UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

(X) Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 Fee Required
For the fiscal year ended December 31, 1994

OR

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 No Fee Required
For the transition period from ..... to .....

Commission File No.	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-183	Hershey Foods Corporation (a Delaware Corporation) 100 Crystal A Drive Hershey, Pennsylvania 17033 (717) 534-6799	23-0691590

Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act:

Class B Common Stock, one dollar par value
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of a specified date within 60 days prior to the date of filing.

Common Stock, one dollar par value $2,443,074,977, as of February 28, 1995.

Class B Common Stock, one dollar par value $4,408,824, as of February 28, 1995. While the Class B Common Stock is not listed for public trading on any exchange or market system, shares of that class are convertible into shares of Common Stock at any time on a share-for-share basis. The market value indicated is calculated based on the closing price of the Common Stock on the New York Stock Exchange on February 28, 1995.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date.

Common Stock, one dollar par value 71,492,218 shares, as of February 28, 1995.

Class B Common Stock, one dollar par value 15,242,979 shares, as of February 28, 1995.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Corporation's 1994 Annual Report to Stockholders for the year ended December 31, 1994 are incorporated by reference into Part II and are reproduced herein as Exhibit 13. Portions of the Proxy Statement for the Corporation's 1995 Annual Meeting of Stockholders are incorporated by reference into Part III.

PART I

Item 1. BUSINESS

Hershey Foods Corporation and its subsidiaries (the "Corporation") are engaged in the manufacture, distribution and sale of consumer food products. The Corporation, primarily through its Hershey Chocolate North America, Hershey Grocery, Hershey International and Hershey Pasta Group divisions, produces and distributes a broad line of chocolate, confectionery, grocery and pasta products.

The Corporation was organized under the laws of the State of Delaware on October 24, 1927, as a successor to a business founded in 1894 by Milton S. Hershey.

The Corporation's principal product groups include: chocolate and confectionery products sold in the form of bar goods, bagged items, and boxed items; grocery products in the form of baking ingredients, chocolate drink mixes, peanut butter, dessert toppings, and beverages; and pasta products sold in a variety of shapes, sizes, and packages. The Corporation believes it is a major factor in these product groups in North America. Operating profit margins vary considerably among individual products and brands. Generally, such margins on chocolate and confectionery products are greater than those on pasta and other food products.

The Corporation manufactures in the United States chocolate and confectionery products in a variety of packaged forms and markets them under more than 50 brands. The different packaged forms include various arrangements of the same bar products, such as boxes, trays and bags, as well as a variety of different sizes and weights of the same bar product, such as snack size, standard, king size, large and giant bars. Among the principal chocolate and confectionery products in the United States are: HERSHEY'S COOKIES 'N' MINT chocolate bars, HERSHEY'S HUGS chocolates, HERSHEY'S HUGS WITH ALMONDS chocolates, HERSHEY'S KISSES chocolates, HERSHEY'S KISSES WITH ALMONDS chocolates, HERSHEY'S milk chocolate bars, HERSHEY'S milk chocolate bars with almonds, HERSHEY'S MINIATURES chocolate bars, HERSHEY'S NUGGETS chocolates, AMAZIN' FRUIT gummy bears fruit candy, BAR NONE candy bars, CADBURY'S CREME EGGS candy, CARAMELLO candy bars, KIT KAT wafer bars, LUDEN'S throat drops, MR. GOODBAR milk chocolate bars with peanuts, PETER PAUL ALMOND JOY candy bars, PETER PAUL MOUNDS candy bars, REESE'S crunchy peanut butter cups, REESE'S NUTRAGEOUS candy bars, REESE'S peanut butter cups, REESE'S PIECES candies, ROLO caramels in milk chocolate, SKOR toffee bars, SYMPHONY milk chocolate bars, TWIZZLERS candy, WHATCHAMACALLIT candy bars, YORK peppermint pattie candy, and 5TH AVENUE candy bars.

Principal products in Canada include CHIPITS chocolate chips, GLOSETTE chocolate-covered raisins, peanuts and almonds, LIFE SAVERS candy, OH HENRY! candy bars, PLANTERS nuts, POT OF GOLD boxed chocolates, REESE PEANUT BUTTER CUPS candy, and TWIZZLERS candy.

The Corporation also markets in the United States a line of grocery products in the baking, beverage, peanut butter and toppings categories. Principal products include HERSHEY'S baking chocolate, HERSHEY'S baking chips, HERSHEY'S chocolate drink boxes, HERSHEY'S chocolate milk mix, HERSHEY'S cocoa, HERSHEY'S CHOCOLATE SHOPPE toppings, HERSHEY'S HOT COCOA COLLECTION hot cocoa mix, HERSHEY'S syrup, REESE'S peanut butter, and REESE'S peanut butter baking chips. HERSHEY'S chocolate milk is produced and sold under license by over 20 independent dairies throughout the United States, using a chocolate milk mix manufactured by the Corporation. During the fall of 1994, the Corporation discontinued its line of HERSHEY'S chocolate bar flavor puddings because the business did not meet expected profit objectives.

The Corporation's chocolate, confectionery and grocery products are sold primarily to grocery wholesalers, chain grocery stores, candy distributors, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, concessionaires and food distributors by full-time sales representatives, food brokers and part-time retail sales merchandisers throughout the United States and Canada. The Corporation also manufactures, imports, markets, sells and distributes chocolate products in Mexico under the HERSHEY'S brand name. These products are sold through chain grocery stores, food distributors, and wholesale clubs. The Corporation believes its chocolate and confectionery products are sold in over 2 million retail outlets in North America. In 1994, sales to Wal-Mart Stores, Inc. and Subsidiaries amounted to approximately 10% of total net sales.

The Corporation manufactures, markets, sells and distributes high-quality assorted pralines and seasonal chocolate products in Germany under the GUBOR brand name which are sold directly to retailers. Additionally, the Corporation imports, markets, sells and distributes selected HERSHEY'S chocolate and confectionery products in the Japanese market. In Italy, the Corporation manufactures, markets, sells, and distributes various confectionery and nougat products under several brand names including DONDI, FRESH CLUB, GALATINE, GNAMMY, SCARAMELLINI, and SPERLARI. In the Netherlands and Belgium, the Corporation manufactures and sells chocolate and confectionery products, cookies, biscuits, and ice cream. These products are sold primarily under private labels, but products are also marketed and sold under the JAMIN brand name.

The Corporation manufactures and sells quality pasta products throughout the United States. The Corporation markets its products on a regional basis under several brand names, including AMERICAN BEAUTY, IDEAL BY SAN GIORGIO, LIGHT 'N FLUFFY, MRS. WEISS, P&R, RONZONI, SAN GIORGIO, and SKINNER, as well as certain private labels. These products are sold through chain grocery stores, grocery wholesalers, wholesale clubs, convenience stores and food distributors.

The Corporation's marketing strategy is based upon the consistently superior quality of its products, mass distribution and the best possible consumer value in terms of price and weight. In addition, the Corporation devotes considerable resources to the identification, development, testing, manufacturing and marketing of new products. The Corporation utilizes a variety of promotional programs for customers and advertising and promotional programs for consumers. The Corporation employs promotional programs at various times during the year to stimulate sales of certain products. Chocolate, confectionery and grocery seasonal and holiday related sales have typically been highest during the third and fourth quarters of the year.

The Corporation recognizes that the mass distribution of its consumer food products is an important element in maintaining sales growth and providing service to its customers. The Corporation attempts to meet the changing demands of its customers by planning optimum stock levels and reasonable delivery times consistent with achievement of economies of distribution. To achieve these objectives, the Corporation has developed a distribution network from its manufacturing plants, distribution centers and field warehouses strategically located throughout the United States, Canada and Mexico. The Corporation uses a combination of public and contract carriers to deliver its products from the distribution points to its customers. In conjunction with sales and marketing efforts, the distribution system has been instrumental in the effective promotion of new, as well as established, products on both national and regional scales.

From time to time the Corporation has changed the prices and weights of its consumer food products to accommodate changes in the cost of manufacturing, including the cost of raw materials; the competitive environment; and profit objectives, while at the same time maintaining consumer value. As a result of higher semolina costs, the Corporation implemented a price increase averaging 4% during the first quarter of 1994 on its pasta products and curtailed certain promotional allowances.

The most significant raw material used in the production of the Corporation's chocolate products is cocoa beans. This commodity is imported principally from West African, South American and Far Eastern equatorial regions. West Africa accounts for approximately 60% of the world's crop. Cocoa beans are not uniform, and the various grades and varieties reflect the diverse agricultural practices and natural conditions found in the many growing areas. The Corporation buys a mix of cocoa beans to meet its manufacturing requirements.

The table below sets forth annual average cocoa prices as well as the highest and lowest monthly averages for each of the calendar years indicated. The prices are the monthly average of the quotations at noon of the three active futures trading contracts closest to maturity on the New York Coffee, Sugar and Cocoa Exchange. Because of the Corporation's forward purchasing practices discussed below, and premium prices paid for certain varieties of cocoa beans, these average futures contract prices are not necessarily indicative of the Corporation's average cost of cocoa beans or cocoa products.

Cocoa Futures Contract Prices
(cents per pound)

	1990	1991	1992	1993	1994
Annual Average.	55.5	52.8	47.6	47.3	59.1
High.	63.5	60.0	56.2	56.7	66.1
Low	43.6	45.6	41.3	41.8	51.3

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

The price of sugar, the Corporation's second most important commodity for its domestic chocolate and confectionery products, is subject to price supports under farm legislation. Due to import quotas and duties imposed to support the price of sugar established by that legislation, sugar prices paid by United States users are currently substantially higher than prices on the world sugar market. The average wholesale list price of refined sugar, F.O.B. Northeast, has remained relatively stable in a range of $.28 to $.31 per pound for the past ten years.

Other raw materials purchased in substantial quantities for domestic manufacturing purposes include milk, peanuts, and almonds. The price of milk is affected by Federal Marketing Orders and the prices of milk and peanuts are affected by price support programs administered by the United States Department of Agriculture. The Food, Agriculture, Conservation, and Trade Act of 1990, which is a five-year extension of prior farm legislation, was passed by Congress in October 1990. While this law is not substantially different from the previous farm legislation, it continues to have an impact on the price of sugar, peanuts and milk because it sets price support levels for these and other commodities.

During the first quarter of 1994, domestic milk prices averaged well above the prior year's levels, as a result of significantly lower milk production in Minnesota and Wisconsin. With more favorable weather conditions and bumper crops, milk production began increasing during the second quarter, resulting in lower prices during the last half of the year.

Peanut prices were moderately higher through the first quarter of 1994 as a result of a lower than average 1993 crop harvest. However, prices decreased through the last three quarters due to a declining demand for domestic peanuts, favorable crop forecasts and an excellent 1994 harvest.

Domestic almond prices during the early part of 1994 remained at historically high levels due to low stocks and a below average yield from the 1993 crop. By mid-year, market prices began to decline as a result of an excellent 1994 harvest.

Pasta is made from semolina milled from durum wheat, a class of hard wheat grown in the United States and Canada. The Corporation purchases semolina from commercial mills and is also engaged in a custom milling agreement to obtain sufficient quantities of semolina. In 1994, the Corporation's semolina costs per pound were the highest since 1981. The exceptionally high costs resulted from short supplies caused by a poor harvest in 1993, combined with United States Government tariffs on imports of Canadian wheat. The tariffs are scheduled to end in September 1995, but could be extended by the United States Government.

The Corporation attempts to minimize the effect of price fluctuations related to the purchase of its major raw materials primarily through the forward purchasing of such commodities to cover future manufacturing requirements generally for periods ranging from 3 to 24 months. With regard to cocoa and sugar, price risks are also managed by entering into futures and options contracts. At the present time, similar futures and options contracts are not

available for use in pricing the Corporation's other major raw materials. Futures contracts are used in combination with forward purchasing of cocoa and sugar requirements principally to take advantage of market fluctuations which provide more favorable pricing opportunities and to increase diversity or flexibility in sourcing these raw materials. The Corporation's commodity procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the Corporation's ability to benefit from possible price decreases.

The primary effect on liquidity from using futures contracts is associated with margin requirements related to cocoa and sugar futures. Cash outflows and inflows result from original margins which are "good faith deposits" established by the New York Coffee, Sugar and Cocoa Exchange to ensure that market participants will meet their contractual financial obligations. Additionally, variation margin payments and receipts are required when the value of open positions is adjusted to reflect daily price movements. The magnitude of such cash inflows and outflows is dependent upon price coverage levels and the volatility of the market. Historically, cash flows related to margin requirements have not been material to the Corporation's total working capital requirements.

The Corporation manages the purchase of forward and futures contracts by developing and monitoring procurement strategies for each of its major commodities. These procurement strategies, including the use of futures contracts to hedge the pricing of cocoa and sugar, are directly linked to the overall planning and management of the Corporation's business, since the cost of raw materials account for a significant portion of the cost of finished goods. Procurement strategies with regard to cocoa, sugar and other major raw material requirements are developed by the analysis of fundamentals, including weather and crop analysis, and by discussions with market analysts, brokers and dealers. Procurement strategies are determined, implemented and monitored on a regular basis by senior management. Procurement activities for all major commodities are also reported to the Board of Directors on a regular basis.

The Corporation has license agreements with several companies to manufacture and/or sell products worldwide. Among the more significant are agreements with Cadbury Beverages Inc. and affiliated companies to manufacture and/or market and distribute PETER PAUL ALMOND JOY and PETER PAUL MOUNDS confectionery products worldwide as well as YORK, CADBURY and CARAMELLO confectionery products in the United States. The Corporation's rights under these agreements are extendable on a long-term basis at the Corporation's option. The license for CADBURY and CARAMELLO products is subject to a minimum sales requirement which the Corporation exceeded in 1994. The Corporation also has an agreement with Societe des Produits Nestle SA, which licenses the Corporation to manufacture and distribute in the United States the KIT KAT and ROLO confectionery products. The Corporation's rights under this agreement are extendable on a long-term basis at the Corporation's option, subject to certain conditions, including minimum unit volume sales. In 1994, the minimum volume requirements were exceeded.

Competition

Many of the Corporation's brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace. However, these brands are sold in highly competitive markets and compete with many other multinational, national, regional and local firms, some of which have resources in excess of those available to the Corporation.

Trademarks

The Corporation has various registered and unregistered trademarks, service marks and licenses which are of material importance to the Corporation's business.

Backlog of Orders

The Corporation manufactures primarily for stock and fills customer orders from finished goods inventories. While at any given time there may be some backlog of orders, such backlog is not material in respect to total sales, nor are the changes from time to time significant.

Research and Development

The Corporation engages in considerable research activities. These principally involve development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines.

Regulation

The Corporation's domestic plants are subject to inspection by the Food and Drug Administration and various other governmental agencies, and its products must comply with regulations under the Federal Food, Drug and Cosmetic Act and with various comparable state statutes regulating the manufacturing and marketing of food products.

Environmental Considerations

In the past the Corporation has made investments based on compliance with environmental laws and regulations. Such expenditures have not been material with respect to the Corporation's capital expenditures, earnings or competitive position.

Employees

As of December 31, 1994, the Corporation had approximately 14,000 full-time and 1,600 part-time employees, of whom approximately 6,000 were covered by collective bargaining agreements. The Corporation considers its employee relations to be good.

Item 2. PROPERTIES

The following is a list of the Corporation's principal manufacturing properties. The Corporation owns each of these properties.

UNITED STATES
- Hershey, Pennsylvania - Confectionery Products (3 principal plants)
- Lancaster, Pennsylvania - Confectionery Products
- Oakdale, California - Confectionery Products
- Stuarts Draft, Virginia - Confectionery Products
- Winchester, Virginia - Pasta Products

CANADA
- Smiths Falls, Ontario - Confectionery and Snack Nut Products

In addition to the locations indicated above, the Corporation owns or leases several other less significant properties used for manufacturing confectionery and pasta products, sales, distribution and administrative functions.

The Corporation's plants are efficient and well maintained. These plants generally have adequate capacity and can accommodate seasonal demands, changing product mixes and certain additional growth. The largest plant is located in Hershey, Pennsylvania. Many additions and improvements have been made to this facility over the years and the plant's manufacturing equipment includes equipment of the latest type and technology.

Item 3. LEGAL PROCEEDINGS

The Corporation has no material pending legal proceedings, other than ordinary routine litigation incidental to its business.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information concerning the principal United States trading market for, market prices of and dividends on the Corporation's Common Stock and Class B Common Stock, and the approximate number of stockholders, may be found in the section "Market Prices and Dividends" on pages 16 and 17 of the Corporation's 1994 Annual Report to Stockholders, which information is incorporated herein by reference and reproduced herein as Exhibit 13.

Item 6. SELECTED FINANCIAL DATA

The following information, for the five years ended December 31, 1994, found in the section "Eleven-Year Consolidated Financial Summary" on the inside back cover of the Corporation's 1994 Annual Report to Stockholders, is incorporated herein by reference and reproduced herein as Exhibit 13: Net Sales; Income from Continuing Operations Before Accounting Changes; Income Per Share from Continuing Operations Before Accounting Changes (excluding Notes g, h and i); Dividends Paid on Common Stock (and related Per Share amounts); Dividends Paid on Class B Common Stock (and related Per Share amounts); Long-term Portion of Debt; and Total Assets.

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

The section "Management's Discussion and Analysis", found on pages 15 through 17 and 19, 21 and 23 of the Corporation's 1994 Annual Report to Stockholders, is incorporated herein by reference and reproduced herein as Exhibit 13.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following audited consolidated financial statements of the Corporation and its subsidiaries are found at the indicated pages in the Corporation's 1994 Annual Report to Stockholders, and such financial statements, along with the report of the independent public accountants thereon, are incorporated herein by reference and reproduced herein as Exhibit 13.

1. Consolidated Statements of Income for the years ended December 31, 1994, 1993 and 1992. (Page 18)

2. Consolidated Statements of Cash Flows for the years ended December 31, 1994, 1993 and 1992. (Page 20)

3. Consolidated Balance Sheets as of December 31, 1994 and 1993. (Page 22)

4. Consolidated Statements of Stockholders' Equity for the years ended December 31, 1994, 1993 and 1992. (Pages 24 and 25)

5. Notes to Consolidated Financial Statements (Pages 26 through 36), including "Quarterly Data (Unaudited)." (Page 36)

6. Report of Independent Public Accountants. (Page 37)

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions held with the Corporation, periods of service as a director, principal occupations, business experience, and other directorships of nominees for director of the Corporation are set forth in the section "Election of Directors" in the Corporation's Proxy Statement for its 1995 Annual Meeting of Stockholders. Reporting of an inadvertent late filing of a Securities and Exchange Commission Form 4 under Section 16 of the Securities Exchange Act of 1934, as amended, is set forth in the Section "Compliance with Section 16 of the Securities Exchange Act" of the Corporation's Proxy Statement for its 1995 Annual Meeting of Stockholders. All of the above information is incorporated herein by reference.

Executive Officers of the Corporation as of February 28, 1995

Name	Age	Positions Held During the Last Five Years
CORPORATE		
K. L. Wolfe	56	Chairman of the Board and Chief Executive Officer (1993); President and Chief Operating Officer (1985)
J. P. Viviano	56	President and Chief Operating Officer (1993); President, Hershey Chocolate U.S.A., a division of Hershey Foods Corporation (1985)
W. F. Christ	54	Senior Vice President and Chief Financial Officer (1994); President, Hershey International, a division of Hershey Foods Corporation (1988)
C. L. Duncan	55	Vice President, Research and Development (1981)
T. C. Fitzgerald	55	Vice President and Treasurer (1990); Treasurer (1985)
R. M. Garrabrant	42	Controller and Chief Accounting Officer (1994); Director, Mergers and Acquisitions (1990); Director, Corporate Financial Planning & Analysis (1987)
S. A. Lambly	54	Vice President, Human Resources (1989)
R. M. Reese	45	Vice President and General Counsel (1993); Assistant General Counsel (1987)
B. L. Zoumas	52	Vice President, Science and Technology (1992); Vice President, Technical, Hershey Chocolate U.S.A. (1990); Vice President, Science and Technology (1981)

Executive Officers of the Corporation

Name	Age	Positions Held During the Last Five Years
DIVISION		
R. Brace	51	Vice President, Manufacturing, Hershey Chocolate North America, a division of Hershey Foods Corporation (1995); Vice President, Manufacturing, Hershey Chocolate U.S.A. (1987)
J. F. Carr	50	President, Hershey International (1994); Vice President, Marketing, Hershey Chocolate U.S.A. (1984)
F. Cerminara	46	Vice President, Procurement, Hershey Chocolate North America (1995); Vice President, Commodities Procurement, Hershey Chocolate U.S.A. (1994); Vice President, Corporate Development and Commodities (1988)
D. N. Eshleman	40	General Manager, Hershey Grocery, a division of Hershey Foods Corporation (1994); Director, Marketing, Hershey Chocolate U.S.A. (1988)
M. H. Holmes	50	Vice President and General Manager, Chocolate Confectionery, Hershey Chocolate U.S.A. (1994); General Manager, Grocery, Hershey Chocolate U.S.A. (1989)
M. T. Matthews	48	Vice President, Sales, Hershey Chocolate U.S.A. (1989)
R. W. Meyers	51	President and General Manager, Hershey Canada Inc., a subsidiary of Hershey Foods Corporation (1995); President, Hershey Canada Inc. (1990); Acting President, Hershey Canada Inc. (1989)
M. F. Pasquale	47	President, Hershey Chocolate North America (1995); President, Hershey Chocolate U.S.A. (1994); Senior Vice President and Chief Financial Officer (1988)
C. M. Skinner	61	President, Hershey Pasta Group, a division of Hershey Foods Corporation (1984)

There are no family relationships among any of the above-named officers of the Corporation.

Corporate Officers and Division Presidents are generally elected each year at the organization meeting of the Board of Directors following the Annual Meeting of Stockholders in April.

Item 11. EXECUTIVE COMPENSATION

Information concerning compensation of the five most highly compensated executive officers, including the Chairman of the Board and Chief Executive Officer, of the Corporation individually, and compensation of directors, is set forth in the sections "1994 Executive Compensation" and "Compensation of Directors" in the Corporation's Proxy Statement for its 1995 Annual Meeting of Stockholders. This information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning ownership of the Corporation's voting securities by certain beneficial owners, individual nominees for directors, and by management, including the five most highly compensated executive officers, is set forth in the section "Voting Securities" in the Corporation's Proxy Statement for its 1995 Annual Meeting of Stockholders. This information is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning "Certain Relationships and Related Transactions" is set forth in the section "Certain Transactions and Relationships" in the Corporation's Proxy Statement for its 1995 Annual Meeting of Stockholders. This information is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Item 14(a)(1): Financial Statements

The audited consolidated financial statements of the Corporation and its subsidiaries and the Report of Independent Public Accountants thereon, as required to be filed with this report, are set forth in Item 8 of this report and are incorporated therein by reference to specific pages of the Corporation's 1994 Annual Report to Stockholders and reproduced herein as Exhibit 13.

Item 14(a)(2): Financial Statement Schedule

The following consolidated financial statement schedule of the Corporation and its subsidiaries for the years ended December 31, 1994, 1993 and 1992 is filed herewith on the indicated page in response to Item 14(d):

Schedule II -- Valuation and Qualifying Accounts (Page 15)

Other schedules have been omitted as not applicable or required, or because information required is shown in the consolidated financial statements or notes thereto.

Financial statements of the parent corporation only are omitted because the Corporation is primarily an operating corporation and there are no significant restricted net assets of consolidated and unconsolidated subsidiaries.

Item 14(a)(3): Exhibits

The following items are attached or incorporated by reference in response to Item 14(c):

(3) Articles of Incorporation and By-laws

The Corporation's Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit No. 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988. The By-laws, as amended on December 3, 1991, are incorporated by reference from Exhibit No. 3 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

(4) Instruments defining the rights of security holders, including indentures

The Corporation has issued certain long-term debt instruments, no one class of which creates indebtedness exceeding 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis. These classes consist of the following:

a. 8.45% to 9.92% Medium-Term Notes due 1994-1998

b. 8.8% Debentures due 2021

c. Other Obligations

The Corporation will furnish copies of the above debt instruments to the Commission upon request.

In 1993 the Corporation called and redeemed its 9.5% Sinking Fund Debentures due 2009 and its 9.125% Sinking Fund Debentures due 2016.

(10) Material contracts

a. After Eight, Kit Kat, and Rolo License Agreement (License Agreement) between Hershey Foods Corporation and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit No. 10(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1980. The License Agreement was amended in 1988 and the Amendment Agreement is incorporated by reference from Exhibit No. 19 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended July 3, 1988. The License Agreement was assigned by Rowntree Mackintosh Confectionery Limited to Societe des Produits Nestle SA as of January 1, 1990. The Assignment Agreement is incorporated by reference from Exhibit No. 19 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.

b. Peter Paul/York Domestic Trademark & Technology License Agreement between Hershey Foods Corporation and Cadbury Schweppes Inc. (now Cadbury Beverages Inc.) dated August 25, 1988, is incorporated by reference from Exhibit No. 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988.

c. Cadbury Trademark & Technology License Agreement among Hershey Foods Corporation and Cadbury Schweppes Inc. (now Cadbury Beverages Inc.) and Cadbury Limited dated August 25, 1988, is incorporated by reference from Exhibit No. 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988.

Executive Compensation Plans:

d. The 1987 Key Employee Incentive Plan, as amended, is attached hereto as Exhibit No. 19(i).

e. Hershey Foods Corporation's Restated Supplemental Executive Retirement Plan is attached hereto as Exhibit No. 19(ii).

f. Hershey Foods Corporation's Non-Management Director Retirement Plan is incorporated by reference from Exhibit No. 19 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 1992.

g. Hershey Foods Corporation's Deferral Plan for Non-Management Directors is incorporated by reference from Exhibit No. 10 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.

h. A form of the Benefit Protection Agreements entered into between the Corporation and certain of its executive officers is attached hereto as Exhibit No. 10.

(12) Computation of ratio of earnings to fixed charges statement

A computation of ratio of earnings to fixed charges for the years ended December 31, 1994, 1993, 1992, 1991, and 1990 is attached as Exhibit No. 12.

(13) Annual report to security holders

The financial section of the Corporation's 1994 Annual Report to Stockholders is attached as Exhibit No. 13.

(21) Subsidiaries of the Registrant

A list setting forth subsidiaries of the Corporation is attached as Exhibit No. 21.

Item 14(b): Reports on Form 8-K

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERSHEY FOODS CORPORATION
(Registrant)

Date: March 6, 1995 By W. F. CHRIST
(W. F. Christ, Senior Vice President and Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Corporation and in the capacities and on the date indicated.

Signature	Title	Date
K. L. WOLFE (K. L. Wolfe)	Chief Executive Officer and Director	March 6, 1995
W. F. CHRIST (W. F. Christ)	Chief Financial Officer	March 6, 1995
R. M. GARRABRANT (R. M. Garrabrant)	Chief Accounting Officer	March 6, 1995
J. P. VIVIANO (J. P. Viviano)	Director	March 6, 1995
H. O. BEAVER, JR. (H. O. Beaver, Jr.)	Director	March 6, 1995
T. C. GRAHAM (T. C. Graham)	Director	March 6, 1995
B. GUITON HILL (B. Guiton Hill)	Director	March 6, 1995
J. C. JAMISON (J. C. Jamison)	Director	March 6, 1995

Signature	Title	Date
S. C. MOBLEY (S. C. Mobley)	Director	March 6, 1995
F. I. NEFF (F. I. Neff)	Director	March 6, 1995
R. J. PERA (R. J. Pera)	Director	March 6, 1995
J. M. PIETRUSKI (J. M. Pietruski)	Director	March 6, 1995
V. A. SARNI (V. A. Sarni)	Director	March 6, 1995

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To Hershey Foods Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Hershey Foods Corporation's 1994 annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 27, 1995. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14(a)(2) on page 9 is the responsibility of the Corporation's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

New York, N.Y.
January 27, 1995

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 27, 1995, included or incorporated by reference in this Form 10-K for the year ended December 31, 1994, into the Corporation's previously filed Registration Statements on Forms S-8 or S-3 (File No. 33-35062, File No. 33-45431, File No. 33-45556 and File No. 33-51089).

ARTHUR ANDERSEN LLP

New York, N.Y.
March 6, 1995

Schedule II

HERSHEY FOODS CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 1994, 1993 and 1992

(in thousands of dollars)

		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts(a)	Deductions from Reserves	Balance at End of Period
Year Ended December 31, 1994: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	$12,479	$3,144	$(1,016)	$ (635)	$13,972
Year Ended December 31, 1993: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	$10,437	$3,371	$ 107	$(1,436)	$12,479
Year Ended December 31, 1992: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	$9,476	$4,812	$ 113	$(3,964)	$10,437

(a) Includes recoveries of amounts previously written off.

HERSHEY FOODS CORPORATION ANNUAL REPORT ON FORM 10-K

Index to Exhibits

AGREEMENT

THIS AGREEMENT dated as of August 2, 1994, is made by and between Hershey Foods Corporation, a Delaware corporation (the "Company"), and _____________________ (the "Executive").

WHEREAS the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel; and

WHEREAS the Board of Directors of the Company (the "Board") recognizes that the possibility of a Change in Control (as defined in the last Section hereof) exists, as in the case of any publicly-held corporation, and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1 Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section and elsewhere in this Agreement.

2 Term of Agreement. This Agreement shall commence on the date hereof and shall remain in effect thereafter; provided, however, that (a) either the Company or the Executive may terminate this Agreement by giving the other advance written notice of termination of the Agreement as of such date as specified in the notice (except that no such notice may be given by the Company after a Potential Change in Control occurs and for a one-year period following the cessation of a Potential Change in Control), and (b) if a Change in Control shall have occurred during the term of this Agreement, this Agreement shall continue in effect until all obligations of either party hereto have been performed in full. Notwithstanding the foregoing: (a) this Agreement shall terminate upon the

Executive's attaining age sixty-five (65), except as to obligations of the Company hereunder arising from a Change in Control and/or a termination of the Executive's employment prior to his having reached such age; and (b) no termination of this Agreement by the Company shall be effective if such termination occurs (i) at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (ii) in connection with or in anticipation of a Change in Control. In the event that the termination of this Agreement by the Company occurs within two (2) months prior to a Potential Change in Control or a Change in Control, there shall be a presumption that the conditions of subclauses (i) and (ii) of clause (b) of the immediately preceding sentence shall have been met.

3 Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section 4 hereof, the Company agrees, under the terms and conditions set forth herein, that, upon a Change in Control during the term of this Agreement, certain benefits shall thereupon become vested as set forth in Section 5 hereof, and paid in accordance with the provisions thereof, and, in the event that the Executive's employment with the Company is terminated thereafter during the Coverage Period, the Company shall pay the Executive the amounts provided for in Section 6 hereof.

4 The Executive's Covenant. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control, the Executive will remain in the employ of the Company until the earliest of (a) a date which is nine (9) months after the date of such Potential Change of Control, (b) the date of a Change in Control, (c) the date of termination by the Executive of the Executive's employment for Good Reason (determined by treating the Potential Change in Control for this purpose as a Change in Control in applying the definition of Good Reason) or by reason of death or Disability, (d) the termination by the Company of the Executive's employment for any reason, or (e) the Executive's attaining age sixty-five (65).

5 Vesting or Payment of Certain Benefits in the Event of a Change in Control

5.1 Vesting of AIP Benefits; Payment of Benefits. Upon the occurrence of a Change in Control, the Executive shall have a vested and nonforfeitable

right hereunder to receive in cash an amount equal to the sum of (a) the greater of (A) the 100% target award amount of all then outstanding contingent target AIP grants made to the Executive under the KEIP, and (B) the amount that would have been payable to the Executive under such contingent target AIP grants as of the end of the applicable award period, calculated utilizing as the applicable performance factors the actual performance of the Executive and the Company on an annualized basis as of the date of the Change in Control, and (b) the value of all AIP Awards, as defined in the KEIP ("AIP Awards"), previously earned by the Executive for which payment has been deferred (the sum of (a) and (b) is herein referred to as the "Vested Bonus Amount"). Unless the Change in Control is a Section 9.21 Change in Control, the Company shall, within five (5) business days following the Change in Control, pay to the Executive a lump sum cash payment equal to the Executive's Vested Bonus Amount. If the Change in Control is a Section 9.21 Change in Control, the Executive's Vested Bonus Amount shall be promptly paid to the Executive at the end of the applicable award period or deferral period, except as otherwise provided in Section 6.1(C) hereof.

5.2 Vesting of PSU Benefits; Payment of Benefits. Upon the occurrence of a Change in Control, the Executive shall have a vested and nonforfeitable right hereunder to receive in cash an amount equal to the sum of: (a) the 100% target award amount of all then outstanding contingent target Performance Stock Unit ("PSU") grants made to the Executive under the KEIP valued at the higher of (i) the highest closing price of the Company's Common Stock on the New York Stock Exchange during the sixty (60) day period preceding and including the date of the Change in Control, and (ii) if the Change in Control involves a transaction in which an offer is made to purchase shares of Common Stock from the Company's stockholders, the price at which such offer is made; and (b) the value of all PSU Awards, as defined in the KEIP ("PSU Awards"), previously earned by the Executive for which payment has been deferred, including the value of cash dividends thereon (the sum of (a) and (b) is herein referred to as the "Vested PSU Amount"). Unless the Change in Control is a Section 9.21 Change in Control, the Company shall, within five (5) business days following the Change in Control, pay to the Executive a lump sum cash payment equal to the Executive's Vested PSU Amount. If the Change in Control is a Section 9.21 Change in Control, the Executive's Vested PSU Amount shall be promptly paid to the Executive at the end of

each applicable performance cycle or deferral period, except as otherwise provided in Section 6.1(D) hereof.

5.3 SERP Benefits

(a) Upon the occurrence of a Change in Control, the Executive shall have a vested and nonforfeitable right hereunder to receive in cash an amount equal to the actuarial present value (as determined in accordance with Section 5.3(e) hereof) of the monthly retirement benefit (including the spousal survivor benefit) to which the Executive (and his spouse) would be entitled under Paragraph 4 of the SERP if the Executive retired as of the date of the Change in Control, taking into account Sections 5.3(c) and 5.3(d) hereof (the amount of such monthly retirement benefit being herein referred to as the Executive's "SERP Benefit" and the actuarial present value of such SERP Benefit being herein referred to as the Executive's "Vested Pension Benefit").

(b) Unless the Change in Control is a Section 9.21 Change in Control, the Company shall, within five (5) business days following the Change in Control, pay to the Executive in cash the Executive's Vested Pension Benefit in a single sum. If the Change in Control is a Section 9.21 Change in Control, then upon the subsequent termination of the Executive's employment by the Company and its Subsidiaries for any reason, the Company shall pay to the Executive in accordance with Sections 6.1 and 6.4 the Executive's "Adjusted Vested Pension Benefit." The Executive's "Adjusted Vested Pension Benefit" shall be equal to the actuarial present value (as determined in accordance with Section 5.3(e) hereof) of the monthly retirement benefit (including the spousal survivor benefit) to which the Executive (and his spouse) would be entitled under Paragraph 4 of the SERP if the Executive retired as of the Executive's Date of Termination, taking into account Sections 5.3(c) and 5.3(d) hereof (the amount of such monthly retirement benefit being herein referred to as the Executive's "Adjusted SERP Benefit").

(c) For purposes of determining the Executive's SERP Benefit as of the date of a Change in Control or the Executive's Adjusted SERP Benefit as of the Executive's Date of Termination (in the case of a Section 9.21 Change in Control), the Executive shall: (i) be credited with additional years of Service (as defined in the SERP) for purposes of clause (1) of paragraphs 4.a. and 4.b. of the SERP equal to the

lesser of three (3) or the number of years (including fractions thereof) from the date of the Change in Control (or the Executive's Date of Termination in the case of a Section 9.21 Change in Control) until the Executive would attain age sixty-five (65) and for all other purposes under the SERP equal to the excess, if any, of ten (10) over the actual number of years (including fractions thereof) of Service completed by the Executive as of the date of the Change in Control (or the Executive's Date of Termination in the case of a Section 9.21 Change in Control); (ii) be deemed to have five (5) years of participation in the PSU portion of the LTIP (as defined in the SERP) regardless of his actual years of participation in the PSU portion of the LTIP at the time of the Change in Control (or the Executive's Date of Termination in the case of a Section 9.21 Change in Control); (iii) be deemed to have his age increased by three (3) years (or such lesser number of years (including fractions) until the Executive would attain age sixty-five (65)) for all purposes under the SERP (including but not limited to the reduction factor prescribed by clause 4 of Paragraph 4.b. of the SERP); and (iv) be deemed to have been paid his Annual Base Salary and Annual Bonus for three (3) additional years (or such lesser number of years (including fractions) until the Executive would attain age sixty-five (65)) for purposes of calculating "Final Average Compensation" in paragraph 2.e. of the SERP.

(d) Other than for purposes of clauses (2), (3) and (4) of Paragraph 4.b. of the SERP, if the Executive has not yet attained age fifty-five (55) (after increasing the Executive's age by three (3) years as provided in the preceding Section 5.3(c)), the Executive shall upon the occurrence of the Change in Control (or the Executive's Date of Termination in the case of a Section 9.21 Change in Control) be deemed nevertheless to have attained age fifty-five (55).

(e) The actuarial present value of the Executive's SERP Benefit or Adjusted SERP Benefit, as applicable, as determined in accordance with the foregoing provisions of this Section 5.3 shall be determined using: (i) the 83 GAM mortality tables; and (ii) an interest rate equal to 100% of the interest rate that would be used (as of the date of the Change in Control or as of the date of the Executive's Date of Termination if payment is made upon termination of employment after a Section 9.21 Change in Control) by the Pension Benefit Guaranty Corporation for purposes

of determining the present value of a lump sum distribution on plan termination.

(f) Notwithstanding any provision of the SERP, the SERP may not be terminated or amended in any manner that is adverse to the interests of the Executive without the consent of the Executive either: (i) after a Potential Change in Control occurs and for one (1) year following the cessation of the Potential Change in Control, or (ii) after a Change in Control. Any termination or amendment of the SERP in a manner adverse to the interests of the Executive within one year prior to a Potential Change in Control shall not be given effect for purposes of this Section 5.3.

(g) The Executive may, in his sole discretion, elect to receive hereunder in lieu of his Vested Pension Benefit or his Adjusted Vested Pension Benefit, as applicable, his SERP Benefit or Adjusted SERP Benefit, as applicable, in any optional or alternative form of payment that a participant who has satisfied all applicable eligibility requirements under the SERP is entitled to elect under the SERP. Any such election by the Executive pursuant to this Section 5.3(g) must be made at least ninety (90) days prior to the date that the Executive's Vested Pension Benefit or Adjusted Vested Pension Benefit, as applicable, would otherwise be payable.

6 Benefits and Rights upon Termination of Employment

6.1 General Termination Rights and Benefits. If the Executive's employment by the Company is terminated after a Change in Control for any reason (whether by the Company or the Executive), the Company shall pay to the Executive the payments described in Subsections (A) through (E) below.

(A) Previously Earned Salary. The Company shall pay the Executive's full salary to the Executive through the Date of Termination at the highest rate in effect during the period between the Potential Change in Control preceding the Change in Control and the date the Notice of Intent to Terminate is given, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

(B) Previously Earned Benefits. The Company shall pay the Executive's normal post-termination compensation and benefits to the Executive as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance, pension, welfare and other compensation or benefit plans, programs and arrangements.

(C) Payment of Vested Bonus Amounts. Except to the extent that the Company has previously paid to the Executive all or a portion of his Vested Bonus Amount pursuant to Section 5.1 hereof, the Company shall pay to the Executive a lump sum cash payment equal to the Executive's Vested Bonus Amount.

(D) Payment of Vested PSU Amounts. Except to the extent that the Company has previously paid to the Executive all or a portion of his Vested PSU Amount pursuant to Section 5.2 hereof, the Company shall pay to the Executive a lump sum cash payment equal to the Executive's Vested PSU Amount.

(E) Payment of Vested Pension Benefit. Except to the extent the Company has previously paid to the Executive the Executive's Vested Pension Benefit as provided in Section 5.3(b) hereof, the Company shall pay to the Executive a lump sum cash payment equal to the Executive's Adjusted Vested Pension Benefit.

6.2 Severance Benefits. In addition to the payments provided for by Section 6.1 hereof, the Company shall pay to the Executive the payments described in Subsections (A) through (D) below (the "Severance Benefits") upon termination of the Executive's employment with the Company during the Coverage Period, unless such termination is (a) by the Company for Cause, (b) by reason of the Executive's death or Disability, (c) after the Executive attains age sixty-five (65), or (d) by the Executive without Good Reason.

(A) Lump-Sum Severance Payment. In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to three (3) (or, if less, the number of years, including fractions, from the Date of Termination until the Executive would have reached age sixty-five (65)) times the sum of (a) the Executive's

Annual Base Salary and (b) the Executive's Annual Bonus.

(B) Continued Benefits. For a thirty-six (36) month period (or, if less, the number of months from the Date of Termination until the Executive would have reached age sixty-five (65)) after the Date of Termination, the Company shall provide the Executive with life insurance, health, disability and other welfare benefits ("Welfare Benefits") substantially similar in all respects to those which the Executive is receiving immediately prior to the Notice of Termination (without giving effect to any reduction in such benefits subsequent to the Potential Change in Control preceding the Change in Control or the Change in Control which reduction constitutes or may constitute Good Reason). Benefits otherwise receivable by an Executive pursuant to this Section 6.2(B) shall be reduced to the extent substantially similar benefits are actually received by or made available to the Executive by any other employer during the same time period for which such benefits would be provided pursuant to this Section 6.2(B) at a cost to the Executive that is commensurate with the cost incurred by the Executive immediately prior to the Executive's Date of Termination (without giving effect to any increase in costs paid by the Executive after the Potential Change in Control preceding the Change in Control or the Change in Control which constitutes or may constitute Good Reason); provided, however, that if the Executive becomes employed by a new employer which maintains a medical plan that either (i) does not cover the Executive or a family member or dependent with respect to a preexisting condition which was covered under the applicable Company medical plan, or (ii) does not cover the Executive or a family member or dependent for a designated waiting period, the Executive's coverage under the applicable Company medical plan shall continue (but shall be limited in the event of noncoverage due to a preexisting condition, to such preexisting condition) until the earlier of the end of the applicable period of noncoverage under the new employer's plan or the third anniversary of the Executive's Date of Termination. The Executive agrees to report to the Company any coverage and benefits actually received by the Executive or made available to the Executive from such other employer(s). The Executive shall be entitled to elect to change his level of coverage and/or his choice of coverage options (such as Executive only or family medical coverage) with respect to the Welfare Benefits to be provided by the Company to the Executive to the same extent that

actively employed senior executives of the Company are permitted to make such changes; provided, however, that in the event of any such changes the Executive shall pay the amount of any cost increase that would actually be paid by an actively employed executive of the Company by reason of making the same change in his level of coverage or coverage options.

(C) Outstanding Awards. If the Executive's Date of Termination occurs within the Coverage Period and during any calendar year following the calendar year during which a Change in Control occurs, the Executive shall be entitled to a lump sum cash payment with respect to each outstanding contingent target PSU and AIP grant under the KEIP (or any similar types of grants under any replacement plan or program) equal to the sum of: (i) the product of (x) and (y), where (x) is an amount equal to the 100% target award amount of all then outstanding contingent target PSU grants under the KEIP (or similar types of grants under any replacement plan or program) for the applicable award period that includes the Executive's Date of Termination, and (y) is a fraction the numerator of which is the number of days from and including the first day of the applicable award period that includes the Executive's Date of Termination until (and including) the Executive's Date of Termination and the denominator of which is the number of days in the applicable award period; and (ii) the product of (x) and (y), where (x) is an amount equal to the greater of (A) the 100% target award amount of all then outstanding contingent target AIP grants made to the Executive under the KEIP (or similar types of grants under any replacement plan or program), and (B) the amount that would have been payable to the Executive under such contingent target AIP grants as of the end of the applicable award period, calculated utilizing as the applicable performance factors the actual performance of the Executive and the Company on an annualized basis as of the Executive's Date of Termination, and (y) is a fraction the numerator of which is the number of days from and including the first day of the applicable award period that includes the Executive's Date of Termination until (and including) the Executive's Date of Termination and the denominator of which is the number of days in the applicable award period. Contingent PSU grants under the KEIP or a similar type of grant under a replacement plan or program shall be valued at the highest closing price of the Company's Common Stock on the New York Stock Exchange during the sixty (60) day period

preceding and including the Executive's Date of Termination.

(D) Relocation Allowance. The Company shall pay to the Executive a relocation allowance of $75,000; provided, however, that any such payment shall be reduced by any payments received by the Executive from any successor employer for the purpose of reimbursing the Executive for costs of relocation. The Executive agrees to report to the Company any such payments from any successor employer and agrees to reimburse to the Company any amounts received from the Company pursuant to this Section 6.2(D) that should have been so reduced.

6.3 Gross-Up Payment. In the event that the Executive becomes entitled to the Severance Benefits or any other benefits or payments under this Agreement (other than pursuant to this Section 6.3.) or the KEIP by reason of the accelerated vesting of stock options thereunder (together, the "Total Benefits"), and in the event that any of the Total Benefits will be subject to the Excise Tax, the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Benefits and any federal, state and local income tax, Excise Tax and FICA and Medicare withholding taxes upon the payment provided for by this Section 6.3, shall be equal to the Total Benefits.

For purposes of determining whether any of the Total Benefits will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by the Executive in connection with a Change in Control or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other agreement, plan or arrangement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel ("Tax Counsel") selected by the Company's independent auditors and acceptable to the Executive, such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the

meaning of Section 280G(b)(4) of the Code in excess of the Base Amount, or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Benefits which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Benefits reduced by the amount of such Total Benefits that in the opinion of Tax Counsel are not parachute payments, or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the Date of Termination, net of the reduction in federal income taxes which could be obtained from deduction of such state and local taxes (calculated by assuming that any reduction under Section 68 of the Code in the amount of itemized deductions allowable to the Executive applies first to reduce the amount of such state and local income taxes that would otherwise be deductible by the Executive).

In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of the Executive's employment, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax, federal, state and local income taxes and FICA and Medicare withholding taxes imposed on the portion of the Gross-Up Payment being repaid by the Executive to the extent that such repayment results in a reduction in Excise Tax, FICA and Medicare withholding taxes and/or federal, state or local income taxes) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of the Executive's employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the

Company shall make an additional Gross-Up Payment, determined as previously described, to the Executive in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined.

6.4 Timing of Payments. The payments provided for in Sections 6.1 through 6.3 (other than Section 6.2(B) hereof) shall be made not later than the fifth (5th) day following the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the fifth (5th) day following the Date of Termination to the payment of such remainder) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the fifth (5th) day following the Date of Termination to the repayment of such excess).

6.5 Reimbursement of Legal Costs. The Company shall pay to the Executive all legal fees and expenses incurred by the Executive as a result of a termination which entitles the Executive to any payments under this Agreement including all such fees and expenses, if any, incurred in contesting or disputing any Notice of Intent to Terminate under Section 7.3 hereof or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's respective written requests for payment accompanied by such evidence of fees and expenses incurred as the Company reasonably may require.

7 Termination Procedures and Compensation During Dispute

7.1 Notice of Intent To Terminate. After a Change in Control, any purported termination of the Executive's employment (other than by reason of death) must be preceded by a written Notice of Intent to Terminate from one party hereto to the other party hereto in accordance with Section 8.6 hereof. For purposes of this Agreement, a "Notice of Intent to Terminate" shall mean a notice which shall indicate the notifying party's opinion regarding the specific provisions of this Agreement that will apply upon such termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for the application of the provisions indicated. Further, a Notice of Intent to Terminate for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (a) or (b) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination", with respect to any purported termination of the Executive's employment after a Change in Control, shall mean (except as provided in Section 7.3 hereof) (a) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Intent to Terminate is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (b) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Intent to Terminate (which (i) in the case of a termination by the Company, shall not be less than thirty (30) days, except in the case of a termination for Cause in which case it shall not be less than ten (10) days, provided that the Company may require the Executive not to report to work during such ten (10) day period and (ii) in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Intent to Terminate is given).

7.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Intent to Terminate is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7.3), the party receiving such Notice of Intent to Terminate notifies the other party that a dispute exists concerning the termination or the provisions of this Agreement that apply to such termination, the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

7.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and such termination or the provisions of this Agreement that apply upon such termination is disputed in accordance with Section 7.3 hereof (including a dispute as to the existence of good faith and/or reasonable diligence thereunder), the Company shall continue to pay the Executive the full compensation (including, but not limited to, salary) at the Executive's Annual Base Salary and continue his participation in all compensation plans required to be maintained hereunder and continue to provide to the Executive the Welfare Benefits provided for in Section 6.2(B) hereof until the dispute is finally resolved in accordance with Section 7.3 hereof. Amounts paid under this Section 7.4 are in addition to all other amounts due under this Agreement (other than those due under Section 6.1(A) hereof) and shall not be offset against or reduce any other amounts due under this Agreement.

8 Miscellaneous

8.1 No Mitigation. The Company agrees that, if the Executive's employment by the Company is terminated during the Coverage Period, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Agreement. Further, the amount of any payment or benefit provided for under this Agreement (other than to the extent provided in Section 6.2(B) and Section 6.2(D)) shall not be reduced by any compensation earned by the Executive as the

result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

8.2 Successors. In addition to any obligations imposed by law upon any successor to the Company, the Company shall be obligated to require any successor (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation and benefits from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason during the Coverage Period.

8.3 Terminations in Anticipation of Change in Control. The Executive's employment shall be deemed to have been terminated by the Company without Cause during the Coverage Period if the Executive's employment is terminated by the Company without Cause prior to a Change in Control and such termination of employment (a) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (b) otherwise arose in connection with or in anticipation of a Change in Control. The Executive's employment shall be deemed to have been terminated by the Executive for Good Reason during the Coverage Period if the Executive terminates his employment with Good Reason prior to a Change in Control if the circumstance or event which constitutes Good Reason (a) occurs at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in connection with or in anticipation of a Change in Control. In the event of a termination of employment described in this Section 8.3, the Executive shall be entitled to all payments and other benefits to which the Executive would have been entitled had such termination occurred during the Coverage Period (other than salary pursuant to Section 6.1(A) hereof for any period after the actual date of termination) and the Executive shall be entitled to an additional payment in an amount which shall compensate the Executive to the extent that the Executive was deprived by such termination of the

opportunity prior to termination of employment to exercise stock options granted to him under the KEIP at the highest market price of the Company's Common Stock reached in connection with the Change in Control or Potential Change in Control if a Potential Change in Control shall occur and not be followed by a Change in Control within twelve (12) months of the Potential Change in Control. In the event that the termination of employment of the Executive as described in this Section 8.3 occurs following a Potential Change in Control or within two (2) months prior to a Change in Control, there shall be a presumption that clauses (a) and (b) of the first two sentences of this Section 8.3 shall have been met.

8.4 Incompetency. Any benefit payable to or for the benefit of the Executive, if legally incompetent, or incapable of giving a receipt therefor, shall be deemed paid when paid to the Executive's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company.

8.5 Death. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

8.6 Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Hershey Foods Corporation
100 Crystal A Drive
Hershey, PA 17033-0810

Attention:

Chairman of the Board

To the Executive:

At the address listed on the first page hereof.

8.7 Modification, Waiver. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8.8 Entire Agreement. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

8.9 Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware.

8.10 Statutory Changes. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

8.11 Withholding. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed.

8.12 Validity. The invalidity or unenforceability or any provision of this Agreement

shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

8.13 No Right to Continued Employment. Nothing in this Agreement shall be deemed to give the Executive the right to be retained in the employ of the Company, or to interfere with the right of the Company to discharge the Executive at any time and for any lawful reason, subject in all cases to the terms of this Agreement.

8.14 No Assignment of Benefits. Except as otherwise provided herein or by law, no right or interest of the Executive under the Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of the Executive under this Agreement shall be liable for, or subject to, any obligation or liability of the Executive.

8.15 Burden. In any proceeding (regardless of who initiates such proceeding) in which the payment of Severance Benefits or other compensation or benefits under this Agreement is at issue, the burden of proof as to whether Cause exists for purposes of this Agreement shall be upon the Company.

8.16 Reduction of Benefits By Legally Required Benefits. Notwithstanding any other provision of this Agreement to the contrary, if the Company is obligated by law or by contract (other than under this Agreement) to pay severance pay, a termination indemnity, notice pay, or the like, or if the Company is obligated by law or by contract to provide advance notice of separation ("Notice Period"), then any Severance Benefits hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any pay received during any Notice Period; provided, however, that the period following a Notice of Intent to Terminate shall not be considered a Notice Period.

8.17 Consent to Cancellation of Awards. The Company may condition the payment to the Executive of his Vested Bonus Amount and/or his Vested PSU Amount under this Agreement upon the Executive's providing a written consent to the cancellation of the contingent target AIP and PSU grants and/or the AIP and PSU Awards

for which payment has been deferred on which the Executive's Vested Bonus Amount and/or Vested PSU Amount is based and in lieu of which such amounts are paid.

8.18 Consent to Reduction of SERP Benefit. The Company may condition the payment to the Executive of his Vested Pension Benefit or his Adjusted Vested Pension Benefit under this Agreement or the providing of any benefit or payment under Section 5.3(g) hereof upon the Executive's providing a written consent to the reduction of his monthly benefit to be paid under the SERP, such reduction to be in the amount of the SERP Benefit or Adjusted SERP Benefit, as applicable, which was used in the calculation of the Executive's Vested Pension Benefit or Adjusted Vested Pension Benefit or the amount of any payments or benefits provided under Section 5.3(g) hereof.

8.19 Employment by or Transfer to Subsidiary. In the event that the Executive is employed by or transferred to a Subsidiary, the Company agrees that this Agreement shall be amended in such manner as may be necessary or appropriate to ensure that this Agreement provides or continues to provide the Executive with the benefits and protections intended to be provided hereby.

8.20 Headings. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.

9 Definitions

9.1 "AIP" means the Annual Incentive Program under the KEIP.

9.2 "Annual Base Salary" means the higher of (a) the Executive's highest annual base salary in effect during the one (1) year period preceding a Change in Control, or (b) the Executive's highest annual base salary in effect during the one year period preceding the Executive's Date of Termination. For purposes of the foregoing, salary reduction elections pursuant to Sections 125 and 401(k) of the Code shall not be taken into account.

9.3 "Annual Bonus" means the highest of (a) the average of the three highest bonuses paid or payable, including any bonus or portion thereof which has been

earned but deferred, to the Executive by the Company in respect of the five fiscal years (or such shorter period during which the Executive has been employed by the Company) immediately preceding the fiscal year in which a Change in Control occurs (annualized for any fiscal year during such period consisting of less than twelve full months or with respect to which the Executive has been employed by the Company for less than twelve full months), (b) the bonus paid or payable (annualized as described above), including any bonus or portion thereof which has been earned but deferred, to the Executive by the Company in respect of the most recently completed fiscal year prior to the Change in Control, (c) the bonus paid or payable (annualized as described above), including any bonus or portion thereof which has been earned or deferred, for the most recently completed fiscal year preceding the Executive's Date of Termination, and (d) 100% of the Executive's target bonus award amount for the year including the Executive's Date of Termination. For purposes herein, only payments under the AIP (as well as payments under any substitute plan or program) shall be treated as bonus payments.

9.4 "Base Amount" shall have the meaning ascribed to such term in Section 280G(b)(3) of the Code.

9.5 "Board" means the Board of Directors of the Company.

9.6 "Cause" means:

(a) the willful and continued failure of the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties; or

(b) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or

omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon prior approval given by the Board or upon the instructions or with the approval of the Chief Executive Officer or the Executive's superior or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in clause (a) or (b) above, and specifying the particulars thereof in detail.

9.7 A "Change in Control" means:

(a) The acquisition or holding by any Person of beneficial ownership (within the meaning of Section 13(d) under the Exchange Act and the rules and regulations promulgated thereunder) of shares of the Common Stock and/or the Class B Common Stock of the Company representing 25% or more of either (i) the total number of then outstanding shares of both Common Stock and Class B Common Stock of the Company (the "Outstanding Company Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Power"), provided that, at the time of such acquisition or holding of beneficial ownership of any such shares, the Hershey Trust does not beneficially own more than 50% of the Outstanding Company Voting Power; and provided, further, that any such acquisition or holding of beneficial ownership of shares of either Common Stock or Class B Common Stock of the Company by any of the following entities shall not by itself constitute such a Change in Control hereunder: (i) the Hershey Trust; (ii) any trust established by the Company or any Subsidiary for the benefit of the Company and/or its employees or those of any Subsidiary; or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or by any Subsidiary; or

(b) The approval by the stockholders of the Company of any merger, reorganization, recapitalization, consolidation or other form of business combination (a "Business Combination") if, following consummation of such Business Combination, the Hershey Trust does not beneficially own more than 50% of the total voting power of all outstanding voting securities of the surviving entity or entities; or

(c) The approval by the stockholders of the Company of (i) any sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation as to which the Hershey Trust beneficially owns more than 50% of the total voting power of all outstanding voting securities, or (ii) a liquidation or dissolution of the Company.

9.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

9.9 "Company" means Hershey Foods Corporation, a Delaware corporation.

9.10 "Coverage Period" means the period, commencing on the date on which a Change in Control occurs and ending on the second anniversary date thereof.

9.11 "Date of Termination" has the meaning assigned to such term in Section 7.2 hereof.

9.12 "Disability" means the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably), provided that such absence shall constitute "Disability" only if the Executive is entitled to long-term disability benefits for the period of his disability after such 180 day period at least equal to 70% of the greater of the Executive's base salary as of the first day of such 180 day period or his Annual Base Salary. Such requirement of entitlement to long-term disability benefits shall not apply in making determinations under Section 4 of this Agreement.

9.13 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

9.14 "Excise Tax" means any excise tax imposed under Section 4999 of the Code.

9.15 "Good Reason" means:

(a) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting relationships), authority, duties or responsibilities immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control or any other action by the Company which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(b) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(c) the failure by the Company to increase the Executive's base salary each year after a Change in Control by an amount which at least equals, on a percentage basis, the mean average percentage increase in base salary for all officers of the Company during the two full calendar years immediately preceding the Change in Control;

(d) the Company's requiring the Executive to be based at any office or location that is more than 35 miles from the Executive's office or location immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control but only if such change involves a material increase in the Executive's cost of living and is not accompanied by a commensurate increase in compensation and benefits;

(e) the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control;

(f) the failure by the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's current compensation, or to

pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company within seven (7) days of the date such compensation is due;

(g) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to either the Potential Change in Control preceding the Change in Control or the Change in Control which is material to the Executive's total compensation, including but not limited to the KEIP and the SERP or any substitute or alternative plans adopted prior to either such Potential Change in Control or Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of such Potential Change in Control or Change in Control;

(h) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension, life insurance, medical, health and accident, disability or other welfare plans in which the Executive was participating at the time of either the Potential Change in Control preceding the Change in Control or the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of such Potential Change in Control or Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of such Potential Change in Control or Change in Control;

(i) any purported termination by the Company of the Executive's employment after a Change in Control otherwise than in accordance with the termination procedures of Sections 7.1 through 7.4 hereof;

(j) any material failure by the Company to comply with and satisfy any of its obligations under this Agreement after a Potential Change in Control that is followed within one (1) year by a Change in Control; or

(k) The Company's or its controlling Person's or any affiliate's, engaging in any act, practice, or line of business which (x) is illegal, (y) is unethical or (z) is otherwise inconsistent with the unique character, culture and/or reputation of the Company, deriving from its origins and traditions, as they existed prior to the Change in Control, provided that any termination by the Executive by reason of the invocation of clause (z) of this Subsection (k) must be the subject of a Notice of Intent to Terminate which is delivered to the Company within 60 days following any Change in Control described in Subsections 9.7(b) or (c) and within six months following any Change in Control described in Subsection 9.7(a).

For purposes of this Agreement, any determination of Good Reason made by the Executive in good faith shall be conclusive and binding upon the Company.

9.16 "Hershey Trust" means either or both of (a) the Hershey Trust Company, a Pennsylvania corporation, as Trustee for the Milton Hershey School, or any successor to the Hershey Trust Company as such trustee, and (b) the Milton Hershey School, a Pennsylvania not-for-profit corporation.

9.17 "KEIP" means the Hershey Foods Corporation 1987 Key Employee Incentive Plan and any successor or replacement plan thereof.

9.18 "Notice of Intent to Terminate" shall have the meaning assigned to such term in Section 7.1 hereof.

9.19 "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Section 13(d)(3) thereof.

9.20 "Potential Change in Control" means the occurrence of any of the following:

(a) The Hershey Trust, or any Person acting or purporting to act on its (or their) behalf, makes a public announcement that it (or they), or its (or their) Board of Directors or Board of Managers or any other responsible official, (i) intends to take, (ii)

is taking or (iii) has taken actions which would lead to a Change in Control (a "public announcement" being defined for this purpose as any statement quoted or otherwise reported in any print, broadcast, wire service or other means of publication available to the public in any locality in which any employee of the Company is regularly located);

(b) The Hershey Trust enters into any contract, agreement or other arrangement with any Person which would lead to a Change in Control; or

(c) The Board approves a transaction described in subsection (b) or (c) of the definition of Change in Control contained in Section 9.7 hereof.

9.21 A "Section 9.21 Change in Control" means a Change in Control described in subsection (b) of Section 9.7 hereof which meets the following conditions: (a) the transaction constituting the Change in Control was initially proposed by the Board and was approved in advance by the Board (consisting of directors two-thirds (2/3) of whom shall have been serving as directors at the time of the Potential Change in Control preceding the Change in Control); and (b) following consummation of such Change in Control, persons who served as members of the Board prior to such Change in Control constitute at least 50% of the board of directors of the surviving entity or entities following such Change in Control.

9.22 "SERP" means the Hershey Foods Corporation Supplemental Executive Retirement Plan.

9.23 "Severance Benefits" has the meaning assigned to such term in Section 6.2 hereof.

9.24 "Subsidiary" means any corporation controlled by the Company, directly or indirectly.

9.25 "Vested Bonus Amount" shall have the meaning assigned to such term in Section 5.1 hereof.

9.26 "Vested PSU Amount" shall have the meaning assigned to such term in Section 5.2 hereof.

9.27 "Welfare Benefits" shall have the meaning ascribed to such term in Section 6.2(B) hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officer, thereunto duly authorized, and Executive has executed this Agreement, all as of the day and year first above written.

HERSHEY FOODS CORPORATION

By__________________________

____
Executive

EXHIBIT 12

HERSHEY FOODS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
For the Years Ended December 31, 1994, 1993, 1992, 1991, and 1990
(in thousands of dollars except for ratios)
(Unaudited)

	1994	1993	1992	1991	1990
Earnings:					
Income from continuing operations before income taxes and accounting changes	$333,138(a)	$510,875(b)	$400,988	$363,457	$361,518(d)
Add (Deduct):					
Interest on indebtedness	37,249	30,224	29,708	29,269	26,319
Portion of rents representative of the interest factor(c)	8,556	8,175	7,987	7,785	6,939
Amortization of debt expense	64	84	165	284	270
Amortization of capitalized interest	2,958	2,684	1,988	1,390	1,147
Adjustment for equity companies(d)	-	-	628	262	(1,258)
Adjustment for majority-owned subsidiary(e)	-	-	17	(116)	(397)
Earnings as adjusted	$381,965	$552,042	$441,481	$402,331	$394,538
Fixed Charges:					
Interest on indebtedness	$37,249	$30,224	$29,708	$29,269	$26,319
Portion of rents representative of the interest factor(c)	8,556	8,175	7,987	7,785	6,939
Amortization of debt expense	64	84	165	284	270
Capitalized interest	3,009	4,646	12,055	10,386	5,875
Adjustment for 50% equity company(f)	-	-	-	21	47
Total fixed charges	$48,878	$43,129	$49,915	$47,745	$39,450
Ratio of earnings to fixed charges	7.81	12.80	8.84	8.43	10.00

NOTES:

(a) Includes a restructuring charge of $106.1 million.

(b) Includes a gain of $80.6 million on the sale of the Corporation's 18.6% investment interest in Freia Marabou a.s.

(c) Portion of rents representative of the interest factor consists of one-third of rental expense for operating leases.

(d) Adjustment for equity companies includes the eliminations from income of both undistributed earnings and losses of companies in which at least 20% but less than 50% equity is owned. In May 1990, the Corporation sold its equity interest in AB Marabou resulting in a non-recurring gain of $60.5 million. In April 1992, the Corporation sold its equity interest in its Brazilian joint venture.

(e) In December 1992, the Corporation purchased the remaining shares of Hershey Japan. Prior to the acquisition, the Corporation owned 51% of Hershey Japan.

(f) In October 1991, the Corporation purchased the shares of Nacional de Dulces, S.A. de C.V., subsequently renamed Hershey Mexico, S.A. de C.V. (Hershey Mexico), owned by its joint venture partner, Grupo Carso, S.A. de C.V. Prior to the acquisition, the Corporation owned 50% of the outstanding stock of Hershey Mexico.

MANAGEMENT'S DISCUSSION AND ANALYSIS - FINANCIAL REVIEW

Summary of Consolidated Operating Results

The Corporation achieved increased sales in 1994 and 1993. Net sales during this two-year period increased at a compound annual rate of 6%, primarily reflecting volume growth from new product introductions and international acquisitions, and pasta price increases. These increases were offset somewhat by lower sales for existing confectionery brands in most of the Corporation's domestic and international markets beginning late in the first quarter of 1993.

Hershey Pasta Group increased wholesale prices and curtailed certain promotion allowances in late 1993 and early 1994 because of increased semolina costs. The combined price increases averaged approximately 4%.

During the fourth quarter of 1994, the Corporation recorded a pre-tax restructuring charge of $106.1 million which reduced net income by $80.2 million. The restructuring charge was the result of a comprehensive review of domestic and international operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision making process.

Effective January 1, 1993, the Corporation adopted Statements of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" (FAS No. 106) and No. 109 "Accounting for Income Taxes" (FAS No. 109) by means of catch-up adjustments. The net charge associated with these changes in accounting had the effect of decreasing net income by approximately $103.9 million, or $1.16 per share.

In March 1993, the Corporation recorded a pre-tax gain of $80.6 million on the sale of its 18.6% investment interest in Freia Marabou a.s (Freia) which had the effect of increasing net income by $40.6 million.

Income, excluding the 1994 restructuring charge, increased at a compound annual rate of 4% during the two-year period. This increase was a result of the growth in sales, partially offset by a lower gross profit margin and higher selling, marketing and administrative expenses.

Summary of Financial Position and Liquidity

The Corporation's financial position remained strong during 1994. The capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 25% as of December 31, 1994, and 27% as of December 31, 1993. The ratio of current assets to current liabilities was 1.2:1 as of December 31, 1994, and 1.1:1 as of December 31, 1993.

Historically, the Corporation's major source of financing has been cash generated from operations. Generally, seasonal working capital needs peak during the summer months and have been met by issuing commercial paper.

During the three-year period ended December 31, 1994, the Corporation's cash and cash equivalents decreased by $44.4 million. Total debt, including debt assumed, increased by $114.5 million during this same period reflecting the financing needs for several business acquisitions and a share repurchase program.

The Corporation anticipates that capital expenditures will be in the range of $125 million to $175 million per annum during the next several years as a result of continued modernization of existing facilities and capacity expansion to support new products and line extensions. As of December 31, 1994, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization.

Gross proceeds from the sale of the Corporation's Freia investment interest in the amount of $259.7 million were received in April 1993 and a portion thereof was used for the early repayment of long-term debt.

In the second quarter of 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of its Common Stock. A total of 3,451,139 shares has been repurchased under the program, of which 3,187,139 shares were held as Treasury Stock as of December 31, 1994.

As of December 31, 1994, $100 million of debt securities remained available for issuance under a Form S-3 Registration Statement which was declared effective in June 1990. In November 1993, the Corporation filed another Form S-3 Registration Statement under which it may offer up to $400 million of additional debt securities. Proceeds from any offering of the $500 million of debt securities available under these shelf registrations may be used to reduce existing commercial paper borrowings, finance capital additions, and fund the share repurchase program and future business acquisitions.

Acquisitions and Divestiture

Operating results during the period were impacted by the following:

- October 1993 - The purchase of the outstanding shares of Overspecht B.V. (OZF Jamin). OZF Jamin manufactures chocolate and non-chocolate confectionery products, cookies, biscuits and ice cream for distribution primarily to customers in the Netherlands and Belgium.

- September 1993 - The acquisition of the Italian confectionery business of Heinz Italia S.p.A. (Sperlari). Sperlari is a leader in the Italian non-chocolate confectionery market and manufactures and distributes a wide range of confectionery products, including nougat and sugar candies. Products are marketed primarily under the SPERLARI, DONDI and SCARAMELLINI brands.

- March 1993 - The acquisition of certain assets of the Cleveland-area Ideal Macaroni and Weiss Noodle companies (Ideal/Mrs. Weiss).

. April 1992 - The sale of Hershey do Brasil Participacoes Ltda., a holding company which owned a 41.7% equity interest in Petybon S.A., to the Bunge & Born Group. Petybon S.A., located in Brazil,is a producer of pasta, biscuits and margarine products.

A further discussion of these acquisitions and divestiture can be found in Note 2 to the consolidated financial statements.

Other Items

The Corporation's net sales, net income and cash flows are affected by the timing of business acquisitions, new product introductions, promotional activities, price increases, and a seasonal sales bias toward the second half of the year. These factors, together with sluggish demand for existing brands, caused a decline in net sales and net income in the first quarter of 1994.

The Corporation's most significant raw materials include cocoa, sugar, milk, peanuts, flour and almonds. The Corporation attempts to minimize the effect of price fluctuations related to the purchase of these raw materials primarily through forward purchasing to cover future manufacturing requirements generally for periods from 3 to 24 months. With regard to cocoa and sugar, price risks are also managed by entering into futures and options contracts. At the present time, similar futures and options contracts are not available for use in pricing the Corporation's other major raw materials. Futures contracts are used in combination with forward purchasing of cocoa and sugar requirements principally to take advantage of market fluctuations which provide more favorable pricing opportunities and to increase diversity or flexibility in sourcing these raw materials. The Corporation's commodity procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

The cost of cocoa beans and the prices for the related commodity futures contracts historically have been subject to wide fluctuations attributable to a variety of factors, including the effect of weather on crop yield, other imbalances between supply and demand, currency exchange rates and speculative influences. Cocoa crops for the most recent four years fell somewhat short of demand resulting in supply deficits. Market prices in 1994 moved higher as a result of the supply deficits and this trend could continue in 1995 if stocks decline further. The Corporation's costs during 1995 will not necessarily reflect market price fluctuations because of its forward purchasing practices, premiums and discounts reflective of relative values, varying delivery times, and supply and demand for specific varieties and grades of cocoa beans.

The major raw material used in the manufacture of pasta products is semolina milled from durum wheat. The Corporation purchases semolina from commercial mills and is also engaged in a custom milling agreement to obtain sufficient quantities of semolina. In 1994, the Corporation's semolina costs per pound were the highest since 1981. The exceptionally high costs resulted from short supplies caused by a poor harvest in 1993, combined with U.S Government tariffs on imports of Canadian wheat. The tariff agreement is scheduled to end in September 1995, but could be extended by the U.S Government.

Generally, the Corporation has been able to offset the effects of increases in the cost of its major raw materials, particularly cocoa beans, through selling price increases or reductions in product weights. Conversely, declines in the cost of major raw materials have served as a source of funds to maintain selling price stability, enhance consumer value through increases in product weights, respond to competitive activity, develop new products and markets, and offset rising costs of other raw materials and expenses.

Capital Structure

The Corporation has two classes of stock outstanding, Common Stock and Class B Common Stock (Class B Stock). Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

The Corporation's Common Stock is listed on the New York Stock Exchange (NYSE). On December 19, 1994, the Securities and Exchange Commission approved the previously proposed uniform voting rights policy which has been adopted by the NYSE, the American Stock Exchange and the National Association of Securities Dealers. The policy provides that the voting rights of existing holders of publicly traded common stock cannot be disparately reduced or restricted through any corporate action or issuance. Under the policy, the Corporation's and other listed companies' existing dual class structures have been grandfathered.

Market Prices and Dividends

Cash dividends paid on the Corporation's Common Stock and Class B Stock were $107.0 million in 1994 and $100.5 million in 1993. The annual dividend rate on the Common Stock is $1.30 per share, an increase of 8%

over the 1993 rate of $1.20 per share. The 1994 dividend represented the 20th consecutive year of Common Stock dividend increases.

On February 7, 1995, the Corporation's Board of Directors declared a quarterly dividend of $.325 per share of Common Stock payable on March 15, 1995, to stockholders of record as of February 24, 1995. It is the Corporation's 261st consecutive Common Stock dividend. A quarterly dividend of $.295 per share of Class B Stock also was declared.

Hershey Foods Corporation's Common Stock is listed and traded principally on the NYSE under the ticker symbol "HSY." Approximately 31.3 million shares of the Corporation's Common Stock were traded during 1994.

The closing price of the Common Stock on December 31, 1994, was $48-3/8. The Class B Stock is not publicly traded. There were 34,327 stockholders of record of the Common Stock and the Class B Stock as of December 31, 1994.

The following table shows the dividends paid per share of Common Stock and Class B Stock and the price range of the Common Stock for each quarter of the past two years:

	Dividends Paid Per Share		Common Stock Price Range*	
	Common Stock	Class B Stock	High	Low
1994				
1st Quarter	$ .300	$ .2725	$53-1/2	$45-3/4
2nd Quarter	.300	.2725	46-3/4	41-5/8
3rd Quarter	.325	.2950	48	41-1/8
4th Quarter	.325	.2950	49-5/8	44-1/2
Total	$1.250	$1.1350		
1993				
1st Quarter	$ .270	$ .2450	$55-7/8	$46-1/2
2nd Quarter	.270	.2450	54-5/8	45-3/4
3rd Quarter	.300	.2725	51-7/8	43-1/2
4th Quarter	.300	.2725	54-3/4	48-5/8
Total	$1.140	$1.0350		

* NYSE-Composite Quotations for Common Stock by calendar quarter.

Operating Return on Average Stockholders' Equity

The Corporation's operating return on average stockholders' equity was 18.5% in 1994. Over the most recent five-year period, the return has ranged from 16.6% in 1990 to 18.5% in 1994. For the purpose of calculating operating return on average stockholders' equity, earnings is defined as net income, excluding the after-tax gain on business restructuring in 1990, the catch-up adjustment for accounting changes and the after-tax gain on the sale of the investment in Freia in 1993, and the after-tax restructuring charge in 1994.

Operating Return on Average Invested Capital

The Corporation's operating return on average invested capital was 15.6% in 1994. Over the most recent five-year period, the return has ranged from 13.4% in 1990 to 15.6% in 1994. Average invested capital consists of the annual average of beginning and ending balances of long-term debt, deferred income taxes and stockholders' equity. For the purpose of calculating operating return on average invested capital, earnings is defined as net income, excluding the after-tax gains on business restructuring and the sale of the investment in Freia, the catch-up adjustment for accounting changes, the after-tax restructuring charge in 1994, and the after-tax effect of interest on long-term debt.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
In thousands of dollars except per share amounts

For the years ended December 31,	1994	1993	1992
Net Sales	$3,606,271	$3,488,249	$3,219,805
Costs and Expenses:			
Cost of sales	2,097,556	1,995,502	1,833,388
Selling, marketing and administrative	1,034,115	1,035,519	958,189
Total costs and expenses	3,131,671	3,031,021	2,791,577
Restructuring Charge	(106,105)	-	-
Gain on Sale of Investment Interest	-	80,642	-
Income before Interest, Income Taxes and Accounting Changes	368,495	537,870	428,228
Interest expense, net	35,357	26,995	27,240
Income before Income Taxes and Accounting Changes	333,138	510,875	400,988
Provision for income taxes	148,919	213,642	158,390
Income before Cumulative Effect of Accounting Changes	184,219	297,233	242,598
Net cumulative effect of accounting changes	-	(103,908)	-
Net Income	$ 184,219	$ 193,325	$ 242,598
Income Per Share:			
Before accounting changes	$ 2.12	$ 3.31	$ 2.69
Net cumulative effect of accounting changes	-	(1.16)	-
Net income	$ 2.12	$ 2.15	$ 2.69
Cash Dividends Paid Per Share:			
Common Stock	$ 1.250	$ 1.140	$ 1.030
Class B Common Stock	1.135	1.035	.935

The notes to consolidated financial statements are an integral part of these statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - RESULTS OF OPERATIONS

Net Sales

Net sales rose $118.0 million or 3% in 1994 and $268.4 million or 8% in 1993. The increase in 1994 was due to volume growth from new products and businesses acquired in late 1993, and pasta selling price increases. These increases were substantially offset by lower sales caused by reduced demand for existing confectionery and grocery brands which began late in the first quarter of 1993. Sales of the Corporation's Canadian and Mexican businesses were lower in 1994 due to volume declines resulting from adverse economic conditions and the impact of currency exchange rates. The increase in 1993 primarily reflected volume growth from new products and business acquisitions, and pasta selling price increases, which more than offset the effects of sluggish demand for existing brands in most of the Corporation's domestic and international markets.

Costs and Expenses

Cost of sales as a percent of net sales increased from 56.9% in 1992 to 57.2% in 1993 and 58.2% in 1994. The decrease in gross margin in 1994 was primarily the result of higher costs for certain major raw materials, particularly semolina, higher expenses for depreciation, and lower margins associated with the international businesses, partially offset by lower costs resulting from manufacturing efficiency improvements, and pasta selling price increases. The decrease in gross margin in 1993 reflected higher manufacturing costs related to new products, incremental manufacturing, shipping and depreciation costs associated with the completion and start-up of new manufacturing and distribution facilities, and recurring expenses associated with a change in accounting for post-retirement benefits. These higher costs and expenses were partially offset by lower costs for certain major raw materials and pasta price increases.

Selling, marketing and administrative costs decreased slightly in 1994 primarily due to reduced levels of promotion and advertising expenses for existing confectionery brands, largely offset by increased promotion and advertising expenses related to the introduction of new products and higher selling and administrative expenses associated with the 1993 business acquisitions. Selling, marketing and administrative costs increased in 1993 primarily as a result of higher promotion expenses associated with the sales volume growth and the introduction of new products, and incremental selling expenses related to business acquisitions.

Restructuring Charge

In the fourth quarter of 1994, the Corporation recorded a pre-tax restructuring charge of $106.1 million following a comprehensive review of domestic and international operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision-making process. The charge of $106.1 million resulted in an after-tax charge of $80.2 million or $.92 per share in 1994.

The charge included $34.3 million of severance and termination benefits for the elimination of approximately 500 positions in the manufacturing technical and administrative areas at both domestic and international operations. The charge also included anticipated losses on disposals of certain businesses of $39.1 million, product line discontinuations of $17.5 million and the consolidation of operations and disposal of machinery and equipment of $15.2 million. Approximately 60% of the charge was non-cash. Operating cash flows will be used to fund any severance or other cash items.

The restructuring program is expected to be completed in 1995 and result in annual savings of approximately $18.0 million starting in 1996.

Gain on Sale of Investment Interest

In March 1993, the Corporation sold its 18.6% investment interest in Freia and recorded a pre-tax gain of $80.6 million, or $40.6 million after tax.

Interest Expense, Net

Net interest expense increased $8.4 million in 1994 as higher short-term interest expense and reduced capitalized interest and interest income were only partially offset by lower fixed interest expense. Short-term interest expense was above prior year as a result of higher borrowing levels related to the share repurchase program and the 1993 acquisitions, and increased short-term borrowing rates. Fixed interest expense was less than prior year due to the retirement of long-term debt in 1993.

Net interest expense decreased $.2 million in 1993 as lower long-term interest expense, reflecting lower debt balances, and higher interest income more than offset a decrease in capitalized interest. Capitalized interest was below the prior year reflecting the completion of major long-term construction projects in late 1992 and early 1993 and a corresponding reduction in expenditures qualifying for interest capitalization in 1993.

Provision for Income Taxes

The Corporation's effective income tax rate was 44.7%, 41.8%, and 39.5% in 1994, 1993 and 1992, respectively. The increase in 1994 was principally due to the relatively low international income tax benefit associated with the manufacturing restructuring charge. The effective income tax rate was higher in 1993 than in 1992 largely as a result of the relatively high income taxes associated with the gain on the sale of the Freia investment and an increase in the Federal statutory income tax rate as provided for in the Revenue Reconciliation Act of 1993, which reduced net income by $5.5 million.

Net Cumulative Effect of Accounting Changes

Effective January 1, 1993, the Corporation adopted FAS No. 106 and FAS No. 109 by means of catch-up adjustments which decreased net income by approximately $103.9 million or $1.16 per share.

Net Income

Net income decreased by 5% in 1994. Excluding the after-tax effect of the 1994 restructuring charge, and the 1993 after-tax gain on the sale of the Freia investment and catch-up adjustments for accounting changes, income increased $7.8 million or 3% in 1994. Net income increased $14.1 million or 6% in 1993, excluding the catch-up adjustments for accounting changes and the Freia gain. Income as a percent of net sales, after excluding the after-tax 1994 restructuring charge and the 1993 net cumulative effect of accounting changes and the after-tax Freia gain, was 7.3% in 1994, 7.4% in 1993 and 7.5% in 1992.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
In thousands of dollars

For the years ended December 31,	1994	1993	1992
Cash Flows Provided from (Used by) Operating Activities			
Net income	$ 184,219	$ 193,325	$ 242,598
Adjustments to reconcile net income to net cash provided from operations:			
Net cumulative effect of accounting changes	-	103,908	-
Depreciation and amortization	129,041	113,064	97,087
Deferred income taxes	(2,328)	11,047	21,404
Restructuring charge	106,105	-	-
Gain on sale of investment interest	-	(80,642)	-
Changes in assets and liabilities, net of effects from business acquisitions:			
Accounts receivable -- trade	(36,696)	(100,957)	(13,841)
Inventories	7,740	32,347	(20,262)
Accounts payable	(10,230)	(12,809)	(10,715)
Other assets and liabilities	(60,577)	110,259	(20,707)
Other, net	20,032	9,399	649
Net Cash Provided from Operating Activities	337,306	378,941	296,213
Cash Flows Provided from (Used by) Investing Activities			
Capital additions	(138,711)	(211,621)	(249,795)
Business acquisitions	-	(164,787)	-
Sale (purchase) of investment interest	-	259,718	(179,076)
Other, net	(6,293)	(1,947)	6,581
Net Cash (Used by) Investing Activities	(145,004)	(118,637)	(422,290)
Cash Flows Provided from (Used by) Financing Activities			
Net (decrease) increase in short-term debt	(20,503)	67,485	201,425
Long-term borrowings	102	1,130	1,259
Repayment of long-term debt	(14,413)	(104,792)	(32,173)
Cash dividends paid	(106,961)	(100,499)	(91,444)
Repurchase of Common Stock	(39,748)	(131,783)	-
Net Cash (Used by) Provided from Financing Activities	(181,523)	(268,459)	79,067
Increase (Decrease) in Cash and Cash Equivalents	10,779	(8,155)	(47,010)
Cash and Cash Equivalents as of January 1	15,959	24,114	71,124
Cash and Cash Equivalents as of December 31	$ 26,738	$ 15,959	$ 24,114
Interest Paid	$ 36,803	$ 32,073	$ 29,515
Income Taxes Paid	177,876	171,586	151,490

The notes to consolidated financial statements are an integral part of these statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CASH FLOWS

Summary

Over the past three years, cash provided from operating activities and the net cash from the purchase and subsequent sale of the Corporation's investment interest in Freia exceeded cash requirements for capital additions and dividend payments by $194.1 million. Total debt, including debt assumed, increased during the period by $114.5 million, reflecting the financing needs for several business acquisitions and a share repurchase program. Cash and cash equivalents decreased by $44.4 million during the period.

The Corporation's income and, consequently, cash provided from operations during the year is affected by seasonal sales patterns, the timing of new product introductions, business acquisitions and price increases. Chocolate, confectionery and grocery seasonal and holiday-related sales have typically been highest during the third and fourth quarters of the year, representing the principal seasonal effect. Generally, the Corporation's seasonal working capital needs peak during the summer months and have been met by issuing commercial paper.

Operating Activities

During the past three years, depreciation and amortization have increased significantly as a result of continuing investment in capital additions and business acquisitions. Cash requirements for accounts receivable and inventories have tended to fluctuate during the three-year period based on sales during December and inventory management practices. The change in cash required for or provided from other assets and liabilities between the years was primarily related to commodities transactions and the timing of payments for accrued liabilities, including income taxes and in 1994, restructuring expenses.

Investing Activities

Investing activities included capital additions, several business acquisitions, and the purchase and subsequent sale of an 18.6% investment interest in Freia in 1992 and 1993, respectively. The income tax benefit associated with the 1994 restructuring charge and income taxes paid in 1993 on the Freia gain were included in operating activities. Capital additions during the past three years included the purchase of manufacturing equipment, construction of new manufacturing and office facilities, and expansion and modernization of existing facilities. Businesses acquired during the past three years included OZF Jamin, Sperlari and Ideal/Mrs. Weiss in 1993. Cash used for business acquisitions represented the purchase price paid and consisted of the current assets, property, plant and equipment, and intangibles acquired, net of liabilities assumed.

Financing Activities

Financing activities included debt borrowings and repayments, payment of dividends and the repurchase of Common Stock. During the past three years, short-term borrowings in the form of commercial paper or bank borrowings were used to fund seasonal working capital requirements, business acquisitions, the purchase of the Freia investment interest and a share repurchase program. A portion of the proceeds received from the sale of the Freia investment was used to repay long-term debt in 1993.

During 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of Common Stock. As of December 31, 1994, a total of 3,451,139 shares had been repurchased at an average price of $50 per share.

HERSHEY FOODS CORPORATION
CONSOLIDATED BALANCE SHEETS
In thousands of dollars

December 31,	1994	1993
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 26,738	$ 15,959
Accounts receivable--trade	331,670	294,974
Inventories	445,702	453,442
Deferred income taxes	105,948	85,548
Prepaid expenses and other	38,608	39,073
Total current assets	948,666	888,996
Property, Plant and Equipment, Net	1,468,397	1,460,904
Intangibles Resulting from Business Acquisitions	453,582	473,408
Other Assets	20,336	31,783
Total assets	$2,890,981	$2,855,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 115,428	$ 125,658
Accrued liabilities	265,283	301,989
Accrued restructuring reserves	82,055	-
Accrued income taxes	8,718	35,603
Short-term debt	316,783	337,286
Current portion of long-term debt	7,954	13,309
Total current liabilities	796,221	813,845
Long-term Debt	157,227	165,757
Other Long-term Liabilities	303,056	290,401
Deferred Income Taxes	193,377	172,744
Total liabilities	1,449,881	1,442,747
Stockholders' Equity:		
Preferred Stock, shares issued: none in 1994 and 1993	-	-
Common Stock, shares issued: 74,679,357 in 1994 and 74,669,057 in 1993	74,679	74,669
Class B Common Stock, shares issued: 15,242,979 in 1994 and 15,253,279 in 1993	15,243	15,253
Additional paid-in capital	49,880	51,196
Cumulative foreign currency translation adjustments	(24,537)	(13,905)
Unearned ESOP compensation	(38,321)	(41,515)
Retained earnings	1,522,867	1,445,609
Treasury--Common Stock shares, at cost: 3,187,139 in 1994 and 2,309,100 in 1993	(158,711)	(118,963)
Total stockholders' equity	1,441,100	1,412,344
Total liabilities and stockholders' equity	$2,890,981	$2,855,091

The notes to consolidated financial statements are an integral part of these balance sheets.

MANAGEMENT'S DISCUSSION AND ANALYSIS - FINANCIAL CONDITION

Assets

Total assets increased $35.9 million or 1% as of December 31, 1994, primarily as a result of capital additions and increases in current assets, offset somewhat by a decrease in intangibles from business acquisitions.

Current assets increased by $59.7 million reflecting higher accounts receivable and current deferred income taxes. The increase in accounts receivable was primarily related to higher sales occurring toward the end of the year. Current deferred income taxes increased as a result of the income tax benefit associated with the restructuring charge recorded in the fourth quarter.

The $7.5 million net increase in property, plant and equipment included capital additions of $138.7 million in 1994 and depreciation expense of $114.8 million.

The decrease in intangibles resulting from business acquisitions principally reflected amortization of intangibles, adjustments associated with the restructuring plan and final accounting for 1993 business acquisitions.

Liabilities

Total liabilities increased by $7.1 million as of December 31, 1994, primarily due to increases in deferred income taxes and long-term liabilities, substantially offset by decreases in current liabilities and long-term debt.

Current liabilities decreased by $17.6 million principally as a result of decreases in accrued liabilities related to benefits, marketing promotions and the timing of income tax payments. A decrease in short-term debt reflected lower commercial paper borrowing levels as a result of cash provided from operating activities and reduced spending for stock repurchases and capital additions. These decreases were largely offset by accrued restructuring reserves of $82.1 million associated with the Corporation's restructuring plan. Total accrued restructuring reserves of $106.1 million were recorded in the fourth quarter. As of December 31, 1994, $24.0 million of these reserves had been utilized.

The increase in other long-term liabilities primarily reflected increases in liabilities associated with employee post-retirement and pension benefits.

Deferred income taxes increased principally due to higher temporary differences resulting from the use of accelerated depreciation methods for tax purposes.

Stockholders' Equity

Total stockholders' equity increased by 2% in 1994 and has increased at a compound annual rate of 8% over the past 10 years.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
In thousands of dollars

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Cumulative Foreign Currency Translation Adjustments	Unearned ESOP Compen-sation	Retained Earnings	Treasury Common Stock	Total Stockholders' Equity
Balance as of January 1, 1992	$ -	$74,921	$15,265	$52,509	$ 26,424	$(47,902)	$1,214,034	$ -	$1,335,251
Net income							242,598		242,598
Dividends:									
Common Stock, $1.030 per share							(77,174)		(77,174)
Class B Common Stock, $.935 per share							(14,270)		(14,270)
Foreign currency translation adjustments					(23,940)				(23,940)
Conversion of Class B Common Stock into Common Stock		8	(8)						-
Incentive plan transactions				(741)					(741)
Employee stock ownership trust transactions				361		3,194			3,555
Balance as of December 31, 1992	-	74,929	15,257	52,129	2,484	(44,708)	1,365,188	-	1,465,279
Net income							193,325		193,325
Dividends:									
Common Stock, $1.140 per share							(84,711)		(84,711)
Class B Common Stock, $1.035 per share							(15,788)		(15,788)
Foreign currency translation adjustments					(16,389)				(16,389)
Conversion of Class B Common Stock into Common Stock		4	(4)						-
Incentive plan transactions				(1,269)					(1,269)
Employee stock ownership trust transactions				487		3,193			3,680
Repurchase of Common Stock		(264)		(151)			(12,405)	(118,963)	(131,783)
Balance as of December 31, 1993	-	74,669	15,253	51,196	(13,905)	(41,515)	1,445,609	(118,963)	1,412,344
Net income							184,219		184,219
Dividends:									
Common Stock, $1.250 per share							(89,660)		(89,660)
Class B Common Stock, $1.135 per share							(17,301)		(17,301)
Foreign currency translation adjustments					(10,632)				(10,632)
Conversion of Class B Common Stock into Common Stock		10	(10)						-
Incentive plan transactions				(1,812)					(1,812)
Employee stock ownership trust transactions				496		3,194			3,690
Repurchase of Common Stock								(39,748)	(39,748)
Balance as of December 31, 1994	$ -	$74,679	$15,243	$49,880	$(24,537)	$(38,321)	$1,522,867	$(158,711)	$1,441,100

The notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies employed by the Corporation are discussed below and in other notes to the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies are accounted for using the equity method.

Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

Commodities Futures and Options Contracts

In connection with the purchasing of cocoa and sugar for anticipated manufacturing requirements, the Corporation enters into commodities futures and options contracts as deemed appropriate to reduce the effect of price fluctuations. In accordance with Statement of Financial Accounting Standards No. 80 "Accounting for Futures Contracts", these futures and options contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of the product cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment is computed using the straight-line method over the estimated useful lives.

Intangibles Resulting from Business Acquisitions

Intangible assets resulting from business acquisitions principally consist of the excess of the acquisition cost over the fair value of the net assets of businesses acquired (goodwill). Goodwill is amortized on a straight-line basis over 40 years. Other intangible assets are amortized on a straight-line basis over the estimated useful lives. The Corporation periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of goodwill may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Corporation uses an estimate of the acquired business' undiscounted future cash flows compared to the related carrying amount of net assets, including goodwill, to determine if an impairment loss should be recognized.

Accumulated amortization of intangible assets resulting from business acquisitions was $86.7 million and $73.4 million as of December 31, 1994 and 1993, respectively.

Foreign Currency Translation

Results of operations for international entities are translated using the average exchange rates during the period. For international entities, assets and liabilities are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Resulting translation adjustments are recorded in a separate component of stockholders' equity, "Cumulative Foreign Currency Translation Adjustments."

Foreign Exchange Contracts

The Corporation enters into foreign exchange forward and options contracts to hedge transactions primarily related to firm commitments to purchase equipment, certain raw materials and finished goods denominated in international currencies, and to hedge payment of intercompany transactions with its non-domestic subsidiaries. These contracts reduce currency risk from exchange rate movements. Gains and losses are deferred and accounted for as part of the underlying transactions. In entering into these contracts the Corporation has assumed the risk which might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation does not expect any losses as a result of counterparty defaults.

License Agreements

The Corporation has entered into license agreements under which it has access to certain trademarks and proprietary technology, and manufactures and/or markets and distributes certain products. The rights under these agreements are extendable on a long-term basis at the Corporation's option subject to certain conditions, including minimum sales levels. License fees and royalties, payable under the terms of the agreements, are expensed as incurred.

Research and Development

The Corporation expenses research and development as incurred. Research and development expense was $26.3 million, $26.2 million and $24.2 million in 1994, 1993 and 1992, respectively.

Advertising

The Corporation expenses advertising costs as incurred. Advertising expense was $120.6 million, $130.0 million and $137.6 million in 1994, 1993 and 1992, respectively. Prepaid advertising as of December 31, 1994 and 1993 was $8.5 million and $1.6 million, respectively.

2. ACQUISITIONS AND DIVESTITURE

In October 1993, the Corporation completed the purchase of the outstanding shares of Overspecht B.V. (OZF Jamin) for approximately $20.2 million, plus the assumption of approximately $13.4 million in debt. OZF Jamin manufactures chocolate and non-chocolate confectionery products, cookies, biscuits and ice cream for distribution primarily to customers in the Netherlands and Belgium.

In September 1993, the Corporation completed the acquisition of the Italian confectionery business of Heinz Italia S.p.A. (Sperlari) for approximately $130.0 million. Sperlari is a leader in the Italian non-chocolate confectionery market and manufactures and distributes a wide range of confectionery products, including nougat and sugar candies. Products are marketed primarily under the SPERLARI, DONDI and SCARAMELLINI brands.

In March 1993, the Corporation acquired certain assets of the Cleveland-area Ideal Macaroni and Weiss Noodle companies for approximately $14.6 million.

In accordance with the purchase method of accounting, the purchase prices of the acquisitions summarized above were allocated to the underlying assets and liabilities at the date of acquisition based on their estimated respective fair values which may be revised at a later date. Total liabilities assumed, including debt, were $54.0 million in 1993. Results subsequent to the dates of acquisition are included in the consolidated financial statements. Had the results of these acquisitions been included in consolidated results for the entire length of each period presented, the effect would not have been material.

In April 1992, the Corporation completed the sale of Hershey do Brasil Participacoes Ltda., a holding company which owned a 41.7% equity interest in Petybon S.A., to the Bunge & Born Group for approximately $7.0 million. Petybon S.A., located in Brazil, is a producer of pasta, biscuits and margarine products. The sale resulted in a modest pre-tax gain and a reduction in the effective income tax rate of .8% for 1992.

3. RESTRUCTURING CHARGE

In the fourth quarter of 1994, the Corporation recorded a pre-tax restructuring charge of $106.1 million following a comprehensive review of domestic and international operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision-making process. The charge of $106.1 million resulted in an after-tax charge of $80.2 million or $.92 per share in 1994.

The charge included $34.3 million of severance and termination benefits for the elimination of approximately 500 positions in the manufacturing, technical and administrative areas at both domestic and international operations. The charge also included anticipated losses on disposals of certain businesses of $39.1 million, product line discontinuations of $17.5 million and the consolidation of operations and disposal of machinery and equipment of $15.2 million. Approximately 60% of the charge was non-cash. Operating cash flows will be used to fund any severance or other cash items.

As of December 31, 1994, $24.0 million of the accrued restructuring reserves had been utilized, including $15.0 million related to product line discontinuations, $3.5 million for consolidation of operations and disposal of machinery and equipment, $3.8 million for severance liabilities and $1.7 million related to the effect of currency translation.

4. GAIN ON SALE OF INVESTMENT INTEREST

In May 1992, the Corporation completed the acquisition of an 18.6% investment interest in Freia Marabou a.s (Freia) for $179.1 million. The investment was accounted for under the cost method in 1992. In October 1992, the Corporation tendered its investment interest in response to a Kraft General Foods Holdings Norway, Inc. (KGF) bid to acquire Freia subject to certain conditions, including approval by the Norwegian government.

KGF received approval of its ownership and, in March 1993, the Corporation recorded a pre-tax gain of $80.6 million on the sale of its Freia investment. This gain had the effect of increasing net income by $40.6 million. Gross proceeds from the sale in the amount of $259.7 million were received in April 1993.

5. RENTAL AND LEASE COMMITMENTS

Rent expense was $25.7 million, $24.5 million and $24.0 million for 1994, 1993 and 1992, respectively. Rent expense pertains to all operating leases which were principally related to certain administrative buildings, distribution facilities and transportation equipment. Future minimum rental payments under non-cancellable operating leases with a remaining term in excess of one year as of December 31, 1994, were: 1995, $12.9 million; 1996, $120 million; 1997, $11.3 million; 1998, $10.8 million; 1999, $12.6

million; 2000 and beyond, $93.4 million.

6. FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of December 31, 1994 and 1993, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, approximated fair value as of December 31, 1994 and 1993, based upon quoted market prices for the same or similar debt issues.

As of December 31, 1994, the Corporation had foreign exchange forward contracts maturing in 1995 and 1996 to purchase $35.7 million in foreign currency, primarily British sterling and Canadian dollars, and to sell $7.5 million in foreign currency, primarily Japanese yen, at contracted forward rates.

To hedge foreign currency exposure related to anticipated transactions associated with the purchase of certain raw materials and finished goods generally covering 3 to 24 months, the Corporation also purchases foreign exchange options which permit but do not require the Corporation to exchange foreign currencies at a future date with another party at a contracted exchange rate. To finance premiums paid on such options, from time to time the Corporation may also write offsetting options at exercise prices which limit but do not eliminate the effect of purchased options and forward contracts as a hedge. As of December 31, 1994, the Corporation had purchased foreign exchange options of $11.6 million and written foreign exchange options of $10.9 million, principally related to British sterling.

The fair value of foreign exchange forward contracts is estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences, and the fair value of foreign exchange options is estimated using active exchange quotations. As of December 31, 1994, the fair value of foreign exchange forward and options contracts approximated carrying value. The Corporation does not hold or issue financial instruments for trading purposes.

As of December 31, 1993, the Corporation had foreign exchange forward contracts maturing in 1994 and 1995 to purchase $39.1 million in foreign currency, primarily British sterling and Canadian dollars, and to sell $3.6 million in foreign currency at contracted forward rates.

7. INTEREST EXPENSE

Interest expense, net consisted of the following:

For the years ended December 31, In thousands of dollars	1994	1993	1992
Long-term debt and lease obligations	$19,103	$23,016	$30,435
Short-term debt	21,155	11,854	11,328
Capitalized interest	(3,009)	(4,646)	(12,055)
Interest expense, gross	37,249	30,224	29,708
Interest income	(1,892)	(3,229)	(2,468)
Interest expense, net	$35,357	$26,995	$27,240

8. SHORT-TERM DEBT

Generally, the Corporation's short-term borrowings are in the form of commercial paper or bank loans with an original maturity of three months or less. The Corporation maintained lines of credit arrangements with domestic and international commercial banks, under which it could borrow in various currencies up to $516 million as of December 31, 1994, and up to $560 million as of December 31, 1993, at the lending banks' prime commercial interest rates or lower. These lines of credit, which may be used to support commercial paper borrowings, may be terminated at the option of the Corporation. The Corporation had combined domestic commercial paper borrowings and short-term international bank loans against these lines of credit of $316.8 million and $337.3 million as of December 31, 1994 and 1993, respectively. The weighted average interest rates on short-term borrowings outstanding as of December 31, 1994 and 1993, were 6.0% and 3.8%, respectively.

Lines of credit were supported by commitment fee arrangements. The fees were generally 1/8% per annum of the commitment. There were no significant compensating balance agreements which legally restricted these funds.

As a result of maintaining a consolidated cash management system, the Corporation maintains overdraft positions at certain banks. Such overdrafts, which were included in accounts payable, were $23.0 million and $17.2 million as of December 31, 1994 and 1993, respectively.

9. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31, In thousands of dollars	1994	1993
Medium-term Notes, 8.45% to 9.92%, due 1994-1998	$ 45,400	$ 55,400
8.8% Debentures due 2021	100,000	100,000
Other obligations, net of unamortized debt discount	19,781	23,666
Total long-term debt	165,181	179,066
Less -- current portion	7,954	13,309
Long-term portion	$157,227	$165,757

Aggregate annual maturities during the next five years are: 1995, $8.0 million; 1996, $2.4 million; 1997, $16.0 million; 1998, $25.6 million; and 1999, $.6 million. The Corporation's debt is principally unsecured and of equal priority. None of the debt is convertible into stock of the Corporation. The Corporation is in compliance with all covenants included in the related debt agreements.

10. INCOME TAXES

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (FAS No. 109), which requires the use of the liability method of accounting for deferred income taxes. This change in accounting as of January 1, 1993, which was recorded as a catch-up adjustment, increased 1993 net income by $8.2 million or $.09 per share.

Income before income taxes and accounting changes was as follows:

For the years ended December 31, In thousands of dollars	1994	1993	1992
Domestic	$411,089	$417,226	$388,685
International	(77,951)	13,007	12,303
Gain on sale of investment interest	-	80,642	-
Income before income taxes and accounting changes	$333,138	$510,875	$400,988

The provision for income taxes excluding the FAS No. 109 catch-up adjustment in 1993, was as follows:

For the years ended December 31, In thousands of dollars	1994	1993	1992
Current:			
Federal	$126,234	$141,541	$104,223
State	24,712	37,358	30,968
International	301	23,696	1,795
Current provision for income taxes	151,247	202,595	136,986
Deferred:			
Federal	6,221	2,949	11,770
State	2,652	1,764	4,579
International	(11,201)	6,334	5,055
Deferred provision for income taxes	(2,328)	11,047	21,404
Total provision for income taxes	$148,919	$213,642	$158,390

The 1994 International deferred income tax benefit was associated primarily with the restructuring charge recorded in the fourth quarter.

The tax effects of the significant temporary differences which comprised the deferred tax assets and liabilities were as follows:

	December 31, 1994		December 31, 1993	
	Deferred Income Tax Assets	Deferred Income Tax Liabilities	Deferred Income Tax Assets	Deferred Income Tax Liabilities
In thousands of dollars				
Current:				
Post-retirement benefit obligations	$ 3,496	$ -	$ 3,478	$ -
Accrued restructuring reserves	19,598	-	-	-
Accrued expenses and other reserves	68,030	-	70,678	-
Other	22,948	8,124	16,555	5,163
Total current deferred income taxes	114,072	8,124	90,711	5,163
Non-current:				
Depreciation	-	231,035	-	214,566
Post-retirement benefit obligations	82,034	-	78,190	-
Accrued expenses and other reserves	22,845	-	24,800	-
Other	15,795	83,016	10,744	71,912
Total non-current deferred income taxes	120,674	314,051	113,734	286,478
Total deferred income taxes	$234,746	$322,175	$204,445	$291,641

The following table reconciles the Federal statutory income tax rate with the Corporation's effective income tax rate:

For the years ended December 31,	1994	1993	1992
Federal statutory tax rate	35.0%	35.0%	34.0%
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	6.0	6.2	6.0
Restructuring charge for which no tax benefit was provided	4.5	-	-
Non-deductible acquisition costs	0.8	0.6	0.9
Other, net	(1.6)	-	(1.4)
Effective income tax rate	44.7%	41.8%	39.5%

11. RETIREMENT PLANS

The Corporation and its subsidiaries sponsor several defined benefit retirement plans covering substantially all employees. Plans covering most domestic salaried and hourly employees provide retirement benefits based on individual account balances which are increased annually by pay-related and interest credits. Plans covering certain non-domestic employees provide retirement benefits based on career average pay, final pay, or final average pay as defined within the provisions of the individual plans. The Corporation also participates in several multi-employer retirement plans which provide defined benefits to employees covered under certain collective bargaining agreements.

The Corporation's policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 and Federal income tax laws, respectively. Non-domestic pension liabilities are funded in accordance with applicable local laws and regulations. Plan assets are invested in a broadly diversified portfolio consisting primarily of domestic and international common stocks and fixed income securities.

Pension expense included the following components:

For the years ended December 31, In thousands of dollars	1994	1993	1992
Service cost	$ 30,077	$ 27,835	$ 22,858
Interest cost on projected benefit obligations	28,351	26,423	24,098
Investment loss (return) on plan assets	8,288	(46,232)	(12,331)
Net amortization and deferral	(40,550)	18,519	(15,245)
Corporate sponsored plans	26,166	26,545	19,380
Multi-employer plans	374	612	580
Other	622	678	630
Total pension expense	$ 27,162	$ 27,835	$ 20,590

The funded status and amounts recognized in the consolidated balance sheets for the retirement plans were as follows:

	December 31, 1994		December 31, 1993	
In thousands of dollars	Assets Exceeded Accumulated Benefits	Accumulated Benefits Exceeded Assets	Assets Exceeded Accumulated Benefits	Accumulated Benefits Exceeded Assets
Actuarial present value of:				
Vested benefit obligations	$310,061	$33,272	$144,608	$204,861
Accumulated benefit obligations	$330,161	$39,966	$155,838	$221,867
Actuarial present value of projected benefit obligations	$367,656	$43,250	$185,926	$231,972
Plan assets at fair value	341,373	1,748	166,727	181,813
Plan assets less than projected benefit obligations	26,283	41,502	19,199	50,159
Net gain (loss) unrecognized at date of transition	1,711	(2,198)	(5,440)	4,381
Prior service cost and amendments not yet recognized in earnings	(19,620)	(1,744)	94	(11,556)
Unrecognized net loss from past experience different than that assumed	(9,711)	(455)	(7,171)	(13,948)
Minimum liability adjustment	-	4,031	-	14,866
(Prepaid pension expense) pension liability	$ (1,337)	$41,136	$ 6,682	$ 43,902

The projected benefit obligations for the plans were determined principally using discount rates of 8.5% and 7.0% as of December 31, 1994 and 1993, respectively. For both 1994 and 1993 the assumed long-term rate of return on plan assets was 9.5%. The assumed long-term compensation increase rates for 1994 and 1993 were primarily 4.8% and 6.0%, respectively.

12. POST-RETIREMENT BENEFITS

The Corporation and its subsidiaries provide certain health care and life insurance benefits for retired employees subject to pre-defined limits. Substantially all of the Corporation's domestic employees become eligible for these benefits at retirement with a pre-defined benefit being available at an early retirement date. The post-retirement medical benefit is contributory for pre-Medicare retirees and for most post-Medicare retirees retiring on or after February 1, 1993. Retiree contributions are based upon a combination of years of service and age at retirement. The post-retirement life insurance benefit is non-contributory.

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" (FAS No. 106) which requires that the cost of post-retirement benefits be accrued during employees' working careers. The Corporation elected to adopt FAS No. 106 by means of a catch-up adjustment. This change in accounting as of January 1, 1993, had the effect of decreasing net income by $112.2 million, or $1.25 per share, after a deferred tax benefit of $76.3 million.

Prior to 1993, the Corporation accounted for such benefits as an expense as paid. Expense recognized under FAS No. 106 during 1993 incrementally reduced net income by $5.9 million.

Net post-retirement benefit costs consisted of the following components:

For the years ended December 31, In thousands of dollars	1994	1993
Service cost	$ 3,642	$ 3,997
Interest cost on projected benefit obligations	13,334	12,897
Amortization	(1,028)	(280)
Total	$15,948	$16,614

Obligations are unfunded and the actuarial present values of accumulated post-retirement benefit obligations recognized in the consolidated balance sheets were as follows:

December 31, In thousands of dollars	1994	1993
Retirees	$ 92,051	$ 87,765
Fully eligible active plan participants	26,030	31,852
Other active plan participants	49,338	65,069
Total	167,419	184,686
Plan amendments	19,224	5,746
Unrecognized net gain from past experience different than that assumed	20,285	7,976
Accrued post-retirement benefits	$206,928	$198,408

The accumulated post-retirement benefit obligations were determined principally using discount rates of 8.5% and 7.5% as of December 31, 1994 and 1993, respectively. The assumed average health care cost trend rate used in measuring the accumulated post-retirement benefit obligations as of December 31, 1994 and 1993, was principally 12%, gradually declining to approximately 7% by 2003, and remaining at that level thereafter. A one percentage point increase in the average health care cost trend rate for each year would increase the accumulated post-retirement benefit obligations as of December 31, 1994 and 1993, by $23.5 million and $18.3 million, respectively, and would increase the sum of the net service and interest cost components of net post-retirement benefit costs for 1994 and 1993 by $2.8 million and $2.2 million, respectively.

As part of its long-range financing plans, the Corporation, in 1989, implemented a corporate-owned life insurance program covering most of its domestic employees. After paying employee death benefits, proceeds from this program will be available for general corporate purposes and may be used to offset future employee benefits costs, including retiree medical benefits. The Corporation's investment in corporate-owned life insurance policies was recorded net of policy loans in other assets, and interest accrued on the policy loans was included in accrued liabilities as of December 31, 1994 and 1993. Net life insurance expense, including interest expense, was included in selling, marketing and administrative expenses.

13. EMPLOYEE STOCK OWNERSHIP TRUST

The Corporation's employee stock ownership trust (ESOP) serves as the primary vehicle for contributions to its existing employee savings and stock investment plan for participating domestic salaried and hourly employees. The ESOP was funded by a 15-year 7.75% loan of $47.9 million from the Corporation. During 1994 and 1993, the ESOP received a combination of dividends on unallocated shares and contributions from the Corporation equal to the amount required to meet its principal and interest payments under the loan. Simultaneously, the ESOP allocated to participants 79,588 shares of Common Stock each year. As of December 31, 1994, the ESOP held 221,334 of allocated shares and 955,052 of unallocated shares. All ESOP shares are considered outstanding for income per share computations.

The Corporation recognized net compensation expense equal to the shares allocated multiplied by the original cost of $40 1/8 per share less dividends received by the ESOP on unallocated shares. Compensation expense related to the ESOP for 1994, 1993 and 1992 was $1.7 million, $2.0 million and $2.3 million, respectively. Dividends paid on unallocated ESOP shares were $1.2 million in 1994 and 1993, and $.9 million in 1992. The unearned ESOP compensation balance in stockholders' equity represented deferred compensation expense to be recognized by the Corporation in future years as additional shares are allocated to participants.

14. CAPITAL STOCK AND NET INCOME PER SHARE

As of December 31, 1994, the Corporation had 530,000,000 authorized shares of capital stock. Of this total, 450,000,000 shares were designated as Common Stock, 75,000,000 shares as Class B Common Stock (Class B Stock), and 5,000,000 shares as Preferred Stock, each class having a par value of one dollar per share. As of December 31, 1994, a combined total of 89,922,336 shares of both classes of common stock had been issued of which 86,735,197 shares were outstanding. No shares of the Preferred Stock were issued or outstanding during the three-year period ended December 31, 1994.

Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

Class B Stock can be converted into Common Stock on a share-for-share basis at any time. During 1994, 1993 and 1992, a total of 10,300 shares, 4,000 shares and 7,775 shares, respectively, of Class B Stock were converted into Common Stock.

Hershey Trust Company, as Trustee for Milton Hershey School (Hershey Trust), as institutional fiduciary for estates and trusts unrelated to Milton Hershey School, and as direct owner of investment shares, held a total of 21,379,501 shares of the Common Stock, and as Trustee for Milton Hershey School, held 15,153,003 shares of the Class B Stock as of December 31, 1994, and was entitled to cast approximately 77% of the total votes of both classes of the Corporation's common stock. Hershey Trust must approve the issuance of shares of Common Stock or any other action which would result in the Hershey Trust not continuing to have voting control of the Corporation.

In 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of Common Stock. A total of 3,451,139 shares of Common Stock had been acquired for approximately $171.5 million under the share repurchase program as of December 31, 1994, of which 264,000 shares were retired and the remaining 3,187,139 shares were held as treasury stock. During 1994, 878,039 shares were repurchased at an average price of $45 per share. Of the total purchased, 2,000,000 shares were acquired from Hershey Trust in 1993 for approximately $103.1 million.

Net income per share has been computed based on the weighted average number of shares of the Common Stock and the Class B Stock outstanding during the year. Average shares outstanding were 87,018,626 for 1994, 89,757,135 for 1993 and 90,186,336 for 1992.

15. INCENTIVE PLAN

The long-term portion of the 1987 Key Employee Incentive Plan, as amended (Plan), provides for grants or awards to senior executives and key employees of one or more of the following: performance stock units, non-qualified stock options (stock options), stock appreciation rights and restricted stock units. The Plan also provides for the deferral of performance stock unit awards by participants.

As of December 31, 1994, a total of 136,615 contingent performance stock units had been granted for potential future distribution, primarily related to three-year cycles ending December 31, 1994, 1995 and 1996. Deferred performance stock units and accumulated dividend amounts totaled 196,081 shares as of December 31, 1994.

Stock options are granted at exercise prices of not less than 100% of the fair market value of a share of Common Stock at the time the option is granted and are exercisable for periods no longer than 10 years from the date of grant. Each option may be used to purchase one share of Common Stock. No compensation expense is recognized under the stock options portion of the Plan.

No stock appreciation rights or restricted stock units were outstanding as of December 31, 1994.

Stock option activity was as follows:

	Shares under Options	
	Number of Shares	Option Price per Share
Outstanding -- January 1, 1992	857,125	$23-3/4 to 36-1/4
Granted	939,000	$41-1/8 to 44-3/4
Exercised	(69,650)	$23-3/4 to 35-3/8
Cancelled	(9,500)	$44-3/4
Outstanding -- December 31, 1992	1,716,975	$25-3/8 to 44-3/4
Granted	116,600	$47 to 53
Exercised	(82,850)	$25-3/8 to 35-3/8
Cancelled	(20,300)	$44-3/4
Outstanding -- December 31, 1993	1,730,425	$25-3/8 to 53
Granted	963,800	$49
Exercised	(104,975)	$25-3/8 to 44-3/4
Cancelled	(55,300)	$44-3/4 to 49
Outstanding -- December 31, 1994	2,533,950	$25-3/8 to 53

Stock options exercisable as of December 31, 1994 and 1993 were 1,734,750 and 951,725, respectively.

16. SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts Receivable - Trade

In the normal course of business, the Corporation extends credit to customers which satisfy pre-defined credit criteria. The Corporation believes that it has little concentration of credit risk due to the diversity of its customer base. Receivables, as shown on the consolidated balance sheets, were net of allowances and anticipated discounts of $14.0 million and $12.5 million as of December 31, 1994 and 1993, respectively.

Inventories

The Corporation values the majority of its inventories under the last-in, first-out (LIFO) method and the remaining inventories at the lower of first-in, first-out (FIFO) cost or market. LIFO cost of inventories valued using the LIFO method was $318.5 million and $310.6 million as of December 31, 1994 and 1993, respectively, and all inventories were stated at amounts that did not exceed realizable values. Total inventories were as follows:

December 31, In thousands of dollars	1994	1993
Raw materials	$234,317	$209,570
Goods in process	28,680	37,261
Finished goods	247,272	265,616
Inventories at FIFO	510,269	512,447
Adjustment to LIFO	(64,567)	(59,005)
Total inventories	$445,702	$453,442

Property, Plant and Equipment

Property, plant and equipment balances included construction in progress of $76.9 million and $171.1 million as of December 31, 1994 and 1993, respectively. Major classes of property, plant and equipment were as follows:

December 31, In thousands of dollars	1994	1993
Land	$ 50,678	$ 48,239
Buildings	467,950	430,199
Machinery and equipment	1,604,901	1,563,326
Property, plant and equipment, gross	2,123,529	2,041,764
Accumulated depreciation	(655,132)	(580,860)
Property, plant and equipment, net	$1,468,397	$1,460,904

Accrued Liabilities

Accrued liabilities were as follows:

December 31, In thousands of dollars	1994	1993
Payroll and other compensation	$ 67,155	$ 81,909
Advertising and promotion	81,561	89,819
Other	116,567	130,261
Total accrued liabilities	$265,283	$301,989

Other Long-term Liabilities

Other long-term liabilities were as follows:

December 31, In thousands of dollars	1994	1993
Accrued post-retirement benefits	$198,251	$189,959
Other	104,805	100,442
Total other long-term liabilities	$303,056	$290,401

17. SEGMENT INFORMATION

The Corporation operates in a single consumer foods line of business, encompassing the domestic and international manufacture, distribution and sale of chocolate, confectionery, grocery and pasta products.

Operations in Canada and Europe represent the majority of the Corporation's international business. Historically, transfers of product between geographic areas have not been significant. In 1994, sales to Wal-Mart Stores, Inc. and Subsidiaries amounted to approximately 10% of total net sales. Net sales, income before interest, income taxes and accounting changes and identifiable assets by geographic segment were as follows:

For the years ended December 31, In thousands of dollars	1994	1993	1992
Net sales:			
Domestic	$3,124,155	$3,080,329	$2,871,438
International	482,116	407,920	348,367
Total	$3,606,271	$3,488,249	$3,219,805
Income (loss) before interest, income taxes and accounting changes:			
Domestic	$ 446,585	$ 446,565	$ 419,317
International	(78,090)	10,663	8,911
Gain on sale of investment interest	-	80,642	-
Total	$ 368,495	$ 537,870	$ 428,228
Identifiable assets as of December 31:			
Domestic	$2,338,184	$2,281,766	$2,353,230
International	552,797	573,325	319,679
Total	$2,890,981	$2,855,091	$2,672,909

18. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

In thousands except per share amounts

Year 1994	First	Second	Third	Fourth
Net sales	$883,890	$675,983	$966,511	$1,079,887
Gross profit	357,162	272,883	404,543	474,127
Net income	53,016	25,325	81,063	24,815(a)
Net income per share	.61	.29	.93	.29
Weighted average shares outstanding	87,414	87,096	86,808	86,745

Year 1993	First	Second	Third	Fourth
Net sales	$897,788	$618,430	$935,662	$1,036,369
Gross profit	387,019	254,834	390,846	460,048
Income before cumulative effect of accounting changes	105,055	26,025	73,971	92,182
Net cumulative effect of accounting changes	(103,908)	-	-	-
Net income	1,147(b)	26,025	73,971	92,182
Income per share(c):				
Before accounting changes	1.16	.29	.82	1.04
Net cumulative effect of accounting changes	(1.15)	-	-	-
Net income	.01	.29	.82	1.04
Weighted average shares outstanding	90,186	90,186	90,124	88,489

(a) Net income for the fourth quarter and year 1994 included an after-tax restructuring charge of $80.2 million. Net income per share was similarly impacted.

(b) Net income for the first quarter and year 1993 included the net cumulative effect of accounting changes for post-retirement benefits and income taxes of $(103.9) million and an after-tax gain on the sale of the investment interest in Freia of $40.6 million. Net income per share was similarly impacted.

(c) Quarterly income per share amounts for 1993 do not total to annual amounts due to the changes in weighted average shares outstanding during the year.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Hershey Foods Corporation is responsible for the financial statements and other financial information contained in this report. The Corporation believes that the financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances to reflect in all material respects the substance of applicable events and transactions. In preparing the financial statements, it is necessary that management make informed estimates and judgments. The other financial information in this annual report is consistent with the financial statements.

The Corporation maintains a system of internal accounting controls designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. The concept of reasonable assurance is based on the recognition that the cost of the system must be related to the benefits to be derived. The Corporation believes its system provides an appropriate balance in this regard. The Corporation maintains an Internal Audit Department which reviews the adequacy and tests the application of internal accounting controls.

The financial statements have been audited by Arthur Andersen LLP, independent public accountants, whose appointment was ratified by stockholder vote at the stockholders' meeting held on April 25, 1994. Their report expresses an opinion that the Corporation's financial statements are fairly stated in conformity with generally accepted accounting principles, and they have indicated to us that their examination was performed in accordance with generally accepted auditing standards which are designed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The Audit Committee of the Board of Directors of the Corporation, consisting solely of non-management directors, meets regularly with the independent public accountants, internal auditors and management to discuss, among other things, the audit scopes and results. Arthur Andersen LLP and the internal auditors both have full and free access to the Audit Committee, with and without the presence of management.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Hershey Foods Corporation:

We have audited the accompanying consolidated balance sheets of Hershey Foods Corporation (a Delaware Corporation) and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1994, appearing on pages 18, 20, 22 and 24 through 36. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hershey Foods Corporation and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 10 and 12 to the consolidated financial statements, effective January 1, 1993, the Corporation changed its methods of accounting for income taxes and post-retirement benefits other than pensions.

/s/Arthur Andersen LLP
New York, N.Y.
January 27, 1995

HERSHEY FOODS CORPORATION
ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

All dollar and share amounts in thousands except market price and per share statistics

	10-Year Compound Growth Rate		1994	1993	1992	1991	1990
Summary of Operations(a)							
Net Sales	9.7%	$	3,606,271	3,488,249	3,219,805	2,899,165	2,715,609
Cost of Sales	8.4%	$	2,097,556	1,995,502	1,833,388	1,694,404	1,588,360
Selling, Marketing and Administrative	12.8%	$	1,034,115	1,035,519	958,189	814,459	776,668
Restructuring (Charge) Gain, Net		$	(106,105)	-	-	-	35,540
Gain on Sale of Investment Interest		$	-	80,642	-	-	-
Interest Expense, Net	15.6%	$	35,357	26,995	27,240	26,845	24,603
Income Taxes	6.0%	$	148,919	213,642	158,390	143,929	145,636
Income from Continuing Operations Before Accounting Changes	7.7%	$	184,219	297,233	242,598	219,528	215,882
Net Cumulative Effect of Accounting Changes		$	-	(103,908)	-	-	-
Discontinued Operations		$	-	-	-	-	-
Net Income	5.4%	$	184,219	193,325	242,598	219,528	215,882
Income Per Share:							
From Continuing Operations Before Accounting Changes(b)	8.6%	$	2.12(g)	3.31(h)	2.69	2.43	2.39(i)
Net Cumulative Effect of Accounting Changes		$	-	(1.16)	-	-	-
Net Income (b)	6.2%	$	2.12(g)	2.15(h)	2.69	2.43	2.39(i)
Weighted Average Shares Outstanding (b)			87,019	89,757	90,186	90,186	90,186
Dividends Paid on Common Stock	9.2%	$	89,660	84,711	77,174	70,426	74,161(e)
Per Share (b)	11.7%	$	1.250	1.140	1.030	.940	.990(e)
Dividends Paid on Class B Common Stock	26.8%	$	17,301	15,788	14,270	12,975	13,596(e)
Per Share (b)	26.9%	$	1.135	1.035	.935	.850	.890(e)
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales			7.3%(c)	7.4%(d)	7.5%	7.6%	7.2%(f)
Depreciation	17.6%	$	114,821	100,124	84,434	72,735	61,725
Advertising	5.4%	$	120,629	130,009	137,631	117,049	146,297
Promotion	16.0%	$	419,164	444,546	398,577	325,465	315,242
Payroll	8.5%	$	472,997	469,564	433,162	398,661	372,780
Year-end Position and Statistics(a)							
Capital Additions	11.9%	$	138,711	211,621	249,795	226,071	179,408
Total Assets	10.6%	$	2,890,981	2,855,091	2,672,909	2,341,822	2,078,828
Long-term Portion of Debt	4.3%	$	157,227	165,757	174,273	282,933	273,442
Stockholders' Equity	8.1%	$	1,441,100	1,412,344	1,465,279	1,335,251	1,243,537
Net Book Value Per Share (b)	9.0%	$	16.61	16.12	16.25	14.81	13.79
Operating Return on Average Stockholders' Equity			18.5%	17.8%	17.3%	17.0%	16.6%
Operating Return on Average Invested Capital			15.6%	15.0%	14.4%	13.8%	13.4%
Full-time Employees			14,000	14,300	13,700	14,000	12,700
Stockholders' Data							
Outstanding Shares of Common Stock and Class B Common Stock at Year-end (b)			86,735	87,613	90,186	90,186	90,186
Market Price of Common Stock at Year-end (b)	14.2%	$	48 3/8	49	47	44 3/8	37 1/2
Range During Year (b)			$53 1/2-41 1/8	55 7/8-43 1/2	48 3/8-38 1/4	44 1/2-35 1/8	39 5/8-28 1/4

Notes:

(a) All amounts for years prior to 1988 have been restated for discontinued operations, where applicable. Operating Return on Average Stockholders' Equity and Operating Return on Average Invested Capital have been computed using Net Income, excluding the 1988 gain and 1985 loss on disposal included in Discontinued Operations, the 1993 Net Cumulative Effect of Accounting Changes, and the after-tax impacts of the 1990 Restructuring Gain, Net, the 1993 Gain on Sale of the Investment Interest in Freia Marabou a.s (Freia), and the 1994 Restructuring Charge.

(b) All shares and per share amounts have been adjusted for the three-for-one stock split effective September 15, 1986 and the two-for-one stock split effective September 15, 1983.

(c) Calculated percent excludes the 1994 Restructuring Charge. Including the charge, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 5.1%.

(d) Calculated percent excludes the Gain on Sale of Investment Interest in Freia. Including the gain, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 8.5%.

(e) Amounts included a special dividend for 1990 of $11.2 million or $.15 per share of Common Stock and $2.1 million or $.135 per share of Class B Common Stock.

(f) Calculated percent excludes the 1990 Restructuring Gain, Net. Including the gain, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 7.9%.

(g) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1994 included a $.92 per share restructuring charge. Excluding the impact of this charge, Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share would have been $3.04.

(h) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1993 included a $.45 per share gain on the sale of the investment interest in Freia. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes would have been $2.86.

(i) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1990 included a $.22 per share Restructuring Gain, Net. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share would have been $2.17.

HERSHEY FOODS CORPORATION
ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

All dollar and share amounts in thousands except market price and per share statistics

		1989	1988	1987	1986	1985	1984
Summary of Operations(a)							
Net Sales	$	2,420,988	2,168,048	1,863,816	1,635,486	1,526,584	1,423,396
Cost of Sales	$	1,455,612	1,326,458	1,149,663	1,032,061	982,370	934,817
Selling, Marketing and Administrative	$	655,040	575,515	468,062	387,227	345,299	309,587
Restructuring (Charge) Gain, Net	$	-	-	-	-	-	-
Gain on Sale of Investment Interest	$	-	-	-	-	-	-
Interest Expense, Net	$	20,414	29,954	22,413	8,061	10,240	8,325
Income Taxes	$	118,868	91,615	99,604	100,931	91,910	82,986
Income from Continuing Operations Before Accounting Changes	$	171,054	144,506	124,074	107,206	96,765	87,681
Net Cumulative Effect of Accounting Changes	$	-	-	-	-	-	-
Discontinued Operations	$	-	69,443	24,097	25,558	15,462	21,001
Net Income	$	171,054	213,949	148,171	132,764	112,227	108,682
Income Per Share:							
From Continuing Operations Before Accounting Changes(b)	$	1.90	1.60	1.38	1.15	1.03	.93
Net Cumulative Effect of Accounting Changes	$	-	-	-	-	-	-
Net Income (b)	$	1.90	2.37	1.64	1.42	1.19	1.16
Weighted Average Shares Outstanding (b)		90,186	90,186	90,186	93,508	94,011	94,011
Dividends Paid on Common Stock	$	55,431	49,433	43,436	40,930	37,386	37,073
Per Share (b)	$	.740	.660	.580	.520	.475	.413
Dividends Paid on Class B Common Stock	$	10,161	9,097	8,031	7,216	6,556	1,607
Per Share (b)	$	.665	.595	.525	.472	.428	.105
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales		7.1%	6.7%	6.7%	6.6%	6.3%	6.2%
Depreciation	$	54,543	43,721	35,397	31,254	28,348	22,725
Advertising	$	121,182	99,082	97,033	83,600	77,135	71,070
Promotion	$	256,237	230,187	171,162	122,508	105,401	94,921
Payroll	$	340,129	298,483	263,529	238,742	222,267	208,395
Year-end Position and Statistics(a)							
Capital Additions	$	162,032	101,682	68,504	74,452	61,361	45,258
Total Assets	$	1,814,101	1,764,665	1,544,354	1,262,332	1,116,074	1,052,161
Long-term Portion of Debt	$	216,108	233,025	280,900	185,676	86,986	103,155
Stockholders' Equity	$	1,117,050	1,005,866	832,410	727,941	727,899	660,928
Net Book Value Per Share (b)	$	12.39	11.15	9.23	8.07	7.74	7.03
Operating Return on Average Stockholders' Equity		16.1%	17.5%	19.0%	18.2%	17.2%	17.3%
Operating Return on Average Invested Capital		13.2%	13.3%	13.5%	13.5%	13.5%	13.5%
Full-time Employees		11,800	12,100	10,540	10,210	10,380	10,150
Stockholders' Data							
Outstanding Shares of Common Stock and Class B Common Stock at Year-end (b)		90,186	90,186	90,186	90,186	94,011	94,011
Market Price of Common Stock at Year-end (b)	$	35 7/8	26	24 1/2	24 5/8	17 1/8	12 7/8
Range During Year (b)	$	36 7/8-24 3/4	28 5/8-21 7/8	37 3/4-20 3/4	30-15 1/2	18 3/8-11 5/8	13 3/4-9 3/8

Notes:

(a) All amounts for years prior to 1988 have been restated for discontinued operations, where applicable. Operating Return on Average Stockholders' Equity and Operating Return on Average Invested Capital have been computed using Net Income, excluding the 1988 gain and 1985 loss on disposal included in Discontinued Operations, the 1993 Net Cumulative Effect of Accounting Changes, and the after-tax impacts of the 1990 Restructuring Gain, Net, the 1993 Gain on Sale of the Investment Interest in Freia Marabou a.s (Freia), and the 1994 Restructuring Charge.

(b) All shares and per share amounts have been adjusted for the three-for-one stock split effective September 15, 1986 and the two-for-one stock split effective September 15, 1983.

RESTATED Exhibit 19.i

HERSHEY FOODS CORPORATION

1987 KEY EMPLOYEE INCENTIVE PLAN

1. Establishment and Purpose

Hershey Foods Corporation (the "Corporation") hereby establishes the 1987 Key Employee Incentive Plan (the "Plan"). The purpose of the Plan is to provide to selected key employees of the Corporation and its subsidiaries (as defined below), upon whose efforts the Corporation is dependent for the successful conduct of its business, further incentive to continue and increase their efforts as employees and to remain in the employ of the Corporation and its subsidiaries.

The Plan continues the Annual Incentive Program ("AIP"), with certain modifications, as in effect under the Corporation's Management Incentive Plan ("MIP") established in 1975 and as amended thereafter, pursuant to which participants are entitled to receive cash awards based on achievement of performance goals during annual performance cycles. The Plan also continues the Long Term Incentive Program ("LTIP") portion of the MIP with certain modifications. In addition to performance stock units ("Performance Stock Units"), the LTIP portion now also includes nonqualified stock options for the purchase of Common Stock ("Options"); stock appreciation rights ("SARs"); and restricted stock units ("Restricted Stock Units").

As used herein, (i) the term "Subsidiary Corporation" shall mean any present or future corporation which is or would be a "subsidiary corporation" of the Corporation as defined in Section 425 of the Internal Revenue Code of 1986 (the "Code"), and (ii) the term "Corporation" defined above shall refer collectively to Hershey Foods Corporation and its Subsidiary Corporations unless the context indicates otherwise.

2. Stock Subject to the Plan

The aggregate number of shares which may be covered by Performance Stock Units, Options, SARs and Restricted Stock Units granted pursuant to the LTIP portion of the Plan is 6.5 million (6,500,000) shares of the Corporation's Common Stock, $1.00 Par Value (the "Common Stock"), subject to adjustment in accordance with Section 12 below. The shares issued under this Plan may be either authorized but unissued shares or shares acquired by the Corporation through open market purchases or otherwise. In addition to shares of Common Stock actually issued or distributed under the Plan, there shall be deemed to have been issued a number of shares equal to (i) the number of shares of Common Stock in respect of which optionees utilize the manner of exercise of, and payment for, Options as provided in Paragraph 7II(f) of this Plan, and (ii) the number of shares of Common Stock which is equivalent in value to any cash amounts distributed upon payment of Performance Stock Units, SARs or Restricted Stock Units. For purposes of determining the charge to be made pursuant to subpart (ii) against the shares of Common Stock subject to the Plan, the value of a share of Common Stock shall be its Fair Market Value as defined in Paragraph 4 when awards are made with respect to Performance Stock Units, upon exercise of SARs and upon expiration of the applicable restriction period of Restricted Stock Units. Any shares subject under the Plan to Performance Stock Units, Options, SARs or Restricted Stock Units which, for any reason, expire or terminate or are forfeited or surrendered shall again be available for issuance under the Plan.

Subsidiary Corporation, division or operating unit thereof, and such other factors as the Committee may deem relevant in connection with accomplishing the purposes of the Plan. An employee who has been selected to participate may, if he or she is otherwise eligible, receive more than one grant from time to time, and may be granted any combination of contingent target grants under the AIP or under the LTIP components of the Plan, as the Committee shall determine.

6. Annual Incentive Program

The Committee may from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may determine, establish contingent target grants for those eligible employees it selects to participate in the AIP. Each such contingent grant may be, but need not be, evidenced by a written instrument, and shall be determined in relation to the participant's level of responsibility in the Corporation and the competitive compensation practices of other major businesses, and such other factors as are deemed appropriate by the Committee.

(a) Awards actually earned by and paid to AIP participants ("AIP Awards") will be based primarily upon achievement of unit and personal performance goals over a one-year performance cycle as approved by the Committee.

(b) The Committee, within the limits of the Plan, shall have full authority and discretion to determine the time or times of establishing contingent target grants; to select from among those eligible the employees to receive awards; to review performance goals; to designate levels of awards to be earned in relation to levels of achievement of performance goals; to adopt such financial and nonfinancial performance or other criteria for the payment of awards as it may determine from time to time; and to establish such other measures as may be necessary to achieve the objectives of the Plan.

(c) Aggregate annual AIP Awards shall not exceed six (6%) percent of the excess of Before-Tax Income (defined for these purposes as Net Income plus provision for Federal, state and local income taxes and interest expense on long-term debt, but after consideration of the cost of the Plan) over sixteen (16%) percent of Total Invested Capital (defined for these purposes as Stockholders' Equity plus Long-Term Debt plus Deferred Income Taxes) determined as the average of such Total Invested Capital at the beginning of the year and the end of each calendar quarter of such year.

(d) AIP Awards as earned under the terms of the Plan shall be paid in cash and may exceed or be less than the contingent target grants, provided that payments do not exceed the maximum permitted cost of the AIP calculated pursuant to subparagraph (c) above. Payment shall normally be made as soon as possible following the close of the year, but payment of all or any portion may be deferred by the Committee.

7. Long Term Incentive Program

The LTIP consists of the following four components:

I. Performance Stock Units

The Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may determine, grant Performance Stock Units to reflect the value of contingent target grants established for each eligible employee selected for participation. Each grant of Performance Stock Units may be, but need not be, evidenced by a written instrument. Such contingent target grants shall be determined in relation to the employee's level of responsibility in the Corporation or any Subsidiary Corporation, division or operating unit thereof, and the competitive compensation practices of other major businesses.

(a) Awards actually earned by and paid to holders of Performance Stock Units ("PSU Awards") will be based upon achievement of performance goals over performance cycles as approved by the Committee. Such performance cycles each shall cover such period of time, not exceeding five years, as the Committee from time to time shall determine.

(b) The Committee, within the limits of the Plan, shall have full authority and discretion to determine the time or times of establishing contingent target grants and the granting of Performance Stock Units; to select from among those eligible the employees to receive PSU Awards; to review performance goals; to designate levels of awards to be earned in relation to levels of achievement of performance goals; to adopt such financial and nonfinancial performance or other criteria for the payment of PSU Awards as it may determine from time to time; and to establish such other measures as may be necessary to the objectives of the Plan.

(c) Payments of PSU Awards shall be made in shares of Common Stock or partly in cash as the Committee in its sole discretion shall determine and shall be charged against the shares available under the LTIP portion of the Plan as provided in Paragraph 2; provided, however, that no fractional shares shall be issued and any such fraction will be eliminated by rounding downward to the nearest whole share. In any case in which actual payment of a PSU Award is deferred as provided below, a charge will be made against the available shares for the number of shares equivalent to the dollar amount of the deferred PSU Award.

(d) PSU Awards as earned under the terms of the Plan may exceed or be less than the contingent target grants. Payments shall normally be made as soon as possible following the close of the year, but payment of all or any portion may be deferred by the Committee.

II. Stock Options

The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant nonqualified Options to purchase shares of Common Stock of the Corporation to employees eligible to participate in the Plan. Each grant of an Option shall be evidenced by an agreement executed by the Corporation and the optionee, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the following:

(a) The exercise price per share with respect to each Option shall be determined by the Committee in its sole discretion, but shall not be less than 100% of the Fair Market Value of the Common Stock as of the date of the grant of the Option.

(b) Options granted under the Plan shall be exercisable, in such installments and for such periods, as shall be provided by the Committee at the time of granting, but in no event shall any Option granted extend for a period in excess of ten years from the date of grant.

(c) Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which grantees of Options must be employed, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) conditions under which such Options or shares may be subject to forfeiture; and (v) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time.

(d) Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee.

(e) The purchase price upon exercise of any Option shall be paid in full by making payment (i) in cash; (ii) in whole or in part by the delivery of a certificate or certificates of shares of Common Stock of the Corporation, valued at its then Fair Market Value; or (iii) by a combination of (i) and (ii).

(f) Notwithstanding subparagraph (e) above, any optionee may make payment of the Option price through a simultaneous exercise of his or her Option and sale of the shares thereby acquired pursuant to a brokerage arrangement approved in advance by the Committee to assure its conformity with the terms and conditions of the Plan.

(g) The Committee may require the surrender of outstanding Options as a condition to the grant of new Options.

(h) Notwithstanding any other provision of the Plan or of any Option agreement between the Corporation and an employee, upon the occurrence of a Change in Control, each outstanding Option held by a participant who is an employee of the Corporation or any Subsidiary Corporation shall become fully vested and exercisable notwithstanding any vesting schedule or installment schedule relating to the exercisability of such Option contained in the applicable Option agreement or otherwise established at the time of grant of the Option.

(i) For purposes of this Plan, a "Change in Control" means:

(1) The acquisition or holding by any Person of beneficial ownership (within the meaning of Section 13(d) under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (the "Exchange Act")) of shares of the Common Stock and/or the Class B Common Stock of the Corporation representing 25% or more of either (i) the total number of then outstanding shares of both Common Stock and Class B Common Stock of the Corporation (the "Outstanding Corporation Stock") or (ii) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Power"), provided that, at the time of such acquisition or holding of beneficial ownership of any such shares, the Hershey Trust does not beneficially own more than 50% of the Outstanding Corporation Voting Power; and provided, further, that any such acquisition or holding of beneficial ownership of

shares of either Common Stock or Class B Common Stock of the Corporation by any of the following entities shall not by itself constitute such a Change in Control hereunder: (i) the Hershey Trust; (ii) any trust established by the Corporation, or by any Subsidiary, for the benefit of the Corporation and/or its employees or those of any Subsidiary; or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Corporation or by any Subsidiary; or

(2) The approval by the stockholders of the Corporation of any merger, reorganization, recapitalization, consolidation or other form of business combination (a "Business Combination") if, following consummation of such Business Combination, the Hershey Trust does not beneficially own more than 50% of the total voting power of all outstanding voting securities of the surviving entity or entities; or

(3) The approval by the stockholders of the Corporation of (i) any sale or other disposition of all or substantially all of the assets of the Corporation, other than to a corporation as to which the Hershey Trust beneficially owns more than 50% of the total voting power of all outstanding voting securities, or (ii) a liquidation or dissolution of the Corporation.

For purposes of this Plan: (i) "Hershey Trust" means either or both of (a) the Hershey Trust Company, a Pennsylvania corporation, as Trustee for the Milton Hershey School, or any successor to the Hershey Trust Company as such trustee, and (b) the Milton Hershey School, a Pennsylvania not-for-profit corporation; and (ii) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d)(3) and 14(d) thereof.

(j) For purposes of this Plan, a "Potential Change in Control" means:

(1) The Hershey Trust, or any person acting or purporting to act on its (or their) behalf, makes a public announcement that it (or they), or its (or their) Board of Trustees or Board of Governors or any other responsible official, (i) intends to take, (ii) is taking or (iii) has taken actions which would lead to a Change in Control (a "public announcement" being defined for this purpose as any statement quoted or otherwise reported in any print, broadcast, wire service or other means of publication available to the public in any locality in which any employee of the Corporation is regularly located);

(2) The Hershey Trust enters into any contract, agreement or other arrangement with any Person which would lead to a Change in Control; or

(3) The Board approves a transaction described in subsection (2) or (3) of the definition of Change in Control contained in subparagraph (i) of Paragraph 7II hereof.

(k) In the event that a transaction which would constitute a Change in Control if approved by the stockholders of the Corporation is to be submitted to such stockholders for their approval, each participant who is an employee and who holds an Option granted under the Plan at the time scheduled for the taking of such vote, whether or not then exercisable, shall have the right to receive a notice at least ten (10) business days prior to the date on which such vote is to be taken. Such notice shall set forth the date on which such vote of stockholders is to be taken, a description of the transaction being

proposed to stockholders for such approval, a description of the provisions of subparagraph (h) of Paragraph 7II of the Plan and a description of the impact thereof on such participant in the event that such stockholder approval is obtained. Such notice shall also set forth the manner in which and price at which all Options then held by each such participant could be exercised upon the obtaining of such stockholder approval.

III. Stock Appreciation Rights

The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may determine, grant SARs to employees eligible to participate in the Plan. SARs shall be evidenced by an agreement executed by the Corporation and the holder, and shall be subject to such terms and conditions consistent with the Plan as the Committee shall impose from time to time, including the following:

(a) SARs may, but need not, relate to Options granted under the Plan, as the Committee shall determine from time to time. In no event shall any SARs granted extend for a period in excess of ten years from the date of grant.

(b) A holder shall exercise his or her SARs by giving written notice of such exercise in the form and manner determined by the Committee, and the date upon which such written notice is received by the Corporation shall be the exercise date for the SARs.

(c) A holder of SARs shall be entitled to receive upon exercise the excess of the Fair Market Value of a share of Common Stock at the time of exercise over the Fair Market Value of a share at the time the SARs were granted, multiplied by the number of shares with respect to which the SARs relate.

(d) In the sole discretion of the Committee, the amount payable to the holder upon exercise of SARs may be paid either in Common Stock or in cash or in a combination thereof. To the extent paid in Common Stock, the value of the Common Stock that shall be distributed shall be the Fair Market Value of a share of Common Stock upon exercise of the SARs as provided in Paragraph 2; provided, however, that no fractional shares shall be issued and any such fraction will be eliminated by rounding downward to the nearest whole share.

(e) In the sole discretion of the Committee, SARs related to specific Options may be exercisable only upon surrender of all or a portion of the related Option, or may be exercisable, in whole or in part, only at such times and to the extent that the related Option is exercisable, and the number of shares purchasable pursuant to the related Option may be reduced to the extent of the number of shares with respect to which the SARs are exercised.

(f) In lieu of receiving payment at the time of exercise of SARs, payment of all or any portion may be deferred by the Committee.

(g) No SARs may be exercised during the first six months following grant. Additionally, in the case of a person holding SARs who is, or within the preceding six months has been, a director or an officer of the Corporation for purposes of Section 16(b) of the Securities Exchange Act of 1934, as amended, no cash payment may be made upon exercise to such person except during any period beginning on the third business day following the date of release of a summary statement of the

Corporation's quarterly or annual sales and earnings and ending on the twelfth business day following such date.

IV. Restricted Stock Units

The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Restricted Stock Units to employees eligible to participate in the Plan. Each grant of Restricted Stock Units shall be evidenced by a written instrument which shall state the number of Restricted Stock Units covered by the grant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the following:

(a) Each Restricted Stock Unit shall be equivalent in value to a share of Common Stock.

(b) Vesting of each grant of Restricted Stock Units shall require the holder to remain in the employment of the Corporation or a Subsidiary Corporation for a prescribed period (a "Restriction Period"). The Committee shall determine the Restriction Period or Periods which shall apply to the shares of Common Stock covered by each grant of Restricted Stock Units. Except as otherwise determined by the Committee and provided in the written instrument granting the Restricted Stock Units, and except as otherwise provided in Paragraph 8, all Restricted Stock Units granted to a participant under the Plan shall terminate upon termination of the participant's employment with the Corporation or any Subsidiary Corporation before the end of the Restriction Period or Periods applicable to such Restricted Stock Units, and in such event the holder shall not be entitled to receive any payment with respect to those Restricted Stock Units.

(c) Upon expiration of the Restriction Period or Periods applicable to each grant of Restricted Stock Units, the holder shall, without payment on his part, be entitled to receive payment in an amount equal to the aggregate Fair Market Value of the shares of Common Stock covered by such grant upon such expiration. Such payment may be made in cash, in shares of Common Stock equal to the number of Restricted Stock Units with respect to which such payment is made, or in any combination thereof, as the Committee in its sole discretion shall determine. Any payment in cash shall reduce the number of shares of Common Stock available under the Plan as provided in Paragraph 2, to the extent of the number of Restricted Stock Units to which such payment relates. Further upon such expiration, the holder shall be entitled to receive a cash payment in an amount equal to each cash dividend the Corporation would have paid to such holder during the term of those Restricted Stock Units as if the holder had been the owner of record of the shares of Common Stock covered by such Restricted Stock Units on the record date for the payment of such dividend.

(d) In lieu of receiving payment at the time of expiration of the Restriction Period or Periods, payment of all or any portion may be deferred by the Committee.

8. Termination of Employment

Upon termination of the employment with the Corporation of any participant, such participant's rights with respect to any contingent target grants under the AIP, or any Performance Stock Units, Options, SARs or Restricted Stock Units granted under the LTIP, shall be as follows:

(a) In the event that the participant is terminated or discharged by the Corporation as the result of the participant having engaged in fraud, dishonesty, theft, embezzlement or similar conduct, or for any other reason, the participant's rights and interests under the Plan shall immediately terminate upon notice of termination of employment. Upon the occurrence of a Potential Change in Control (as defined in subparagraph (j) of Paragraph 7II hereof) and for a period of one year thereafter, and upon the occurrence of a Change in Control (as defined in subparagraph (i) of Paragraph 7II hereof), the following special provisions and notice requirements shall be applicable in the event of the termination of the employment of any participant holding an Option under the Plan: (i) in no event may a notice of termination of employment be issued to such a participant unless at least ten (10) business days prior to the effective date of such termination the participant is provided with a written notice of intent to terminate the participant's employment which sets forth in reasonable detail the reason for such intent to terminate, the date on which such termination is to be effective, and a description of the participant's rights under this Plan and under the agreements granting such Option or Options, including the fact that no such Option may be exercised after such termination has become effective and the manner, extent and price at which all Options then held by such participant may be exercised; and (ii) such notice of intent to terminate a participant's employment shall not be considered a "notice of termination of employment" for purposes of the first sentence of this Paragraph 8(a). This Paragraph 8(a) is intended only to provide for a requirement of notice to terminate upon the occurrence of the events set forth herein and shall not be construed to create an obligation of continued employment or a contract of employment in any manner or to otherwise affect or limit the Corporation's ability to terminate the employment of any participant holding an Option under the Plan.

(b) If a participant terminates employment with the Corporation as the result, in the sole judgment of the Committee, of his or her becoming totally disabled (in which event termination will be deemed to occur on the date the Committee makes such determination); or if a participant should die or (except as to Restricted Stock Units) retire while employed by the Corporation or any of its Subsidiary Corporations, then the participant or, as the case may be, the person or persons to whom the participant's interest under the Plan shall pass by will or by the laws of descent and distribution (the "Estate"), shall have the following rights:

(i) the grantee of a contingent AIP grant or the Estate shall be entitled to receive payment of an AIP award as, and to the extent, determined by the Committee.

(ii) if the holder of Performance Stock Units shall have been employed for at least two-thirds of the related performance cycle prior to the date of termination or death, then, except as otherwise provided in the written instrument (if any) evidencing the Performance Stock Units, and subject to any further adjustments the Committee may make in its absolute discretion, the participant or the Estate shall be entitled to receive payment of a PSU Award upon the expiration of the related performance cycle, provided that such award shall be adjusted by multiplying the amount thereof by a fraction, the numerator of which shall be the number of full and partial calendar months between the date of the beginning of each such performance cycle and the date of termination or death, and the denominator of which shall be the number of full and partial calendar months from the date of the beginning of the performance cycle to the end of the said performance cycle.

(iii) except as otherwise provided in the stock option agreement or SARs agreement, the holder or the Estate shall be entitled to exercise any Option or SARs to the extent (if at all) 10 the holder's right to exercise had accrued at the

date of retirement, total disability or death and had not been previously exercised, for a period of three years from such date, or for such longer period as the Committee may determine in the case of financial hardship or other unusual circumstances (subject to the maximum exercise period for Options and SAR's specified in Paragraphs 7II(b) and 7III(a) hereof, respectively).

(iv) except as otherwise provided in the written instrument evidencing the Restricted Stock Units, upon death or termination due to total disability the holder or the Estate shall be entitled to receive payment in respect of the Restricted Stock Units, provided that such Units shall be adjusted by multiplying the amount thereof by a fraction, the numerator of which shall be the number of full and partial calendar months between the date of grant of such Units and the date of death or termination, and the denominator of which shall be the number of full and partial calendar months from the date of the grant to the end of the Restriction Period. Upon retirement, the participant's rights with respect to Restricted Stock Units shall immediately terminate.

(c) In the event of resignation by the participant, the participant's rights and interests under the Plan shall immediately terminate upon such resignation; provided, however, that the Committee shall have the absolute discretion to review the reasons and circumstances of the resignation and to determine whether, alternatively, and to what extent, if any, the participant may continue to hold any rights or interests under the Plan.

(d) A transfer of a participant's employment without an intervening period from the Corporation to a Subsidiary Corporation or vice versa, or from one Subsidiary Corporation to another, shall not be deemed a termination of employment.

(e) The Committee shall be authorized to make all determinations and calculations required by this Paragraph 8, including any determinations necessary to establish the reason for terminations of employment for purposes of the Plan, which determinations and calculations shall be conclusive and binding on any affected participants and Estates.

9. Additional Requirements

No Performance Stock Units, Options, SARs or Restricted Stock Units (hereinafter collectively an "Interest") granted pursuant to the Plan shall be exercisable or realized in whole or in part, and the Corporation shall not be obligated to sell, distribute or issue any shares subject to any such Interest, if such exercise and sale would, in the opinion of counsel for the Corporation, violate the Securities Act of 1933, as amended (or other Federal or state statutes having similar requirements). Each Interest shall be subject to the further requirement that, if at any time the Board of Directors shall determine in its discretion that the listing or qualification of the shares relating or subject to such Interest under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Interest or the distribution or issue of shares thereunder, such Interest may not be exercised in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Board of Directors.

Interests may be subject to restrictions as to resale or other disposition and to such other provisions as may be appropriate to comply with Federal and state securities laws and stock exchange requirements, and the exercise of any Interest or entitlement to payment thereunder may be contingent upon receipt from the holder (or any other person permitted by this Plan to exercise any Interest or receive any distribution hereunder) of a representation that at the time of such exercise it is his or her then present intention to acquire the shares being distributed for investment and not for resale.

10. Nontransferability

Contingent AIP grants, Performance Stock Units, Options, SARs and Restricted Stock Units granted under the Plan to an employee shall be nonassignable and shall not be transferable by him or her otherwise than by will or the laws of descent and distribution, and shall be exercisable, during the employee's lifetime, only by the employee or the employee's guardian or legal representative.

11. Disclaimer of Rights

No provision in the Plan or any contingent target AIP grants, Performance Stock Units, Options, SARs or Restricted Stock Units granted pursuant to the Plan shall be construed to confer upon the participant any right to be employed by the Corporation or by any Subsidiary Corporation, or to interfere in any way with the right and authority of the Corporation or any Subsidiary Corporation either to increase or decrease the compensation of the participant at any time, or to terminate any relationship of employment between the participant and the Corporation or any of its Subsidiary Corporations.

Participants under the Plan shall have none of the rights of a stockholder of the Corporation with respect to shares subject to Performance Stock Units, Options, SARs or Restricted Stock Units unless and until such shares have been issued to him or her.

12. Stock Adjustments

In the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock of rights or warrants to purchase securities of the Corporation shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Paragraph 2 hereof, and each share theretofore appropriated or thereafter subject or which may become subject to Performance Stock Units, Options, SARs or Restricted Stock Units under the Plan, the number of kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be. Outstanding Options and SARs also shall be appropriately amended as to price and other terms as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or of any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Board of Directors shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Performance Stock Units, Options, SARs or Restricted Stock Units theretofore granted or

which may be granted under the Plan, such adjustments shall be made in accordance with such determination.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share or unit.

13. Effective Date and Termination of Plan

The Plan shall become effective upon adoption by the Board of Directors of the Corporation, provided such adoption is approved by the stockholders, within twelve months of adoption by the Board of Directors. Contingent target AIP grants, Performance Stock Units, Options, SARs and Restricted Stock Units under this Plan, granted before approval of the Plan by the stockholders, shall be granted subject to such approval and shall not be exercisable or payable before such approval.

The Board of Directors at any time may terminate the Plan, but such termination shall not alter or impair any of the rights or obligations under any contingent target AIP grants, Performance Stock Units, Options, SARs or Restricted Stock Units theretofore granted under the Plan unless the affected participant shall so consent.

14. Prior Plan

Effective upon the adoption of this Plan by the Board of Directors, no additional grants of contingent target grants under the AIP or of Performance Stock Units shall be made under the MIP; provided, that any payments of AIP awards or deferrals thereof made with respect to prior grants of contingent AIP awards, any prior grants of any LTIP Units, and any payments of LTIP awards or deferrals thereof made with respect to such prior grants, shall not be affected. Notwithstanding the foregoing, to the extent the remaining shares reserved for use under the LTIP portion of the MIP are insufficient for any LTIP awards under performance cycles that began prior to January 1, 1987, shares available under this Plan may be used for such purpose.

15. Application of Funds

The proceeds received by the Corporation from the sale of capital stock pursuant to Options will be used for general corporate purposes.

16. No Obligation to Exercise Option or SARs

The granting of an Option or SARs shall impose no obligation upon the optionee to exercise such Option or SARs.

17. Amendment

The Board of Directors by majority vote, at any time and from time to time, may amend the Plan in such respects as it shall deem advisable, to conform to any change in any applicable law or in any other respect, except that without the approval of the stockholders no amendment shall be made to the Plan which shall:

(a) Increase the aggregate number of shares of Common Stock of the Corporation available under the LTIP portion of the Plan (except by operation of the adjustment provisions of the Plan);

(b) Remove the administration of the Plan from the Committee;

(c) Reduce the exercise price of outstanding Options, or extend the maximum term of Performance Stock Units, Options, SARs or Restricted Stock Units;

(d) Materially affect any outstanding contingent target AIP grants, Performance Stock Units, Options, SARs or Restricted Stock Units granted under the Plan without the written consent of the holders affected;

(e) Materially increase the benefits accruing to participants under the Plan; or

(f) Materially modify the requirements as to eligibility for participation in the Plan;

provided, that any amendment to the Plan shall require approval of the stockholders if, in the opinion of counsel to the Corporation, such approval is required by Section 16(b) or any other section of the Securities Exchange Act of 1934, or by any other Federal or state law or any regulations or rules promulgated thereunder. Notwithstanding the foregoing, the Plan may not be terminated or amended in a manner adverse to the interests of any participant (without the consent of the participant) either: (a) after a Potential Change in Control occurs and for one (1) year following the cessation of a Potential Change in Control, or (b) for a two year period beginning as of the date of a Change in Control (the "Coverage Period"). Upon the expiration of the Coverage Period, subparagraph (k) of Paragraph 7II of the Plan and Paragraph 8(a) of the Plan may not be amended in any manner that would adversely affect any participant without the consent of the participant.

As amended August 2, 1994

HERSHEY FOODS CORPORATION

AMENDED AND RESTATED

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

EFFECTIVE November 1,1994

HERSHEY FOODS CORPORATION Exhibit 19.ii

AMENDED AND RESTATED

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

1. Purpose of Plan. The purpose of the Supplemental Executive Retirement Plan (hereinafter called the "Plan") is to obtain for Hershey Foods Corporation (hereinafter called the "Corporation") all of the benefits which flow from maintaining a strong management team by providing to executive and upper level management employees the means to continue their attained standard of living during retirement and by offering benefits that will assist in attracting executive and upper level management employees of outstanding ability.

2. Definitions. The following words and phrases as used in the Plan shall have the following meanings, unless a different meaning is plainly required by the context:

a) "Cause" means the willful engaging by the Participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Corporation.

For purposes of this definition, no act or failure to act, on the part of the Participant, shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith and without reasonable belief that the Participant's action or omission was in the best interest of the Corporation. Any act or failure to act, based upon prior approval given by the Board or upon the instruction or with the approval of the Chief Executive Officer or the Participant's superior or based upon the advice of counsel for the Corporation shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interest of the Corporation.

b) "Committee" means the Compensation and Executive Organization Committee of the Board of Directors of the Corporation (the "Board").

c) "Deferred Retirement Date" means the first day of the month following a Participant's termination of employment with the Corporation provided such termination occurs after his Normal Retirement Date.

d) "Disability" or "Disabled", for purposes of this Plan, shall have the same meaning as provided in Section 1.16 of the Retirement Plan, as such section may be amended from time to time.

e) "Early Retirement Date" means the first day of any month following a Participant's termination of employment with the Corporation which is coincident with or following a Participant's fifty-fifth (55th) birthday and prior to the Participant's Normal Retirement Date.

f) "Final Average Compensation" means the sum of (1) the highest annual average of a Participant's basic salary paid or accrued over any thirty-six (36) consecutive month period during his last ten (10) years of employment with the Corporation and (2) the highest annual average of his annual awards under the Annual Incentive Program (hereinafter called the "AIP") of the Corporation's Key Employee Incentive Plan ("KEIP") paid or accrued over any five (5) consecutive calendar years during his last ten (10) years of employment with the Corporation. If a Participant dies, retires, or suffers a Disability during a calendar year and only a partial AIP award is made for that year, for purposes of the Plan, his AIP award for such year will be considered to equal the award actually made divided by the fraction of such year that he was employed by the Corporation prior to his death, retirement or Disability. If a Participant otherwise terminates employment with the Corporation during a calendar year, his AIP award for that year for purposes of the Plan will be considered to be zero (0), regardless of whether any AIP award is actually made for that year.

g) "Normal Retirement Date" means, for the purposes of this Plan, the first day of the month nearest a Participant's sixty-fifth (65th) birthday, except that if his birthday is equally near the first of two calendar months, the first day of the month prior to his sixty-fifth (65th) birthday shall be his Normal Retirement Date.

h) "Participant" means an employee of the Corporation who is eligible to receive a benefit under the Plan in accordance with the provisions of Paragraph 3 (i.e., has attained age 55, has ten (10) Years of Service and has participated in the performance share unit portion of the KEIP for at least five (5) of his last ten (10) years of employment with the Corporation).

i) "Retirement Plan" means the Corporation's Retirement Plan, amended and restated effective January 1, 1989, as in effect from time to time and any successor plan thereto.

j) "Years of Service", for purposes of this Plan, shall have the same meaning as provided in Section 1.56 of the Retirement Plan, as such section may be amended from time to time.

3. Eligibility. An employee of the Corporation will be eligible to receive a benefit pursuant to Section 4 of the Plan if, at the time of his termination of employment with the Corporation, such employee (i) is at least 55 years of age, (ii) has ten (10) Years of Service, and (iii) has participated in the performance share unit portion of the KEIP for at least five (5) of his last ten (10) years of employment with the Corporation. No Participant shall be entitled to receive any benefits under the Plan if his employment with the Corporation is terminated for Cause. Notwithstanding the above, an employee whose employment is terminated with the Corporation prior to his Normal Retirement Date for reason of Disability will be treated as provided for in Paragraph 4.c.

4. Retirement Benefits.

a. Normal Retirement Benefit. An employee who qualifies as a Participant, and who retires (or whose employment is otherwise terminated, other than for Cause) on or after his Normal Retirement Date shall be entitled under the Plan to receive a normal retirement benefit which shall be an annual benefit, payable in monthly installments, equal to:

(1) the product of three and two-thirds percent (3 2/3%) of his Final Average Compensation and his Years of Service not in excess of fifteen (15) Years of Service;

reduced by:

(2) one hundred percent (100%) of the Participant's retirement benefit under the Retirement Plan and any other tax-qualified defined benefit pension plan maintained by the Corporation or any affiliate thereof or any defined benefit pension plan maintained by any other entity, payable as a life annuity commencing at his Normal Retirement Date or his Deferred Retirement Date if he retires after his Normal Retirement Date, regardless of whether such benefit payment is in that form or begins at that time; and

(3) one hundred percent (100%) of the primary social security benefit to which the Participant would be entitled on his Normal Retirement Date or his Deferred Retirement Date if he retires after his Normal Retirement Date regardless of whether he receives any portion of such primary Social Security benefit on such date.

Payment of such benefit shall commence on his Normal Retirement Date if he retires (or otherwise has his employment terminated, other than for Cause) on such date and on his Deferred Retirement Date if he retires (or otherwise has his employment terminated, other than for Cause) after his Normal Retirement Date.

b. Early Retirement Benefit. An employee who qualifies as a Participant, and who retires (or whose employment is otherwise terminated, other than for Cause) on or after his Early Retirement Date and prior to his Normal Retirement Date shall be entitled under the Plan to receive an early retirement benefit which shall be an annual benefit payable in monthly installments, equal to:

(1) the product of three and two-thirds percent (3 2/3%) of his Final Average Compensation and his Years of Service not in excess of fifteen (15) Years of Service;

reduced by:

(2) one hundred percent (100%) of his retirement benefit under the Retirement Plan and any other tax-qualified defined benefit pension plan maintained by the Corporation or any affiliate thereof or any defined benefit pension plan maintained by any other entity, payable as a life annuity commencing at his Early Retirement Date or the first date thereafter on which such benefits would be payable if they are not payable on his Early Retirement Date regardless of whether such benefit payment is in that form or begins at that time; and

(3) one hundred percent (100%) of the primary Social Security benefit to which the Participant would be entitled on his Early Retirement Date or the first date thereafter on which such benefits would be payable if they are not payable on his Early Retirement Date regardless of whether he receives any portion of such primary Social Security benefit on such date; and

(4) the product of (a) the difference between (1) and the sum of (2) and (3), (b) five-twelfths of a percent (5/12%), and (c) the number of complete calendar months by which the Participant's date of termination of employment precedes his sixtieth (60th) birthday.

Payment of such benefit shall commence on the first day of the month coincident with the Participant's retirement or other termination of employment, other than for Cause.

c. Disability Retirement Benefit - If an employee who is an active participant in the performance share unit portion of the KEIP suffers a Disability prior to his Normal Retirement Date and while employed by the Corporation, the period of his Disability will be recognized as Years of Service and as years of participation in the performance share unit portion of the KEIP under the Plan. If such Disability continues to his Normal

Retirement Date, for purposes of the Plan, he will retire on that date and will be entitled to a normal retirement benefit calculated in accordance with Paragraph 4.a. commencing on that date. In calculating the benefit under Paragraph 4.a., the Participant's Final Average Compensation shall be equal to his annual base compensation immediately prior to his Disability plus the average of his AIP earned during the three (3) years immediately prior to the commencement of his Disability.

d. Pre-Retirement Death Benefit - If a Participant dies before his employment by the Corporation terminates, his designated beneficiary(ies), or his estate if he has not designated any beneficiary or beneficiaries in accordance with procedures established by the Committee, shall receive within ten (10) days of the Participant's death a death benefit equal to the lump sum present value of one hundred percent (100%) of the retirement benefit that would have been payable to the Participant under Paragraphs 4.a. or 4.b. (including the spousal survivor benefit payable pursuant to Paragraph 4.e. with respect to any Participant survived by a spouse) if he had retired on the date of his death. The lump sum present value of the retirement benefit shall be calculated using: (i) the 83 GAM mortality tables; and (ii) an interest rate equal to 100% of the interest rate that would be used by the Pension Benefit Guaranty Corporation (as of the date of the Participant's death) for purposes of determining the present value of a lump sum distribution on plan termination.

e. Post-Retirement Death Benefit - If a Participant who is receiving monthly retirement benefits under this Plan following his termination of employment by the Corporation dies, his surviving spouse, if he is survived by a spouse, shall be entitled to receive a death benefit which shall be a monthly payment for the spouse's life, beginning on the first day of the month following the Participant's death, equal to:

(1) fifty percent (50%) of the monthly retirement benefit to which the Participant was entitled under the Plan prior to his death;

reduced by:

(2) the monthly annuity value of any life insurance provided by the Corporation or any affiliate thereof for retired employees that is in excess of post-retirement group term life insurance regularly provided by the Corporation or any affiliate thereof.

5. Administration of the Plan. The Committee is charged with the administration of the Plan. It shall have full power and authority to construe and interpret the Plan. Its decisions shall be final, conclusive and binding on all parties. Subject to Paragraph 10 of this Plan, the Committee shall also have the power, in its sole discretion, at any time (i) to waive, in whole or in part, application of any of the eligibility requirements of Paragraph 3 or of the benefit reduction factors in Paragraph 4.a. and 4.b. and (ii) to determine the timing and form of payment of any benefit under the Plan, in the case of any individual Participant or other employee of the Corporation participating in, or who has participated in, the performance share unit portion of the KEIP.

6. Optional Forms of Payment

In lieu of the monthly retirement benefit (including the spousal survivor benefit payable pursuant to Paragraph 4.e. hereof) payable pursuant to Paragraph 4.a. or 4.b. hereof to a Participant (and his surviving spouse) who retires (or whose employment is terminated other than for Cause) after August 2, 1994 (such benefit payable to a Participant and/or his surviving spouse is herein referred to for purposes of this Paragraph 6 as the "Applicable Retirement Benefit"), such Participant may elect to receive the following form of benefit payment:

A lump sum cash payment, payable to the Participant within ten (10) days after the Participant's date of retirement (or the Participant's date of termination of employment other than for Cause), equal to the actuarial present value of the Applicable Retirement Benefit, calculated using: (i) the 83 GAM mortality tables; and (ii) an interest rate equal to 100% of the interest rate that would be used by the Pension Benefit Guaranty Corporation (as of the month immediately preceding the date of the Participant's retirement, calculated in accordance with the

Corporation's practices for determining retirement benefits) for purposes of determining the present value of a lump sum distribution on plan termination.

Any such election must be made at least one hundred (180) days prior to the date that the Applicable Retirement Benefit payments would otherwise become payable.

7. Payment Upon Change in Control

a. Any former employee or the surviving spouse of an employee or former employee who is receiving a benefit under Paragraphs 4.a., 4.b., 4.d. or 4.e. hereof (or pursuant to the terms of any version of this Plan) at the time of a Change in Control (collectively or individually, "SERP Recipient") shall receive, in lieu of the future monthly retirement benefit (including the spousal survivor benefit in the case of a benefit under Paragraph 4.a. or 4.b.) to which he is entitled (such future benefit payable to the SERP Recipient is herein referred to for purposes of this paragraph 7.a. as the "Future Retirement Benefit"), a lump sum cash payment, payable to the SERP Recipient, as applicable, within ten (10) days after a Change in Control (or such later date that is forty-five (45) days after the notice required by the following provisions of this Paragraph 7.a. is provided to the applicable SERP Recipient), equal to the actuarial present value of his Future Retirement Benefit, calculated using: (i) the 83 GAM mortality tables; and (ii) an interest rate equal to 100% of the interest rate that would be used by the Pension Benefit Guaranty Corporation (as of the date of the Change of Control) for purposes of determining the present value of a lump sum distribution on plan termination.

Notwithstanding the foregoing, the provisions of this Paragraph 7.a. shall not apply with respect to a SERP Recipient unless such SERP Recipient consents to the application of this Paragraph 7.a. within thirty (30) days after the date the SERP Recipient receives written notice of the terms of this Paragraph 7.a., as provided for by the following sentence. The Corporation shall provide each SERP Recipient, a written notice of the terms of this Paragraph 7.a. and the consent requirement contained herein not later than five (5) days after the earliest of (x) the occurrence of a Potential Change in Control, (y) the date that the

Corporation provides notice to its stockholders that a vote on a transaction which, if consummated, would constitute a Change in Control will be submitted to the Corporation's stockholders for approval, or (z) the occurrence of a Change of Control.

b. For purposes of Paragraphs 7 and 10, a "Change in Control" means:

(1) The acquisition or holding by any Person of beneficial ownership (within the meaning of Section 13(d) under the Exchange Act of shares of the Common Stock and/or the Class B Common Stock of the Corporation representing 25% or more of either (i) the total number of then outstanding shares of both Common Stock and Class B Common Stock of the Corporation (the "Outstanding Corporation Stock") or (ii) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Power"), provided that, at the time of such acquisition or holding of beneficial ownership of any such shares, the Hershey Trust does not beneficially own more than 50% of the Outstanding Corporation Voting Power; and provided, further, that any such acquisition or holding of beneficial ownership of shares of either Common Stock or Class B Common Stock of the Corporation by any of the following entities shall not by itself constitute such a Change in Control hereunder: (i) the Hershey Trust; (ii) any trust established by the Corporation, or by any Subsidiary, for the benefit of the Corporation and/or its employees or those of any Subsidiary; or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Corporation or by any Subsidiary; or

(2) The approval by the stockholders of the Corporation of any merger, reorganization, recapitalization, consolidation or other form of business combination (a "Business Combination") if, following consummation of such Business Combination, the Hershey Trust does not beneficially own more than 50% of the total voting power of all outstanding voting securities of the surviving entity or entities; or

(3) The approval by the stockholders of the Corporation of (i) any sale or other disposition of all or substantially all of the assets of the Corporation, other than to a corporation as to

which the Hershey Trust beneficially owns more than 50% of the total voting power of all outstanding voting securities, or (ii) a liquidation or dissolution of the Corporation.

c. For purposes of Paragraphs 7 and 10, a "Potential Change in Control" means:

(1) The Hershey Trust, or any person acting or purporting to act on its (or their) behalf, makes a public announcement that it (or they), or its (or their) Board of Trustees or Board of Managers or any other responsible official, (i) intends to take, (ii) is taking or (iii) has taken actions which would lead to a Change in Control (a "public announcement" being defined for this purpose as any statement quoted or otherwise reported in any print, broadcast, wire service or other means of publication available to the public in any locality in which any employee of the Corporation is regularly located);

(2) The Hershey Trust enters into any contract, agreement or other arrangement with any Person which would lead to a Change in Control; or

(3) The Board approves a transaction described in subsection (2) or (3) of the definition of Change in Control contained in Paragraph 7.b."

d. For purposes of this Paragraph 7: (i) "Hershey Trust" means either or both of (a) the Hershey Trust Company, a Pennsylvania corporation, as Trustee for the Milton Hershey School, or any successor to the Hershey Trust Company as such trustee, and (b) the Milton Hershey School, a Pennsylvania not-for-profit corporation; (ii) "Exchange Act" shall mean the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder; and (iii) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d)(3) and 14(d) thereof.

8. Payment of Benefits. Nothing contained in the Plan and no action taken pursuant to the provisions of the Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and the Participant, his spouse or any other person. No person other than the Corporation shall by virtue of the provisions of the Plan have any interest in such assets. To the extent that any person acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation. The right of the Participant or any other person to the payment of benefits under the Plan shall not be assigned, transferred, pledged or encumbered; such payments and the right thereto are expressly declared to be non-assignable and nontransferable. No payments hereunder shall be subject to the claim of the creditors of the Participant nor of any other person entitled to payments hereunder. Any payments required to be made pursuant to the Plan to a person who is under a legal disability may be made by the Corporation to or for the benefit of such person in such of the following ways as the Committee shall determine:

a. directly to such person.

b. to the legal representative of such person.

c. to a near relative of such person to be used for the latter's benefit.

d. directly in payment of expenses of support, maintenance or education of such person.

The Corporation shall not be required to see to the application by any third party of any payments made pursuant to the Plan.

9. Effective Date of Plan. This amended and restated Plan shall be effective November 1, 1994 and Participants who become eligible to retire under the Plan on or after that date shall be entitled to the benefits provided hereunder.

10. Amendment, Suspension or Termination of the Plan. The Board of Directors of the Corporation may, at any time, suspend or terminate the Plan. The Board may also from time to time, amend the Plan in such respects as it may deem advisable

in order that benefits provided hereunder may conform to any change in law or in other respects which the Board deems to be in the best interest of the Corporation. No such suspension, termination or amendment of the Plan shall adversely affect any right of any person who is a Participant at the time of such suspension, termination or amendment or his beneficiary(ies), estate or surviving spouse, as applicable, to receive benefits under the Plan in accordance with its provisions in effect immediately prior to such suspension, termination or amendment without the consent of such Participant, beneficiary(ies), estate or surviving spouse. Any benefits payable under the terms of the Plan at the time of any suspension, termination or amendment of the Plan shall remain in effect according to their original terms, or such alternate terms as may be in the best interests of both parties and agreed to by the Participant or his beneficiaries, estate or surviving spouse, as applicable. Notwithstanding the foregoing, (a) the Plan may not be terminated or amended in any manner that is adverse to the interests of a Participant or the surviving spouse of a Participant without the consent of the Participant or surviving spouse, as applicable, either: (i) after a Potential Change in Control occurs and for one (1) year following the cessation of the Potential Change in Control, or (ii) for a two year period beginning on the date of a Change in Control (the "Coverage Period"); and (b) no termination of this Plan or amendment hereof in a manner adverse to the interests of any Participant (without the consent of the Participant or surviving spouse) shall be effective if such termination or amendment occurs (i) at the request of a third party who has taken steps reasonably calculated to effect a Change of Control, or (ii) in connection with or in anticipation of a Change of Control. After the Coverage Period, the Plan may not be amended or terminated in any manner that would adversely affect the entitlement of a Participant or his surviving spouse (without the consent of the Participant or surviving spouse) to benefits that have accrued hereunder. For purposes of the immediately preceding two sentences of this Paragraph 10, "Participant" shall include any employee of the Corporation participating in the performance share unit portion of the KEIP (regardless of

whether any such employee meets the other eligibility requirements of Paragraph 3) at the time (a) the Coverage Period commences and thereafter or (b) his employment is terminated or the Plan is amended (i) at the request of a third party who has taken steps reasonably calculated to effect a Change of Control, or (ii) in connection with or in anticipation of a Change of Control.

IN WITNESS WHEREOF, Hershey Foods Corporation has caused this Hershey Foods Corporation Amended and Restated Supplemental Executive Retirement Plan to be executed this 1st day of November.

HERSHEY FOODS CORPORATION

By______________________________
Chief Executive Officer

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

The following is a listing of Subsidiaries of the Corporation, their jurisdictions of incorporation, and the name under which they do business. Each is wholly owned. Certain subsidiaries are not listed since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary as of December 31, 1994.

Name of Subsidiary	Jurisdiction of Incorporation
Hershey Canada Inc.	Canada
Hershey Holding Corporation	Delaware
Homestead, Inc.	Delaware
Sperlari S.r.l.	Italy

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HERSHEY FOODS CORPORATION'S CONSOLIDATED CONDENSED BALANCE SHEET AS OF DECEMBER 31,1994 AND CONSOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR
DEC-31-1994
DEC-31-1994
26,738
0
331,670
0
445,702
948,666
2,123,529
655,132
2,890,981
796,221
157,227
89,922
0
0
1,351,178
2,890,981
3,606,271
3,606,271
2,097,556
3,131,671
(106,105)
0
35,357
333,138
148,919
184,219
0
0
0
184,219
2.12
0

RELATES TO A RESTRUCTURING CHARGE RECORDED IN THE FOURTH QUARTER.