107 %

Operating profit (loss) related to Corporate was ($139) in the third quarter of 2012 as compared to ($67) in the third quarter of 2011. In the third quarter of 2012, Corporate Operating profit (loss) included costs of $3 associated with the business realignment and other cost-saving initiatives and costs of $7 related to the sale of land in Mexico. In the third quarter of 2011, Corporate Operating profit (loss) included the impact of costs of $7 related to the sale of land in Mexico, costs of $168 associated with the business realignment and other cost-saving initiatives and a gain of $207 on the sale of the non-core laundry detergent business in Colombia. The change in Operating profit (loss) related to Corporate in the third quarter of 2012 was also due to higher postretirement benefit expenses and timing of expenses incurred during the year. Operating profit (loss) related to Corporate in the third quarter of 2011 also included transaction costs of $2 related to the Sanex acquisition in 2011.

Interest expense, net

Interest expense, net decreased to $4 for the three months ended September 30, 2012 as compared with $10 in the comparable period of 2011, primarily due to an increase in interest income.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Net income attributable to Colgate-Palmolive Company and Earnings per share

Net income attributable to Colgate-Palmolive Company for the third quarter of 2012 increased to $654 from $643 in the comparable 2011 period, and earnings per common share on a diluted basis increased to $1.36 per share from $1.31 per share in the comparable 2011 period. Net income attributable to Colgate-Palmolive Company in both periods included aftertax costs related to the sale of land in Mexico and aftertax costs associated with the business realignment and other cost-saving initiatives. Net income attributable to Colgate-Palmolive Company for the third quarter of 2011 also included an aftertax gain on the sale of the non-core laundry detergent business in Colombia. Excluding the items described above, Net income attributable to Colgate-Palmolive Company in the third quarter of 2012 increased 3% to $661 and earnings per share on a diluted basis increased 5% to $1.38.

	Three Months Ended September 30,				
	2012	2011		% Change	
Net income attributable to Colgate-Palmolive Company, GAAP	$654	$643		2	%
Costs related to the sale of land in Mexico	5	5			
Business realignment and other cost-saving initiatives	2	128			
Gain on sale of non-core detergent business in Colombia	—	(135	)		
Net income attributable to Colgate-Palmolive Company, non-GAAP	$661	$641		3	%

	Three Months Ended September 30,				
	2012	2011		% Change	
Earnings per common share, diluted, GAAP	$1.36	$1.31		4	%
Costs related to the sale of land in Mexico	0.01	0.01			
Business realignment and other cost-saving initiatives	0.01	0.26			
Gain on sale of non-core detergent business in Colombia	—	(0.27	)		
Earnings per common share, diluted, non-GAAP	$1.38	$1.31		5	%

Nine Months

Worldwide Net sales were $12,799 in the first nine months of 2012, up 2.0% from the first nine months of 2011, as volume growth of 3.5% and net selling price increases of 3.5% were partially offset by negative foreign exchange of 5.0%. Organic sales increased 6.5% in the first nine months of 2012 on organic volume growth of 3.0%. Organic volume growth excludes the impact of acquisitions and divestments. The Sanex business contributed 1.0% to worldwide Net sales and volume growth in the first nine months of 2012.

Net sales in the Oral, Personal and Home Care segment were $11,198 in the first nine months of 2012, up 2.0% from the first nine months of 2011, as volume growth of 4.5% and net selling price increases of 3.0% were partially offset by negative foreign exchange of 5.5%. Organic sales increased 7.0% in the first nine months of 2012 on organic volume growth of 4.0%. Excluding the impact of the divestment of the non-core detergent business in Colombia of 0.5%, volume increased 5.0%. The Sanex business contributed 1.0% to Oral, Personal and Home Care segment Net sales and volume growth in the first nine months of 2012.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Net sales and Operating profit by segment

Net sales and Operating profit by segment were as follows:

	Nine Months Ended September 30,	
	2012	2011
Net sales		
Oral, Personal and Home Care		
North America	$2,310	$2,238
Latin America	3,684	3,571
Europe/South Pacific	2,569	2,661
Greater Asia/Africa	2,635	2,484
Total Oral, Personal and Home Care	11,198	10,954
Pet Nutrition	1,601	1,608
Total Net sales	$12,799	$12,562
Operating profit		
Oral, Personal and Home Care		
North America	$598	$599
Latin America	1,082	1,050
Europe/South Pacific	560	551
Greater Asia/Africa	671	604
Total Oral, Personal and Home Care	2,911	2,804
Pet Nutrition	440	408
Corporate	(404)	(294)
Total Operating profit	$2,947	$2,918

Within the Oral, Personal and Home Care segment, North America Net sales increased 3.5%, driven by volume growth of 2.0% and net selling price increases of 1.5%. Organic sales in North America increased 3.5%. Latin America Net sales increased 3.0%, driven by volume growth of 3.5% and net selling price increases of 7.0%, which were significantly impacted by negative foreign exchange of 7.5%. Organic sales in Latin America increased 12.5% and, excluding the impact of the divestment of the non-core laundry detergent business in Colombia, volume increased 5.5%. Europe/South Pacific Net sales decreased 3.5% as volume growth of 4.5% was more than offset by a significant negative impact of foreign exchange of 6.5% and net selling price decreases of 1.5%. Organic sales in Europe/South Pacific decreased 1.0%. The Sanex business contributed 4.0% to Europe/South Pacific Net sales and volume growth. Greater Asia/Africa Net sales increased 6.0% on volume growth of 7.0% and net selling price increases of 5.0%, which were significantly impacted by negative foreign exchange of 6.0%. Organic sales in Greater Asia/Africa increased 11.5%. The Sanex business contributed 0.5% to Greater Asia/Africa Net sales and volume growth.

Net sales for the Hill's Pet Nutrition segment decreased 0.5%, as a volume decline of 2.5% and negative foreign exchange of 2.5% were partially offset by net selling price increases of 4.5%. Organic sales increased 2.0% in the first nine months of 2012.

31

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

In the first nine months of 2012, Operating profit (loss) related to Corporate was ($404) as compared to ($294) in the comparable period of 2011. In the first nine months of 2012, Corporate Operating profit (loss) included costs of $21 associated with the business realignment and other cost-saving initiatives and costs of $20 related to the sale of land in Mexico. In the first nine months of 2011, Corporate Operating profit (loss) included the impact of costs of $7 related to the sale of land in Mexico, costs of $168 associated with the business realignment and other cost-saving initiatives and a gain of $207 on the sale of the non-core laundry detergent business in Colombia. The change in Operating profit (loss) related to Corporate in the first nine months of 2012 was also due to higher postretirement benefit expenses and timing of expenses incurred during the year. Operating profit (loss) related to Corporate in the first nine months of 2011 also included transaction costs of $12 related to the Sanex acquisition in 2011.

Gross Profit/Margin

Worldwide Gross profit increased 3% to $7,427 in the first nine months of 2012 from $7,197 in the first nine months of 2011.

Gross profit in both periods included the impact of costs associated with the business realignment and other cost-saving initiatives. Gross profit for the nine months ended September 30, 2012 also included the impact of costs related to the sale of land in Mexico. Excluding the items described above, Gross profit increased to $7,452 in the first nine months of 2012, primarily due to higher gross profit margin and strong sales growth.

Worldwide Gross profit margin increased to 58.0% in the first nine months of 2012 from 57.3% in the first nine months of 2011. Excluding the items described above, Gross profit margin increased by 70 bps to 58.2% in the first nine months of 2012.
The increase was primarily due to cost savings from the Company's funding-the-growth initiatives (170 bps) and higher pricing (140 bps), which were partially offset by higher raw and packaging material costs driven by higher global commodity costs and negative foreign exchange transaction costs (240 bps).

	Nine Months Ended September 30,	
	2012	2011
Gross profit, GAAP	$7,427	$7,197
Costs related to the sale of land in Mexico	20	—
Business realignment and other cost-saving initiatives	5	28
Gross profit, non-GAAP	$7,452	$7,225

	Nine Months Ended September 30,				
	2012		2011		Basis Point Change
Gross profit margin, GAAP	58.0	%	57.3	%	70
Costs related to the sale of land in Mexico	0.2	%	—		
Business realignment and other cost-saving initiatives	—		0.2	%	
Gross profit margin, non-GAAP	58.2	%	57.5	%	70

Selling, General and Administrative expenses

Selling, general and administrative expenses increased 3% to $4,443 in the first nine months of 2012 from $4,314 in the first nine months of 2011.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Selling, general and administrative expenses in both periods included the impact of costs associated with the business realignment and other cost-saving initiatives. Excluding these costs, Selling, general and administrative expenses increased to $4,429 in the first nine months of 2012.

Selling, general and administrative expenses as a percentage of Net sales increased to 34.7% in the first nine months of 2012 from 34.3% in the first nine months of 2011. Excluding the impact of costs associated with the business realignment and other cost-saving initiatives in the first nine months of 2012, Selling, general and administrative expenses as a percentage of Net sales were 34.6%, an increase of 30 bps as compared to the year ago period. This increase was a result of higher overhead expenses and advertising expenses, both as a percentage of Net sales. This increase in overhead expenses is mainly due to negative foreign exchange transaction costs, higher costs due to inflation, higher postretirement benefit expenses and timing of expenses incurred during the year. In the first nine months of 2012, advertising increased 4.0% to $1,358, as compared with $1,306 in the first nine months of 2011.

	Nine Months Ended September 30,	
	2012	2011
Selling, general and administrative expenses, GAAP	$4,443	$4,314
Business realignment and other cost-saving initiatives	(14)	(5)
Selling, general and administrative expenses, non-GAAP	$4,429	$4,309

	Nine Months Ended September 30,		
	2012	2011	Basis Point Change
Selling, general and administrative expenses as a percentage of Net sales, GAAP	34.7%	34.3%	40
Business realignment and other cost-saving initiatives	(0.1)%	—	
Selling, general and administrative expenses as a percentage of Net sales, non-GAAP	34.6%	34.3%	30

Other (income) expense, net

Other (income) expense, net was $37 in the first nine months of 2012 as compared to ($35) in the first nine months of 2011.
Other (income) expense, net in both periods included costs associated with the business realignment and other cost-saving initiatives. In the first nine months of 2011, Other (income) expense, net also included costs related to the sale of land in Mexico and the gain on the sale of the non-core laundry detergent business in Colombia. Excluding the items described above in both periods, Other (income) expense, net increased to $35 in the first nine months of 2012 from $30 in the first nine months of 2011. This increase was primarily due to higher amortization of intangible assets related to the acquisition of Sanex on June 20, 2011 as well as transaction costs related to financing activities in Venezuela. In the first nine months of 2011, Other (income) expense, net also included transaction costs of $12 related to the Sanex acquisition in 2011.

	Nine Months Ended September 30,	
	2012	2011
Other (income) expense, net, GAAP	$37	$(35)
Costs related to the sale of land in Mexico	—	(7)

Business realignment and other cost-saving initiatives	(2)	(135)
Gain on sale of non-core detergent business in Colombia	—	207
Other (income) expense, net, non-GAAP	$35	$30

33

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Operating Profit

Operating profit increased 1% to $2,947 in the first nine months of 2012 from $2,918 in the first nine months of 2011. Operating profit in both periods included the impact of costs related to the sale of land in Mexico and costs associated with the business realignment and other cost-saving initiatives. Operating profit for the first nine months of 2011 also included the gain on the sale of the non-core laundry detergent business in Colombia. Excluding the items described above, Operating profit for the first nine months of 2012 increased 4% to $2,988, primarily due to strong sales growth and higher gross profit margin.

Operating profit margin was 23.0% in the first nine months of 2012, a decrease of 20 bps compared to the year ago period. Excluding the impact of items described above, Operating profit margin was 23.3%, an increase of 30 bps compared to the year ago period.

	Nine Months Ended September 30,		
	2012	2011	% Change
Operating profit, GAAP	$2,947	$2,918	1%
Costs related to the sale of land in Mexico	20	7	
Business realignment and other cost-saving initiatives	21	168	
Gain on sale of non-core detergent business in Colombia	—	(207)	
Operating profit, non-GAAP	$2,988	$2,886	4%

	Nine Months Ended September 30,		
	2012	2011	Basis Point Change
Operating profit margin, GAAP	23.0%	23.2%	(20)
Costs related to the sale of land in Mexico	0.1%	0.1%	
Business realignment and other cost-saving initiatives	0.2%	1.3%	
Gain on sale of non-core detergent business in Colombia	—	(1.6)%	
Operating profit margin, non-GAAP	23.3%	23.0%	30

Interest expense, net

Interest expense, net decreased to $20 for the nine months ended September 30, 2012 from $37 in the comparable period of 2011, primarily due to an increase in interest income.

Income taxes

The quarterly provision for income taxes is determined based on the Company's estimated full year effective tax rate adjusted by the amount of tax attributable to infrequent and unusual items that are separately recognized on a discrete basis in the income tax provision in the quarter in which they occur. The Company's current estimate of its full year effective income tax rate before discrete period items is 31.8%, consistent with the full year effective income tax rate in 2011.

(Dollars in Millions Except Share and Per Share Amounts)

The effective tax rate was 31.9% for the third quarter of 2012 and 31.8% for the first nine months of 2012. The effective tax rate was 34.0% for the third quarter of 2011 and 33.0% for the first nine months of 2011. Excluding the impact of the costs related to the sale of land in Mexico, costs associated with the business realignment and other cost-saving initiatives and the gain on the sale of the non-core laundry detergent business in Colombia, the effective tax rate was 31.8% for the third quarter and the first nine months of 2012, 32.0% for the third quarter of 2011 and 32.3% for the first nine months of 2011.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Effective tax rate, GAAP	31.9 %	34.0 %	31.8 %	33.0 %
Costs related to the sale of land in Mexico	(0.1)%	—	—	—
Business realignment and other cost-saving initiatives	—	(1.8)%	—	(0.6)%
Gain on sale of non-core detergent business in Colombia	—	(0.2)%	—	(0.1)%
Effective tax rate, non-GAAP	31.8 %	32.0 %	31.8 %	32.3 %

Net income attributable to Colgate-Palmolive Company and Earnings per share

Net income attributable to Colgate-Palmolive Company in the first nine months of 2012 increased to $1,874 from $1,841 in the comparable 2011 period, and earnings per common share on a diluted basis increased to $3.89 per share from $3.73 per share in the comparable 2011 period. Net income attributable to Colgate-Palmolive Company in both periods included aftertax costs related to the sale of land in Mexico and aftertax costs associated with the business realignment and other cost-saving initiatives. Net income attributable to Colgate-Palmolive Company in the first nine months of 2011 also included an aftertax gain on the sale of the non-core laundry detergent business in Colombia. Excluding these items, Net income attributable to Colgate-Palmolive Company for the first nine months of 2012 increased 3% and earnings per common share on a diluted basis increased 6%.

	Nine Months Ended September 30,		
	2012	2011	% Change
Net income attributable to Colgate-Palmolive Company, GAAP	$1,874	$1,841	2 %
Costs related to the sale of land in Mexico	15	5	
Business realignment and other cost-saving initiatives	14	128	
Gain on sale of non-core detergent business in Colombia	—	(135)	
Net income attributable to Colgate-Palmolive Company, non-GAAP	$1,903	$1,839	3 %

	Nine Months Ended September 30,		
	2012	2011	% Change
Earnings per common share, diluted, GAAP	$3.89	$3.73	4 %
Costs related to the sale of land in Mexico	0.03	0.01	
Business realignment and other cost-saving initiatives	0.03	0.26	
Gain on sale of non-core detergent business in Colombia	—	(0.27)	
Earnings per common share, diluted, non-GAAP	$3.95	$3.73	6 %

Liquidity and Capital Resources

The Company expects cash flow from operations and debt issuances will be sufficient to meet foreseeable business operating and recurring cash needs (including for debt service, dividends, capital expenditures, costs associated with the 2012 Restructuring Program and stock repurchases). The Company believes its strong cash generation and financial position should continue to allow it broad access to global credit and capital markets.

Net cash provided by operations increased 4% to $2,133 in the first nine months of 2012, compared with $2,057 in the comparable period of 2011. Net cash provided by operations for 2012 includes higher income tax payments, higher payments related to business realignment and other cost-saving initiatives and the payments for the previously disclosed competition law matter in France related to a divested detergent business and lower voluntary benefit plan contributions.

The Company defines working capital as the difference between current assets (excluding cash and cash equivalents and marketable securities, the latter of which is reported in Other current assets) and current liabilities (excluding short-term debt). Overall, the Company’s working capital increased to 2.2% of Net sales in the first nine months of 2012 as compared with 0.6% in the first nine months of 2011, primarily due to the timing of income tax payments and higher accounts receivable.

Investing activities used $624 in the first nine months of 2012, compared with $998 in the comparable period of 2011. In the second quarter of 2011, the Company acquired the Sanex business for $960, and, in the second quarter of 2012, the Company acquired the remaining interest in Tom’s of Maine for $18. In the third quarter of 2011, the Company sold its non-core laundry detergent business in Colombia for $215 ($135 aftertax gain). Additionally, in the third quarter of 2011, the Company’s Mexican subsidiary entered into an agreement to sell the Mexico City site on which its commercial operations, technology center and soap production facility are located. The sale price is payable in three installments, with the final installment due upon the transfer of the property, which is expected to occur in 2014. During the third quarter of 2011, the Company received the first installment of $24 upon signing the agreement and, during the third quarter of 2012, the Company received the second installment of $36. Purchases of marketable securities and investments increased in the first nine months of 2012 to $501 from $108 in the comparable period of 2011 primarily due the Company’s investments through its subsidiary in Venezuela in fixed interest rate bonds issued by the Venezuelan government. Capital spending decreased in the first nine months of 2012 to $317 from $324 in the comparable period of 2011. The Company continues to focus its capital spending on projects that are expected to yield high aftertax returns. Overall capital expenditures for 2012 are expected to be at an annual rate of approximately 3.5% of Net sales.

Financing activities used $1,458 of cash during the first nine months of 2012 compared with $566 in the comparable period of 2011. The difference was primarily due to higher principal payments on debt and higher dividends paid in the first nine months of 2012 compared to the prior period.

Long-term debt, including the current portion, increased to $5,193 as of September 30, 2012 as compared to $4,776 as of December 31, 2011 and total debt increased to $5,246 as of September 30, 2012 as compared to $4,810 as of December 31, 2011. During the second quarter of 2012, the Company issued $500 of ten-year notes at a fixed rate of 2.30% under the Company’s shelf registration statement. During the third quarter of 2012, the Company issued $500 of ten-year notes at a fixed rate of 1.95% under the Company’s shelf registration statement. Proceeds from the debt issuances were used to reduce commercial paper borrowings, which were used by the Company for general corporate purposes.

36

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Commercial paper outstanding was $462 and $986 as of September 30, 2012 and 2011, respectively. The average daily balances outstanding for commercial paper in the first nine months of 2012 and 2011 were $1,598 and $1,530, respectively. The maximum daily balance outstanding for commercial paper in the first nine months of 2012 and 2011 were $2,042 and $1,897, respectively. The Company regularly classifies commercial paper and certain current maturities of notes payable as long-term debt as it has the intent and ability to refinance such obligations on a long-term basis, including, if necessary, by utilizing its lines of credit that expire in 2016.

Certain of the facilities with respect to the Company's bank borrowings contain financial and other covenants as well as cross-default provisions. Noncompliance with these requirements could ultimately result in the acceleration of amounts owed. The Company is in full compliance with all such requirements and believes the likelihood of noncompliance is remote.

In the first quarter of 2012, the Company increased the annualized common stock dividend by 7% to $2.48 per share, effective in the second quarter of 2012. On September 8, 2011, the Company's Board of Directors (the Board) approved a share repurchase program that authorized the repurchase of up to 50 million shares of the Company's common stock.

Cash and cash equivalents increased $31 during the first nine months of 2012 to $909 at September 30, 2012, compared to $878 at December 31, 2011, most of which ($880 and $824, respectively) were held by the Company's foreign subsidiaries. These amounts include $165 and $385, respectively, which are subject to currency exchange controls in Venezuela, limiting the total amount of Cash and cash equivalents held by the Company's foreign subsidiaries that can be repatriated at any particular point in time. The Company regularly assesses its cash needs and the available sources to fund these needs and, as part of this assessment, the Company determines the amount of foreign earnings it intends to repatriate to help fund its domestic cash needs and provides applicable U.S. income and foreign withholding taxes on such earnings.

As of December 31, 2011, the Company had approximately $3,500 of undistributed earnings of foreign subsidiaries for which no U.S. income or foreign withholding taxes have been provided as the Company does not currently anticipate a need to repatriate these earnings. These earnings have been and currently are considered to be indefinitely reinvested and, therefore, are not subject to such taxes. Should these earnings be repatriated in the future, they would be subject to applicable U.S. income and foreign withholding taxes. Determining the tax liability that would arise if these earnings were repatriated is not practicable.

On October 24, 2012, the Company's Board of Directors approved the 2012 Restructuring Program. Implementation of the 2012 Restructuring Program is projected to result in cumulative pretax charges, once all phases are approved and implemented, totaling between $1,100 and $1,250 ($775 and $875 aftertax), beginning with approximately $110 to $120 ($90 to $100 aftertax) in the fourth quarter of 2012. The anticipated charges for 2013 are expected to amount to approximately $260 to $310 ($185 to $220 aftertax). Over the course of the four-year 2012 Restructuring Program, it is estimated that approximately 75% of the charges will result in cash expenditures.

Savings are projected to be in the range of $365 to $435 ($275 to $325 aftertax) annually by the fourth year of the program, substantially all of which are expected to increase future cash flows. Savings in 2013 should approximate $40 to $50 ($30 to $40 aftertax) effective in the latter part of the year.

As a result of the 2012 Restructuring Program, overall capital expenditures are expected to increase to an annual rate of approximately 4.0% to 4.5% of Net sales during the four-year program. It is anticipated that cash requirements for the 2012 Restructuring Program will be funded from operating cash flow.

For additional information regarding liquidity and capital resources, please refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q discusses organic sales growth (Net sales growth excluding the impact of foreign exchange, acquisitions and divestments) (non-GAAP). Management believes this measure provides investors with useful supplemental information regarding the Company’s underlying sales trends by presenting sales growth excluding the external factor of foreign exchange, as well as the impact of acquisitions and divestments. A reconciliation of organic sales growth to Net sales growth for the three and nine months ended September 30, 2012 is provided below.

Worldwide Gross profit, Gross profit margin, Selling, general and administrative expenses, Selling, general and administrative expenses as a percentage of Net sales, Other (income) expense, net, Operating profit, Operating profit margin, effective tax rate, Net income attributable to Colgate-Palmolive Company and earnings per share on a diluted basis are discussed in this Quarterly Report on Form 10-Q both on a GAAP basis and excluding the impacts of costs associated with the business realignment and other cost-saving initiatives, gain on the sale of the non-core laundry detergent business in Colombia and costs related to the sale of land in Mexico (non-GAAP). Management believes these non-GAAP financial measures provide investors with useful supplemental information regarding the performance of the Company’s on-going operations. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures for the three and nine months ended September 30, 2012 and 2011 is presented within each section of Results of Operations.

The Company uses the above financial measures internally in its budgeting process and as a factor in determining compensation. While the Company believes that these non-GAAP financial measures are useful in evaluating the Company’s business, this information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similar measures presented by other companies.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

The following table provides a quantitative reconciliation of organic sales growth to Net sales growth for the three months ended September 30, 2012.

Three months ended September 30, 2012	Organic Sales Growth (Non-GAAP)	Foreign Exchange Impact	Acquisitions and Divestments Impact	Net Sales Growth (GAAP)
Oral, Personal and Home Care				
North America	2.5%	0.0%	0.0%	2.5%
Latin America	9.0%	(8.0)%	(1.0)%	0.0%
Europe/South Pacific	(2.5)%	(8.5)%	0.0%	(11.0)%
Greater Asia/Africa	11.5%	(6.5)%	0.0%	5.0%
Total Oral, Personal and Home Care	5.5%	(6.0)%	(0.5)%	(1.0)%
Pet Nutrition	1.5%	(3.0)%	0.0%	(1.5)%
Total Company	5.0%	(6.0)%	0.0%	(1.0)%

The following table provides a quantitative reconciliation of organic sales growth to Net sales growth for the nine months ended September 30, 2012.

Nine months ended September 30, 2012	Organic Sales Growth (Non-GAAP)	Foreign Exchange Impact	Acquisitions and Divestments Impact	Net Sales Growth (GAAP)
Oral, Personal and Home Care				
North America	3.5%	0.0%	0.0%	3.5%
Latin America	12.5%	(7.5)%	(2.0)%	3.0%
Europe/South Pacific	(1.0)%	(6.5)%	4.0%	(3.5)%
Greater Asia/Africa	11.5%	(6.0)%	0.5%	6.0%
Total Oral, Personal and Home Care	7.0%	(5.5)%	0.5%	2.0%
Pet Nutrition	2.0%	(2.5)%	0.0%	(0.5)%
Total Company	6.5%	(5.0)%	0.5%	2.0%

COLGATE-PALMOLIVE COMPANY
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions Except Share and Per Share Amounts)

Cautionary Statement on Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995 or by the SEC in its rules, regulations and releases. Such statements may relate, for example, to sales or volume growth, organic sales growth, profit or profit margin growth, earnings growth, financial goals, the impact of currency devaluations and exchange and price controls, including in Venezuela, cost-reduction plans including the 2012 Restructuring Program, tax rates, new product introductions or commercial investment levels, among other matters. These statements are made on the basis of the Company’s views and assumptions as of this time and the Company undertakes no obligation to update these statements. Moreover, the Company does not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. The Company cautions investors that any such forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from those statements. Actual events or results may differ materially because of factors that affect international businesses and global economic conditions, as well as matters specific to the Company and the markets it serves, including the uncertain economic environment in different countries and its effect on consumer spending habits, increased competition and evolving competitive practices, currency rate fluctuations, exchange controls, price controls, changes in foreign or domestic laws or regulations or their interpretation, political and fiscal developments, the availability and cost of raw and packaging materials, the ability to maintain or increase selling prices as needed, the ability to implement the 2012 Restructuring Program as planned or differences between the actual and the estimated costs or savings under such program, changes in the policies of retail trade customers and the ability to continue lowering costs. For information about these and other factors that could impact the Company’s business and cause actual results to differ materially from forward-looking statements, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, including the information set forth under the captions “Item 1A. Risk Factors” and “Cautionary Statement on Forward-Looking Statements.”

Quantitative and Qualitative Disclosures about Market Risk

There is no material change in the information reported under Part II, Item 7, “Managing Foreign Currency, Interest Rate and Commodity Price Exposure” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

COLGATE-PALMOLIVE COMPANY

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s management, under the supervision and with the participation of the Company’s Chairman of the Board, President and Chief Executive Officer and its Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of September 30, 2012 (the Evaluation). Based upon the Evaluation, the Company’s Chairman of the Board, President and Chief Executive Officer and its Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal matters, please refer to Item 3 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, Note 12 to the Consolidated Financial Statements included therein and Note 9 to the Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

For information regarding risk factors, please refer to Part 1, Item 1A in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 also has authorized share repurchases on an on-going 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 transactions or privately negotiated transactions at the Company’s discretion, subject to market conditions, customary blackout periods and other factors.

COLGATE-PALMOLIVE COMPANY

The following table shows the stock repurchase activity for each of the three months in the quarter ended September 30, 2012:

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
July 1 through 31, 2012	574,140	$105.20	490,000	34,714,289
August 1 through 31, 2012	1,800,801	$105.75	1,800,000	32,914,289
September 1 through 30, 2012	1,964,478	$105.57	1,920,000	30,994,289
Total	4,339,419	$105.59	4,210,000	

(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 129,419 shares, all of which relate to shares deemed surrendered to the Company to satisfy certain employee elections under its compensation and benefit programs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

COLGATE-PALMOLIVE COMPANY

Item 6. Exhibits

Exhibit No.	Description
12	Computation of Ratio of Earnings to Fixed Charges.
31-A	Certificate of the Chairman of the Board, President and Chief Executive Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31-B	Certificate of the Chief Financial Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32	Certificate of the Chairman of the Board, President and Chief Executive Officer and the Chief Financial Officer of Colgate-Palmolive Company pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.
101	The following materials from Colgate-Palmolive Company's Quarterly Report on Form 10-Q for the period ended September 30, 2012, formatted in eXtensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income; (ii) the Condensed Consolidated Statements of Comprehensive Income; (iii) the Condensed Consolidated Balance Sheets; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	COLGATE-PALMOLIVE COMPANY (Registrant)
	Principal Executive Officer:
October 25, 2012	/s/ Ian Cook Ian Cook Chairman of the Board, President and Chief Executive Officer
	Principal Financial Officer:
October 25, 2012	/s/ Dennis J. Hickey Dennis J. Hickey Chief Financial Officer
	Principal Accounting Officer:
October 25, 2012	/s/ Victoria L. Dolan Victoria L. Dolan Vice President and Corporate Controller