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

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2007

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission File Number 1-183

Registrant, State of Incorporation, Address and Telephone Number

THE HERSHEY COMPANY

(a Delaware corporation)

100 Crystal A Drive
Hershey, Pennsylvania 17033
(717) 534-4200

I.R.S. Employer Identification Number 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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ 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. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, one dollar par value—$7,787,097,379 as of July 1, 2007.

Class B Common Stock, one dollar par value—$10,275,759 as of July 1, 2007. 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 July 1, 2007.

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—166,508,449 shares, as of February 12, 2008.

Class B Common Stock, one dollar par value—60,805,727 shares, as of February 12, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the Company's 2008 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

PART I

Item 1. *BUSINESS*

Company Overview

The Hershey Company was incorporated 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. In this report, the terms "Company," "we," "us," or "our" mean The Hershey Company and its wholly-owned subsidiaries and entities in which it has a controlling financial interest, unless the context indicates otherwise.

We are the largest North American manufacturer of quality chocolate and sugar confectionery products. Our principal product groups include confectionery and snack products; gum and mint refreshment products; and food and beverage enhancers such as baking ingredients, toppings and beverages. In addition to our traditional confectionery products, we offer a range of products specifically developed to address the health and well-being needs of health-conscious consumers.

Reportable Segment

We operate as a single reportable segment in manufacturing, marketing, selling and distributing various package types of chocolate candy, sugar confectionery, refreshment and snack products, and food and beverage enhancers under more than 60 brand names. Our five operating segments comprise geographic regions including the United States, Canada, Mexico, Brazil and other international locations, such as Japan, Korea, the Philippines, India and China. We market confectionery products in approximately 50 countries worldwide.

For segment reporting purposes, we aggregate our operations in the Americas, which comprise the United States, Canada, Mexico and Brazil. We base this aggregation on similar economic characteristics, and similar products and services, production processes, types or classes of customers, distribution methods, and the similar nature of the regulatory environment in each location. We aggregate our other international operations with the Americas to form one reportable segment. When combined, our other international operations share most of the aggregation criteria and represent less than 10% of consolidated revenues, operating profits and assets.

Selling and Marketing Organization

Our selling and marketing organization is comprised of Hershey North America, Hershey International and the Global Marketing Group. This organization is designed to:

- Leverage our marketing and sales leadership in the United States and Canada;
- Focus on key strategic growth areas in global markets; and
- Build capabilities that capitalize on unique consumer and customer trends.

Hershey North America

Hershey North America has responsibility for continuing to build our confectionery leadership, while capitalizing on our scale in the U.S. and Canada. This organization leverages our ability to capitalize on the unique consumer and customer trends within each country. This includes developing and growing our business in our chocolate, sugar confectionery, snacks, refreshment, food and beverage enhancers, and food service product lines.

Hershey International

Hershey International markets confectionery products, and food and beverage enhancers worldwide and has responsibility for pursuing profitable growth opportunities in key markets, primarily in Latin America and

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Asia. This organization is responsible for international subsidiaries that manufacture, import, market, sell and distribute chocolate, confectionery and beverage products in Mexico and Brazil. Hershey International manufactures and distributes confectionery products, snacks and beverages in India through Godrej Hershey Foods and Beverages Company under an agreement entered into in May 2007 with Godrej Beverages and Foods, Ltd., one of India's largest consumer goods, confectionery and food companies.

Global Marketing Group

Our Global Marketing Group has responsibility for building global brands, developing transformational growth platforms and ensuring collaborative marketing excellence across the Company. This organization also develops market-specific insights, strategies and platform innovation for Hershey International, helping to build our brands globally and drive growth in high-potential emerging markets. This organization develops consumer and customer insights, new products and innovative marketing communications. The Global Marketing Group is also responsible for brand positioning, portfolio strategy, pricing strategy and corporate social responsibility.

A component of the Global Marketing Group, The Hershey Experience, manages our catalog sales and our retail operations within the United States that include Hershey's Chocolate World in Hershey, Pennsylvania, Hershey's Times Square in New York, New York and Hershey's Chicago in Chicago, Illinois.

Products

United States

The primary chocolate and confectionery products we sell in the United States include the following:

Under the *HERSHEY'S* brand franchise:

HERSHEY'S milk chocolate bar
HERSHEY'S milk chocolate bar with almonds
HERSHEY'S Extra Dark chocolates
HERSHEY'S MINIATURES chocolate candy
HERSHEY'S NUGGETS chocolates
HERSHEY'S STICKS chocolates
HERSHEY'S COOKIES 'N' CRÈME candy bar
HERSHEY'S POT OF GOLD boxed chocolates
HERSHEY'S SUGAR FREE chocolate candy
HERSHEY'S S'MORES candy bar
HERSHEY'S HUGS candies
HERSHEY'S organic chocolates

Under the *REESE'S* brand franchise:

REESE'S peanut butter cups
REESE'S PIECES candy
REESE'S BIG CUP peanut butter cups
REESE'S NUTRAGEOUS candy bar
REESE'S SUGAR FREE peanut butter cups
REESE'S crispy crunchy bar
REESE'S WHIPPS nougat bar
REESESTICKS wafer bars
FAST BREAK candy bar

Under the *KISSES* brand franchise:

HERSHEY'S KISSES brand milk chocolates
HERSHEY'S KISSES brand milk chocolates filled with peanut butter
HERSHEY'S KISSES brand milk chocolates with almonds
HERSHEY'S KISSES brand milk chocolates filled with caramel
HERSHEY'S KISSES brand chocolates filled with chocolate truffle
HERSHEY'S KISSABLES brand chocolate candies

Our other chocolate and confectionery products in the United States include the following:

5th AVENUE candy bar
ALMOND JOY candy bar
CADBURY chocolates
MILK DUDS candy
MOUNDS candy bar
MR. GOODBAR candy bar
TAKE5 candy bar
TWIZZLERS candy
WHATCHAMACALLIT candy bar

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CARAMELLO candy bar
GOOD & PLENTY candy
HEATH toffee bar
JOLLY RANCHER candy
JOLLY RANCHER sugar free hard candy
KIT KAT wafer bar
PAYDAY peanut caramel bar
ROLO caramels in milk chocolate
SKOR toffee bar
SPECIAL DARK chocolate bar
SYMPHONY milk chocolate bar
SYMPHONY milk chocolate bar with almonds and toffee
WHOPPERS malted milk balls
YORK peppermint pattie
YORK sugar free peppermint pattie
ZAGNUT candy bar
ZERO candy bar

We also sell products in the United States under the following product lines:

Premium products

Our line of premium chocolate and confectionery offerings includes *CACAO RESERVE BY HERSHEY'S* chocolate bars and drinking cocoa mixes. Artisan Confections Company, a wholly-owned subsidiary of The Hershey Company, markets *SCHARFFEN BERGER* high-cacao dark chocolate products, *JOSEPH SCHMIDT* handcrafted chocolate gifts and *DAGOBA* natural and organic chocolate products.

Snack products

Our snack products include *HERSHEY'S SNACKSTERS* snack mix; *HERSHEY'S, ALMOND JOY, REESE'S,* and *YORK* cookies; *HERSHEY'S* and *REESE'S* granola bars; and *MAUNA LOA* macadamia snack nuts and cookies in several varieties.

Refreshment products

Our line of refreshment products includes *ICE BREAKERS* mints and chewing gum, *BREATH SAVERS* mints, *BUBBLE YUM* bubble gum and *YORK* mints.

Food and beverage enhancers

Food and beverage enhancers include *HERSHEY'S BAKE SHOPPE, HERSHEY'S, REESE'S, HEATH*, and *SCHARFFEN BERGER* baking products. Our toppings and sundae syrups include *HEATH* and *HERSHEY'S.* We sell hot cocoa mix under the *HERSHEY'S, HERSHEY'S GOODNIGHT HUGS* and *HERSHEY'S GOODNIGHT KISSES* brand names.

Canada

Principal products we manufacture and sell in Canada are *HERSHEY'S* milk chocolate bars and milk chocolate bars with almonds; *OH HENRY!* candy bars; *REESE PEANUT BUTTER CUPS* candy; *HERSHEY'S KISSES* candy bar; *KISSABLES* brand chocolate candies; *TWIZZLERS* candy; *GLOSETTE* chocolate-covered raisins, peanuts and almonds; *JOLLY RANCHER* candy; *WHOPPERS* malted milk balls; *SKOR* toffee bars; *EAT MORE* candy bars; *POT OF GOLD* boxed chocolates; and *CHIPITS* chocolate chips.

Mexico

We manufacture, import, market, sell and distribute chocolate and confectionery products in Mexico including *HERSHEY'S, KISSES, JOLLY RANCHER*, and *PELÓN PELO RICO* chocolate, confectionery and beverage items.

Brazil

We manufacture, import and market chocolate and confectionery products in Brazil including *HERSHEY'S* chocolate and confectionery items and *IO-IO* items.

India

We manufacture, market, sell and distribute confectionery, snack and beverage products in India including *NUTRINE* and *GODREJ* confectionery and beverage products.

Customers

Full-time sales representatives and food brokers sell our products to our customers. Our customers are mainly wholesale distributors, chain grocery stores, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, dollar stores, concessionaires, department stores and natural food stores. Our customers then resell our products to end-consumers in over 2 million retail outlets in North America and other locations worldwide. In 2007, sales to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, amounted to approximately 26% of our total net sales. McLane Company, Inc. is the primary distributor of our products to Wal-Mart Stores, Inc.

Marketing Strategy and Seasonality

The foundation of our marketing strategy is our strong brand equities, product innovation, the consistently superior quality of our products, our manufacturing expertise and mass distribution capabilities. We also devote considerable resources to the identification, development, testing, manufacturing and marketing of new products. We have a variety of promotional programs for our customers as well as advertising and promotional programs for consumers of our products. We stimulate sales of certain products with promotional programs at various times throughout the year. Our sales are typically higher during the third and fourth quarters of the year, representing seasonal and holiday-related sales patterns.

Product Distribution

In conjunction with our sales and marketing efforts, our efficient product distribution network helps us maintain sales growth and provide superior customer service. We plan optimum stock levels and work with our customers to set reasonable delivery times. Our distribution network provides for the efficient shipment of our products from our manufacturing plants to distribution centers strategically located throughout the United States, Canada and Mexico. We primarily use common carriers to deliver our products from these distribution points to our customers.

Price Changes

We change prices and weights of our products when necessary to accommodate changes in manufacturing costs, the competitive environment and profit objectives, while at the same time maintaining consumer value. Price increases and weight changes help to offset increases in our input costs, including raw and packaging materials, fuel, utilities, transportation, and employee benefits.

In April 2007, we announced an increase of approximately four percent to five percent in the wholesale prices of our domestic confectionery line, effective immediately. The price increase applied to our standard bar, king-size bar, 6-pack and vending lines. These products represent approximately one-third of our U.S. confectionery portfolio. This action was implemented to help partially offset increases in input costs, including raw and packaging materials, fuel, utilities and transportation.

We announced a combination of price increases and weight changes on certain *JOLLY RANCHER* and *TWIZZLERS* candy and chocolate packaged candy items in November 2005. These changes went into effect in December 2005 and early 2006 and represented a weighted-average price increase of approximately one percent over the entire domestic product line when fully effective in the second quarter of 2006.

In December 2004, we announced an increase in the wholesale prices of approximately half of our domestic confectionery line. Changes that were effective in January 2005 represented a weighted-average increase of approximately six percent on our standard bar, king-size bar, 6-pack and vending lines. Changes that were effective in February 2005 represented a weighted-average price increase of approximately four percent on packaged candy. The price increases announced in December 2004 represented an average increase of three percent over the entire domestic product line.

Raw Materials

Cocoa is the most significant raw material we use to produce our chocolate products. We buy a mix of cocoa beans and cocoa products, including cocoa liquor, cocoa butter and cocoa powder, to meet manufacturing requirements. Cocoa beans and cocoa products are purchased directly from third party suppliers. Cocoa beans are grown principally in Far Eastern, West African and South American equatorial regions. West Africa accounts for approximately 70 percent of the world's supply of cocoa beans. Cocoa beans are not uniform, and the various grades and varieties reflect the diverse agricultural practices and natural conditions found in many growing areas.

Historically there have been instances of weather catastrophes, crop disease, civil disruptions, embargoes and other problems in cocoa-producing countries that have caused price fluctuations, but have never resulted in total loss of a particular producing country's cocoa crop and/or exports. In the event that such a disruption would occur in any given country, we believe cocoa from other producing countries and from current physical cocoa stocks in consuming countries would provide a significant supply buffer.

Cocoa beans are processed to produce cocoa liquor, cocoa butter and cocoa powder. Beginning in 2008, we will predominately purchase cocoa products to meet our manufacturing requirements rather than processing cocoa beans. This change to our manufacturing process is the result of a comprehensive, supply chain transformation program to enhance manufacturing, sourcing and customer service capabilities that we initiated in 2007, along with ingredient sourcing arrangements entered into during 2007.

During 2007, cocoa prices traded in a range between 74¢ and 95¢ per pound, based on the New York Board of Trade futures contract. The table below shows annual average cocoa prices, and 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 Board of Trade.

	Cocoa Futures Contract Prices (cents per pound)				
	2007	2006	2005	2004	2003
Annual Average	86.1	70.0	68.3	68.7	77.8
High	94.6	74.9	78.7	76.8	99.8
Low	74.5	67.1	63.5	62.1	65.6

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

Our costs will not necessarily reflect market price fluctuations because of our forward purchasing practices, premiums and discounts reflective of varying delivery times, and supply and demand for our specific varieties and grades of cocoa beans, cocoa liquor, cocoa butter and cocoa powder. As a result, the average futures contract prices are not necessarily indicative of our average cost of cocoa beans or cocoa products.

The Farm Security and Rural Investment Act of 2002, which is a six-year farm bill, impacts the prices of sugar, corn, peanuts and dairy products because it sets price support levels for these commodities.

During 2007, dairy prices were significantly higher, starting the year at nearly 13¢ per pound and rising to 22¢ per pound on a class II fluid milk basis. Tight global supplies were driven by drought in Australia as well as reduced exports from the European Union due to the elimination of subsidies. Also, input costs for U.S. producers were up due to heightened grain prices impacting feed costs. Additionally, the United States Department of Agriculture adjusted their mechanism for establishing market prices of nonfat dry milk, further escalating costs.

The price of sugar is subject to price supports under U.S. farm legislation. This legislation establishes import quotas and duties to support the price of sugar. As a result, sugar prices paid by users in the U.S. are currently substantially higher than prices on the world sugar market. In 2007, sugar supplies in the U.S. improved due to larger sugar beet and sugar cane crops. As a result, refined sugar prices declined from 31¢ to 29¢ per pound. Our costs for sugar will not necessarily reflect market price fluctuations primarily because of our forward purchasing and hedging practices.

Peanut prices in the U.S. began the year around 42¢ per pound but gradually increased during the year to 53¢ per pound due to supply tightness driven by lower planted acreage and dry conditions during the growing season. Almond prices began the year at $2.50 per pound and declined to $2.20 per pound during the year driven by supply increases due to a record crop which produced 19% more volume than the prior year.

We attempt to minimize the effect of future price fluctuations related to the purchase of major raw materials and certain energy requirements primarily through forward purchasing to cover our future requirements, generally for periods from 3 to 24 months. We enter into futures contracts to manage price risks for cocoa beans and cocoa products, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products. However, the dairy markets are not as developed as many of the other commodities markets and, therefore, it is not possible to hedge our costs for dairy products by taking forward positions to extend coverage for longer periods of time. Currently, active futures contracts are not available for use in pricing our other major raw material requirements. For more information on price risks associated with our major raw material requirements, see Commodities—Price Risk Management and Futures Contracts on page 39.

Competition

Many of our brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace. We sell our brands in a highly competitive market with many other multinational, national, regional and local firms. Some of our competitors are much larger firms that have greater resources and more substantial international operations.

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Trademarks, Service Marks and License Agreements

We own various registered and unregistered trademarks and service marks and have rights under licenses to use various trademarks that are of material importance to our business.

We have license agreements with several companies to manufacture and/or sell certain products. Our rights under these agreements are extendible on a long-term basis at our option. Our most significant licensing agreements are as follows:

Company	Type	Brand	Location	Requirements
Cadbury Schweppes p.l.c. and affiliates	License to manufacture and/or sell and distribute confectionery products	*YORK* *PETER PAUL ALMOND JOY* *PETER PAUL MOUNDS*	Worldwide	None
		CADBURY *CARAMELLO*	United States	Minimum sales requirement exceeded in 2007
Société des Produits Nestlé SA	License to manufacture and distribute confectionery products	*KIT KAT* *ROLO*	United States	Minimum unit volume sales exceeded in 2007
Huhtamäki Oy affiliate	Certain trademark licenses for confectionery products	*GOOD & PLENTY* *HEATH* *JOLLY RANCHER* *MILK DUDS* *PAYDAY* *WHOPPERS*	Worldwide	None

Various dairies throughout the United States produce and sell *HERSHEY'S* chocolate and strawberry flavored milks under license. We also grant trademark licenses to third parties to produce and sell baking and various other products primarily under the *HERSHEY'S* and *REESE'S* brand names.

Backlog of Orders

We manufacture primarily for stock and fill customer orders from finished goods inventories. While at any given time there may be some backlog of orders, this backlog is not material in respect to our total annual sales, nor are the changes from time to time significant.

Research and Development

We engage in a variety of research and development activities. We develop new products, improve the quality of existing products, improve and modernize production processes, and develop and implement new technologies to enhance the quality and value of both current and proposed product lines. Information concerning our research and development expense is contained in Note 1 of the Notes to the Consolidated Financial Statements (Item 8. Financial Statements and Supplementary Data).

Food Quality and Safety Regulation

The manufacture and sale of consumer food products is highly regulated. In the United States, our activities are subject to regulation by various government agencies, including the Food and Drug Administration, the Department of Agriculture, the Federal Trade Commission, the Department of Commerce and the Environmental Protection Agency, as well as various state and local agencies. Similar agencies also regulate our businesses outside of the United States.

Environmental Considerations

Investments were made in 2007 to comply with environmental laws and regulations. These investments were not material with respect to our capital expenditures, earnings or competitive position.

Employees

As of December 31, 2007, we employed approximately 11,000 full-time and 1,800 part-time employees worldwide. Collective bargaining agreements covered approximately 4,200 employees for which agreements covering approximately 25% of these employees, primarily outside of the United States, will expire during 2008. We believe that our employee relations are good.

Financial Information by Geographic Area

Our principal operations and markets are located in the United States. The percentage of total consolidated net sales for our businesses outside of the United States was 13.8% for 2007, 10.9% for 2006 and 10.9% for 2005. The percentage of total consolidated assets outside of the United States as of December 31, 2007 was 16.2% and as of December 31, 2006 was 13.8%. Operating profit margins vary among individual products and product groups.

Available Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. We file or furnish annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (“SEC”). You may obtain a copy of any of these reports, free of charge, from the Investor Relations section of our website, *www.hersheys.com* shortly after we file or furnish the information to the SEC.

You may also obtain a copy of any of these reports directly from the SEC. You may read and copy any material we file or furnish with the SEC at their Office of Investor Education and Advocacy, located at 100 F Street N.E., Washington, D.C. 20549. The phone number for information about the operation of the SEC Office of Investor Education and Advocacy is 1-800-732-0330 (if you are calling from within the United States), or 202-551-8090. Because we electronically file our reports, you may also obtain this information from the SEC internet website at *www.sec.gov.* You can obtain additional contact information for the SEC on their website.

Our Company has a Code of Ethical Business Conduct that applies to our Board of Directors, all company officers and employees, including, without limitation, our Chief Executive Officer and “senior financial officers” (including the Chief Financial Officer, Chief Accounting Officer and persons performing similar functions). You can obtain a copy of our Code of Ethical Business Conduct from the Investor Relations section of our website, *www.hersheys.com*. If we change or waive any portion of the Code of Ethical Business Conduct that applies to any of our directors, executive officers or senior financial officers, we will post that information on our website within four business days. In the case of a waiver, such information will include the name of the person to whom the waiver applied, along with the date and type of waiver.

We also post our Corporate Governance Guidelines and Charters for each of the Board's standing committees in the Investor Relations section of our website, *www.hersheys.com*. The Board of Directors adopted each of these guidelines and charters. If you are a beneficial owner of Common Stock or Class B Common Stock ("Class B Stock"), we will provide you with a free copy of the Code of Ethical Business Conduct, the Corporate Governance Guidelines or the Charter of any standing committee of the Board of Directors, upon request. We will also give any stockholder a copy of one or more of the Exhibits listed in Part IV of this report, upon request. We charge a small copying fee for these exhibits to cover our costs. To request a copy of any of these documents, you can contact us at—The Hershey Company, Attn: Investor Relations Department, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810.

Item 1A. *RISK FACTORS*

We are subject to changing economic, competitive, regulatory and technological risks and uncertainties because of the nature of our operations. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we note the following factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied in this report. Many of the forward-looking statements contained in this document may be identified by the use of words such as "intend," "believe," "expect," "anticipate," "should," "planned," "projected," "estimated" and "potential," among others. Among the factors that could cause our actual results to differ materially from the results projected in our forward-looking statements are the risk factors described below.

Annual savings from initiatives to transform our supply chain and advance our value-enhancing strategy may be less than we expect.

In February 2007, we announced a comprehensive, supply chain transformation program which includes a phased three-year plan to enhance our manufacturing, sourcing and customer service capabilities. We expect ongoing annual savings from this program and previous initiatives to generate significant savings to invest in our growth initiatives and to advance our value-enhancing strategy. If ongoing annual savings do not meet our expectations, we may not obtain the anticipated future benefits.

Increases in raw material and energy costs could affect future financial results.

We use many different commodities for our business, including cocoa beans, cocoa products, sugar, dairy products, peanuts, almonds, corn sweeteners, natural gas and fuel oil.

Commodities are subject to price volatility and changes in supply caused by:

- Commodity market fluctuations;
- Currency exchange rates;
- Imbalances between supply and demand;
- The effect of weather on crop yield;
- Speculative influences;
- Trade agreements among producing and consuming nations;
- Political unrest in producing countries; and
- Changes in governmental agricultural programs and energy policies.

Although we use forward contracts and commodity futures contracts, where possible, to hedge commodity prices, commodity price increases ultimately result in corresponding increases in our raw material and energy costs. If we are unable to offset cost increases for major raw materials and energy, there could be a negative impact on our results of operations and financial condition.

Price increases may not be sufficient to offset cost increases and maintain profitability.

We may be able to pass some or all raw material, energy and other input cost increases to customers by increasing the selling prices of our products or decreasing the size of our products; however, higher product prices or decreased product size may also result in a reduction in sales volume. If we are not able to increase our selling prices or reduce product sizes sufficiently to offset increased raw material, energy or other input costs, including packaging, direct labor, overhead and employee benefits, or if our sales volume decreases significantly, there could be a negative impact on our results of operations and financial condition.

Implementation of our supply chain transformation program may not occur within the anticipated timeframe and/or may exceed our cost estimates.

We announced a comprehensive supply chain transformation program in February 2007 which is expected to be completed by December 2009. We estimate that this program will incur pre-tax charges and non-recurring project implementation costs of $525 million to $575 million over the three-year period. Completion of this program is subject to multiple operating and executional risks, including coordination of manufacturing changes, production line startups, cross-border legal, regulatory and political issues, and foreign currency exchange risks, among others. If we are not able to complete the program initiatives within the anticipated timeframe and within our cost estimates, our results of operations and financial condition could be negatively impacted.

Issues related to the quality and safety of our products, ingredients or packaging could cause a product recall, resulting in harm to the Company's reputation and negatively impacting our operating results.

In order to sell our iconic, branded products, we need to maintain a good reputation with our customers and consumers. Issues related to quality and safety of our products, ingredients or packaging, could jeopardize our Company's image and reputation. Negative publicity related to these types of concerns, or related to product contamination or product tampering, whether valid or not, might negatively impact demand for our products, or cause production and delivery disruptions. We may need to recall products if any of our products become unfit for consumption. In addition, we could potentially be subject to litigation or government actions, which could result in payments of fines or damages. Costs associated with these potential actions could negatively affect our operating results.

A product recall and related temporary plant closure during the fourth quarter of 2006 was caused by a contaminated ingredient purchased from an outside supplier. We have filed a claim for damages and are currently in litigation. A receivable was included in prepaid expenses and other current assets related to the anticipated recovery of damages. Future developments in this case could impact our ability to recover the costs we incurred for the recall and temporary plant closure from responsible third-parties.

Future developments related to the investigation by government regulators of alleged pricing practices by members of the confectionery industry could impact our reputation, the regulatory environment under which we operate, and our operating results.

Government regulators are investigating alleged pricing practices by members of the confectionery industries in certain jurisdictions. We are cooperating fully with all relevant authorities. These allegations could have a negative impact on our Company's reputation. We may also be subject to subsequent litigation or government action, including payment of fines or damages. We may incur increased costs associated with this investigation. In addition, our costs could increase if we would be required to pay fines or damages, or institute additional, new, government-mandated regulatory controls. These possible actions could negatively impact our future operating results.

Pension costs could increase at a higher than anticipated rate.

Changes in interest rates or in the market value of plan assets could affect the funded status of our pension plans. This could cause volatility in our benefits costs and increase future funding requirements of our pension plans. Additionally, we could incur pension settlement losses if a significant number of employees who have retired or have left the company decide to withdraw substantial lump sums from their pension accounts. Pension settlement losses of approximately $11.8 million were incurred during 2007 and we anticipate additional settlement costs in 2008. The fair value of our pension plan assets exceeded pension benefits obligations as of December 31, 2007. However, a significant increase in future funding requirements could have a negative impact on our results of operations, financial condition and cash flows.

Increases in our stock price could increase expenses.

Changes in the price of our Common Stock expose us to market risks. Expenses for incentive compensation could increase due to an increase in the price of our Common Stock.

Market demand for new and existing products could decline.

We operate in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Continued success is dependent on product innovation, including maintaining a strong pipeline of new products, effective retail execution, appropriate advertising campaigns and marketing programs, and the ability to secure adequate shelf space at retail locations. In addition, success depends on our response to consumer trends, consumer health concerns, including obesity and the consumption of certain ingredients, and changes in product category consumption and consumer demographics.

Our largest customer, McLane Company, Inc., accounted for approximately 26% of our total net sales in 2007 reflecting the continuing consolidation of our customer base. In this environment, there continue to be competitive product and pricing pressures, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key customers, including retailers and distributors, to compete effectively. McLane Company, Inc. is one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, including Wal-Mart Stores, Inc.

Increased marketplace competition could hurt our business.

The global confectionery packaged goods industry is intensely competitive, as is the broader snack market. Some of our competitors are much larger firms that have greater resources and more substantial international operations. In order to protect our existing market share or capture increased market share in this highly competitive retail environment, we may be required to increase expenditures for promotions and advertising, and continue to introduce and establish new products. Due to inherent risks in the marketplace associated with advertising and new product introductions, including uncertainties about trade and consumer acceptance, increased expenditures may not prove successful in maintaining or enhancing our market share and could result in lower sales and profits. In addition, we may incur increased credit and other business risks because we operate in a highly competitive retail environment.

Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products.

Changes in laws and regulations and the manner in which they are interpreted or applied may alter our business environment. This could affect our results of operations or increase our liabilities. These negative impacts could result from changes in food and drug laws, laws related to advertising and marketing practices, accounting standards, taxation requirements, competition laws, employment laws and environmental laws,

among others. It is possible that we could become subject to additional liabilities in the future resulting from changes in laws and regulations that could result in an adverse effect on our results of operations and financial condition.

International operations could fluctuate unexpectedly and adversely impact our business.

In 2007, we derived approximately 13.8% of our net sales from customers located outside the United States. Some of our assets are also located outside of the United States. As part of our global growth strategy, we are increasing our investments outside of the United States, particularly in India and China. As a result, we are subject to numerous risks and uncertainties relating to international sales and operations, including:

- Unforeseen global economic and environmental changes resulting in business interruption, supply constraints, inflation, deflation or decreased demand;
- Difficulties and costs associated with complying with, and enforcing remedies under a wide variety of complex laws, treaties and regulations;
- Different regulatory structures and unexpected changes in regulatory environments;
- Political and economic instability, including the possibility of civil unrest;
- Nationalization of our properties by foreign governments;
- Tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;
- Potentially negative consequences from changes in tax laws;
- The imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements;
- Increased costs, disruptions in shipping or reduced availability of freight transportation;
- The impact of currency exchange rate fluctuations between the U.S. dollar and foreign currencies; and
- Failure to gain sufficient profitable scale in certain international markets resulting in losses from impairment or sale of assets.

Item 1B. *UNRESOLVED STAFF COMMENTS*

None.

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Item 2. ***PROPERTIES***

Our principal properties include the following:

Country	Location	Type	Status (Own/ Lease)
United States	Hershey, Pennsylvania (3 principal plants)	Manufacturing—confectionery products, and food and beverage enhancers	Own
	Lancaster, Pennsylvania	Manufacturing—confectionery products	Own
	Oakdale, California	Manufacturing—confectionery products, and food and beverage enhancers	Own*
	Robinson, Illinois	Manufacturing—confectionery and snack products, and food and beverage enhancers	Own
	Stuarts Draft, Virginia	Manufacturing—confectionery products, and food and beverage enhancers	Own
	Edwardsville, Illinois	Distribution	Own
	Palmyra, Pennsylvania	Distribution	Own
	Redlands, California	Distribution	Own**
Canada	Smiths Falls, Ontario	Manufacturing—confectionery products, and food and beverage enhancers	Own*
	Mississauga, Ontario	Distribution	Lease

* The Oakdale, California manufacturing facility ceased production in January 2008. The Smiths Falls, Ontario manufacturing facility is currently expected to cease production in the first quarter of 2009.

** We expect to sell the Redlands, California facility in 2008 as part of our global supply chain transformation program and enter into a leasing arrangement for the facility for a period necessary to meet our continued operating requirements.

In addition to the locations indicated above, we are constructing a manufacturing facility for confectionery products in Monterrey, Mexico which will begin operations in 2008. We also own or lease several other properties and buildings worldwide which we use for manufacturing and for sales, distribution and administrative functions. Our facilities are well maintained. These facilities generally have adequate capacity and can accommodate seasonal demands, changing product mixes and certain additional growth. The largest facilities are located in Hershey, Pennsylvania. Many additions and improvements have been made to these facilities over the years and they include equipment of the latest type and technology.

Item 3. ***LEGAL PROCEEDINGS***

In connection with its pricing practices, the Company is the subject of an antitrust investigation by the Canadian Competition Bureau, and has received a request for information from the European Commission. In addition, the U.S. Department of Justice is conducting an inquiry. The Company is also party to approximately 50 related civil antitrust suits in the United States and three in Canada. Each claim contains class action allegations, instituted on behalf of consumers and, in some cases, by certain companies that purchase chocolate for resale, that allege conspiracies in restraint of trade and challenge the pricing and/or purchasing practices of the Company. Several other chocolate confectionery companies are the subject of investigations and/or inquiries by the government entities referenced above and have also been named as defendants in the same litigation. One Canadian wholesaler is also a subject of the Canadian investigation and is a defendant in certain of the lawsuits. While it is not feasible to predict the final outcome of these proceedings, in our opinion they should not have a material adverse effect on the financial position, liquidity or results of operations of the Company. The Company is cooperating with the government investigations and inquiries and intends to defend the lawsuits vigorously.

We have no other material pending legal proceedings, other than ordinary routine litigation incidental to our 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, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

We paid $252.3 million in cash dividends on our Common Stock and Class B Stock in 2007 and $235.1 million in 2006. The annual dividend rate on our Common Stock in 2007 was $1.19 per share, an increase of 10.2% over the 2006 rate of $1.08 per share. The 2007 dividend increase represented the 33rd consecutive year of Common Stock dividend increases.

On February 13, 2008, our Board of Directors declared a quarterly dividend of $.2975 per share of Common Stock payable on March 14, 2008, to stockholders of record as of February 25, 2008. It is the Company's 313th consecutive Common Stock dividend. A quarterly dividend of $.2678 per share of Class B Stock also was declared.

Our Common Stock is listed and traded principally on the New York Stock Exchange ("NYSE") under the ticker symbol "HSY." Approximately 372.0 million shares of our Common Stock were traded during 2007. The Class B Stock is not publicly traded.

The closing price of our Common Stock on December 31, 2007 was $39.40. There were 40,901 stockholders of record of our Common Stock and our Class B Stock as of December 31, 2007.

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
2007				
1st Quarter	**$ .2700**	**$ .2425**	**$56.37**	**$49.70**
2nd Quarter	**.2700**	**.2425**	**56.75**	**49.81**
3rd Quarter	**.2975**	**.2678**	**51.29**	**44.03**
4th Quarter	**.2975**	**.2678**	**47.41**	**38.21**
Total	**$1.1350**	**$1.0206**		

	Dividends Paid Per Share		Common Stock Price Range*	
	Common Stock	Class B Stock	High	Low
2006				
1st Quarter	$ .2450	$ .2200	$55.44	$50.62
2nd Quarter	.2450	.2200	57.65	48.20
3rd Quarter	.2700	.2425	57.30	50.48
4th Quarter	.2700	.2425	53.60	48.96
Total	$1.0300	$ .9250		

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

Unregistered Sales of Equity Securities and Use of Proceeds

None.

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Issuer Purchases of Equity Securities

Purchases of equity securities during the fourth quarter of the fiscal year ended December 31, 2007:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1] (in thousands of dollars)
October 1 through October 28, 2007	49,000	$ 42.04	—	$ 100,017
October 29 through November 25, 2007	69,000	$ 41.69	—	$ 100,017
November 26 through December 31, 2007	73,000	$ 39.59	—	$ 100,017
Total	191,000	$ 40.98	—	

(1) In December 2006, our Board of Directors approved a $250 million share repurchase program.

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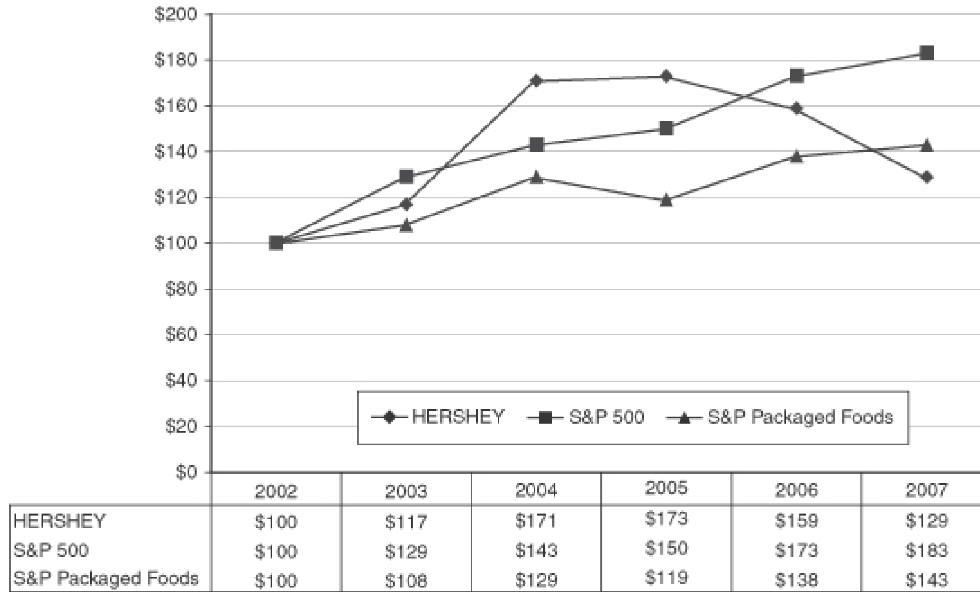
Performance Graph

The following graph compares our cumulative total stockholder return (Common Stock price appreciation plus dividends, on a reinvested basis) over the last five fiscal years with the Standard & Poor's 500 Index and the Standard & Poor's Packaged Foods Index.

Comparison of Five Year Cumulative Total Return*
The Hershey Company, S&P 500 Index and
S&P Packaged Foods Index



	2002	2003	2004	2005	2006	2007
HERSHEY	$100	$117	$171	$173	$159	$129
S&P 500	$100	$129	$143	$150	$173	$183
S&P Packaged Foods	$100	$108	$129	$119	$138	$143

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* Hypothetical $100 invested on December 31, 2002 in Hershey Common Stock, S&P 500 Index and S&P Packaged Foods Index, assuming reinvestment of dividends.

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Item 6. ***SELECTED FINANCIAL DATA***

SIX-YEAR CONSOLIDATED FINANCIAL SUMMARY
All dollar and share amounts in thousands except market price and per share statistics

	5-Year Compound Growth Rate	2007	2006	2005	2004	2003	2002
Summary of Operations							
Net Sales	3.7%	$ **4,946,716**	4,944,230	4,819,827	4,416,389	4,162,987	4,131,647
Cost of Sales	5.2%	$ **3,315,147**	3,076,718	2,956,682	2,672,716	2,539,469	2,568,017
Selling, Marketing and Administrative	1.0%	$ **895,874**	860,378	912,986	867,104	841,105	853,048
Business Realignment and Impairment Charges, Net		$ **276,868**	14,576	96,537	—	23,357	27,552
Gain on Sale of Business(a)		$ **—**	—	—	—	8,330	—
Interest Expense, Net	14.3%	$ **118,585**	116,056	87,985	66,533	63,529	60,722
Provision for Income Taxes	(11.2)%	$ **126,088**	317,441	277,090	235,399	257,268	228,427
Income before Cumulative Effect of Accounting Change	(11.5)%	$ **214,154**	559,061	488,547	574,637	446,589	393,881
Cumulative Effect of Accounting Change		$ **—**	—	—	—	7,368	—
Net Income	(11.5)%	$ **214,154**	559,061	488,547	574,637	439,221	393,881
Net Income Per Share:							
—Basic—Class B Stock	(8.1)%	$ **.87**	2.19	1.85	2.11	1.55	1.33
—Diluted—Class B Stock	(8.0)%	$ **.87**	2.17	1.84	2.09	1.54	1.32
—Basic—Common Stock	(8.2)%	$ **.96**	2.44	2.05	2.31	1.71	1.47
—Diluted—Common Stock	(8.2)%	$ **.93**	2.34	1.97	2.24	1.66	1.43
Weighted-Average Shares Outstanding:							
—Basic—Common Stock		**168,050**	174,722	183,747	193,037	201,768	212,219
—Basic—Class B Stock		**60,813**	60,817	60,821	60,844	60,844	60,856
—Diluted		**231,449**	239,071	248,292	256,934	264,532	275,429
Dividends Paid on Common Stock	7.4%	$ **190,199**	178,873	170,147	159,658	144,985	133,285
Per Share	12.5%	$ **1.135**	1.03	.93	.835	.7226	.63
Dividends Paid on Class B Stock	12.4%	$ **62,064**	56,256	51,088	46,089	39,701	34,536
Per Share	12.5%	$ **1.0206**	.925	.84	.7576	.6526	.5675
Net Income as a Percent of Net Sales, GAAP Basis		**4.3%**	11.3%	10.1%	13.0%	10.6%	9.5%
Non-GAAP Income as a Percent of Net Sales(b)		**9.7%**	11.5%	11.7%	11.6%	11.0%	10.3%
Depreciation	13.5%	$ **292,658**	181,038	200,132	171,229	158,933	155,384
Advertising	(4.7)%	$ **127,896**	108,327	125,023	137,931	145,387	162,874
Payroll	1.7%	$ **645,083**	645,480	647,825	614,037	585,419	594,372
Year-end Position and Statistics							
Capital Additions	7.4%	$ **189,698**	183,496	181,069	181,728	218,650	132,736
Capitalized Software Additions	3.7%	$ **14,194**	15,016	13,236	14,158	18,404	11,836
Total Assets	4.0%	$ **4,247,113**	4,157,565	4,262,699	3,794,750	3,577,026	3,483,442
Short-term Debt and Current Portion of Long-term Debt	98.0%	$ **856,392**	843,998	819,115	622,320	12,509	28,124
Long-term Portion of Debt	8.5%	$ **1,279,965**	1,248,128	942,755	690,602	968,499	851,800
Stockholders' Equity	(16.0)%	$ **592,922**	683,423	1,016,380	1,137,103	1,328,975	1,416,434
Full-time Employees		**11,000**	12,800	13,750	13,700	13,100	13,700
Return Measures							
Operating Return on Average Stockholders' Equity, GAAP Basis(c)		**33.6%**	65.8%	45.4%	46.6%	32.0%	30.3%
Non-GAAP Operating Return on Average Stockholders' Equity(c)		**75.5%**	66.7%	52.2%	41.6%	33.2%	32.8%
Operating Return on Average Invested Capital, GAAP Basis(c)		**12.4%**	26.4%	23.6%	25.7%	18.3%	17.6%
Non-GAAP Operating Return on Average Invested Capital(c)		**25.0%**	26.8%	26.8%	23.2%	18.9%	18.9%
Stockholders' Data							
Outstanding Shares of Common Stock and Class B Stock at Year-end		**227,050**	230,264	240,524	246,588	259,059	268,440
Market Price of Common Stock at Year-end	3.2%	$ **39.40**	49.80	55.25	55.54	38.50	33.72
Range During Year		**$56.75–38.21**	57.65–48.20	67.37–52.49	56.75–37.28	39.33–30.35	39.75–28.23

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(a) Includes the gain on the sale of gum brands in 2003.
(b) Non-GAAP Income as a Percent of Net Sales is calculated by dividing Non-GAAP Income excluding Items Affecting Comparability by Net Sales. A reconciliation of Net Income presented in accordance with U.S. generally accepted accounting principles ("GAAP") to Non-GAAP Income excluding items affecting comparability is provided on pages 19 and 20, along with the reasons why we believe that the use of Non-GAAP Income provides useful information to investors.
(c) The calculation method for these measures is described on page 48 under RETURN MEASURES. The Non-GAAP Operating Return measures are calculated using Non-GAAP Income excluding items affecting comparability. A reconciliation of Net Income presented in accordance with GAAP to Non-GAAP Income excluding items affecting comparability is provided on pages 19 and 20, along with the reasons why we believe the use of Non-GAAP Income provides useful information to investors.

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

EXECUTIVE OVERVIEW

The year ended December 31, 2007 was very difficult. We experienced sharp increases in the cost of commodities, particularly costs for dairy products. These cost increases totaled approximately $100 million and reduced gross margin by approximately 240 basis points. We also experienced increased competitive activity and changing consumer trends toward premium and trade-up product segments that affected our growth and profitability. In the face of these challenges, we did not have adequate product innovation and sufficient brand support or retail execution in our core U.S. market. Additionally, we continued to invest in key international markets.

Net sales were even with the prior year as increased sales from our international businesses and incremental sales from the acquisition of the Godrej Hershey Foods and Beverages Company were substantially offset by lower sales in the United States. Net sales declined in the United States primarily as a result of increased competitive activity and reduced retail velocity. Income and earnings per share were significantly lower than 2006 primarily as a result of a lower gross margin reflecting substantially higher input costs, principally related to higher costs for dairy products and certain other raw materials, and reduced price realization resulting from increased promotional costs, partly offset by lower costs associated with our supply chain productivity improvements. Increased investment spending for advertising and expansion of our international infrastructure also contributed to the lower income in 2007.

Non-GAAP Financial Measures—Items Affecting Comparability

Our "Management's Discussion and Analysis of Financial Condition and Results of Operations" section includes certain measures of financial performance that are not defined by U.S. generally accepted accounting principles ("GAAP"). For each of these non-GAAP financial measures, we are providing below (1) the most directly comparable GAAP measure; (2) a reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure; (3) an explanation of why our management believes these non-GAAP measures provide useful information to investors; and (4) additional purposes for which we use these non-GAAP measures.

We believe that the disclosure of these non-GAAP measures provides investors with a better comparison of our year-to-year operating results. We exclude the effects of certain items from Income before Interest and Income Taxes ("EBIT"), Net Income and Income per Share-Diluted-Common Stock ("EPS") when we evaluate key measures of our performance internally, and in assessing the impact of known trends and uncertainties on our business. We also believe that excluding the effects of these items provides a more balanced view of the underlying dynamics of our business.

Items affecting comparability include the impacts of charges or credits in 2007, 2006, 2005, 2003 and 2002 associated with our business realignment initiatives and a reduction of the income tax provision in 2004 resulting from adjustments to income tax contingency reserves.

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For the years ended December 31, In millions of dollars except per share amounts	2007 EBIT	2007 Net Income	2007 EPS	2006 EBIT	2006 Net Income	2006 EPS
Results in accordance with GAAP	**$ 458.8**	**$ 214.2**	**$ .93**	$ 992.6	$ 559.1	$ 2.34
Items affecting comparability:						
Business realignment charges included in cost of sales	**123.1**	**80.9**	**.35**	(3.2)	(2.0)	(.01)
Business realignment charges included in selling, marketing and administrative (“SM&A”)	**12.6**	**7.8**	**.03**	.3	.2	—
Business realignment and impairment charges, net	**276.9**	**178.9**	**.77**	14.5	9.3	.04
Non-GAAP results excluding items affecting comparability	**$ 871.4**	**$ 481.8**	**$ 2.08**	$ 1,004.2	$ 566.6	$ 2.37

For the years ended December 31, In millions of dollars except per share amounts	2005 EBIT	2005 Net Income	2005 EPS	2004 EBIT	2004 Net Income	2004 EPS
Results in accordance with GAAP	$ 853.6	$ 488.5	$ 1.97	$ 876.6	$ 574.6	$ 2.24
Items affecting comparability:						
Business realignment charges included in cost of sales	22.5	13.4	.05	—	—	—
Business realignment and impairment charges, net	96.5	60.7	.25	—	—	—
Tax provision adjustment	—	—	—	—	(61.1)	(.24)
Non-GAAP results excluding items affecting comparability	$ 972.6	$ 562.6	$ 2.27	$ 876.6	$ 513.5	$ 2.00

For the years ended December 31, In millions of dollars except per share amounts	2003 EBIT	2003 Net Income	2003 EPS	2002 EBIT	2002 Net Income	2002 EPS
Results in accordance with GAAP	$ 767.4	$ 439.2	$ 1.66	$ 683.0	$ 393.9	$ 1.43
Items affecting comparability:						
Business realignment charges included in cost of sales	2.1	1.3	—	6.4	4.1	.01
Costs to explore the sale of the Company included in SM&A	—	—	—	17.2	10.9	.04
Business realignment and impairment charges, net	23.4	14.2	.05	27.6	17.4	.06
Gain on sale of business	(8.3)	(5.7)	(.02)	—	—	—
Cumulative effect of accounting change	—	7.4	.03	—	—	—
Non-GAAP results excluding items affecting comparability	$ 784.6	$ 456.4	$ 1.72	$ 734.2	$ 426.3	$ 1.54

Key Annual Performance Measures	Actual Results Excluding Items Affecting Comparability 2007	2006	2005
Increase in Net Sales	**0.1%**	2.6%	9.1%
(Decrease) increase in EBIT	**(13.2)%**	3.2%	11.0%
(Decline) improvement in EBIT Margin in basis points (“bps”)	**(270)bps**	10 bps	40 bps
(Decrease) increase in EPS	**(12.2)%**	4.4%	13.5%

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SUMMARY OF OPERATING RESULTS

Analysis of Selected Items from Our Income Statement

For the years ended December 31, In millions of dollars except per share amounts	2007	2006	2005	Percent Change Increase (Decrease) 2007-2006	2006-2005
Net Sales	**$4,946.7**	$4,944.2	$4,819.8	0.1%	2.6%
Cost of Sales	**3,315.1**	3,076.7	2,956.7	7.7	4.1
Gross Profit	**1,631.6**	1,867.5	1,863.1	(12.6)	0.2
Gross Margin	***33.0%***	*37.8%*	*38.7%*		
SM&A Expense	**895.9**	860.3	913.0	4.1	(5.8)
SM&A Expense as a percent of sales	***18.1%***	*17.4%*	*18.9%*		
Business Realignment and Impairment Charges, net	**276.9**	14.6	96.5	N/A	(84.9)
EBIT	**458.8**	992.6	853.6	(53.8)	16.3
EBIT Margin	***9.3%***	*20.1%*	*17.7%*		
Interest Expense, Net	**118.6**	116.1	88.0	2.2	31.9
Provision for Income Taxes	**126.0**	317.4	277.1	(60.3)	14.6
Effective Income Tax Rate	***37.1%***	*36.2%*	*36.2%*		
Net Income	**$ 214.2**	$ 559.1	$ 488.5	(61.7)	14.4
Net Income Per Share—Diluted	**$ .93**	$ 2.34	$ 1.97	(60.3)	18.8

Net Sales

2007 compared with 2006

Net sales for 2007 were essentially even with 2006. Sales increased for our international businesses, primarily exports to Asia and Latin America, as well as sales in Canada and Mexico. The acquisition of Godrej Hershey Foods and Beverages Company increased net sales by $46.5 million, or 0.9%, in 2007. Favorable foreign currency exchange rates also had a positive impact on sales. These increases were substantially offset by lower sales volume for existing products in the U.S., reflecting increased competitive activity and reduced retail velocity. Decreased price realization from higher rates of promotional spending and higher allowances for slow-moving products at retail more than offset increases in list prices contributing to the sales decline in the U.S.

2006 compared with 2005

U.S. confectionery sales volume increases contributed over three quarters of the total increase in net sales. Sales of new products and higher seasonal sales contributed the majority of the volume increase. Sales in 2006 also benefited from improved price realization resulting from higher list prices in the United States implemented in 2005, substantially offset by a higher rate of promotional allowances. Favorable foreign currency exchange rates and higher sales volume in Mexico also contributed to the sales increase. These increases were offset somewhat by lower sales in Canada, partly due to the impact of a product recall during the fourth quarter caused by a contaminated ingredient purchased from an outside supplier.

Key Marketplace Metrics

For the 52 weeks ended December 31,	2007	2006	2005
Consumer Takeaway Increase	**1.3%**	4.0%	4.2%
Market Share (Decrease) Increase	**(1.3)**	(0.2)	0.7

Consumer takeaway is provided for channels of distribution accounting for approximately 80% of our U.S. confectionery retail business. These channels of distribution include food, drug, mass merchandisers, including Wal-Mart Stores, Inc., and convenience stores. The change in market share is provided for channels measured by syndicated data which include sales in the food, drug, convenience store and mass merchandiser classes of trade, excluding sales of Wal-Mart Stores, Inc.

Cost of Sales and Gross Margin

2007 compared with 2006

Business realignment charges of $123.1 million were included in cost of sales in 2007, compared with a credit of $3.2 million included in cost of sales in 2006. The remainder of the cost of sales increase was primarily associated with significantly higher input costs, particularly for dairy products and certain other raw materials, and the Godrej Hershey Foods and Beverages business acquired in May 2007, offset somewhat by favorable supply chain productivity.

The gross margin decline was primarily attributable to the impact of business realignment initiatives recorded in 2007 compared with 2006, resulting in a reduction of 2.6 percentage points. The rest of the decline reflected substantially higher costs for raw materials, offset somewhat by improved supply chain productivity. Also contributing to the decrease was lower net price realization due to higher promotional costs.

2006 compared with 2005

The sales volume increase, higher energy, raw material and other input costs were the primary contributors to the cost of sales increase for 2006. Higher costs associated with obsolete, aged and unsaleable products also contributed to the increase. These increases were offset somewhat by reductions in U.S. manufacturing costs and a decrease in cost of sales of $3.2 million in 2006 resulting from the adjustment of liabilities associated with business realignment initiatives. Business realignment charges of $22.5 million were included in cost of sales in 2005 reflecting accelerated depreciation resulting from the closure of a manufacturing facility located in Las Piedras, Puerto Rico.

Gross margin in 2006 was negatively impacted by higher costs for energy and raw materials, increased costs related to product obsolescence and an unfavorable sales mix. These were partially offset by improved price realization and supply chain productivity. Our business realignment initiatives improved gross margin 0.1 percentage point in 2006 and reduced gross margin by 0.4 percentage points in 2005.

Selling, Marketing and Administrative

2007 compared with 2006

Selling, marketing and administrative expenses increased primarily as a result of higher administrative and advertising expenses, partially offset by lower consumer promotional expenses. Project implementation costs related to our 2007 business realignment initiatives contributed $12.6 million to the increase. Higher administrative costs were principally associated with employee-related expenses from the expansion of our international businesses, including the impact of the acquisition of Godrej Hershey Foods and Beverages Company.

2006 compared with 2005

Selling, marketing and administrative expenses decreased primarily due to reduced administrative costs reflecting lower incentive compensation expense and savings resulting from our 2005 business realignment initiatives. Reduced advertising expense in 2006 was substantially offset by higher consumer promotion expenses.

Business Realignment Initiatives

In February 2007, we announced a comprehensive, three-year supply chain transformation program (the "global supply chain transformation program") and, in December 2007, we recorded impairment and business realignment charges associated with our business in Brazil (together, "the 2007 business realignment initiatives").

When completed, the global supply chain transformation program will greatly enhance our manufacturing, sourcing and customer service capabilities, reduce inventories resulting in improvements in working capital and generate significant resources to invest in our growth initiatives. These initiatives include accelerated marketplace momentum within our core U.S. business, creation of innovative new product platforms to meet customer needs and disciplined global expansion. Under the program, which will be implemented in stages over three years, we will significantly increase manufacturing capacity utilization by reducing the number of production lines by more than one-third, outsource production of low value-added items and construct a flexible, cost-effective production facility in Monterrey, Mexico to meet current and emerging marketplace needs. The program will result in a total net reduction of 1,500 positions across our supply chain over the three-year implementation period.

The estimated pre-tax cost of the global supply chain transformation program is from $525 million to $575 million over three years. The total includes from $475 million to $525 million in business realignment costs and approximately $50 million in project implementation costs. The costs will be incurred primarily in 2007 and 2008. Total costs of $400.0 million were recorded in 2007 for this program.

In 2001, we acquired a small business in Brazil, Hershey do Brasil, which has not gained profitable scale or adequate market distribution. In an effort to improve the performance of this business, in January 2008 Hershey do Brasil entered into a cooperative agreement with Pandurata Alimentos LTDA ("Bauducco"), a leading manufacturer of baked goods in Brazil whose primary brand is Bauducco. The arrangement with Bauducco will leverage Bauducco's strong sales and distribution capabilities for our products throughout Brazil. Under this agreement we will manufacture and market, and they will sell and distribute our products. We will maintain a 51% controlling interest in Hershey do Brasil. In the fourth quarter of 2007, we recorded a goodwill impairment charge and approved a business realignment program associated with initiatives to improve distribution and enhance the financial performance of our business in Brazil.

In July 2005, we announced initiatives intended to advance our value-enhancing strategy (the "2005 business realignment initiatives"). Charges (credits) for the 2005 business realignment initiatives were recorded during 2005 and 2006 and the 2005 business realignment initiatives were completed by December 31, 2006.

Charges (credits) associated with business realignment initiatives recorded during 2007, 2006 and 2005 were as follows:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Cost of sales			
2007 business realignment initiatives:			
Global supply chain transformation program	**$ 123,090**	$ —	$ —
2005 business realignment initiatives	**—**	(1,599)	22,459
Previous business realignment initiatives	**—**	(1,600)	—
Total cost of sales	**123,090**	(3,199)	22,459
Selling, marketing and administrative			
2007 business realignment initiatives:			
Global supply chain transformation program	**12,623**	—	—
2005 business realignment initiatives	**—**	266	—
Total selling, marketing and administrative	**12,623**	266	—
Business realignment and impairment charges, net			
2007 business realignment initiatives:			
Global supply chain transformation program:			
Fixed asset impairments and plant closure expense	**61,444**	—	—
Employee separation costs	**188,538**	—	—
Contract termination costs	**14,316**	—	—
Brazilian business realignment:			
Goodwill impairment	**12,260**	—	—
Employee separation costs	**310**	—	—
2005 business realignment initiatives:			
U.S. voluntary workforce reduction program	**—**	9,972	69,472
U.S. facility rationalization (Las Piedras, Puerto Rico plant)	**—**	1,567	12,771
Streamline international operations (primarily Canada)	**—**	2,524	14,294
Previous business realignment initiatives	**—**	513	—
Total business realignment and impairment charges, net	**276,868**	14,576	96,537
Total net charges associated with business realignment initiatives and impairment	**$ 412,581**	$ 11,643	$ 118,996

The charge of $123.1 million recorded in cost of sales for the global supply chain transformation program related primarily to the accelerated depreciation of fixed assets over a reduced estimated remaining useful life and costs related to inventory reductions. The $12.6 million recorded in selling, marketing and administrative expenses related primarily to project management and administration. In determining the costs related to fixed asset impairments, fair value was estimated based on the expected sales proceeds. Certain real estate with a carrying value or fair value less cost to sell, if lower, of $40.2 million was being held for sale as of December 31, 2007. Employee separation costs included $79.0 million primarily for involuntary terminations at six North American manufacturing facilities which are being closed. The facilities are located in Naugatuck, Connecticut; Reading, Pennsylvania; Oakdale, California; Smiths Falls, Ontario; Montreal, Quebec; and Dartmouth, Nova Scotia. The employee separation costs also included $109.6 million for charges relating to pension and other post-retirement benefits settlements, curtailments and special termination benefits.

During the fourth quarter of 2007, we completed our annual impairment evaluation of goodwill and other intangible assets. As a result of reduced expectations for future cash flows resulting primarily from lower expected profitability, we determined that the carrying amount of our wholly-owned subsidiary, Hershey do

Brasil, exceeded its fair value and recorded a non-cash impairment charge of $12.3 million in December 2007. There was no tax benefit associated with this charge. We discuss the impairment testing results in more detail in Note 1 and Note 16 to the Consolidated Financial Statements. During the fourth quarter of 2007, we also recorded a business realignment charge of $.3 million associated with our business in Brazil. This charge was principally associated with employee separation costs. Remaining charges of approximately $5.0 million for this business realignment program are expected to be recorded in 2008.

The charges (credits) recorded in cost of sales relating to the 2005 business realignment initiatives included a credit of $1.6 million in 2006 resulting from higher than expected proceeds from the sale of equipment from the Las Piedras plant and a charge of $22.5 million in 2005 resulting from accelerated depreciation related to the closure of the Las Piedras plant. The charge recorded in selling, marketing and administrative expenses in 2006 resulted from accelerated depreciation relating to the termination of an office building lease. The net business realignment charges included $7.3 million and $8.3 million for involuntary terminations in 2006 and 2005, respectively.

The charges (credits) recorded in 2006 relating to previous business realignment initiatives which began in 2003 and 2001 resulted from the finalization of the sale of certain properties, adjustments to liabilities which had previously been recorded, and the impact of the settlement as to several of the eight former employees who had filed a complaint alleging that the Company had discriminated against them on the basis of age in connection with the 2003 business realignment initiatives. A settlement was reached with the remaining former employees in September 2007.

The liability balance as of December 31, 2007 relating to the 2007 business realignment initiatives was $68.4 million for employee separation costs to be paid primarily in 2008 and 2009. As of December 31, 2007, the liability balance relating to the 2005 business realignment initiatives was $3.3 million. During 2007 we made payments against the liabilities recorded for the 2007 business realignment initiatives of $13.2 million principally related to employee separation and project administration. We made payments during 2007 against the liabilities recorded for the 2005 business realignment initiatives of $16.2 million related to the voluntary workforce reduction. During 2006 we made total payments of $28.0 million against the liabilities recorded for the 2005 business realignment initiatives primarily associated with the voluntary workforce reduction.

Income Before Interest and Income Taxes and EBIT Margin

2007 compared with 2006

EBIT decreased in 2007 compared with 2006, principally as a result of higher net business realignment and impairment charges recorded in 2007. Net pre-tax business realignment and impairment charges of $412.6 million were recorded in 2007 compared with $11.6 million recorded in 2006, an increase of $400.9 million. The remainder of the decrease in EBIT was attributable to lower gross profit resulting primarily from higher input costs and higher selling, marketing and administrative expenses.

EBIT margin declined from 20.1% in 2006 to 9.3% in 2007. Net business realignment and impairment charges reduced EBIT margin by 8.3 percentage points in 2007. Net business realignment charges reduced EBIT margin by 0.2 percentage points in 2006. The remainder of the decrease primarily resulted from the lower gross margin, in addition to higher selling, marketing and administrative expense as a percentage of sales.

2006 compared with 2005

EBIT increased in 2006 compared with 2005, primarily as a result of lower net business realignment and impairment charges associated primarily with the 2005 business realignment initiatives. Net pre-tax business realignment charges of $11.6 million were recorded in 2006 compared with $119.0 million recorded in 2005, a decrease of $107.4 million. The remainder of the increase in EBIT was attributable to lower selling, marketing and administrative expenses which were partially offset by lower gross profit resulting from higher input costs and the impact of product obsolescence.

EBIT margin increased from 17.7% in 2005 to 20.1% in 2006. Net business realignment and impairment charges reduced EBIT margin by 0.2 percentage points in 2006 and 2.5 percentage points in 2005. The remainder of the improvement in EBIT margin reflected lower selling, marketing and administrative expenses as a percentage of sales.

Interest Expense, Net

2007 compared with 2006

Net interest expense was higher in 2007 than in 2006, primarily reflecting increased borrowings partially offset by lower interest rates.

2006 compared with 2005

Net interest expense was higher in 2006 than in 2005, primarily reflecting higher interest expense resulting from commercial paper borrowings to fund repurchases of Common Stock and working capital requirements, along with significant contributions to our pension plans in late 2005. Higher interest rates in 2006 also contributed to the increase in interest expense.

Income Taxes and Effective Tax Rate

2007 compared with 2006

Our effective income tax rate was 37.1% for 2007 and 36.2% for 2006. The impact of tax rates associated with business realignment and impairment charges increased the effective income tax rate for 2007 by 1.1 percentage points.

2006 compared with 2005

Our effective income tax rate was 36.2% for 2006 and 2005.

Net Income and Net Income Per Share

2007 compared with 2006

Net income in 2007 was reduced by $267.7 million, or $1.15 per share-diluted, and in 2006 was reduced by $7.6 million, or $.03 per share-diluted, as a result of net business realignment and impairment charges. Excluding the impact of these charges, earnings per share-diluted in 2007 decreased by $.29 as compared with 2006 as a result of lower EBIT, offset somewhat by reduced interest expense and the impact of lower weighted-average shares outstanding in 2007.

2006 compared with 2005

Net income in 2006 was reduced by $7.6 million, or $.03 per share-diluted, and in 2005 was reduced by $74.0 million, or $.30 per share-diluted, as a result of net charges associated with our 2005 business realignment initiatives which were recorded in each year. In addition to the impact of the business realignment initiatives, earnings per share-diluted in 2006 increased primarily as a result of lower selling, marketing and administrative expenses which more than offset the impact of reduced gross profit. The impact of lower weighted-average shares outstanding, net of higher interest expense, also contributed to the increase in earnings per share-diluted in 2006.

FINANCIAL CONDITION

Our financial condition remained strong during 2007. Solid cash flow from operations and our liquidity, leverage and capital structure contributed to our continued investment grade credit rating by recognized rating agencies.

Acquisitions and Divestitures

In May 2007, we entered into an agreement with Godrej Beverages and Foods, Ltd., one of India's largest consumer goods, confectionery and food companies, to manufacture and distribute confectionery products, snacks and beverages across India. Under the agreement, we invested $61.5 million during 2007 and own a 51% controlling interest in Godrej Hershey Foods and Beverages Company. Total liabilities assumed were $51.6 million. Effective in May 2007, this business acquisition was included in our consolidated results, including the related minority interest. Annual sales for this business are expected to be approximately $70.0 million.

Also in May 2007, our Company and Lotte Confectionery Co., LTD., entered into a manufacturing agreement in China that will produce Hershey products and certain Lotte products for the market in China. We invested $39.0 million in 2007 and own a 44% interest. We are accounting for this investment using the equity method.

In October 2006, our wholly-owned subsidiary, Artisan Confections Company, purchased the assets of Dagoba Organic Chocolates, LLC based in Ashland, Oregon, for $17.0 million. Dagoba is known for its high-quality organic chocolate bars, drinking chocolates and baking products that are primarily sold in natural food and gourmet stores across the United States. Dagoba has annual sales of approximately $8.0 million.

In August 2005, Artisan Confections Company completed the acquisition of Scharffen Berger Chocolate Maker, Inc. Based in San Francisco, California, Scharffen Berger is known for its high-cacao content, signature dark chocolate bars and baking products sold online and in a broad range of outlets, including specialty retailers, natural food stores and gourmet centers across the United States. Scharffen Berger also owns and operates three specialty stores located in New York, New York and in Berkeley and San Francisco, California.

Also, in August 2005, Artisan Confections Company acquired the assets of Joseph Schmidt Confections, Inc., a premium chocolate maker located in San Francisco, California. Distinctive products created by Joseph Schmidt include artistic and innovative truffles, colorful chocolate mosaics, specialty cookies, and handcrafted chocolates. We sell these products in select department stores and other specialty outlets nationwide as well as in Joseph Schmidt stores located in San Jose and San Francisco, California. The combined purchase price for Scharffen Berger and Joseph Schmidt was $47.1 million. Together, these companies have combined annual sales of approximately $25 million.

Results subsequent to the dates of acquisition were included in the consolidated financial statements. Had the results of the acquisitions been included in the consolidated financial statements for each of the periods presented, the effect would not have been material.

In October 2005, our wholly-owned subsidiary, Hershey Canada Inc., completed the sale of its *Mr. Freeze* freeze pops business for $2.7 million.

Assets

A summary of our assets is as follows:

December 31, In thousands of dollars	2007	2006
Current assets	**$ 1,426,574**	$ 1,417,812
Property, plant and equipment, net	**1,539,715**	1,651,300
Goodwill and other intangibles	**740,575**	642,269
Other assets	**540,249**	446,184
Total assets	**$ 4,247,113**	$ 4,157,565

- The change in current assets from 2006 to 2007 was primarily due to the following:
  - Higher cash and cash equivalents in 2007 due to the timing of cash collections;
  - A decrease in accounts receivable primarily resulting from lower sales in December 2007 as compared with December 2006;
  - A decrease in inventories in 2007 reflecting lower raw material and goods in process inventories resulting from reduced manufacturing requirements and the global supply chain transformation program, in addition to lower finished goods inventories as a result of working capital improvement initiatives, partially offset by an inventory build in anticipation of the relocation of certain manufacturing processes under the global supply chain transformation program;
  - An increase in deferred income taxes primarily associated with the 2007 business realignment and impairment charges as well as impending executive retirement benefit payments; and
  - An increase in prepaid expenses and other current assets primarily reflecting receivables associated with certain commodity transactions, and assets acquired through the Godrej Hershey Foods and Beverages Company acquisition.
- Property, plant and equipment was lower in 2007 primarily due to depreciation expense of $292.7 million and asset retirements, partially offset by capital additions and assets acquired through the Godrej Hershey Foods and Beverages Company acquisition. Accelerated depreciation of facilities designated for closure and certain asset retirements resulted primarily from the global supply chain transformation program.
- Goodwill and other intangibles increased as a result of the Godrej Hershey Foods and Beverages Company acquisition and the effect of currency translation adjustments, offset partially by a reduction resulting from the goodwill impairment charge associated with our business in Brazil. Further information is included in Note 1 and Note 16 to the Consolidated Financial Statements.
- The increase in other assets was primarily associated with the 2007 business acquisitions, as well as the reclassification of certain tax benefits to other assets in accordance with the adoption of Financial Accounting Standards Board (“FASB”) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (“FIN No. 48”).

Liabilities

A summary of our liabilities is as follows:

December 31, In thousands of dollars	2007	2006
Current liabilities	**$ 1,618,770**	$ 1,453,538
Long-term debt	**1,279,965**	1,248,128
Other long-term liabilities	**544,016**	486,473
Deferred income taxes	**180,842**	286,003
Total liabilities	**$ 3,623,593**	$ 3,474,142

- Changes in current liabilities from 2006 to 2007 were primarily the result of the following:
  - Higher accounts payable reflecting the effect of working capital improvement initiatives;
  - Higher accrued liabilities primarily associated with the 2007 business realignment initiatives and higher expected employee benefit payments; and
  - An increase in short-term debt reflecting commercial paper borrowings, partially offset by a decrease in the current-portion of long-term debt primarily resulting from the payment of 6.95% Notes due in March 2007.
- The increase in long-term debt in 2007 was primarily associated with debt assumed through the Godrej Hershey Foods and Beverages Company acquisition.
- The increase in other long-term liabilities and a corresponding decrease in deferred income taxes of $56.4 million in 2007 were associated with the reclassification of unrecognized tax benefits from deferred income taxes to other long-term liabilities in accordance with the adoption of FIN No. 48, discussed further in Note 11 to the Consolidated Financial Statements. The residual decrease in deferred income taxes is primarily attributable to the effect of the 2007 business realignment initiatives.

Capital Structure

We have two classes of stock outstanding, Common Stock and 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. Holders of the Common Stock have one vote per share. Holders of the Class B Stock have ten votes per share. Holders of the Common Stock, voting separately as a class, are entitled to elect one-sixth of our Board of Directors. With respect to dividend rights, holders of the Common Stock are entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

Hershey Trust Company, as trustee for the benefit of Milton Hershey School (the “Milton Hershey School Trust” or the “Trust”) maintains voting control over The Hershey Company. Historically, the Milton Hershey School Trust had not taken an active role in setting our policy, nor has it exercised influence with regard to the ongoing business decisions of our Board of Directors or management. However, in October 2007, the Chairman of the Board of the Milton Hershey School Trust issued a statement indicating that the Trust continues to be guided by two key principles: first, that, in its role as controlling stockholder of the Company, it intends to retain its controlling interest in The Hershey Company and, second, that the long-term prosperity of the Company requires the Board of Directors of the Company and its management to build on its strong U.S. position by aggressively pursuing strategies for domestic and international growth. He further stated that the Milton Hershey School Trust had communicated to the Company’s Board that the Trust was not satisfied with the Company’s results and that, as a result, the Trust was “actively engaged in an ongoing process, the goal of which has been to ensure vigorous Company Board focus on resolving the Company’s current business challenges and on implementing new growth strategies.” In that release, the Trust board chairman reiterated the Trust’s longstanding position that the Company Board, and not the Trust board, “is solely responsible and accountable for the Company’s management and performance.”

On November 11, 2007 we announced that all of the members of our Board of Directors had resigned except for Richard H. Lenny, who was at that time our Chairman of the Board and Chief Executive Officer, David J. West, who was at that time President of the Company and currently serves as our President and Chief Executive Officer, and Robert F. Cavanaugh, who is also a member of the board of directors of Hershey Trust Company and board of managers (governing body) of Milton Hershey School. In addition, we announced that the Milton Hershey School Trust through stockholder action effected by written consent had amended the By-laws of the Company to allow the Company's stockholders to fix the number of directors to serve on our Board of Directors and from time to time to increase or decrease such number of directors, expanded the size of our Board of Directors from 11 directors to 13 directors, and appointed eight new directors, including two who are also members of the board of directors of Hershey Trust Company and board of managers of Milton Hershey School.

The Milton Hershey School Trust decided to explore a sale of The Hershey Company in June 2002, but subsequently decided to terminate the sale process in September 2002. After terminating the sale process, the Trustee of the Milton Hershey School Trust advised the Pennsylvania Office of Attorney General in September 2002 that it would not agree to any sale of its controlling interest in The Hershey Company without approval of the court having jurisdiction over the Milton Hershey School Trust following advance notice to the Office of Attorney General. Subsequently, Pennsylvania enacted legislation that requires that the Office of Attorney General be provided advance notice of any transaction that would result in the Milton Hershey School Trust no longer having voting control of the Company. The law provides specific statutory authority for the Attorney General to intercede, and petition the Court having jurisdiction over the Milton Hershey School Trust to stop such a transaction if the Attorney General can prove that the transaction is unnecessary for the future economic viability of the Company and is inconsistent with investment and management considerations under fiduciary obligations. This legislation could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock and thereby delay or prevent a change in control of the Company.

In December 2000, our Board of Directors unanimously adopted a Stockholder Protection Rights Agreement ("Rights Agreement"). The Milton Hershey School Trust supported the Rights Agreement. This action was not in response to any specific effort to acquire control of The Hershey Company. Under the Rights Agreement, our Board of Directors declared a dividend of one right ("Right") for each outstanding share of Common Stock and Class B Stock payable to stockholders of record at the close of business on December 26, 2000. The Rights will at no time have voting power or receive dividends. The issuance of the Rights has no dilutive effect, will not affect reported earnings per share, is not taxable and will not change the manner in which our Common Stock is traded. We discuss the Rights Agreement in more detail in Note 14 to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is operating cash flows. Our net income and, consequently, our cash provided from operations are impacted by: sales volume, seasonal sales patterns, timing of new product introductions, profit margins and price changes. Sales are typically higher during the third and fourth quarters of the year due to seasonal and holiday-related sales patterns. Generally, working capital needs peak during the summer months. We meet these needs primarily by issuing commercial paper.

Cash Flows from Operating Activities

Our cash flows provided from (used by) operating activities were as follows:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Net income	**$ 214,154**	$559,061	$ 488,547
Depreciation and amortization	**310,925**	199,911	218,032
Stock-based compensation and excess tax benefits	**9,526**	16,323	14,263
Deferred income taxes	**(124,276)**	4,173	71,038
Business realignment and impairment charges, net of tax	**267,653**	7,573	74,021
Contributions to pension plans	**(15,836)**	(23,570)	(277,492)
Working capital	**148,019**	(40,553)	(174,010)
Changes in other assets and liabilities	**(31,329)**	275	47,363
Net cash provided from operating activities	**$ 778,836**	$723,193	$ 461,762

- Over the past three years, total cash provided from operating activities was approximately $2.0 billion.
- In 2007, depreciation and amortization expenses increased principally as the result of the accelerated depreciation charges related to the 2007 business realignment initiatives. These amounts represented non-cash items that impacted net income and are reflected in the consolidated statements of cash flows to reconcile cash flows from operating activities.
- The change in cash used by deferred income taxes in 2007 primarily reflected the deferred tax benefit related to the 2007 business realignment and impairment charges.
- We contributed $316.9 million to our pension plans over the past three years to improve the plans' funded status and to pay benefits under the non-funded plans. As of December 31, 2007, the fair value of our pension plan assets exceeded benefits obligations by $354.0 million.
- Over the three-year period, cash provided from or used by working capital tended to fluctuate due to sales during December and working capital management practices, including initiatives implemented during 2007 to reduce working capital.
- During the three-year period, cash provided from changes in other assets and liabilities primarily reflected the impact of business realignment initiatives and the related tax effects, incentive compensation, and the effect of hedging transactions.
- The decrease in income taxes paid in 2007 compared with 2006 primarily reflected a lower federal extension payment for 2006 income taxes and the impact of lower annualized taxable income for 2007.

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Cash Flows from Investing Activities

Our cash flows provided from (used by) investing activities were as follows:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Capital additions	**$ (189,698)**	$ (183,496)	$ (181,069)
Capitalized software additions	**(14,194)**	(15,016)	(13,236)
Business acquisitions	**(100,461)**	(17,000)	(47,074)
Proceeds from divestitures	**—**	—	2,713
Net cash used by investing activities	**$ (304,353)**	$ (215,512)	$ (238,666)

- Capital additions were primarily associated with our global supply chain transformation program, modernization of existing facilities and purchases of manufacturing equipment for new products.
- Capitalized software additions were primarily for ongoing enhancement of our information systems.
- We anticipate total capital expenditures of $300 million to $325 million in 2008 of which approximately $150 million to $170 million is associated with our global supply chain transformation program.
- In May 2007, we entered into an agreement with Godrej Beverages and Foods, Ltd. to manufacture and distribute confectionery products, snacks and beverages across India. Under the agreement, we invested $61.5 million in this business during 2007.
- In May 2007, our Company and Lotte Confectionery Co. LTD. entered into a manufacturing agreement to produce Hershey products and certain Lotte products for markets in China. We invested $39.0 million in this business during 2007.
- In October 2006, our wholly-owned subsidiary, Artisan Confections Company, acquired the assets of Dagoba Organic Chocolates, LLC for $17.0 million.
- In August 2005, Artisan Confections Company acquired the assets of Joseph Schmidt Confections, Inc. and completed the acquisition of Scharffen Berger Chocolate Maker, Inc. The combined purchase price for Joseph Schmidt and Scharffen Berger was $47.1 million.
- In October 2005, our wholly-owned subsidiary, Hershey Canada Inc., sold its *Mr. Freeze* freeze pops business for $2.7 million.

Cash Flows from Financing Activities

Our cash flows provided from (used by) financing activities were as follows:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Net change in short-term borrowings	**$ 195,055**	$ (163,826)	$ 475,582
Long-term borrowings	**—**	496,728	248,318
Repayment of long-term debt	**(188,891)**	(234)	(278,236)
Cash dividends paid	**(252,263)**	(235,129)	(221,235)
Exercise of stock options	**59,958**	46,386	101,818
Repurchase of Common Stock	**(256,285)**	(621,648)	(536,997)
Net cash used by financing activities	**$ (442,426)**	$ (477,723)	$ (210,750)

- We use short-term borrowings (commercial paper and bank borrowings) to fund seasonal working capital requirements and ongoing business needs. Additional information on short-term borrowings is included under Borrowing Arrangements below.

- In January 2007, we exercised our option to purchase a warehouse and distribution facility subject to a consolidated lease arrangement and refinanced the related obligation of $38.7 million.
- In March 2007, we repaid $150.0 million of 6.95% Notes due in 2007.
- In August 2006, we issued $250 million of 5.3% Notes due in 2011 and $250 million of 5.45% Notes due in 2016. The Notes were issued under a shelf registration statement on Form S-3 filed in May 2006 described under Registration Statements below.
- In August 2005, we issued $250 million of 4.85% Notes due in 2015 under an August 1997 Form S-3 Registration Statement.
- We paid cash dividends of $190.2 million on our Common Stock and $62.1 million on our Class B Stock in 2007.
- Cash used for the repurchase of Common Stock was partially offset by cash received from the exercise of stock options.

Repurchases and Issuances of Common Stock

For the years ended December 31,	2007		2006		2005	
In thousands	Shares	Dollars	Shares	Dollars	Shares	Dollars
Shares repurchased under pre-approved share repurchase programs:						
Open market repurchases	**2,916**	**$149,983**	9,912	$524,387	4,085	$238,157
Milton Hershey School Trust repurchases	**—**	**—**	689	38,482	69	3,936
Shares repurchased to replace Treasury Stock issued for stock options and employee benefits	**2,046**	**106,302**	1,096	58,779	4,859	294,904
Total share repurchases	**4,962**	**256,285**	11,697	621,648	9,013	536,997
Shares issued for stock options and employee benefits	**(1,748)**	**(56,670)**	(1,437)	(44,564)	(2,949)	(74,438)
Net change	**3,214**	**$199,615**	10,260	$577,084	6,064	$462,559

- We intend to continue to repurchase shares of Common Stock in order to replace Treasury Stock shares issued for exercised stock options. The value of shares purchased in a given period will vary based on stock options exercised over time and market conditions.
- During 2006, we completed share repurchase programs of $250 million approved in April 2005 and $500 million approved in December 2005. In December 2006, our Board of Directors approved an additional $250 million share repurchase program. As of December 31, 2007, $100.0 million remained available for repurchases of Common Stock under this program.

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Cumulative Share Repurchases and Issuances

A summary of cumulative share repurchases and issuances is as follows:

	Shares	Dollars
	(In thousands)	
Shares repurchased under authorized programs:		
Open market repurchases	57,436	$ 1,984,431
Repurchases from the Milton Hershey School Trust	11,918	245,550
Shares retired	(1,056)	(12,820)
Total repurchases under authorized programs	68,298	2,217,161
Privately negotiated purchases from the Milton Hershey School Trust	67,282	1,501,373
Shares reissued for stock option obligations, supplemental retirement contributions, and employee stock ownership trust obligations	(27,495)	(710,551)
Shares repurchased to replace reissued shares	24,767	993,579
Total held as Treasury Stock as of December 31, 2007	132,852	$ 4,001,562

Borrowing Arrangements

We maintain debt levels we consider prudent based on our cash flow, interest coverage ratio and percentage of debt to capital. We use debt financing to lower our overall cost of capital which increases our return on stockholders' equity.

- In December 2006, we entered into a five-year agreement establishing an unsecured revolving credit facility to borrow up to $1.1 billion, with an option to increase borrowings to $1.5 billion with the consent of the lenders. During the fourth quarter of 2007, the lenders approved an extension of this agreement by one year in accordance with our option under the agreement. The five-year agreement will now expire in December 2012. We may use these funds for general corporate purposes, including commercial paper backstop and business acquisitions. Due to seasonal working capital needs, share repurchases and other business activities, we announced in August 2007 that we expected borrowings to exceed $1.1 billion from time to time during the next twelve months. In lieu of increasing the borrowing limit under the five-year credit agreement, in August 2007, we entered into an additional unsecured revolving short-term credit agreement to borrow up to $300 million. Funds borrowed under the new short-term credit agreement may be used for general corporate purposes, including commercial paper backstop. The agreement will expire in August 2008. These unsecured revolving credit agreements contain certain financial and other covenants, customary representations, warranties, and events of default. As of December 31, 2007, we complied with all of these covenants.
- In March 2006, we entered into a short-term credit agreement establishing an unsecured revolving credit facility to borrow up to $400 million through September 2006. In September 2006, we entered into an agreement amending the short-term facility. The amended agreement reduced the credit limit from $400 million to $200 million and expired on December 1, 2006. We used the funds for general corporate purposes, including commercial paper backstop. We entered into this agreement because we expected borrowings to exceed the $900 million credit limit available under the revolving credit agreement in effect at that time.
- In September 2005, we entered into a short-term credit agreement establishing an unsecured revolving credit facility to borrow up to $300 million. The agreement expired in December 2005. We used the funds for general corporate purposes. We entered into this facility because we expected borrowings in late 2005 to exceed the $900 million credit limit available under the revolving credit agreement in effect at that time. Borrowing increased due to the retirement of $200 million of 6.7% Notes in October 2005, refinancing of certain consolidated lease arrangements, contributions to our pension plans, stock repurchases and seasonal working capital needs.

- In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. As of December 31, 2007, we could borrow up to approximately $57.0 million in various currencies under the lines of credit and as of December 31, 2006, we could borrow up to $54.2 million.

Registration Statements

- In September 2005, we filed a shelf registration statement on Form S-3 that was declared effective in January 2006. Under this registration statement, we could offer on a delayed or continuous basis up to $750 million aggregate principal amount of additional debt securities (the “$750 Million Shelf Registration Statement”).
- In May 2006, we filed a new shelf registration statement on Form S-3 that registered an indeterminate amount of debt securities. This registration statement was effective immediately upon filing under Securities and Exchange Commission regulations governing “well-known seasoned issuers” (the “WKSI Registration Statement”). The WKSI Registration Statement replaces, and will be used in lieu of, the $750 Million Shelf Registration Statement for offerings of debt securities occurring subsequent to May 2006.
- In August 2006, we issued $250 million of 5.3% Notes due September 1, 2011, and $250 million of 5.45% Notes due September 1, 2016. These Notes were issued under the WKSI Registration Statement.
- Proceeds from the debt issuances and any other offerings under the WKSI Registration Statement may be used for general corporate requirements. These may include reducing existing borrowings, financing capital additions, funding contributions to our pension plans, future business acquisitions and working capital requirements.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2007, our contractual cash obligations by year were as follows:

	Payments Due by Year (In thousands of dollars)						
Contractual Obligations	**2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**	**Total**
Unconditional Purchase Obligations	$ 1,058,200	$ 618,000	$ 277,500	$ 99,300	$ —	$ —	$ 2,053,000
Non-cancelable Operating Leases	15,376	11,901	7,458	6,314	5,419	7,937	54,405
Long-term Debt	6,104	8,034	8,240	256,596	154,103	852,992	1,286,069
Total Obligations	$ 1,079,680	$ 637,935	$ 293,198	$ 362,210	$ 159,522	$ 860,929	$ 3,393,474

In entering into contractual obligations, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. Our risk is limited to replacing the contracts at prevailing market rates. We do not expect any significant losses resulting from counterparty defaults.

Purchase Obligations

We enter into certain obligations for the purchase of raw materials. These obligations were primarily in the form of forward contracts for the purchase of raw materials from third-party brokers and dealers. These contracts minimize the effect of future price fluctuations by fixing the price of part or all of these purchase obligations. Total obligations for each year presented above, consists of fixed price contracts for the purchase of commodities and unpriced contracts that were valued using market prices as of December 31, 2007.

The cost of commodities associated with the unpriced contracts is variable as market prices change over future periods. We mitigate the variability of these costs to the extent we have entered into commodities futures contracts to hedge our costs for those periods. Increases or decreases in market prices are offset by gains or losses on commodities futures contracts. This applies to the extent that we have hedged the unpriced contracts as of December 31, 2007 and in future periods by entering into commodities futures contracts. Taking delivery of and making payments for the specific commodities for use in the manufacture of finished goods satisfies our obligations under the forward purchase contracts. For each of the three years in the period ended December 31, 2007, we satisfied these obligations by taking delivery of and making payment for the specific commodities.

Lease Arrangement with Special Purpose Trust

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("Interpretation No. 46"). Interpretation No. 46 addresses consolidation by business enterprises of special-purpose entities ("SPEs"), such as special-purpose trusts ("SPTs"), to which the usual condition for consolidation described in Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, does not apply because the SPEs have no voting interests or otherwise are not subject to control through ownership of voting interests. We adopted Interpretation No. 46 as of June 30, 2003, resulting in the consolidation of off-balance sheet arrangements with SPTs. As of December 31, 2007 and 2006, we had no off-balance sheet arrangements.

In December 2000, we entered into a lease agreement with the owner of a warehouse and distribution facility in Redlands, California. The lease term was approximately ten years, with occupancy to begin upon completion of the facility. The lease agreement contained an option for us to purchase the facility. In January 2002, we assigned our right to purchase the facility to an SPT that in turn purchased the completed facility and leased it to us under a new lease agreement. The term of this lease agreement was five years, with up to four renewal periods of five years each with the consent of the lessor. The cost incurred by the SPT to acquire the facility, including land, was $40.1 million. We exercised our option to purchase the facility at the original cost of $40.1 million and refinanced the related obligation at the end of the lease term in January 2007.

Asset Retirement Obligations

Our Company has a number of facilities that contain varying degrees of asbestos in certain locations within these facilities. Our asbestos management program is compliant with current regulations. Current regulations require that we handle or dispose of this type of asbestos in a special manner if such facilities undergo major renovations or are demolished. We believe we do not have sufficient information to estimate the fair value of any asset retirement obligations related to these facilities. We cannot specify the settlement date or range of potential settlement dates and, therefore, sufficient information is not available to apply an expected present value technique. We expect to maintain the facilities with repairs and maintenance activities that would not involve the removal of asbestos.

As of December 31, 2007, certain real estate associated with the closure of facilities under the global supply chain transformation program is being held for sale. We are not aware of any significant obligations related to the environmental remediation of these facilities which has not been reflected in our current estimates.

Income Tax Obligations

We base our deferred income taxes, accrued income taxes and provision for income taxes upon income, statutory tax rates, the legal structure of our Company and interpretation of tax laws. We are regularly audited by Federal, state and foreign tax authorities. From time to time, these audits result in assessments of additional tax. We maintain reserves for such assessments. We adjust the reserves, from time to time, based upon changing facts and circumstances, such as receiving audit assessments or clearing of an item for which a reserve has been established. Assessments of additional tax require cash payments. We are not aware of any significant income tax assessments. The amount of tax obligations is not included in the table of contractual cash obligations by year on page 35 because we are unable to reasonably predict the ultimate amount or timing of settlement of our reserves for income taxes.

ACCOUNTING POLICIES AND MARKET RISKS ASSOCIATED WITH DERIVATIVE INSTRUMENTS

We use certain derivative instruments, from time to time, including interest rate swaps, foreign currency forward exchange contracts and options, and commodities futures contracts, to manage interest rate, foreign currency exchange rate and commodity market price risk exposures. We enter into interest rate swap agreements and foreign currency contracts and options for periods consistent with related underlying exposures. These derivative instruments do not constitute positions independent of those exposures. We enter into commodities futures contracts for varying periods. These futures contracts are intended to be, and are effective as hedges of market price risks associated with anticipated raw material purchases, energy requirements and transportation costs. We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features. In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We do not expect any significant losses from counterparty defaults.

Accounting Under Statement of Financial Accounting Standards No. 133

We account for derivative instruments in accordance with Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended ("SFAS No. 133"). SFAS No. 133 provides that we report the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument as a component of other comprehensive income. We reclassify the effective portion of the gain or loss on these derivative instruments into income in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument resulting from hedge ineffectiveness, if any, must be recognized currently in earnings.

Fair value hedges pertain to derivative instruments that qualify as a hedge of exposures to changes in the fair value of a firm commitment or assets and liabilities recognized on the balance sheet. For fair value hedges, we reflect the gain or loss on the derivative instrument in earnings in the period of change together with the offsetting loss or gain on the hedged item. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value.

As of December 31, 2007, we designated and accounted for all derivative instruments, including foreign exchange forward contracts and commodities futures contracts, as cash flow hedges. Additional information regarding accounting policies associated with derivative instruments is contained in Note 5 to the Consolidated Financial Statements, Derivative Instruments and Hedging Activities.

The information below summarizes our market risks associated with long-term debt and derivative instruments outstanding as of December 31, 2007. Note 1, Note 5 and Note 7 to the Consolidated Financial Statements provide additional information.

Long-Term Debt

The table below presents the principal cash flows and related interest rates by maturity date for long-term debt, including the current portion, as of December 31, 2007. We determined the fair value of long-term debt based upon quoted market prices for the same or similar debt issues.

	Maturity Date							
In thousands of dollars except for rates	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
Long-term Debt	$6,104	$8,034	$8,240	$256,596	$154,103	$852,992	$1,286,069	$1,331,141
Interest Rate	10.0%	10.1%	9.9%	5.4%	7.0%	6.2%	6.2%	

We calculated the interest rates on variable rate obligations using the rates in effect as of December 31, 2007.

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Interest Rate Swaps

In order to minimize financing costs and to manage interest rate exposure, from time to time, we enter into interest rate swap agreements.

In December 2005, we entered into forward swap agreements to hedge interest rate exposure related to $500 million of term financing to be executed during 2006. In February 2006, we terminated a forward swap agreement hedging the anticipated execution of $250 million of term financing because the transaction was no longer expected to occur by the originally specified time period or within an additional two-month period of time thereafter. We recorded a gain of $1.0 million in the first quarter of 2006 as a result of the discontinuance of this cash flow hedge. In August 2006, a forward swap agreement hedging the anticipated issuance of $250 million of 10-year notes matured resulting in cash receipts of $3.7 million. The $3.7 million gain on the swap will be amortized as a reduction to interest expense over the term of the $250 million of 5.45% Notes due September 1, 2016.

In October 2003, we entered into swap agreements effectively converting interest payments on long-term debt from fixed to variable rates. We converted interest payments on $200 million of 6.7% Notes due in October 2005 and $150 million of 6.95% Notes due in March 2007 from their respective fixed rates to variable rates based on the London Interbank Offered Rate, LIBOR. In March 2004, we terminated these agreements, resulting in cash receipts totaling $5.2 million, with a corresponding increase to the carrying value of the long-term debt. We amortized this increase over the terms of the respective long-term debt as a reduction to interest expense.

As of December 31, 2007, and 2006 we were not a party to any interest rate swap agreements.

Foreign Exchange Forward Contracts

We enter into foreign exchange forward contracts to hedge transactions denominated in foreign currencies. These transactions are primarily purchase commitments or forecasted purchases of equipment, raw materials and finished goods. We also may hedge payment of forecasted intercompany transactions with our subsidiaries outside the United States. These contracts reduce currency risk from exchange rate movements. We generally hedge foreign currency price risks for periods from 3 to 24 months.

Foreign exchange forward contracts are effective as hedges of identifiable, foreign currency commitments. We designate our foreign exchange forward contracts as cash flow hedging derivatives. The fair value of these contracts is classified as either an asset or liability on the Consolidated Balance Sheets. We record gains and losses on these contracts as a component of other comprehensive income and reclassify them into earnings in the same period during which the hedged transaction affects earnings.

A summary of foreign exchange forward contracts and the corresponding amounts at contracted forward rates is as follows:

December 31,	2007		2006	
	Contract Amount	Primary Currencies	Contract Amount	Primary Currencies
In millions of dollars				
Foreign exchange forward contracts to purchase foreign currencies	**$ 13.8**	British pounds Australian dollars Euros	$ 29.0	Australian dollars Canadian dollars Euros
Foreign exchange forward contracts to sell foreign currencies	**$ 86.7**	Canadian dollars Brazilian reais Mexican pesos		

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We define the fair value of foreign exchange forward contracts as the amount of the difference between the contracted and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign exchange forward contracts on a quarterly basis by obtaining market quotes for future contracts with similar terms, adjusted where necessary for maturity differences.

A summary of the fair value and market risk associated with foreign exchange forward contracts is as follows:

December 31, In millions of dollars	2007	2006
Fair value of foreign exchange forward contracts and options—(liability) asset	**$(2.1)**	$1.5
Potential net loss in fair value of foreign exchange forward contracts of ten percent resulting from a hypothetical near-term adverse change in market rates	**$ .2**	$ .2

Our risk related to foreign exchange forward contracts is limited to the cost of replacing the contracts at prevailing market rates.

Commodities—Price Risk Management and Futures Contracts

Our most significant raw material requirements include cocoa beans, cocoa products, sugar, dairy products, peanuts and almonds. The cost of cocoa beans and cocoa products and prices for related futures contracts historically have been subject to wide fluctuations attributable to a variety of factors. These factors include:

- the effect of weather on crop yield;
- imbalances between supply and demand;
- currency exchange rates;
- political unrest in producing countries; and
- speculative influences.

During 2007, cocoa prices traded in a relatively wide range between 74¢ and 95¢ per pound, based on the New York Board of Trade futures contract. Our costs will not necessarily reflect market price fluctuations because of our forward purchasing practices, premiums and discounts that reflect varying delivery times, and supply and demand for specific varieties and grades of cocoa beans, cocoa liquor, cocoa butter and cocoa powder.

During 2007, dairy prices were significantly higher, starting the year at nearly 13¢ per pound and rising to 22¢ per pound on a class II fluid milk basis. Tight global supplies were driven by drought in Australia as well as reduced exports from the European Union due to the elimination of subsidies. Also, input costs for U.S. producers were up due to heightened grain prices impacting feed costs. Additionally, the United States Department of Agriculture adjusted their mechanism for establishing market prices of nonfat dry milk, further escalating costs.

We attempt to minimize the effect of future price fluctuations related to the purchase of our raw materials by using forward purchasing to cover future manufacturing requirements generally for 3 to 24 months. We use futures contracts in combination with forward purchasing of cocoa beans and cocoa products, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products primarily to provide favorable pricing opportunities and flexibility in sourcing our raw material and energy requirements. However, the dairy markets are not as developed as many of the other commodities markets and, therefore, it is not possible to hedge our costs by taking forward positions to extend coverage for longer periods of time. We use fuel oil futures contracts to minimize price fluctuations associated with our transportation costs. Our commodity procurement practices are intended to reduce the risk of future price increases and provide visibility to future costs, but also may potentially limit our ability to benefit from possible price decreases.

We account for commodities futures contracts in accordance with SFAS No. 133. We make or receive cash transfers to or from commodity futures brokers on a daily basis reflecting changes in the value of futures contracts on the New York Board of Trade or various other exchanges. These changes in value represent unrealized gains and losses. We report these cash transfers as a component of other comprehensive income. The cash transfers offset higher or lower cash requirements for the payment of future invoice prices of raw materials, energy requirements and transportation costs. Futures held in excess of the amount required to fix the price of unpriced physical forward contracts are effective as hedges of anticipated purchases.

Sensitivity Analysis

The following sensitivity analysis reflects our market risk to a hypothetical adverse market price movement of ten percent, based on our net commodity positions at four dates spaced equally throughout the year. Our net commodity positions consist of the amount of futures contracts we hold over or under the amount of futures contracts we need to price unpriced physical forward contracts for the same commodities. Inventories, priced forward contracts and estimated anticipated purchases not yet under contract were not included in the sensitivity analysis calculations. We define a loss, for purposes of determining market risk, as the potential decrease in fair value or the opportunity cost resulting from the hypothetical adverse price movement. The fair values of net commodity positions reflect quoted market prices or estimated future prices, including estimated carrying costs corresponding with the future delivery period.

For the years ended December 31,	2007		2006	
In millions of dollars	Fair Value	Market Risk (Hypothetical 10% Change)	Fair Value	Market Risk (Hypothetical 10% Change)
Highest long position	**$(112.5)**	**$ 11.3**	$ 138.4	$ 13.8
Lowest long position	**(460.9)**	**46.1**	(147.0)	14.7
Average position (long)	**(317.0)**	**31.7**	(37.3)	3.7

The decrease in fair values from 2006 to 2007 primarily reflected a decrease in net commodity positions, which more than offset the impact of higher prices in 2007. The negative positions primarily resulted as unpriced physical forward contract futures requirements exceeded the amount of commodities futures that we held at certain points in time during the years.

Sensitivity analysis disclosures represent forward-looking statements which are subject to certain risks and uncertainties that could cause our actual results to differ materially from those presently anticipated or projected. Factors that could affect the sensitivity analysis disclosures include:

- significant increases or decreases in market prices reflecting fluctuations attributable to the effect of weather on crop yield;
- imbalances between supply and demand;
- currency exchange rates;
- political unrest in producing countries;
- speculative influences; and
- changes in our hedging strategies.

USE OF ESTIMATES AND OTHER CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with GAAP. In various instances, GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe that our most critical accounting policies and estimates relate to the following:

- Accounts Receivable—Trade
- Accrued Liabilities
- Pension and Other Post-Retirement Benefit Plans
- Goodwill and Other Intangible Assets
- Commodities Futures Contracts

Management has discussed the development, selection and disclosure of critical accounting policies and estimates with the Audit Committee of our Board of Directors. While we base estimates and assumptions on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. For a discussion of our significant accounting policies, refer to Note 1 of the Notes to Consolidated Financial Statements.

Accounts Receivable—Trade

In the normal course of business, we extend credit to customers that satisfy pre-defined credit criteria. Our primary concentration of credit risk is associated with McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers. McLane Company, Inc. accounted for approximately 25.9% of our total accounts receivable as of December 31, 2007. As of December 31, 2007, no other customer accounted for more than 10% of our total accounts receivable. We believe we have little concentration of credit risk associated with the remainder of our customer base.

Accounts Receivable—Trade, as shown on the Consolidated Balance Sheets, were net of allowances and anticipated discounts. An allowance for doubtful accounts is determined through analysis of the following:

- Aging of accounts receivable at the date of the financial statements;
- Assessments of collectibility based on historical trends; and
- Evaluation of the impact of current and projected economic conditions.

We monitor the collectibility of our accounts receivable on an ongoing basis by analyzing aged accounts receivable, assessing the credit worthiness of our customers and evaluating the impact of reasonably likely changes in economic conditions that may impact credit risks. Estimates with regard to the collectibility of accounts receivable are reasonably likely to change in the future.

Information on our Accounts Receivable—Trade, related expenses and assumptions is as follows:

For the three-year period **In millions of dollars, except percents**	**2005-2007**
Average expense for potential uncollectible accounts	$.8
Average write-offs of uncollectible accounts	$2.0
Allowance for doubtful accounts as a percentage of gross accounts receivable	1% – 2%

- We recognize the provision for uncollectible accounts as selling, marketing and administrative expense in the Consolidated Statements of Income.

- If we made reasonably possible near-term changes in the most material assumptions regarding collectibility of accounts receivable, our annual provision could change within the following range:
  - A reduction in expense of approximately $4.7 million; and
  - An increase in expense of approximately $4.0 million.
- Changes in estimates for future uncollectible accounts receivable would not have a material impact on our liquidity or capital resources.

Accrued Liabilities

Accrued liabilities requiring the most difficult or subjective judgments include liabilities associated with marketing promotion programs and potentially unsaleable products.

Liabilities associated with marketing promotion programs

We recognize the costs of marketing promotion programs as a reduction to net sales along with a corresponding accrued liability based on estimates at the time of revenue recognition.

Information on our promotional costs and assumptions is as follows:

For the years ended December 31, In millions of dollars	2007	2006	2005
Promotional costs	**$702.1**	$631.7	$583.5

- We determine the amount of the accrued liability by:
  - Analysis of programs offered;
  - Historical trends;
  - Expectations regarding customer and consumer participation;
  - Sales and payment trends; and
  - Experience with payment patterns associated with similar, previously offered programs.
- The estimated costs of these programs are reasonably likely to change in the future due to changes in trends with regard to customer and consumer participation, particularly for new programs and for programs related to the introduction of new products.
- Reasonably possible near-term changes in the most material assumptions regarding the cost of promotional programs could result in changes within the following range:
  - A reduction in costs of approximately $16.0 million
  - An increase in costs of approximately $3.0 million
- Changes in these assumptions would affect net sales and income before income taxes.
- Over the three-year period ended December 31, 2007, actual promotion costs have not deviated from the estimated amounts by more than 6.0%.
- Changes in estimates related to the cost of promotional programs would not have a material impact on our liquidity or capital resources.

Liabilities associated with potentially unsaleable products

- At the time of sale, we estimate a cost for the possibility that products will become aged or unsaleable in the future. The estimated cost is included as a reduction to net sales.
- A related accrued liability is determined using statistical analysis that incorporates historical sales trends, seasonal timing and sales patterns, and product movement at retail.

- Estimates for costs associated with unsaleable products may change as a result of inventory levels in the distribution channel, current economic trends, changes in consumer demand, the introduction of new products and changes in trends of seasonal sales in response to promotional programs.
- Over the three-year period ended December 31, 2007, costs associated with aged or unsaleable products have amounted to approximately 2% of gross sales.
- Reasonably possible near-term changes in the most material assumptions regarding the estimates of such costs would have increased or decreased net sales and income before income taxes in a range from $.7 million to $1.4 million.
- Over the three-year period ended December 31, 2007, actual costs have not deviated from our estimates by more than 1%.
- Reasonably possible near-term changes in the estimates of costs associated with unsaleable products would not have a material impact on our liquidity or capital resources.

Pension and Other Post-Retirement Benefit Plans

Overview

We sponsor a number of defined benefit pension plans. The primary plans are The Hershey Company Retirement Plan and The Hershey Company Retirement Plan for Hourly Employees. These are cash balance plans that provide pension benefits for most domestic employees hired prior to January 1, 2007. We monitor legislative and regulatory developments regarding cash balance plans, as well as recent court cases, for any impact on our plans. We also sponsor two primary post-retirement benefit plans. The health care plan is contributory, with participants' contributions adjusted annually, and the life insurance plan is non-contributory.

We fund domestic pension liabilities in accordance with the limits imposed by the Employee Retirement Income Security Act of 1974 and Federal income tax laws. For years beginning after 2007, we will need to comply with the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans. We broadly diversify our pension plan assets, consisting primarily of domestic and international common stocks and fixed income securities. Short-term and long-term liabilities associated with benefit plans are primarily determined based on actuarial calculations. These calculations consider payroll and employee data, including age and years of service, along with actuarial assumptions at the date of the financial statements. We take into consideration long-term projections with regard to economic conditions, including interest rates, return on assets and the rate of increase in compensation levels. With regard to liabilities associated with post-retirement benefit plans that provide health care and life insurance, we take into consideration the long-term annual rate of increase in the per capita cost of the covered benefits. In compliance with the provisions of Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions*, and Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, we review the discount rate assumptions and may revise them annually. The expected long-term rate of return on assets assumption ("asset return assumption") for funded plans is by its nature of a longer duration and revised only when long-term asset return projections demonstrate that need.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106, and 132 (R) ("SFAS No. 158"). SFAS No. 158 requires an employer that is a business entity and sponsors one or more single-employer defined benefit plans to:

- Recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation—in its statement of financial position. For a pension plan, the benefit obligation is the projected benefit obligation; for any other post-retirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated post-retirement benefit obligation.

- Recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost.
- Measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position.
- Disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

We adopted the recognition and related disclosure provisions of SFAS No. 158 as of December 31, 2006.

Pension Plans

Our pension plan costs and related assumptions were as follows:

For the years ended December 31, In millions of dollars	2007	2006	2005
Net periodic pension benefit (income) costs	**$(9.0)**	$25.3	$29.9
Assumptions:			
Average discount rate assumptions—net periodic benefit cost calculation	**5.8%**	5.4%	5.7%
Average discount rate assumptions—benefit obligation calculation	**6.2%**	5.7%	5.4%
Asset return assumptions	**8.5%**	8.5%	8.5%

Net Periodic Pension Benefit Costs

We recorded net periodic pension benefit income in 2007 primarily due to the modifications announced in October 2006 which reduced future benefits under The Hershey Company Retirement Plan, The Hershey Company Retirement Plan for Hourly Employees and the Supplemental Executive Retirement Plan, the higher actual return on pension assets during 2006, and the impact of a higher discount rate assumption as of December 31, 2006. Pension income is expected to increase somewhat in 2008 due to the impact of the 2007 business realignment initiatives and the retirement or departure of certain executives.

Actuarial gains and losses may arise when actual experience differs from assumed experience or when we revise the actuarial assumptions used to value the plans' obligations. We only amortize the unrecognized net actuarial gains/losses in excess of 10% of a respective plan's projected benefit obligation, or the fair market value of assets, if greater. The estimated recognized net actuarial gain component of net periodic pension benefit income for 2008 is $.2 million. The 2007 recognized net actuarial loss component of net periodic pension benefit income was $1.1 million. Projections beyond 2008 are dependent on a variety of factors such as changes to the discount rate and the actual return on pension plan assets.

Average Discount Rate Assumption—Net Periodic Benefit (Income) Costs

The discount rate represents the estimated rate at which we could effectively settle our pension benefit obligations. In order to estimate this rate for 2007 and 2006, a single effective rate of discount was determined by our actuaries after discounting the pension obligation's cash flows using the spot rate of matching duration from the Citigroup Pension Discount Curve. In 2005, we considered the yields of high quality securities in determining the average discount rate assumptions. High quality securities are generally considered to be those receiving a rating no lower than the second highest given by a recognized rating agency. The duration of such securities is reasonably comparable to the duration of our pension plan liabilities.

The use of a different discount rate assumption can significantly affect net periodic benefit (income) cost:

- A one-percentage point decrease in the discount rate assumption would have decreased 2007 net periodic pension benefit income by $10.9 million.
- A one-percentage point increase in the discount rate assumption would have increased 2007 net periodic pension benefit income by $4.5 million.

Average Discount Rate Assumption—Benefit Obligations

The discount rate assumption to be used in calculating the amount of benefit obligations is determined in the same manner as the average discount rate assumption used to calculate net periodic benefit (income) cost as described above. We increased our 2007 discount rate assumption due to the increasing interest rate environment.

The use of a different discount rate assumption can significantly affect the amount of benefit obligations:

- A one-percentage point decrease in the discount rate assumption would have increased the December 31, 2007 pension benefits obligations by $106.9 million.
- A one-percentage point increase in the discount rate assumption would have decreased the December 31, 2007 pension benefits obligations by $89.8 million.

Asset Return Assumptions

We based the expected return on plan assets component of net periodic pension benefit (income) costs on the fair market value of pension plan assets. To determine the expected return on plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on the categories of plan assets. The historical geometric average return over the 20 years prior to December 31, 2007 was approximately 9.8%. The actual return on assets was as follows:

For the years ended December 31,	2007	2006	2005
Actual return on assets	**7.1%**	15.7%	7.8%

The use of a different asset return assumption can significantly affect net periodic benefit (income) cost:

- A one-percentage point decrease in the asset return assumption would have decreased 2007 net periodic pension benefit income by $13.9 million.
- A one-percentage point increase in the asset return assumption would have increased 2007 net periodic pension benefit income by $13.7 million.

Our asset investment policies specify ranges of asset allocation percentages for each asset class. The ranges for the domestic pension plans were as follows:

Asset Class	Allocation Range
Equity securities	58% – 85%
Debt securities	15% – 42%
Cash and certain other investments	0% – 5%

As of December 31, 2007, actual allocations were within the specified ranges. We expect the level of volatility in pension plan asset returns to be in line with the overall volatility of the markets and weightings within the asset classes. As of December 31, 2007, the benefit plan fixed income assets were invested primarily in conventional instruments benchmarked to the Lehman Aggregate Bond Index and direct exposure to highly volatile, risky sectors, such as sub-prime mortgages, was minimal.

For 2007 and 2006, minimum funding requirements for the plans were not material. However, we made contributions of $15.8 million in 2007 and $23.6 million in 2006 to improve the funded status of our qualified plans and for the payment of benefits under our non-qualified pension plans. These contributions were fully tax deductible. A one-percentage point change in the funding discount rate or asset return assumptions would not have changed the 2007 minimum funding requirements for the domestic plans. For 2008, there will be no minimum funding requirements for the domestic plans and minimum funding requirements for the non-domestic plans will not be material.

Post-Retirement Benefit Plans

Other post-retirement benefit plan costs and related assumptions were as follows:

For the years ended December 31, In millions of dollars	2007	2006	2005
Net periodic other post-retirement benefit cost	**$24.7**	$28.7	$24.6
Assumptions:			
Average discount rate assumption	**5.8%**	5.4%	5.7%

The use of a different discount rate assumption can significantly affect net periodic other post-retirement benefit cost:

- A one-percentage point decrease in the discount rate assumption would have increased 2007 net periodic other post-retirement benefit cost by $1.6 million.
- A one-percentage point increase in the discount rate assumption would have decreased 2007 net periodic other post-retirement benefit cost by $1.2 million.

Other post-retirement benefit obligation assumptions were as follows:

December 31, In millions of dollars	2007	2006
Other post-retirement benefit obligation	**$362.9**	$345.1
Assumptions:		
Benefit obligations discount rate assumption	**6.2%**	5.7%

- A one-percentage point decrease in the discount rate assumption would have increased the December 31, 2007 other post-retirement benefits obligations by $32.6 million.
- A one-percentage point increase in the discount rate assumption would have decreased the December 31, 2007 other post-retirement benefits obligations by $28.0 million.

Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. This standard classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. For intangible assets with definite lives, the standard requires impairment testing if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and for goodwill, the standard requires impairment testing at least annually or more frequently if events or circumstances indicate that these assets might be impaired.

We use a two-step process to evaluate goodwill for impairment. In the first step, we compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. We estimate the fair

value of the reporting unit based on discounted future cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference.

The assumptions we used to estimate fair value are based on the past performance of each reporting unit and reflect the projections and assumptions that we use in current operating plans. We also consider assumptions that market participants may use. Such assumptions are subject to change due to changing economic and competitive conditions.

Our other intangible assets consist primarily of customer-related intangible assets, patents and trademarks obtained through business acquisitions. We amortize customer-related intangible assets and patents over their estimated useful lives. The useful lives of trademarks were determined to be indefinite and, therefore, we do not amortize them. We evaluate our trademarks for impairment by comparing the carrying amount of the assets to their estimated fair value. If the estimated fair value is less than the carrying amount, we record an impairment charge to reduce the asset to its estimated fair value. The estimated fair value is generally determined based on discounted future cash flows.

The Company performs annual impairment tests in the fourth quarter of each year or when circumstances arise that indicate a possible impairment might exist. As a result of reduced expectations for future cash flows resulting from lower expected profitability, we determined that the carrying amount of our wholly-owned subsidiary, Hershey do Brasil, exceeded its fair value and recorded a non-cash impairment charge of $12.3 million in December 2007. There was no tax benefit associated with this charge. We discuss the impairment testing results in more detail in Note 1 and Note 16 to the Consolidated Financial Statements. We determined that none of our goodwill or other intangible assets were impaired as of December 31, 2006 and 2005 based on our annual impairment evaluation.

Commodities Futures Contracts

We use futures contracts in combination with forward purchasing of cocoa and other commodities primarily to reduce the risk of future price increases, provide visibility to future costs and take advantage of market fluctuations. Accounting for commodities futures contracts is in accordance with SFAS No. 133. Additional information with regard to accounting policies associated with commodities futures contracts and other derivative instruments is contained in Note 5, Derivative Instruments and Hedging Activities.

Our gains (losses) on cash flow hedging derivatives were as follows:

For the years ended December 31, In millions of dollars	2007	2006	2005
Net after-tax gains (losses) on cash flow hedging derivatives	**$6.8**	$11.4	$ (6.5)
Reclassification adjustments from accumulated other comprehensive loss to income	**.2**	(5.3)	18.1
Hedge ineffectiveness (losses) gains recognized in cost of sales, before tax	**(.5)**	2.0	(2.0)

- We reflected reclassification adjustments related to gains or losses on commodities futures contracts in cost of sales.
- No gains or losses on commodities futures contracts resulted because we discontinued a hedge due to the probability that the forecasted hedged transaction would not occur.

- We recognized no components of gains or losses on commodities futures contracts in income due to excluding such components from the hedge effectiveness assessment.

The amount of net losses on cash flow hedging derivatives, including foreign exchange forward contracts and commodities futures contracts, expected to be reclassified into earnings in the next twelve months was approximately $5.0 million after tax as of December 31, 2007. This amount is primarily associated with commodities futures contracts.

RETURN MEASURES

We believe that two important measures of profitability are operating return on average stockholders' equity and operating return on average invested capital. These operating return measures calculated in accordance with GAAP are presented on the SIX-YEAR CONSOLIDATED FINANCIAL SUMMARY on page 18 with the directly comparable Non-GAAP operating return measures. The Non-GAAP operating return measures are calculated using Non-GAAP Income excluding items affecting comparability. A reconciliation of Net Income presented in accordance with GAAP to Non-GAAP Income excluding items affecting comparability is provided on pages 19 and 20, along with the reasons why we believe that the use of Non-GAAP Income in these calculations provides useful information to investors.

Operating Return on Average Stockholders' Equity

Operating return on average stockholders' equity is calculated by dividing net income by the average of beginning and ending stockholders' equity. To calculate Non-GAAP operating return on average stockholders' equity, we define Non-GAAP Income as net income adjusted to exclude certain items. These items include the following:

- After-tax effect of the business realignment and impairment charges in 2007, 2006, 2005, 2003 and 2002
- Adjustment to income tax contingency reserves which reduced the provision for income taxes in 2004
- After-tax gain on the sale of a group of our gum brands in 2003
- After-tax effect of incremental expenses to explore the possible sale of our Company in 2002

Our operating return on average stockholders' equity, GAAP basis, was 33.6% in 2007. Our Non-GAAP operating return on average stockholders' equity was 75.5% in 2007. The decrease in operating return on average stockholders' equity in 2007 was principally due to lower income. Over the last six years, our Non-GAAP operating return on stockholders' equity has ranged from 32.8% in 2002 to 75.5% in 2007.

Operating Return on Average Invested Capital

Operating return on average invested capital is calculated by dividing earnings by average invested capital. Average invested capital consists of the annual average of the beginning and ending balances of long-term debt, deferred income taxes and stockholders' equity.

For the calculation of operating return on average invested capital, GAAP basis, earnings is defined as net income adjusted to add back the after-tax effect of interest on long-term debt. For the calculation of the Non-GAAP operating return measure, we define earnings as net income adjusted to add back the after-tax effect of interest on long-term debt excluding the following:

- After-tax effect of the business realignment and impairment charges in 2007, 2006, 2005, 2003 and 2002
- Adjustment to income tax contingency reserves on the provision for income taxes in 2004

- After-tax gain on the sale of a group of our gum brands in 2003
- After-tax effect of incremental expenses to explore the possible sale of our Company in 2002

Our operating return on average invested capital, GAAP basis, was 12.4% in 2007. Our Non-GAAP operating return on average invested capital was 25.0% in 2007. Over the last six years, our Non-GAAP operating return on average invested capital has ranged from 18.9% in 2002 and 2003 to 26.8% in 2005 and 2006.

OUTLOOK

The outlook section contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially. Refer to Risk Factors beginning on page 9 for information concerning the key risks to achieving our future performance goals.

The year ended December 31, 2007 was very difficult. We experienced sharp increases in the cost of commodities, particularly costs for dairy products. These cost increases totaled approximately $100 million and reduced gross margin by approximately 240 basis points. We also experienced increased competitive activity and changing consumer trends toward premium and trade-up product segments that affected our growth and profitability. In the face of these challenges, we did not have adequate product innovation and sufficient brand support or retail execution in our core U.S. market. Additionally, we continued to invest in key international markets.

We expect this environment to continue into 2008 with continued increases in input costs versus 2007 of approximately $100 million, reducing gross margin by 200 basis points in 2008. We will also incur higher costs for increased investment in brand support and selling capabilities in the U.S., while we are taking steps to enhance product innovation across our portfolio. We will also be continuing to invest in key international markets, particularly China and India.

To offset higher input costs, we are implementing aggressive productivity and cost savings initiatives in addition to those already underway as part of our global supply chain transformation program. We are also pursuing opportunities to improve price realization, including list price increases effective in January 2008. However, these pricing actions will only partly offset input cost increases and expenses associated with investment spending plans, resulting in lower EBIT and EPS, excluding items affecting comparability.

We expect consolidated net sales to grow 3% to 4% in 2008. Our primary goal is to stabilize business performance in the United States. We will continue to emphasize our iconic brands, particularly *Reese's*, *Hershey's* and *Kisses.* We will also introduce *Hershey's Bliss*™, *Signatures* packaged candy and Starbucks® branded chocolates to more fully participate in the rapidly growing premium and trade-up segments of the chocolate category. We will also have the full-year benefit of increased levels of retail coverage and increased investment in brand support. For the remainder of the Americas, we expect increases in net sales and profitability from Canada and Mexico, offset somewhat in Brazil as we restructure our business.

Global growth is a key component of our future. We plan continued focus on growth in Asia, particularly China and India. We expect Godrej Hershey Foods and Beverages Company to have a positive impact on net sales for 2008 as we geographically expand the sugar confectionery business and introduce milk mix products. We anticipate net sales increases in China as the product line we introduced in 2007 gains distribution and consumer trial. We also anticipate the opening of *Hershey's Shanghai Chocolate World* prior to the 2008 Olympics to gain additional exposure for our brands.

For 2008, we expect total pre-tax business realignment and impairment charges for our global supply chain transformation program and restructuring our business in Brazil to be in the range of $140 to $160 million. We expect costs of approximately $85 million to be included in cost of sales, primarily for accelerated depreciation,

and approximately $20 million to be included in selling, marketing and administrative expenses for start up costs and program management. The remainder of these costs will be included in business realignment and impairment charges. Total charges associated with our business realignment initiatives in 2008 are expected to reduce diluted earnings per share by $0.37 to $0.42.

As a result of higher input costs and increased investment in trade and consumer promotional programs and advertising, along with investment in our international businesses, we expect EBIT to decrease in 2008, excluding the impact of business realignment and impairment charges. We expect EBIT margin to decline due to investments in advertising, selling capabilities and building infrastructure for our international businesses.

Business realignment and impairment charges associated with our global supply chain transformation program and the restructuring of our business in Brazil will reduce net income and earnings per share in 2008. Excluding the impact of these business realignment initiatives, net income is expected to decline reflecting the increased investments in our businesses. As a result, non-GAAP earnings per share-diluted excluding items affecting comparability is expected to be within the $1.85 to $1.90 range for 2008.

A reconciliation of GAAP and non-GAAP items to the Company's earnings per share-diluted outlook is as follows:

	2008
Expected EPS-diluted in accordance with GAAP	$ 1.43-1.53
Total business realignment and impairment charges	$ 0.37-0.42
Non-GAAP expected EPS-diluted excluding items affecting comparability	$ 1.85-1.90

We believe that the disclosure of non-GAAP expected EPS-diluted excluding items affecting comparability provides investors with a better comparison of expected year-to-year operating results. A reconciliation of certain historical results presented in accordance with GAAP to non-GAAP financial measures excluding items affecting comparability is provided on pages 19 and 20, along with the reasons why we believe the use of non-GAAP financial measures provides useful information to investors.

We anticipate cash flows from operating activities in 2008 to be strong, but below 2007 levels as a result of reduced working capital improvements compared with 2007 and increased cash required for our global supply chain transformation program. We expect working capital to improve in 2008, primarily driven by inventory reductions in the second half of the year, but not at the levels experienced in 2007. Net cash provided from operating activities is expected to exceed cash requirements for capital additions, capitalized software additions and anticipated dividend payments. For 2008, we expect total capital additions to be in the range of $300 to $325 million, with $150 to $170 million associated with our global supply chain transformation program.

SUBSEQUENT EVENT

In January 2008, we announced an increase in the wholesale prices of our domestic confectionery line, effective immediately. The price increase applied to our standard bar, king-size bar, 6-pack and vending lines and represented a weighted average increase of approximately thirteen percent on these items. These products represent approximately one-third of our U.S. confectionery portfolio. The price changes approximated a three percent price increase over our entire domestic product line. We implemented this action to help partially offset increases in input costs, including raw materials, fuel, utilities and transportation.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting

pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for our Company beginning January 1, 2008 as it applies to the accounting for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. We do not expect any significant changes to our financial accounting and reporting as a result of this new accounting standard.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for our Company beginning January 1, 2008 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. We do not expect any significant changes to our financial accounting and reporting as a result of this new accounting standard.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* ("SFAS No. 141R"). The objective of SFAS No. 141R is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS No. 141R establishes principles and requirements for how the acquirer:

a. Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree;

b. Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase;

c. Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

SFAS No. 141R is effective for our Company for business combinations occurring subsequent to December 31, 2008. We have not yet determined the impact of the adoption of this accounting standard.

In December 2007, the FASB also issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS No. 160"). The objective of SFAS No. 160 is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for our Company as of January 1, 2009. We have not yet determined the impact of the adoption of this new accounting standard.

Item 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

The information required by this item with respect to market risk is set forth in the section entitled "Accounting Policies and Market Risks Associated with Derivative Instruments," found on pages 37 through 40.

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Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

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RESPONSIBILITY FOR FINANCIAL STATEMENTS

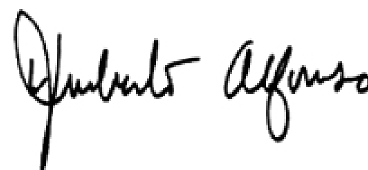
The Hershey Company is responsible for the financial statements and other financial information contained in this report. The Company believes that the financial statements have been prepared in conformity with U.S. generally accepted accounting principles appropriate under the circumstances to reflect 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 Company 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 Company believes its system provides an appropriate balance in this regard. The Company maintains an Internal Audit Department which reviews the adequacy and tests the application of internal accounting controls.

The 2007, 2006 and 2005 financial statements have been audited by KPMG LLP, an independent registered public accounting firm. KPMG LLP's report on the Company's financial statements is included on page 54.

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

David J. West
Chief Executive Officer



Humberto P. Alfonso
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

The Hershey Company:

We have audited the accompanying consolidated balance sheets of The Hershey Company and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hershey Company and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pensions and Other Postretirement Plans,* at December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 18, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

New York, New York
February 18, 2008

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THE HERSHEY COMPANY

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, In thousands of dollars except per share amounts	2007	2006	2005
Net Sales	**$ 4,946,716**	$ 4,944,230	$ 4,819,827
Costs and Expenses:			
Cost of sales	**3,315,147**	3,076,718	2,956,682
Selling, marketing and administrative	**895,874**	860,378	912,986
Business realignment and impairment charges, net	**276,868**	14,576	96,537
Total costs and expenses	**4,487,889**	3,951,672	3,966,205
Income before Interest and Income Taxes	**458,827**	992,558	853,622
Interest expense, net	**118,585**	116,056	87,985
Income before Income Taxes	**340,242**	876,502	765,637
Provision for income taxes	**126,088**	317,441	277,090
Net Income	**$ 214,154**	$ 559,061	$ 488,547
Net Income Per Share—Basic—Class B Common Stock	**$ .87**	$ 2.19	$ 1.85
Net Income Per Share—Diluted—Class B Common Stock	**$ .87**	$ 2.17	$ 1.84
Net Income Per Share—Basic—Common Stock	**$ .96**	$ 2.44	$ 2.05
Net Income Per Share—Diluted—Common Stock	**$ .93**	$ 2.34	$ 1.97
Cash Dividends Paid Per Share:			
Common Stock	**$ 1.1350**	$ 1.030	$ .9300
Class B Common Stock	**1.0206**	.925	.8400

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

THE HERSHEY COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, In thousands of dollars	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 129,198	$ 97,141
Accounts receivable—trade	487,285	522,673
Inventories	600,185	648,820
Deferred income taxes	83,668	61,360
Prepaid expenses and other	126,238	87,818
Total current assets	1,426,574	1,417,812
Property, Plant and Equipment, Net	1,539,715	1,651,300
Goodwill	584,713	501,955
Other Intangibles	155,862	140,314
Other Assets	540,249	446,184
Total assets	$ 4,247,113	$ 4,157,565
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 223,019	$ 155,517
Accrued liabilities	538,986	454,023
Accrued income taxes	373	—
Short-term debt	850,288	655,233
Current portion of long-term debt	6,104	188,765
Total current liabilities	1,618,770	1,453,538
Long-term Debt	1,279,965	1,248,128
Other Long-term Liabilities	544,016	486,473
Deferred Income Taxes	180,842	286,003
Total liabilities	3,623,593	3,474,142
Commitments and Contingencies	—	—
Minority Interest	30,598	—
Stockholders' Equity:		
Preferred Stock, shares issued: none in 2007 and 2006	—	—
Common Stock, shares issued: 299,095,417 in 2007 and 299,085,666 in 2006	299,095	299,085
Class B Common Stock, shares issued: 60,806,327 in 2007 and 60,816,078 in 2006	60,806	60,816
Additional paid-in capital	335,256	298,243
Retained earnings	3,927,306	3,965,415
Treasury—Common Stock shares, at cost: 132,851,893 in 2007 and 129,638,183 in 2006	(4,001,562)	(3,801,947)
Accumulated other comprehensive loss	(27,979)	(138,189)
Total stockholders' equity	592,922	683,423
Total liabilities, minority interest and stockholders' equity	$ 4,247,113	$ 4,157,565

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

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THE HERSHEY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, In thousands of dollars	2007	2006	2005
Cash Flows Provided from (Used by) Operating Activities			
Net income	**$ 214,154**	$ 559,061	$ 488,547
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	**310,925**	199,911	218,032
Stock-based compensation expense, net of tax of $10,634, $14,524 and $19,716, respectively	**18,987**	25,598	34,449
Excess tax benefits from exercise of stock options	**(9,461)**	(9,275)	(20,186)
Deferred income taxes	**(124,276)**	4,173	71,038
Business realignment and impairment charges, net of tax of $144,928, $4,070, and $44,975, respectively	**267,653**	7,573	74,021
Contributions to pension plans	**(15,836)**	(23,570)	(277,492)
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable—trade	**40,467**	(14,919)	(130,663)
Inventories	**45,348**	(12,461)	(60,062)
Accounts payable	**62,204**	(13,173)	16,715
Other assets and liabilities	**(31,329)**	275	47,363
Net Cash Provided from Operating Activities	**778,836**	723,193	461,762
Cash Flows Provided from (Used by) Investing Activities			
Capital additions	**(189,698)**	(183,496)	(181,069)
Capitalized software additions	**(14,194)**	(15,016)	(13,236)
Business acquisitions	**(100,461)**	(17,000)	(47,074)
Proceeds from divestitures	**—**	—	2,713
Net Cash (Used by) Investing Activities	**(304,353)**	(215,512)	(238,666)
Cash Flows Provided from (Used by) Financing Activities			
Net change in short-term borrowings	**195,055**	(163,826)	475,582
Long-term borrowings	**—**	496,728	248,318
Repayment of long-term debt	**(188,891)**	(234)	(278,236)
Cash dividends paid	**(252,263)**	(235,129)	(221,235)
Exercise of stock options	**50,497**	37,111	81,632
Excess tax benefits from exercise of stock options	**9,461**	9,275	20,186
Repurchase of Common Stock	**(256,285)**	(621,648)	(536,997)
Net Cash (Used by) Financing Activities	**(442,426)**	(477,723)	(210,750)
Increase in Cash and Cash Equivalents	**32,057**	29,958	12,346
Cash and Cash Equivalents as of January 1	**97,141**	67,183	54,837
Cash and Cash Equivalents as of December 31	**$ 129,198**	$ 97,141	$ 67,183
Interest Paid	**$ 126,450**	$ 105,250	$ 88,077
Income Taxes Paid	**253,977**	325,451	206,704

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

THE HERSHEY COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

In thousands of dollars	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Unearned ESOP Compensation	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of January 1, 2005	$ —	$ 299,060	$ 60,841	$ 171,413	$ (6,387)	$3,374,171	$(2,762,304)	$ 309	$ 1,137,103
Net income						488,547			488,547
Other comprehensive (loss)								(9,631)	(9,631)
Comprehensive income									478,916
Dividends:									
Common Stock, $.93 per share						(170,147)			(170,147)
Class B Common Stock, $.84 per share						(51,088)			(51,088)
Conversion of Class B Common Stock into Common Stock		23	(23)						—
Incentive plan transactions				236			1,161		1,397
Stock-based compensation				35,764					35,764
Exercise of stock options				44,759			73,258		118,017
Employee stock ownership trust/benefits transactions				202	3,194		19		3,415
Repurchase of Common Stock							(536,997)		(536,997)
Balance as of December 31, 2005	—	299,083	60,818	252,374	(3,193)	3,641,483	(3,224,863)	(9,322)	1,016,380
Net income						559,061			559,061
Other comprehensive income								9,105	9,105
Comprehensive income									568,166
Adjustment to initially apply SFAS No. 158, net of tax								(137,972)	(137,972)
Dividends:									
Common Stock, $1.03 per share						(178,873)			(178,873)
Class B Common Stock, $.925 per share						(56,256)			(56,256)
Conversion of Class B Common Stock into Common Stock		2	(2)						—
Incentive plan transactions				840			3,250		4,090
Stock-based compensation				34,374					34,374
Exercise of stock options				9,732			39,992		49,724
Employee stock ownership trust/benefits transactions				923	3,193		1,322		5,438
Repurchase of Common Stock							(621,648)		(621,648)
Balance as of December 31, 2006	—	299,085	60,816	298,243	—	3,965,415	(3,801,947)	(138,189)	683,423
Net income						214,154			214,154
Other comprehensive income								110,210	110,210
Comprehensive income									324,364
Dividends:									
Common Stock, $1.135 per share						(190,199)			(190,199)
Class B Common Stock, $1.0206 per share						(62,064)			(62,064)
Conversion of Class B Common Stock into Common Stock		10	(10)						—
Incentive plan transactions				1,426			2,082		3,508
Stock-based compensation				29,790					29,790
Exercise of stock options				5,797			54,588		60,385
Repurchase of Common Stock							(256,285)		(256,285)
Balance as of December 31, 2007	$ —	$ 299,095	$ 60,806	$ 335,256	$ —	$3,927,306	$(4,001,562)	$ (27,979)	$ 592,922

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

THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Items Affecting Comparability

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* an amendment of FASB Statements No. 87, 88, 106, and 132 (R) ("SFAS No. 158"). SFAS No. 158 requires an employer that is a business entity and sponsors one or more single-employer defined benefit plans to:

- Recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation—in its statement of financial position. For a pension plan, the benefit obligation is the projected benefit obligation; for any other post-retirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated post-retirement benefit obligation.
- Recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost.
- Measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position.
- Disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

Effective December 31, 2006, we adopted SFAS No. 158. The provisions of SFAS No. 158 require that the funded status of our pension plans and the benefit obligations of our post-retirement benefit plans be recognized in our balance sheet. Appropriate adjustments were made to various assets and liabilities as of December 31, 2006, with an offsetting after-tax effect of $138.0 million recorded as a component of other comprehensive income rather than as an adjustment to the ending balance of accumulated other comprehensive loss. The presentation of other comprehensive income for the year ended December 31, 2006 was adjusted to exclude the impact of the adoption of SFAS No. 158.

The consolidated financial statements include the impact of our business realignment initiatives as described in Note 3. Cost of sales included a pre-tax charge resulting from the business realignment initiatives of $123.1 million in 2007, a pre-tax credit of $3.2 million in 2006, and a pre-tax charge of $22.5 million in 2005. Selling, marketing and administrative expenses included a pre-tax charge resulting from the business realignment initiatives of $12.6 million in 2007 and $.3 million in 2006.

Our effective income tax rate was 37.1% in 2007, 36.2% in 2006 and 36.2% in 2005. The effective income tax rate for 2007 was higher by 1.1 percentage points and for 2005 benefited by 0.2 percentage points from the impact of tax rates associated with business realignment and impairment charges.

We have made certain reclassifications to prior year amounts to conform to the 2007 presentation.

Principles of Consolidation

Our consolidated financial statements include the accounts of the Company and our majority-owned subsidiaries and entities in which we have a controlling financial interest after the elimination of intercompany accounts and transactions. We have a controlling financial interest if we own a majority of the outstanding voting common stock and minority shareholders do not have substantive participating rights, or we have significant control over an entity through contractual or economic interests in which we are the primary beneficiary. In May 2007, we entered into an agreement with Godrej Beverages and Foods, Ltd., to manufacture and distribute confectionery products, snacks and beverages across India. Under the agreement, we own a 51% controlling interest in Godrej Hershey Foods and Beverages Company. This business acquisition is included in our consolidated financial results, including the related minority interest.

Equity Investments

We use the equity method of accounting when we have a 20% to 50% interest in other companies and exercise significant influence. Under the equity method, original investments are recorded at cost and adjusted by our share of undistributed earnings or losses of these companies. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. In May 2007, we entered into a manufacturing agreement in China with Lotte Confectionery Company, LTD to produce Hershey products and certain Lotte products for the market in China. We own a 44% interest in this entity and are accounting for this investment using the equity method.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Critical accounting estimates involved in applying our accounting policies are those that require management to make assumptions about matters that are highly uncertain at the time the accounting estimate was made and those for which different estimates reasonably could have been used for the current period. Critical accounting estimates are also those which are reasonably likely to change from period to period and would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Our most critical accounting estimates pertain to accounting policies for accounts receivable—trade, accrued liabilities and pension and other post-retirement benefit plans.

Revenue Recognition

We record sales when all of the following criteria have been met:

- a valid customer order with a fixed price has been received;
- a delivery appointment with the customer has been made;
- the product has been delivered to the customer;
- there is no further significant obligation to assist in the resale of the product; and
- collectibility is reasonably assured.

Net sales include revenue from the sale of finished goods and royalty income, net of allowances for trade promotions, consumer coupon programs and other sales incentives, and allowances and discounts associated with aged or potentially unsaleable products. Trade promotions and sales incentives primarily include reduced price features, merchandising displays, sales growth incentives, new item allowances and cooperative advertising.

Cost of Sales

Cost of sales represents costs directly related to the manufacture and distribution of our products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, warehousing and the depreciation of manufacturing, warehousing and distribution facilities. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes.

Selling, Marketing and Administrative

Selling, marketing and administrative expenses represent costs incurred in generating revenues and in managing our business. Such costs include advertising and other marketing expenses, salaries, employee benefits, incentive compensation, research and development, travel, office expenses, amortization of capitalized software and depreciation of administrative facilities.

Cash Equivalents

Cash equivalents consist of highly liquid debt instruments, time deposits and money market funds with original maturities of three months or less. The fair value of cash and cash equivalents approximates the carrying amount.

Commodities Futures Contracts

In connection with the purchasing of cocoa beans and cocoa products, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products for anticipated manufacturing requirements and to hedge transportation costs, we enter into commodities futures contracts to reduce the effect of price fluctuations.

We account for commodities futures contracts in accordance with Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended ("SFAS No. 133"). SFAS No. 133 provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings. For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment (referred to as a fair value hedge), the gain or loss must be recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. All derivative instruments which we are currently utilizing, including commodities futures contracts, are designated and accounted for as cash flow hedges. Additional information with regard to accounting policies associated with derivative instruments is contained in Note 5, Derivative Instruments and Hedging Activities.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows: 3 to 15 years for machinery and equipment; and 25 to 40 years for buildings and related improvements. Maintenance and repair expenditures are charged to expense as incurred. Applicable interest charges incurred during the construction of new facilities and production lines are capitalized as one of the elements of cost and are amortized over the assets' estimated useful lives.

THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated, in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. If such assets are considered to be impaired, we measure the impairment to be recognized as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Asset Retirement Obligations

We account for asset retirement obligations in accordance with Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, and FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*—an interpretation of FASB Statement No. 143. Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction or development and the normal operation of a long-lived asset.

We assess asset retirement obligations on a periodic basis. We recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. We capitalize associated asset retirement costs as part of the carrying amount of the long-lived asset.

Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. Other intangible assets primarily consist of trademarks, customer-related intangible assets and patents obtained through business acquisitions. We determined that the useful lives of trademarks are indefinite and, therefore, these assets are not being amortized. We are amortizing customer-related intangible assets over their estimated useful lives of approximately ten years. We are amortizing patents over their remaining legal lives of approximately thirteen years.

We conduct an impairment evaluation for goodwill annually, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation is performed by using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. The estimated fair value of the reporting unit is generally determined on the basis of discounted future cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets) in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared with the carrying amount of the goodwill and an impairment charge is recorded for the difference.

We conduct an impairment evaluation of the carrying amount of intangible assets with indefinite lives annually, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation is performed by comparing the carrying amount of these assets to their estimated fair value. If the estimated fair value is less than the carrying amount of the intangible assets with indefinite lives, then an impairment charge is recorded to reduce the asset to its estimated fair value. The estimated fair value is generally determined on the basis of discounted future cash flows.

The assumptions we use to estimate fair value are generally consistent with the past performance of each reporting unit and are also consistent with the projections and assumptions that are used in current operating

plans. We also consider assumptions which may be used by market participants. Such assumptions are subject to change as a result of changing economic and competitive conditions.

As a result of reduced expectations for future cash flows resulting primarily from lower expected profitability, we determined that the carrying amount of our wholly-owned subsidiary, Hershey do Brasil, exceeded its fair value and recorded a non-cash impairment charge of $12.3 million in December 2007. Based on our annual impairment evaluations, we determined that no goodwill or other intangible assets were impaired as of December 31, 2006 and 2005.

Comprehensive Income

We report comprehensive income (loss) on the Consolidated Statements of Stockholders' Equity and accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. Additional information regarding comprehensive income is contained in Note 6, Comprehensive Income.

We translate results of operations for foreign entities using the average exchange rates during the period. For foreign 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 as a component of other comprehensive income (loss), "Foreign Currency Translation Adjustments."

Prior to the adoption of SFAS No. 158 as of December 31, 2006, a minimum pension liability adjustment was required when the actuarial present value of accumulated pension plan benefits exceeded plan assets and accrued pension liabilities, less allowable intangible assets. Minimum pension liability adjustments, net of income taxes, were recorded as a component of other comprehensive income (loss), "Minimum Pension Liability Adjustments." Subsequent to the adoption of SFAS No. 158, changes to the balances of the unrecognized prior service cost and the unrecognized net actuarial loss, net of income taxes, are recorded as a component of other comprehensive income (loss), "Pension and Post-retirement Benefit Plans".

Gains and losses on cash flow hedging derivatives, to the extent effective, are included in other comprehensive income (loss), net of related tax effects. Reclassification adjustments reflecting such gains and losses are ratably recorded in income in the same period as the hedged items affect earnings. Additional information with regard to accounting policies associated with derivative instruments is contained in Note 5, Derivative Instruments and Hedging Activities.

Foreign Exchange Forward Contracts

We enter into foreign exchange forward contracts to hedge transactions denominated in foreign currencies. These transactions are primarily related to firm commitments or forecasted purchases of equipment, certain raw materials and finished goods. We also hedge payment of forecasted intercompany transactions with our subsidiaries outside the United States. These contracts reduce currency risk from exchange rate movements.

Foreign exchange forward contracts are intended to be and are effective as hedges of identifiable foreign currency commitments and forecasted transactions. Foreign exchange forward contracts are designated as cash flow hedging derivatives and the fair value of such contracts is recorded on the Consolidated Balance Sheets as either an asset or liability. Gains and losses on these contracts are recorded as a component of other comprehensive income and are reclassified into earnings in the same period during which the hedged transaction affects earnings. Additional information with regard to accounting policies for derivative instruments, including foreign exchange forward contracts is contained in Note 5, Derivative Instruments and Hedging Activities.

THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

License Agreements

We enter into license agreements under which we have access to certain trademarks and proprietary technology, and manufacture and/or market and distribute certain products. The rights under these agreements are extendible on a long-term basis at our option subject to certain conditions, including minimum sales and unit volume levels, which we have met. License fees and royalties, payable under the terms of the agreements, are expensed as incurred and included in selling, marketing and administrative expenses.

Research and Development

We expense research and development costs as incurred. Research and development expense was $28.0 million in 2007, $27.6 million in 2006 and $22.6 million in 2005. Research and development expense is included in selling, marketing and administrative expenses.

Advertising

We expense advertising costs as incurred. Advertising expense included in selling, marketing and administrative expenses was $127.9 million in 2007, $108.3 million in 2006 and $125.0 million in 2005. We had no prepaid advertising expense as of December 31, 2007 and $0.4 million as of December 31, 2006.

Computer Software

We capitalize costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and it is probable that computer software being developed will be completed and placed in service. Capitalized costs include only (i) external direct costs of materials and services consumed in developing or obtaining internal-use software, (ii) payroll and other related costs for employees who are directly associated with and who devote time to the internal-use software project and (iii) interest costs incurred, when material, while developing internal-use software. We cease capitalization of such costs no later than the point at which the project is substantially complete and ready for its intended purpose.

The unamortized amount of capitalized software was $35.9 million as of December 31, 2007 and was $36.0 million as of December 31, 2006. We amortize software costs using the straight-line method over the expected life of the software, generally three to five years. Accumulated amortization of capitalized software was $159.6 million as of December 31, 2007 and $145.4 million as of December 31, 2006.

We review the carrying value of software and development costs for impairment in accordance with our policy pertaining to the impairment of long-lived assets. Generally, we measure impairment under the following circumstances:

- when internal-use computer software is not expected to provide substantive service potential;
- a significant change occurs in the extent or manner in which the software is used or is expected to be used;
- a significant change is made or will be made to the software program; and
- costs of developing or modifying internal-use computer software significantly exceed the amount originally expected to develop or modify the software.

2. ACQUISITIONS AND DIVESTITURES

In May, 2007, we entered into an agreement with Godrej Beverages and Foods, Ltd., one of India's largest consumer goods, confectionery and food companies, to manufacture and distribute confectionery products, snacks and beverages across India. Under the agreement, we invested $61.5 million during 2007 and own a 51% controlling interest in Godrej Hershey Foods and Beverages Company. In accordance with the purchase method of accounting, the purchase price of the acquisition was allocated to the underlying assets and liabilities at the date of the acquisition based on their preliminary estimated respective fair values which may be revised at a later date. We have not yet finalized the purchase price allocation for the Godrej Hershey Foods and Beverages Company acquisition and are in the process of obtaining valuations for the acquired net assets. Total liabilities assumed in 2007 were $51.6 million.

Also in May 2007, we entered into a manufacturing agreement in China with Lotte Confectionery Co., LTD., to produce Hershey products and certain Lotte products for the market in China. We invested $39.0 million in 2007 and own a 44% interest. We are accounting for this investment using the equity method.

In October 2006, our wholly-owned subsidiary, Artisan Confections Company, purchased the assets of Dagoba Organic Chocolates, LLC, based in Ashland, Oregon, for $17.0 million. Dagoba is known for its high-quality organic chocolate bars, drinking chocolates and baking products that are primarily sold in natural food and gourmet stores across the United States. Total liabilities assumed were $1.7 million.

In August 2005, Artisan Confections Company completed the acquisition of Scharffen Berger Chocolate Maker, Inc. Based in San Francisco, California, Scharffen Berger is known for its high-cacao content, signature dark chocolate bars and baking products sold online and in a broad range of outlets, including specialty retailers, natural food stores and gourmet centers across the United States. Scharffen Berger also owns and operates three specialty stores located in New York, New York and in Berkeley and San Francisco, California.

Also, in August 2005, Artisan Confections Company acquired the assets of Joseph Schmidt Confections, Inc., a premium chocolate maker located in San Francisco, California. Distinctive products created by Joseph Schmidt include artistic and innovative truffles, colorful chocolate mosaics, specialty cookies, and handcrafted chocolates. We sell these products in select department stores and other specialty outlets nationwide as well as in Joseph Schmidt stores located in San Jose and San Francisco, California. The combined purchase price for Scharffen Berger and Joseph Schmidt was $47.1 million.

Results subsequent to the dates of acquisition were included in the consolidated financial statements. Had the results of the acquisitions been included in the consolidated financial statements for each of the periods presented, the effect would not have been material.

In October 2005, our wholly-owned subsidiary, Hershey Canada Inc., completed the sale of its *Mr. Freeze* freeze pops business for $2.7 million. There was no significant gain or loss on the transaction.

3. BUSINESS REALIGNMENT INITIATIVES

In February 2007, we announced a comprehensive, three-year supply chain transformation program (the "global supply chain transformation program") and, in December 2007, we recorded impairment and business realignment charges associated with our business in Brazil (together, "the 2007 business realignment initiatives").

When completed, the global supply chain transformation program will greatly enhance our manufacturing, sourcing and customer service capabilities, reduce inventories resulting in improvements in working capital and

generate significant resources to invest in our growth initiatives. These initiatives include accelerated marketplace momentum within our core U.S. business, creation of innovative new product platforms to meet customer needs and disciplined global expansion. Under the program, which will be implemented in stages over three years, we will significantly increase manufacturing capacity utilization by reducing the number of production lines by more than one-third, outsource production of low value-added items and construct a flexible, cost-effective production facility in Monterrey, Mexico to meet current and emerging marketplace needs. The program will result in a total net reduction of 1,500 positions across our supply chain over the three–year implementation period.

The estimated pre-tax cost of the global supply chain transformation program is from $525 million to $575 million over three years. The total includes from $475 million to $525 million in business realignment costs and approximately $50 million in project implementation costs. The costs will be incurred primarily in 2007 and 2008. Total costs of $400.0 million were recorded in 2007 for this program.

In 2001, we acquired a small business in Brazil, Hershey do Brasil, which has not gained profitable scale or adequate market distribution. In an effort to improve the performance of this business, in January 2008 Hershey do Brasil entered into a cooperative agreement with Pandurata Alimentos LTDA (“Bauducco”), a leading manufacturer of baked goods in Brazil whose primary brand is Bauducco. The arrangement with Bauducco will leverage Bauducco’s strong sales and distribution capabilities for our products throughout Brazil. Under this agreement we will manufacture and market, and they will sell and distribute our products. We will maintain a 51% controlling interest in Hershey do Brasil. In the fourth quarter of 2007, we recorded a goodwill impairment charge and approved a business realignment program associated with initiatives to improve distribution and enhance the financial performance of our business in Brazil.

In July 2005, we announced initiatives intended to advance our value-enhancing strategy (the “2005 business realignment initiatives”). Charges (credits) for the 2005 business realignment initiatives were recorded during 2005 and 2006 and the 2005 business realignment initiatives were completed by December 31, 2006.

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THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Charges (credits) associated with business realignment initiatives recorded during 2007, 2006 and 2005 were as follows:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Cost of sales			
2007 business realignment initiatives:			
Global supply chain transformation program	**$ 123,090**	$ —	$ —
2005 business realignment initiatives	**—**	(1,599)	22,459
Previous business realignment initiatives	**—**	(1,600)	—
Total cost of sales	**123,090**	(3,199)	22,459
Selling, marketing and administrative			
2007 business realignment initiatives:			
Global supply chain transformation program	**12,623**	—	—
2005 business realignment initiatives	**—**	266	—
Total selling, marketing and administrative	**12,623**	266	—
Business realignment and impairment charges, net			
2007 business realignment initiatives:			
Global supply chain transformation program:			
Fixed asset impairments and plant closure expense	**61,444**	—	—
Employee separation costs	**188,538**	—	—
Contract termination costs	**14,316**	—	—
Brazilian business realignment:			
Goodwill impairment	**12,260**	—	—
Employee separation costs	**310**	—	—
2005 business realignment initiatives:			
U.S. voluntary workforce reduction program	**—**	9,972	69,472
U.S. facility rationalization (Las Piedras, Puerto Rico plant)	**—**	1,567	12,771
Streamline international operations (primarily Canada)	**—**	2,524	14,294
Previous business realignment initiatives	**—**	513	—
Total business realignment and impairment charges, net	**276,868**	14,576	96,537
Total net charges associated with business realignment initiatives and impairment	**$ 412,581**	$ 11,643	$ 118,996

The charge of $123.1 million recorded in cost of sales for the global supply chain transformation program related primarily to the accelerated depreciation of fixed assets over a reduced estimated remaining useful life and costs related to inventory reductions. The $12.6 million recorded in selling, marketing and administrative expenses related primarily to project management and administration. In determining the costs related to fixed asset impairments, fair value was estimated based on the expected sales proceeds. Certain real estate with a carrying value or fair value less cost to sell, if lower, of $40.2 million was being held for sale as of December 31, 2007. Employee separation costs included $79.0 million primarily for involuntary terminations at six North American manufacturing facilities which are being closed. The facilities are located in Naugatuck, Connecticut; Reading, Pennsylvania; Oakdale, California; Smiths Falls, Ontario; Montreal, Quebec; and Dartmouth, Nova Scotia. The employee separation costs also included $109.6 million for charges relating to pension and other post-retirement benefits settlements, curtailments and special termination benefits.

During the fourth quarter of 2007, we completed our annual impairment evaluation of goodwill and other intangible assets. As a result of reduced expectations for future cash flows resulting primarily from lower expected profitability, we determined that the carrying amount of our wholly-owned subsidiary, Hershey do Brasil, exceeded its fair value and recorded a non-cash impairment charge of $12.3 million in December 2007. There was no tax benefit associated with this charge. We discuss the impairment testing results in more detail in Note 1 and Note 16 to the Consolidated Financial Statements. During the fourth quarter of 2007, we also recorded a business realignment charge of $.3 million associated with our business in Brazil. This charge was principally associated with employee separation costs. Remaining charges of approximately $5.0 million for this business realignment program are expected to be recorded in 2008.

The charges (credits) recorded in cost of sales relating to the 2005 business realignment initiatives included a credit of $1.6 million in 2006 resulting from higher than expected proceeds from the sale of equipment from the Las Piedras plant and a charge of $22.5 million in 2005 resulting from accelerated depreciation related to the closure of the Las Piedras plant. The charge recorded in selling, marketing and administrative expenses in 2006 resulted from accelerated depreciation relating to the termination of an office building lease. The net business realignment charges included $7.3 million and $8.3 million for involuntary terminations in 2006 and 2005, respectively.

The charges (credits) recorded in 2006 relating to previous business realignment initiatives which began in 2003 and 2001 resulted from the finalization of the sale of certain properties, adjustments to liabilities which had previously been recorded, and the impact of the settlement as to several of the eight former employees who had filed a complaint alleging that the Company had discriminated against them on the basis of age in connection with the 2003 business realignment initiatives. A settlement was reached with the remaining former employees in September 2007.

The liability balance as of December 31, 2007 relating to the 2007 business realignment initiatives was $68.4 million for employee separation costs to be paid primarily in 2008 and 2009. As of December 31, 2007, the liability balance relating to the 2005 business realignment initiatives was $3.3 million. During 2007 we made payments against the liabilities recorded for the 2007 business realignment initiatives of $13.2 million principally related to employee separation and project administration. We made payments during 2007 against the liabilities recorded for the 2005 business realignment initiatives of $16.2 million related to the voluntary workforce reduction. During 2006 we made total payments of $28.0 million against the liabilities recorded for the 2005 business realignment initiatives primarily associated with the voluntary workforce reduction.

4. COMMITMENTS AND CONTINGENCIES

We enter into certain obligations for the purchase of raw materials. These obligations are primarily in the form of forward contracts for the purchase of raw materials from third-party brokers and dealers. These contracts minimize the effect of future price fluctuations by fixing the price of part or all of these purchase obligations. Total obligations for each year consisted of fixed price contracts for the purchase of commodities and unpriced contracts that were valued using market prices as of December 31, 2007.

The cost of commodities associated with the unpriced contracts is variable as market prices change over future periods. We mitigate the variability of these costs to the extent that we have entered into commodities futures contracts to hedge our costs for those periods. Increases or decreases in market prices are offset by gains or losses on commodities futures contracts. This applies to the extent that we have hedged the unpriced contracts as of December 31, 2007 and in future periods by entering into commodities futures contracts. Taking delivery of and making payments for the specific commodities for use in the manufacture of finished goods satisfies our obligations under the forward purchase contracts. For each of the three years in the period ended December 31, 2007, we satisfied these obligations by taking delivery of and making payment for the specific commodities.

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As of December 31, 2007, we had entered into purchase agreements with various suppliers. Subject to meeting our Company's quality standards, the purchase obligations covered by these agreements were as follows as of December 31, 2007:

Obligations In millions of dollars	2008	2009	2010	2011
Purchase obligations	$1,058.2	$618.0	$277.5	$99.3

We have commitments under various operating leases. Future minimum payments under non-cancelable operating leases with a remaining term in excess of one year were as follows as of December 31, 2007:

Lease Commitments In millions of dollars	2008	2009	2010	2011	2012	Thereafter
Future minimum rental payments	$15.4	$11.9	$7.5	$6.3	$5.4	$ 7.9

Our Company has a number of facilities that contain varying degrees of asbestos in certain locations within these facilities. Our asbestos management program is compliant with current regulations. Current regulations require that we handle or dispose of this type of asbestos in a special manner if such facilities undergo major renovations or are demolished. We believe we do not have sufficient information to estimate the fair value of any asset retirement obligations related to these facilities. We cannot specify the settlement date or range of potential settlement dates and, therefore, sufficient information is not available to apply an expected present value technique. We expect to maintain the facilities with repairs and maintenance activities that would not involve the removal of asbestos.

As of December 31, 2007, certain real estate associated with the closure of facilities under the global supply chain transformation program is being held for sale. We are not aware of any significant obligations related to the environmental remediation of these facilities which has not been reflected in our current estimates.

In connection with its pricing practices, the Company is the subject of an antitrust investigation by the Canadian Competition Bureau, and has received a request for information from the European Commission. In addition, the U.S. Department of Justice is conducting an inquiry. The Company is also party to approximately 50 related civil antitrust suits in the United States and three in Canada. Each claim contains class action allegations, instituted on behalf of consumers and, in some cases, by certain companies that purchase chocolate for resale, that allege conspiracies in restraint of trade and challenge the pricing and/or purchasing practices of the Company. Several other chocolate confectionery companies are the subject of investigations and/or inquiries by the government entities referenced above and have also been named as defendants in the same litigation. One Canadian wholesaler is also a subject of the Canadian investigation and is a defendant in certain of the lawsuits. While it is not feasible to predict the final outcome of these proceedings, in our opinion they should not have a material adverse effect on the financial position, liquidity or results of operations of the Company. The Company is cooperating with the government investigations and inquiries and intends to defend the lawsuits vigorously.

5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We account for derivative instruments in accordance with SFAS No. 133. SFAS No. 133 requires us to recognize all derivative instruments at fair value. We classify the derivatives as assets or liabilities on the balance sheet. Accounting for the change in fair value of the derivative depends on:

- whether the instrument qualifies for and has been designated as a hedging relationship; and
- the type of hedging relationship.

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There are three types of hedging relationships:

- cash flow hedge;
- fair value hedge; and
- hedge of foreign currency exposure of a net investment in a foreign operation.

As of December 31, 2007, all of our derivative instruments were classified as cash flow hedges.

Objectives, Strategies and Accounting Policies Associated with Derivative Instruments

We use certain derivative instruments, from time to time, to manage interest rate, foreign currency exchange rate and commodity market price risk exposures. We enter into interest rate swaps and foreign currency contracts and options for periods consistent with related underlying exposures. We enter into commodities futures contracts for varying periods. The futures contracts are effective as hedges of market price risks associated with anticipated raw material purchases, energy requirements and transportation costs. We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features. In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We do not expect any significant losses from counterparty defaults.

Interest Rate Swaps

In order to minimize financing costs and to manage interest rate exposure, from time to time, we enter into interest rate swap agreements.

In December 2005, we entered into forward swap agreements to hedge interest rate exposure related to $500 million of term financing to be executed during 2006. In February 2006, we terminated a forward swap agreement hedging the anticipated execution of $250 million of term financing because the transaction was no longer expected to occur by the originally specified time period or within an additional two-month period of time thereafter. We recorded a gain of $1.0 million in the first quarter of 2006 as a result of the discontinuance of this cash flow hedge. In August 2006, a forward swap agreement hedging the anticipated issuance of $250 million of 10-year notes matured resulting in cash receipts of $3.7 million. The $3.7 million gain on the swap will be amortized as a reduction to interest expense over the term of the $250 million of 5.45% Notes due September 1, 2016.

In October 2003, we entered into swap agreements effectively converting interest payments on long-term debt from fixed to variable rates. We converted interest payments on $200 million of 6.7% Notes due in October 2005 and $150 million of 6.95% Notes due in March 2007 from their respective fixed rates to variable rates based on LIBOR. In March 2004, we terminated these agreements, resulting in cash receipts totaling $5.2 million, with a corresponding increase to the carrying value of the long-term debt. We amortized this increase over the remaining terms of the respective long-term debt as a reduction to interest expense.

We included gains and losses on these interest rate swap agreements in other comprehensive income. We recognized the gains and losses on these interest rate swap agreements as an adjustment to interest expense in the same period as the hedged interest payments affected earnings.

As of December 31, 2007, we were not a party to any interest rate swap agreements.

We classify cash flows from interest rate swap agreements as net cash provided from operating activities on the Consolidated Statements of Cash Flows.

Our risk related to the swap agreements is limited to the cost of replacing the agreements at prevailing market rates.

Foreign Exchange Forward Contracts

We enter into foreign exchange forward contracts to hedge transactions primarily related to commitments and forecasted purchases of equipment, raw materials and finished goods denominated in foreign currencies. We may also hedge payment of forecasted intercompany transactions with our subsidiaries outside the United States. These contracts reduce currency risk from exchange rate movements. We generally hedge foreign currency price risks for periods from 3 to 24 months.

Foreign exchange forward contracts are effective as hedges of identifiable, foreign currency commitments. Since there is a direct relationship between the foreign currency derivatives and the foreign currency denomination of the transactions, the derivatives are highly effective in hedging cash flows related to transactions denominated in the corresponding foreign currencies. We designate our foreign exchange forward contracts as cash flow hedging derivatives.

These contracts meet the criteria for cash flow hedge accounting treatment. Accordingly, we include related gains and losses in other comprehensive income. Subsequently, we recognize the gains and losses in cost of sales or selling, marketing and administrative expense in the same period that the hedged items affect earnings. In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We do not expect any significant losses from counterparty defaults.

We classify the fair value of foreign exchange forward contracts as prepaid expenses and other current assets, other non-current assets, accrued liabilities or other long-term liabilities on the Consolidated Balance Sheets. We report the offset to the contracts and options in accumulated other comprehensive loss, net of income taxes. We record gains and losses on these contracts as a component of other comprehensive income and reclassify them into earnings in the same period during which the hedged transaction affects earnings. On hedges associated with the purchase of equipment, we designate the related cash flows as net cash flows (used by) provided from investing activities on the Consolidated Statements of Cash Flows. We classify cash flows from other foreign exchange forward contracts as net cash provided from operating activities.

Commodities Futures Contracts

We enter into commodities futures contracts to reduce the effect of raw material price fluctuations and to hedge transportation costs. We generally hedge commodity price risks for 3 to 24 month periods. The commodities futures contracts are highly effective in hedging price risks for our raw material requirements and transportation costs. Because our commodities futures contracts meet hedge criteria, we account for them as cash flow hedges. Accordingly, we include gains and losses on hedging in other comprehensive income. We recognize gains and losses ratably in cost of sales in the same period that we record the hedged raw material requirements in cost of sales.

We use exchange traded futures contracts to fix the price of physical forward purchase contracts. Physical forward purchase contracts meet the SFAS No. 133 definition of "normal purchases and sales" and, therefore, are not accounted for as derivative instruments. On a daily basis, we receive or make cash transfers reflecting changes in the value of futures contracts (unrealized gains and losses). As mentioned above, such gains and losses are included as a component of other comprehensive income. The cash transfers offset higher or lower cash requirements for payment of future invoice prices for raw materials, energy requirements and transportation costs. Futures held in excess of the amount required to fix the price of unpriced physical forward contracts are effective as hedges of anticipated purchases.

THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Hedge Effectiveness—Commodities

We perform an assessment of hedge effectiveness for commodities futures on a quarterly basis. Because of the rollover strategy used for commodities futures contracts, as required by futures market conditions, some ineffectiveness may result in hedging forecasted manufacturing requirements. This occurs as we switch futures contracts from nearby contract positions to contract positions that are required to fix the price of anticipated manufacturing requirements. Hedge ineffectiveness may also result from variability in basis differentials associated with the purchase of raw materials for manufacturing requirements. In accordance with SFAS No. 133, we record the ineffective portion of gains or losses on commodities futures currently in cost of sales.

The prices of commodities futures contracts reflect delivery to the same locations where we take delivery of the physical commodities. Therefore, there is no ineffectiveness resulting from differences in location between the derivative and the hedged item.

Summary of Activity

Our cash flow hedging derivative activity during the last three years was as follows:

For the years ended December 31, In millions of dollars	2007	2006	2005
Net after-tax gains (losses) on cash flow hedging derivatives	**$6.8**	$11.4	$ (6.5)
Reclassification adjustments from accumulated other comprehensive income to income, net of tax	**.2**	(5.3)	18.1
Hedge ineffectiveness gains (losses) recognized in cost of sales, before tax	**(.5)**	2.0	(2.0)

- Net gains and losses on cash flow hedging derivatives were primarily associated with commodities futures contracts.
- Reclassification adjustments, from accumulated other comprehensive income (loss) to income, related to gains or losses on commodities futures contracts were reflected in cost of sales. Gains on interest rate swaps were reflected as an adjustment to interest expense.
- We recorded a gain of $1.0 million in 2006 as a result of the discontinuance of an interest rate swap because the hedged transaction was no longer expected to occur. No other gains or losses on cash flow hedging derivatives resulted because we discontinued a hedge due to the probability that the forecasted hedged transaction would not occur.
- We recognized no components of gains or losses on cash flow hedging derivatives in income due to excluding such components from the hedge effectiveness assessment.

The amount of net losses on cash flow hedging derivatives, including foreign exchange forward contracts, interest rate swap agreements and commodities futures contracts, expected to be reclassified into earnings in the next twelve months was approximately $5.0 million after tax as of December 31, 2007. This amount was primarily associated with commodities futures contracts.

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6. COMPREHENSIVE INCOME

The presentation of other comprehensive income for the year ended December 31, 2006 was adjusted to exclude the impact of the adoption of SFAS No. 158. A summary of the components of comprehensive income is as follows:

For the year ended December 31, 2007 In thousands of dollars	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			**$214,154**
Other comprehensive income (loss):			
Foreign currency translation adjustments	**$ 44,845**	**$ —**	**44,845**
Pension and post-retirement benefit plans	**104,942**	**(46,535)**	**58,407**
Cash flow hedges:			
Gains (losses) on cash flow hedging derivatives	**10,623**	**(3,838)**	**6,785**
Reclassification adjustments	**252**	**(79)**	**173**
Total other comprehensive income	**$160,662**	**$(50,452)**	**110,210**
Comprehensive income			**$324,364**

For the year ended December 31, 2006 In thousands of dollars	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$559,061
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ (278)	$ —	(278)
Minimum pension liability adjustments	5,395	(2,035)	3,360
Cash flow hedges:			
Gains (losses) on cash flow hedging derivatives	18,206	(6,847)	11,359
Reclassification adjustments	(8,370)	3,034	(5,336)
Total other comprehensive income	$ 14,953	$ (5,848)	9,105
Comprehensive income			$568,166

For the year ended December 31, 2005 In thousands of dollars	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$488,547
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 17,151	$ —	17,151
Minimum pension liability adjustments	(5,395)	3,164	(2,231)
Cash flow hedges:			
Gains (losses) on cash flow hedging derivatives	(10,255)	3,791	(6,464)
Reclassification adjustments	(28,435)	10,348	(18,087)
Total other comprehensive income	$ (26,934)	$ 17,303	(9,631)
Comprehensive income			$478,916

THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Comprehensive income is included on the Consolidated Statements of Stockholders' Equity. The components of accumulated other comprehensive loss, as shown on the Consolidated Balance Sheets, are as follows:

December 31, In thousands of dollars	2007	2006
Foreign currency translation adjustments	**$ 44,810**	$ (35)
Pension and post-retirement benefit plans	**(79,565)**	(137,972)
Cash flow hedges	**6,776**	(182)
Total accumulated other comprehensive loss	**$ (27,979)**	$ (138,189)

7. 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, 2007 and 2006, because of the relatively short maturity of these instruments.

The carrying value of long-term debt, including the current portion, was $1,286.1 million as of December 31, 2007, compared with a fair value of $1,331.1 million based on quoted market prices for the same or similar debt issues. The carrying value of long-term debt, including the current portion, was $1,436.9 million as of December 31, 2006 compared with a fair value of $1,519.1 million.

Foreign Exchange Forward Contracts

For information on the objectives, strategies and accounting polices related to our use of foreign exchange forward contracts, see Note 5, Derivative Instruments and Hedging Activities.

The following table summarizes our foreign exchange activity:

December 31,	2007		2006	
In millions of dollars	Contract Amount	Primary Currencies	Contract Amount	Primary Currencies
Foreign exchange forward contracts to purchase foreign currencies	**$13.8**	British pounds Australian dollars Euros	$29.0	Australian dollars Canadian dollars Euros
Foreign exchange forward contracts to sell foreign currencies	**$86.7**	Canadian dollars Brazilian reais Mexican pesos		

The fair value of foreign exchange forward contracts is included in prepaid expenses and other current assets, other non-current assets, accrued liabilities or other long-term liabilities, as appropriate.

We define the fair value of foreign exchange forward contracts as the amount of the difference between contracted and current market foreign currency exchange rates at the end of the period. On a quarterly basis, we estimate the fair value of foreign exchange forward contracts by obtaining market quotes for future contracts with similar terms, adjusted where necessary for maturity differences.

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The combined fair value of our foreign exchange forward contracts included in prepaid expenses and other current assets, other non-current assets, accrued liabilities or other long-term liabilities on the Consolidated Balance Sheets was as follows:

December 31, In millions of dollars	2007	2006
Fair value of foreign exchange forward contracts and options—(liability) asset	**$(2.1)**	$1.5

8. INTEREST EXPENSE

Net interest expense consisted of the following:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Long-term debt and lease obligations	**$ 80,351**	$ 71,546	$66,324
Short-term debt	**43,485**	46,269	23,164
Capitalized interest	**(2,770)**	(77)	(3)
Interest expense, gross	**121,066**	117,738	89,485
Interest income	**(2,481)**	(1,682)	(1,500)
Interest expense, net	**$118,585**	$116,056	$87,985

9. SHORT-TERM DEBT

As a source of short-term financing, we utilize commercial paper, or bank loans with an original maturity of three months or less. Credit agreements entered into over the last three years were as follows:

Date of Agreement	Type of Agreement	Purpose	Credit Limit
August 2007 (expires August 2008)	Unsecured revolving credit agreement	General corporate purposes	$300 million
December 2006 (term extended in 2007, now expires December 2012)	Unsecured revolving credit agreement	General corporate purposes	$1.1 billion Option to borrow $400 million more
September 2006 (expired December 2006)	Letter amendment	Extend terms of March 2006 agreement	$200 million
March 2006 (expired September 2006)	Unsecured revolving credit agreement	Seasonal working capital Share repurchases Other business activities	$400 million
September 2005 (expired December 2005)	Unsecured revolving credit agreement	General corporate purposes Retire 6.7% Notes Refinance lease arrangements Pension Plan contributions Stock repurchase Seasonal working capital	$300 million

THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The August 2007 and December 2006 unsecured revolving credit agreements contain a financial covenant whereby the ratio of (a) pre-tax income from operations from the most recent four fiscal quarters to (b) consolidated interest expense for the most recent four fiscal quarters may not be less than 2.0 to 1 at the end of each fiscal quarter. The credit agreements contain customary representations and warranties and events of default. Payment of outstanding advances may be accelerated, at the option of the lenders, should we default in our obligation under the credit agreements. As of December 31, 2007, we complied with all customary affirmative and negative covenants and the financial covenant pertaining to our credit agreements. There were no significant compensating balance agreements that legally restricted these funds.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. Our credit limit in various currencies was $57.0 million in 2007 and $54.2 million in 2006. These lines permit us to borrow at the banks' prime commercial interest rates, or lower. We had short-term foreign bank loans against these lines of credit for $22.5 million in 2007 and $12.5 million in 2006.

The maximum amount of our short-term borrowings during 2007 was $1,065.0 million. The weighted-average interest rate on short-term borrowings outstanding was 4.5% and 5.3% as of December 31, 2007 and 2006, respectively.

We pay commitment fees to maintain our lines of credit. The average fee during 2007 was less than 0.1% per annum of the commitment.

We maintain a consolidated cash management system that includes overdraft positions in certain accounts at several banks. We have the contractual right of offset for the accounts with overdrafts. These offsets reduced cash and cash equivalents by $5.9 million as of December 31, 2007 and $36.6 million as of December 31, 2006.

10. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31, In thousands of dollars	2007	2006
6.95% Notes due 2007	**$ —**	$ 150,168
5.30% Notes due 2011	**250,000**	250,000
6.95% Notes due 2012	**150,000**	150,000
4.85% Notes due 2015	**250,000**	250,000
5.45% Notes due 2016	**250,000**	250,000
8.8% Debentures due 2021	**100,000**	100,000
7.2% Debentures due 2027	**250,000**	250,000
Obligations associated with consolidation of lease arrangements	**—**	38,680
Other obligations, net of unamortized debt discount	**36,069**	(1,955)
Total long-term debt	**1,286,069**	1,436,893
Less—current portion	**6,104**	188,765
Long-term portion	**$ 1,279,965**	$ 1,248,128

The increase in other obligations, net of unamortized debt discount reflected debt associated with the acquisition of Godrej Hershey Foods and Beverages Company.

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Aggregate annual maturities during the next five years are as follows:

- 2008—$6.1 million
- 2009—$8.0 million
- 2010—$8.2 million
- 2011—$256.6 million
- 2012—$154.1 million

Our debt is principally unsecured and of equal priority. None of our debt is convertible into our Common Stock. We have complied with all covenants included in our related debt agreements.

11. INCOME TAXES

Our income (loss) before income taxes was as follows:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Domestic	**$ 456,856**	$ 860,655	$ 743,834
Foreign	**(116,614)**	15,847	21,803
Income before income taxes	**$ 340,242**	$ 876,502	$ 765,637

The 2007 foreign loss before income taxes was due primarily to the business realignment and impairment charges recorded during the year.

Our provision for income taxes was as follows:

For the years ended December 31, In thousands of dollars	2007	2006	2005
Current:			
Federal	**$ 208,754**	$279,017	$181,947
State	**26,082**	20,569	12,029
Foreign	**15,528**	13,682	12,076
Current provision for income taxes	**250,364**	313,268	206,052
Deferred:			
Federal	**(74,658)**	(381)	53,265
State	**(10,324)**	11,018	18,799
Foreign	**(39,294)**	(6,464)	(1,026)
Deferred income tax (benefit) provision	**(124,276)**	4,173	71,038
Total provision for income taxes	**$ 126,088**	$317,441	$277,090

The income tax benefits associated with the exercise of non-qualified stock options reduced accrued income taxes on the Consolidated Balance Sheets by $9.9 million as of December 31, 2007 and by $13.5 million as of December 31, 2006. We credited additional paid-in capital to reflect these income tax benefits. The deferred income tax benefit in 2007 primarily reflected the tax effect of the charges for the global supply chain transformation program recorded during the year.

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THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred taxes reflect temporary differences between the tax basis and financial statement carrying value of assets and liabilities. The tax effects of the significant temporary differences that comprised the deferred tax assets and liabilities were as follows:

December 31, In thousands of dollars	2007	2006
Deferred tax assets:		
Post-retirement benefit obligations	**$154,174**	$150,794
Accrued expenses and other reserves	**126,032**	123,690
Stock-based compensation	**55,003**	46,087
Accrued trade promotion reserves	**6,107**	4,606
Net operating loss carryforwards	**26,792**	18,858
Other	**14,096**	18,298
Gross deferred tax assets	**382,204**	362,333
Valuation allowance	**(28,029)**	(25,587)
Total deferred tax assets	**354,175**	336,746
Deferred tax liabilities:		
Property, plant and equipment, net	**200,478**	263,226
Pension	**163,461**	151,672
Acquired intangibles	**48,756**	46,522
Inventories	**34,008**	35,586
Other	**4,646**	64,383
Total deferred tax liabilities	**451,349**	561,389
Net deferred tax liabilities	**$ 97,174**	$224,643
Included in:		
Current deferred tax assets, net	**(83,668)**	(61,360)
Non-current deferred tax liabilities, net	**180,842**	286,003
Net deferred tax liabilities	**$ 97,174**	$224,643

Deferred tax liabilities associated with property, plant and equipment decreased from 2006 to 2007 primarily as a result of tax benefits related to accelerated depreciation recorded as part of our global supply chain transformation program. The decrease in other deferred tax liabilities from 2006 to 2007 was associated with the adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* ("FIN No. 48") as of January 1, 2007. The gross amount of unrecognized tax benefits was reclassified to other long-term liabilities and the related Federal benefit from state taxes was reclassified to other assets.

We believe that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. The valuation allowances as of December 31, 2007 and 2006 were primarily related to tax loss carryforwards from operations in various foreign tax jurisdictions. Additional information on income tax benefits and expenses related to components of accumulated other comprehensive income (loss) is provided in Note 6, Comprehensive Income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table reconciles the Federal statutory income tax rate with our effective income tax rate:

For the years ended December 31,	2007	2006	2005
Federal statutory income tax rate	**35.0%**	35.0%	35.0%
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	**2.2**	2.8	2.6
Qualified production income deduction	**(1.7)**	(.9)	(.9)
Puerto Rico operations	**—**	—	(.6)
Business realignment initiatives	**1.1**	—	(.2)
Other, net	**.5**	(.7)	.3
Effective income tax rate	**37.1%**	36.2%	36.2%

Included with the purchase of the Nabisco gum and mint business in December 2000, was a U.S. Internal Revenue Code (“IRC”) Section 936 company with a subsidiary operating in Las Piedras, Puerto Rico. The operating income of this subsidiary was subject to a lower income tax rate in both the United States and Puerto Rico. We sold the IRC Section 936 company in December 2005.

The effective income tax rate for 2007 was higher by 1.1 percentage points and the effective income tax rate for 2005 benefited by 0.2 percentage points from the impact of tax rates associated with business realignment and impairment charges.

In June 2006, the FASB issued FIN No. 48. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes.* FIN No. 48 describes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We adopted the provisions of FIN No. 48 as of January 1, 2007. The adoption of FIN No. 48 did not result in a significant change to the liability for unrecognized tax benefits, less offsetting long-term tax assets.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In thousands of dollars	
Balance as of January 1, 2007	**$79,040**
Additions for tax positions taken during prior years	**4,385**
Reductions for tax positions taken during prior years	**(7,819)**
Additions for tax positions taken during the current year	**10,388**
Settlements	**(5,900)**
Expiration of statutes of limitations	**(5,370)**
Balance as of December 31, 2007	**$74,724**

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $49.5 million.

We report accrued interest and penalties related to unrecognized tax benefits in income tax expense. We recognized interest (net of federal benefit) and penalties of $.4 million during 2007, $1.4 million during 2006, and $3.9 million during 2005. Accrued interest and penalties were $20.8 million as of December 31, 2007 and $17.4 million as of January 1, 2007.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which we have unrecognized tax benefits, is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most likely outcome. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash. Favorable resolution would be recognized as a reduction to our effective income tax rate in the period of resolution.

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state) and Canada. We are no longer subject to U.S. federal examinations by the Internal Revenue Service ("IRS") for years before 2004 and various tax examinations by state taxing authorities could be conducted for years beginning in 2000. We are no longer subject to Canadian federal income tax examinations by the Canada Revenue Agency ("CRA") for years before 1999. U.S. and Canadian federal audit issues typically involve the timing of deductions and transfer pricing adjustments. We work with the IRS and the CRA to resolve proposed audit adjustments and to minimize the amount of adjustments. We do not anticipate that any potential tax adjustments will have a significant impact on our financial position or results of operations.

We reasonably expect reductions in the liability for unrecognized tax benefits of approximately $9.9 million within the next twelve months because of expirations of statutes of limitations.

12. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

We sponsor a number of defined benefit pension plans. Our 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 ("ERISA") and Federal income tax laws. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans.

We have two post-retirement benefit plans: health care and life insurance. The health care plan is contributory, with participants' contributions adjusted annually. The life insurance plan is non-contributory.

Effective December 31, 2006, we adopted SFAS No. 158. The provisions of SFAS No. 158 required that the funded status of our pension plans and the benefit obligations of our post-retirement benefit plans be recognized in our balance sheet. The provisions of SFAS No. 158 also revised employers' disclosures about pension and other post-retirement benefit plans. SFAS No. 158 did not change the measurement or recognition of these plans, although it did require that plan assets and benefit obligations be measured as of the balance sheet date. We have historically measured the plan assets and benefit obligations as of our balance sheet date.

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Obligations and Funded Status

A summary of the changes in benefit obligations and plan assets is as follows:

December 31, In thousands of dollars	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Change in benefit obligation				
Projected benefits obligation at beginning of year	**$1,065,342**	$ 1,116,214	**$ 345,116**	$ 355,878
Service cost	**43,462**	55,759	**3,899**	5,718
Interest cost	**59,918**	58,586	**19,762**	19,083
Plan amendments	**2,098**	(32,471)	**—**	—
Actuarial (gain)	**(58,905)**	(39,506)	**(25,543)**	(12,308)
Special termination benefits	**46,827**	269	**652**	—
Curtailment	**(16,687)**	30	**36,138**	—
Settlement	**(90,806)**	—	**—**	—
Medicare drug subsidy	**—**	—	**2,257**	1,540
Currency translation and other	**20,309**	(345)	**3,445**	(50)
Benefits paid	**(38,236)**	(93,194)	**(22,810)**	(24,745)
Benefits obligation at end of year	**1,033,322**	1,065,342	**362,916**	345,116
Change in plan assets				
Fair value of plan assets at beginning of year	**1,393,301**	1,273,227	**—**	—
Actual return on plan assets	**89,654**	190,440	**—**	—
Employer contribution	**15,836**	23,570	**20,553**	23,205
Settlement	**(90,806)**	(288)	**—**	—
Medicare drug subsidy	**—**	—	**2,257**	1,540
Currency translation and other	**17,568**	(454)	**—**	—
Benefits paid	**(38,236)**	(93,194)	**(22,810)**	(24,745)
Fair value of plan assets at end of year	**1,387,317**	1,393,301	**—**	—
Funded status at end of year	**$ 353,995**	$ 327,959	**$ (362,916)**	$ (345,116)

The accumulated benefit obligation for all defined benefit pension plans was $1.0 billion as of December 31, 2007 and $1.0 billion as of December 31, 2006.

We made total contributions of $15.8 million during 2007. In 2006, we made total contributions of $23.6 million to the pension plans. For 2008, there will be no minimum funding requirements for the domestic plans and minimum funding requirements for the non-domestic plans will not be material.

Amounts recognized in the Consolidated Balance Sheets consisted of the following:

December 31, In thousands of dollars	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Other assets	**$416,032**	$401,199	**$ —**	$ —
Accrued liabilities	**(31,916)**	(8,416)	**(32,208)**	(28,746)
Other long-term liabilities	**(30,121)**	(64,824)	**(330,708)**	(316,401)
Total	**$353,995**	$327,959	**$(362,916)**	$(345,147)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Amounts recognized in accumulated other comprehensive income (loss), net of tax, consisted of the following:

December 31, In thousands of dollars	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Actuarial net loss	**$(70,000)**	$(104,959)	**$(13,645)**	$(34,173)
Net prior service credit (cost)	**2,374**	(611)	**1,706**	1,771
Total	**$(67,626)**	$(105,570)	**$(11,939)**	$(32,402)

Plans with accumulated benefit obligations in excess of plan assets were as follows:

December 31, In thousands of dollars	2007	2006
Projected benefit obligation	**$ 63,014**	$ 69,633
Accumulated benefit obligation	**55,623**	61,542
Fair value of plan assets	**977**	15,275

Components of Net Periodic Benefit (Income) Cost and Other Amounts Recognized in Other Comprehensive Income

Net periodic benefit cost for our pension and other post-retirement plans consisted of the following:

For the years ended December 31, In thousands of dollars	Pension Benefits			Other Benefits		
	2007	2006	2005	2007	2006	2005
Service cost	**$ 43,462**	$ 55,759	$ 49,065	**$ 3,899**	$ 5,718	$ 5,149
Interest cost	**59,918**	58,586	55,181	**19,762**	19,083	18,115
Expected return on plan assets	**(115,956)**	(106,066)	(90,482)	**—**	—	—
Amortization of prior service cost (credit)	**1,936**	3,981	4,380	**(151)**	192	(1,279)
Amortization of unrecognized transition balance	**—**	59	392	**—**	—	—
Amortization of net loss	**1,095**	12,128	10,611	**1,218**	3,705	2,639
Administrative expenses	**563**	889	782	**—**	—	—
Net periodic benefit (income) cost	**(8,982)**	25,336	29,929	**24,728**	28,698	24,624
Special termination benefits	**46,827**	269	22,792	**652**	—	1,910
Curtailment loss	**8,400**	49	785	**41,653**	113	7,874
Settlement loss	**11,753**	28	—	**—**	—	—
Total amount reflected in earnings	**$ 57,998**	$ 25,682	$ 53,506	**$67,033**	$28,811	$34,408

The Special Termination benefits charge and Curtailment Loss recorded in 2007 were related to the supply chain transformation program and the amounts during 2006 and 2005 were primarily associated with a voluntary workforce reduction program.

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The amounts recognized in other comprehensive income for 2006 were adjusted to exclude the impact of the adoption of SFAS No. 158. Other amounts recognized in other comprehensive income and net periodic benefit (income) cost before tax for our pension and other post-retirement plans consisted of the following:

For the years ended December 31, In thousands of dollars	Pension Benefits 2007	Pension Benefits 2006	Pension Benefits 2005	Other Benefits 2007	Other Benefits 2006	Other Benefits 2005
Actuarial net gain	**$ (58,481)**	$ —	$ —	**$ (41,594)**	$ —	$ —
Prior service cost (credit)	**(4,975)**	—	—	**108**	—	—
Minimum pension liability	—	5,395	(5,395)	**—**	—	—
Total recognized in other comprehensive income	**$ (63,456)**	$ 5,395	$ (5,395)	**$ (41,486)**	$ —	$ —
Total recognized in net periodic benefit (income) cost and other comprehensive income	**$ (72,438)**	$ 30,731	$ 24,534	**$ (16,758)**	$ 28,698	$ 24,624

The estimated amounts for the defined benefit pension plans and the post-retirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit (income) cost over the next fiscal year are as follows (in thousands):

	Pension Plans	Post-Retirement Benefit Plans
Amortization of net actuarial (loss) gain	$ (165)	$ 214
Amortization of prior service cost (credit)	$ 1,268	$ (457)

Assumptions

Certain weighted-average assumptions used in computing the benefit obligations as of December 31, 2007 were as follows:

	Pension Benefits 2007	Pension Benefits 2006	Other Benefits 2007	Other Benefits 2006
Discount rate	**6.2%**	5.7%	**6.2%**	5.7%
Rate of increase in compensation levels	**4.8%**	4.8%	**N/A**	N/A

For measurement purposes as of December 31, 2007, we assumed a 9.0% annual rate of increase in the per capita cost of covered health care benefits for 2008, grading down to 5.00% by 2012.

For measurement purposes as of December 31, 2006, we assumed a 9.0% annual rate of increase in the per capita cost of covered health care benefits for 2007, grading down to 5.25% by 2010.

Certain weighted-average assumptions used in computing net periodic benefit (income) cost are as follows:

For the years ended December 31,	Pension Benefits 2007	Pension Benefits 2006	Pension Benefits 2005	Other Benefits 2007	Other Benefits 2006	Other Benefits 2005
Discount rate	**5.8%**	5.4%	5.7%	**5.8%**	5.4%	5.7%
Expected long-term return on plan assets	**8.5%**	8.5%	8.5%	**N/A**	N/A	N/A
Rate of compensation increase	**4.7%**	4.8%	4.8%	**N/A**	N/A	N/A

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We based the asset return assumption of 8.5% for 2007, 2006 and 2005 on current and expected asset allocations, as well as historical and expected returns on the plan asset categories. The historical geometric average return over the 20 years prior to December 31, 2007, was approximately 9.8%.

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

Impact of assumed health care cost trend rates	One-Percentage Point Increase	One-Percentage Point (Decrease)
In thousands of dollars		
Effect on total service and interest cost components	$ 528	$ (475)
Effect on post-retirement benefit obligation	8,005	(7,230)

Plan Assets

The following table sets forth the actual asset allocation and weighted-average target asset allocation for our U.S. and non-U.S. pension plan assets:

Asset Category	Target Allocation 2008	Percentage of Plan Assets as of December 31, 2007	2006
Equity securities	58-85%	71%	75%
Debt securities	15-42	27	23
Other	0-5	2	2
Total		100%	100%

Investment objectives for our domestic plan assets are:

- To optimize the long-term return on plan assets at an acceptable level of risk;
- To maintain a broad diversification across asset classes;
- To maintain careful control of the risk level within each asset class; and
- To focus on a long-term return objective.

Our Company complies with ERISA rules and regulations and we prohibit investments and investment strategies not allowed by ERISA. We do not permit direct purchases of our Company's securities or the use of derivatives for the purpose of speculation. We invest the assets of non-domestic plans in compliance with laws and regulations applicable to those plans.

Cash Flows

Information about the expected cash flows for our pension and other post-retirement benefit plans is as follows:

	Expected Benefit Payments 2008	2009	2010	2011	2012	2013–2017
(In thousands of dollars)						
Pension Benefits	$ 158,906	$ 111,960	$ 72,819	$ 46,877	$ 57,619	$ 379,793
Other Benefits	32,208	36,006	37,286	36,861	35,240	145,644

13. EMPLOYEE STOCK OWNERSHIP TRUST AND SAVINGS PLANS

Prior to December 31, 2006, our Company's employee stock ownership trust ("ESOP") served as the primary vehicle for employer contributions to The Hershey Company 401(k) Plan (formerly known as The Hershey Company Employee Savings Stock Investment and Ownership Plan) for participating domestic salaried and hourly employees. In December 1991, we funded the ESOP by providing a 15-year, 7.75% loan of $47.9 million. The ESOP used the proceeds of the loan to purchase our Common Stock. During 2006 and 2005, the ESOP received a combination of dividends on unallocated shares of our Common Stock and contributions from us. This equals the amount required to meet principal and interest payments under the loan. Simultaneously, the ESOP allocated to participants 318,351 shares of our Common Stock each year. As of December 31, 2006 all shares had been allocated. We consider all ESOP shares as outstanding for income per share computations.

The following table summarizes our ESOP expense and dividends:

For the years ended December 31, In millions of dollars	2006	2005
Compensation (income) expense related to ESOP	$(.3)	$ .4
Dividends paid on unallocated ESOP shares	.3	.5

- We recognized net compensation expense equal to the shares allocated multiplied by the original cost of $10.03 per share less dividends received by the ESOP on unallocated shares.
- We reflected dividends paid on all ESOP shares as a reduction to retained earnings.

Contributions to The Hershey Company 401(k) Plan are based on a portion of eligible pay up to a defined maximum. Beginning in 2007, the defined maximum was increased for all salaried and non-union hourly employees and all matching contributions were made in cash. Beginning in 2008, the defined maximum was increased for certain union hourly employees. Some domestic employees are eligible to participate in similar plans. The 2007 matching contributions totaled $18.2 million.

14. CAPITAL STOCK AND NET INCOME PER SHARE

We had 1,055,000,000 authorized shares of capital stock as of December 31, 2007. Of this total, 900,000,000 shares were designated as Common Stock, 150,000,000 shares as Class B Common Stock ("Class B Stock") and 5,000,000 shares as Preferred Stock. Each class has a par value of one dollar per share. As of December 31, 2007, a combined total of 359,901,744 shares of both classes of common stock had been issued of which 227,049,851 shares were outstanding. No shares of the Preferred Stock were issued or outstanding during the three-year period ended December 31, 2007.

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. The holders of Common Stock have one vote per share and the holders of Class B Stock have ten votes per share. However, the Common Stock holders, voting separately as a class, are entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock holders are 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 2007, 9,751 shares of Class B Stock were converted into Common Stock. During 2006, 2,400 shares were converted and during 2005, 23,031 shares were converted.

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Changes in outstanding Common Stock for the past three years were as follows:

For the years ended December 31,	2007	2006	2005
Shares issued	**359,901,744**	359,901,744	359,901,744
Treasury shares at beginning of year	**(129,638,183)**	(119,377,690)	(113,313,827)
Stock repurchases:			
Repurchase programs and privately negotiated transactions	**(2,915,665)**	(10,601,482)	(4,153,228)
Stock options and benefits	**(2,046,160)**	(1,096,155)	(4,859,403)
Stock issuances:			
Stock options and benefits	**1,748,115**	1,437,144	2,948,768
Treasury shares at end of year	**(132,851,893)**	(129,638,183)	(119,377,690)
Net shares outstanding at end of year	**227,049,851**	230,263,561	240,524,054

Basic and Diluted Earnings Per Share were computed based on the weighted-average number of shares of the Common Stock and the Class B Stock outstanding as follows:

For the years ended December 31, In thousands except per share amounts	2007	2006	2005
Net income	**$ 214,154**	$ 559,061	$ 488,547
Weighted-average shares—Basic			
Common Stock	**168,050**	174,722	183,747
Class B Stock	**60,813**	60,817	60,821
Total weighted-average shares—Basic	**228,863**	235,539	244,568
Effect of dilutive securities:			
Employee stock options	**2,058**	2,784	3,336
Performance and restricted stock units	**528**	748	388
Weighted-average shares—Diluted	**231,449**	239,071	248,292
Earnings Per Share—Basic			
Common Stock	**$ .96**	$ 2.44	$ 2.05
Class B Stock	**$ .87**	$ 2.19	$ 1.85
Earnings Per Share—Diluted			
Common Stock	**$ .93**	$ 2.34	$ 1.97
Class B Stock	**$ .87**	$ 2.17	$ 1.84

For the year ended December 31, 2007, 6.8 million stock options were not included in the diluted earnings per share calculation because the exercise price was higher than the average market price of the Common Stock for the year. Therefore, the effect would have been antidilutive. In 2006, 3.7 million stock options were not included, and in 2005, 2.0 million stock options were not included in the diluted earnings per share calculation because the effect would have been antidilutive.

Milton Hershey School Trust

Hershey Trust Company, as Trustee for the benefit of Milton Hershey School, as institutional fiduciary for estates and trusts unrelated to Milton Hershey School, and as direct owner of investment shares, held 13,286,691 shares of our Common Stock as of December 31, 2007. As Trustee for the benefit of Milton Hershey School, Hershey Trust Company held 60,612,012 shares of the Class B Stock as of December 31, 2007, and was entitled to cast approximately 80% of the total votes of both classes of our common stock. The Milton Hershey School Trust must approve the issuance of shares of Common Stock or any other action that would result in the Milton Hershey School Trust not continuing to have voting control of our Company.

Stockholder Protection Rights Agreement

In December 2000, our Board of Directors unanimously adopted a Stockholder Protection Rights Agreement and declared a dividend of one right (“Right”) for each outstanding share of Common Stock and Class B Stock payable to stockholders of record at the close of business on December 26, 2000. The Rights will at no time have voting power or receive dividends. The issuance of the Rights has no dilutive effect, does not affect reported earnings per share and is not taxable. The Rights will not change the manner in which our Common Stock is traded.

The Rights become exercisable only upon:

- resolution of the Board of Directors after any person (other than the Milton Hershey School Trust) has commenced a tender offer that would result in such person becoming the beneficial owner of 15% or more of the Common Stock;
- our announcement that a person or group (other than the Milton Hershey School Trust) has acquired 15% or more of the outstanding shares of Common Stock; or
- a person or group (other than the Milton Hershey School Trust) becoming the beneficial owner of more than 35% of the voting power of all of the outstanding Common Stock and Class B Stock.

When exercisable, each Right entitles its registered holder to purchase from our Company, at a pre–determined exercise price, one one-thousandth of a share of Series A Participating Preferred Stock, par value $1.00 per share. The Rights are convertible by holders of Class B Stock into Series B Participating Preferred Stock based on one one-thousandth of a share of Series B Participating Preferred Stock for every share of Class B Stock held at that time. Each one one-thousandth of a share of Series A Participating Preferred Stock has economic and voting terms similar to those of one share of Common Stock. Similarly, each one one-thousandth of a share of Series B Participating Preferred Stock has economic and voting terms similar to those of one share of Class B Stock.

Each Right will automatically become a right to buy that number of one one-thousandth of a share of Series A Participating Preferred Stock upon the earlier of:

- a public announcement by our Company that a person or group (other than the Milton Hershey School Trust) has acquired 15% or more of the outstanding shares of Common Stock, or
- such person or group (other than the Milton Hershey School Trust) acquiring more than 35% of the voting power of the Common Stock and Class B Stock.

The purchase price is pre-determined. The market value of the preferred stock would be twice the exercise price. Rights owned by the acquiring person or group are excluded. In addition, if we are acquired in a merger or other business combination, each Right will entitle a holder to purchase from the acquiring company, for the pre-determined exercise price, preferred stock of the acquiring company having an aggregate market value equal to twice the exercise price.

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Further, our Board of Directors may, at its option, exchange all (but not less than all) of the outstanding Preferred Stock (other than Rights held by the acquiring person or group) for shares of Common Stock or Class B Stock, as applicable at any time after a person or group (other than the Milton Hershey School Trust) acquires:

- 15% or more (but less than 50%) of our Common Stock; or
- more than 35% of the voting power of all outstanding Common Stock and Class B Stock.

This may be done at an exchange ratio of one share of Common Stock or Class B Stock for each one one-thousandth of a share of Preferred Stock.

Solely at our option, we may amend the Rights or redeem the Rights for $.01 per Right at any time before the acquisition by a person or group (other than the Milton Hershey School Trust) of beneficial ownership of 15% or more of our Common Stock or more than 35% of the voting power of all of the outstanding Common Stock and Class B Stock. Unless redeemed earlier or extended by us, the Rights will expire on December 14, 2010.

15. STOCK COMPENSATION PLANS

At our annual meeting of stockholders, held April 17, 2007, stockholders approved The Hershey Company Equity and Incentive Compensation Plan (“EICP”). The EICP is an amendment and restatement of our former Key Employee Incentive Plan, a share-based employee incentive compensation plan, and is also a continuation of our Broad Based Stock Option Plan, Broad Based Annual Incentive Plan and Directors’ Compensation Plan. Following its adoption on April 17, 2007, the EICP became the single plan under which grants using shares for compensation and incentive purposes will be made. The following table summarizes our compensation costs:

For the years ended December 31, In millions of dollars	2007	2006	2005
Total compensation amount charged against income for stock compensation plans, including stock options, performance stock units and restricted stock units	**$28.5**	$41.3	$58.1
Total income tax benefit recognized in Consolidated Statements of Income for share-based compensation	**$ 9.9**	$15.0	$21.3

Compensation costs for stock compensation plans are primarily included in selling, marketing and administrative expense. Over the three-year period, compensation costs have decreased. The decline was primarily caused by reduced estimates for performance stock unit awards reflecting lower than expected operating results for the Company. In addition, stock option expense was lower in 2007 due to the timing of our primary stock option grant.

In 2007, compensation cost was reduced by $1.1 million related to stock option forfeitures from the global supply chain transformation program. In 2006, compensation cost included $1.2 million for the impact of accelerated vesting of stock options for employees exiting our Company. In 2005, compensation cost included $3.9 million for the impact of accelerated vesting of stock options for employees exiting the Company. The income tax benefit amount for 2006 included $0.5 million and 2005 included $1.6 million for the accelerated vesting of stock options under this program. The accelerated vesting affected less than 100 employees in 2006 and 2005. We further describe the terms of the workforce reduction program in Note 3, Business Realignment Initiatives.

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The EICP provides for grants of one or more of the following stock-based compensation awards to employees, non-employee directors and certain service providers upon whom the successful conduct of our business is dependent:

- non-qualified stock options ("stock options");
- performance stock units and performance stock;
- stock appreciation rights;
- restricted stock units and restricted stock; and
- other stock-based awards.

The EICP also provides for the deferral of stock-based compensation awards by participants if approved by the Compensation and Executive Organization Committee of our Board and if in accordance with an applicable deferred compensation plan of the Company. Currently, the Compensation and Executive Organization Committee has authorized the deferral of performance stock unit and restricted stock unit awards by certain eligible employees under the Company's Deferred Compensation Plan. Our Board has authorized our non-employee directors to defer any portion of their cash retainer and committee chair fees that they elect to convert into deferred stock units under our Directors' Compensation Plan and, if permitted by the Company's Deferred Compensation Plan at the time their membership on the Board ends, to continue the deferral of those units under the Company's Deferred Compensation Plan. As of December 31, 2007, 52.0 million shares were authorized and approved by the Company's stockholders for grants under the EICP.

In July 2004, we announced a worldwide stock option grant under the Broad Based Stock Option Plan. This grant provided over 13,000 eligible employees with 100 non-qualified stock options. The stock options were granted at a price of $46.44 per share, have a term of ten years and will vest on July 19, 2009.

In 1996, our Board of Directors approved a worldwide, stock option grant, called HSY Growth, under the Broad Based Stock Option Plan. HSY Growth provided all eligible employees with a one-time grant of 200 non-qualified stock options. Under HSY Growth, we granted over 2.4 million options on January 7, 1997. Options granted under HSY Growth vested on January 7, 2002 and expired on January 6, 2007.

The following table sets forth information about the weighted-average fair value of options granted to employees during the year using the Black-Scholes option-pricing model and the weighted-average assumptions used for such grants:

For the years ended December 31,	2007	2006	2005
Dividend yields	**2.0%**	1.6%	1.7%
Expected volatility	**19.5%**	23.7%	25.4%
Risk-free interest rates	**4.6%**	4.6%	3.9%
Expected lives in years	**6.6**	6.6	6.5

- "Dividend yields" means the sum of dividends declared for the four most recent quarterly periods, divided by the estimated average price of our Common Stock for the comparable periods.
- "Expected volatility" means the historical volatility of our Common Stock over the expected term of each grant. We exclude the period during 2002 when unusual volatility resulted from the exploration of the possible sale of our Company.

- We base the risk-free interest rate for periods within the contractual life of the option on the U.S. Treasury yield curve in effect at the time of grant.
- "Expected lives" means the period of time that options granted are expected to be outstanding based primarily on historical data.

Stock Options

The exercise price of each option equals the market price of the Company's Common Stock on the date of grant. Prior to approval by our stockholders of the EICP on April 17, 2007, the exercise price of stock options granted under the former Key Employee Incentive Plan was determined as the closing price of our Common Stock on the New York Stock Exchange on the trading day immediately preceding the date the stock options were granted. Following approval of the EICP, the exercise price is the closing price of our Common Stock on the New York Stock Exchange on the date of the grant. Each option has a maximum term of ten years. Options granted to executives and key employees prior to December 31, 1999, vested at the end of the second year after grant. In 2000, we changed the terms and conditions of the grants to provide for pro-rated vesting over four years for options granted subsequent to December 31, 1999.

For the years ended December 31, In millions of dollars	2007	2006	2005
Compensation amount charged against income for stock options	**$26.8**	$33.4	$38.2

In 2007, compensation cost was reduced by $1.1 million related to stock option forfeitures from the global supply chain transformation program. The 2006 compensation amount included $1.2 million for the impact of the modification of stock option grants resulting in accelerated vesting of stock options. In 2005, this amount was $3.9 million. The modification related to employees exiting our Company in 2006 and 2005 under the terms of the voluntary workforce reduction program.

A summary of the status of our Company's stock options and changes during the years ending on those dates follows:

	2007		2006		2005	
Stock Options	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**13,855,113**	**$ 40.29**	13,725,113	$ 37.83	14,909,536	$ 32.82
Granted	**2,240,883**	**$ 53.72**	1,777,189	$ 52.43	2,051,255	$ 61.49
Exercised	**(1,686,448)**	**$ 29.97**	(1,269,690)	$ 28.68	(2,898,419)	$ 28.14
Forfeited	**(520,432)**	**$ 52.29**	(377,499)	$ 47.19	(337,259)	$ 43.54
Outstanding at end of year	**13,889,116**	**$ 43.26**	13,855,113	$ 40.29	13,725,113	$ 37.83
Options exercisable at year-end	**8,316,966**	**$ 37.43**	8,212,209	$ 34.39	7,001,941	$ 30.86
Weighted-average fair value of options granted during the year (per share)	**$ 12.84**		$ 15.07		$ 16.90	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the years ended December 31, In millions of dollars	2007	2006	2005
Intrinsic value of options exercised	**$34.3**	$32.3	$91.8

The aggregate intrinsic value of options outstanding as of December 31, 2007 was $45.5 million. The aggregate intrinsic value of exercisable options as of December 31, 2007 was $44.8 million.

As of December 31, 2007, there was $37.7 million of total unrecognized compensation cost related to non-vested stock option compensation arrangements granted under the EICP. We expect to recognize that cost over a weighted-average period of 2.5 years.

The following table summarizes information about stock options outstanding as of December 31, 2007:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding as of 12/31/07	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable as of 12/31/07	Weighted-Average Exercise Price
$22.50-34.39	**3,561,534**	**3.8**	**$ 29.64**	**3,561,534**	**$ 29.64**
$34.66-52.28	**5,100,259**	**5.8**	**$ 39.33**	**3,350,248**	**$ 36.68**
$52.30-64.65	**5,227,323**	**8.2**	**$ 56.37**	**1,405,184**	**$ 58.98**
$22.50-64.65	**13,889,116**	**6.2**	**$ 43.26**	**8,316,966**	**$ 37.43**

Performance Stock Units and Restricted Stock Units

Under the EICP, our Company grants performance stock units to selected executives and other key employees. Vesting is contingent upon the achievement of certain performance objectives. If our Company meets targets for financial measures at the end of the applicable three-year performance cycle, we award the full number of shares to the participants. The performance scores for 2007 grants of performance stock units can range from 0% to 250% of the targeted amounts.

In 2007, 2006 and 2005, we awarded restricted stock units to certain executive officers and other key employees under the EICP. We also awarded restricted stock units quarterly to non-employee directors.

For the years ended December 31, In millions of dollars	2007	2006	2005
Compensation amount charged against income for performance and restricted stock units	**$1.7**	$7.9	$19.9

Our Company recognizes the compensation cost associated with the performance stock units ratably over the three-year term, except for the 2003 grants. An additional three-year vesting term was imposed for the 2003 grants with accelerated vesting for retirement, disability or death. The compensation cost for the 2003 grants is being recognized over a period from three to six years. Compensation cost is based on the grant date fair value for the 2003, 2006 and 2007 grants because those grants can only be settled in shares of our Common Stock. Compensation cost for the 2005 grants is based on the year-end market value of the stock because those grants can be settled in cash or in shares of our Common Stock. We recognize the compensation cost associated with employee restricted stock units over a specified restriction period based on the year-end market value of the stock. Upon adoption of SFAS No. 123R in the fourth quarter of 2005, we elected to begin recognizing expense

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

for employee restricted stock units granted after 2004 based on the straight-line method for the entire award. For prior grants, we used the straight-line method for each separately vesting portion of the award. The impact of the change was not material. We recognize the compensation cost associated with non-employee director restricted stock units at the grant date.

Performance stock units and restricted stock units granted for potential future distribution were as follows:

For the years ended December 31,	2007	2006	2005
Units granted	**387,143**	247,340	241,887
Weighted-average fair value at date of grant	**$ 49.83**	$ 55.24	$ 57.21

A summary of the status of our Company's performance stock units and restricted stock units as of December 31, 2007 and the change during 2007 follows:

Performance Stock Units and Restricted Stock Units	2007	Weighted-average grant date fair value for equity awards or market value for liability awards
Outstanding at beginning of year	**1,075,748**	**$44.89**
Granted	**387,143**	**$49.83**
Performance assumption change	**(246,808)**	**$49.13**
Vested	**(456,168)**	**$49.94**
Forfeited	**(68,883)**	**$50.12**
Outstanding at end of year	**691,032**	**$38.14**

As of December 31, 2007, there was $9.7 million of unrecognized compensation cost relating to non-vested performance stock units and restricted stock units. We expect to recognize that cost over a weighted-average period of 2.2 years.

For the years ended December 31, In millions of dollars	2007	2006	2005
Intrinsic value of share-based liabilities paid, combined with the fair value of shares vested	**$22.4**	$4.7	$12.4

The intrinsic value of share-based liabilities paid, combined with the fair value of shares vested was higher in 2007 compared with 2006 due to the vesting of the 2004 performance stock unit grants. The 2006 amount was lower compared with the 2005 amount due to the additional three-year vesting term for the 2003 performance stock unit grants which reduced the number of shares that vested in 2006 compared with 2005.

Deferred performance stock units, deferred restricted stock units, deferred directors' fees and accumulated dividend amounts totaled 737,684 units as of December 31, 2007.

We did not have any stock appreciation rights that were outstanding as of December 31, 2007.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts Receivable—Trade

In the normal course of business, our Company extends credit to customers that satisfy pre-defined credit criteria. Our primary concentration of credit risk is associated with McLane Company, Inc., one of the largest wholesale distributors to convenience stores, drug stores, wholesale clubs and mass merchandisers. As of December 31, 2007, McLane Company, Inc. accounted for approximately 25.9% of our total accounts receivable. No other customer accounted for more than 10% of our year-end accounts receivable. We believe that we have little concentration of credit risk associated with the remainder of our customer base. Accounts Receivable-Trade, as shown on the Consolidated Balance Sheets, were net of allowances and anticipated discounts of $17.8 million as of December 31, 2007. Allowances and discounts were $18.7 million as of December 31, 2006.

Prepaid Expenses and Other Current Assets

As of December 31, 2007, prepaid expenses and other current assets included a receivable of approximately $17.7 million related to the recovery of damages from a product recall and temporary plant closure in Canada. A receivable of $14.0 million was included as of December 31, 2006. The increase resulted from currency exchange rate fluctuations and additional costs. The product recall during the fourth quarter of 2006 was caused by a contaminated ingredient purchased from an outside supplier with whom we have filed a claim for damages and are currently in litigation.

Inventories

We value the majority of our 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. Inventories include material, labor and overhead. LIFO cost of inventories valued using the LIFO method was $369.9 million as of December 31, 2007 and $400.2 million as of December 31, 2006. We stated inventories at amounts that did not exceed realizable values. Total inventories were as follows:

December 31, In thousands of dollars	2007	2006
Raw materials	**$199,460**	$214,335
Goods in process	**80,282**	94,740
Finished goods	**407,058**	418,250
Inventories at FIFO	**686,800**	727,325
Adjustment to LIFO	**(86,615)**	(78,505)
Total inventories	**$600,185**	$648,820

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THE HERSHEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Property, Plant and Equipment

The property, plant and equipment balance included construction in progress of $142.6 million as of December 31, 2007 and $76.3 million as of December 31, 2006. Major classes of property, plant and equipment were as follows:

December 31, In thousands of dollars	2007	2006
Land	**$ 86,596**	$ 86,734
Buildings	**788,267**	746,198
Machinery and equipment	**2,731,580**	2,764,824
Property, plant and equipment, gross	**3,606,443**	3,597,756
Accumulated depreciation	**(2,066,728)**	(1,946,456)
Property, plant and equipment, net	**$ 1,539,715**	$ 1,651,300

During 2007 we recorded accelerated depreciation of property, plant and equipment of $108.6 million associated with our 2007 business realignment initiatives. As of December 31, 2007, certain real estate with a carrying value or fair value less cost to sell, if lower, of $40.2 million was being held for sale. These assets were associated with the closure of facilities as part of the 2007 business realignment initiatives.

Goodwill and Other Intangible Assets

Goodwill and intangible assets were as follows:

December 31, In thousands of dollars	2007	2006
Unamortized intangible assets:		
Goodwill balance at beginning of year	**$501,955**	$487,338
Goodwill acquired during the year and other adjustments	**79,932**	13,661
Effect of foreign currency translation	**15,086**	956
Impairment charge	**(12,260)**	—
Goodwill balance at end of year	**$584,713**	$501,955
Trademarks	**$127,491**	$110,676
Amortized intangible assets, gross:		
Customer-related	**31,442**	29,743
Patents	**8,317**	8,317
Total other intangible assets, gross	**167,250**	148,736
Accumulated amortization	**(11,388)**	(8,422)
Other intangibles	**$155,862**	$140,314

The increase in goodwill was primarily associated with the acquisition of Godrej Hershey Foods and Beverages Company in May 2007 and the impact of currency translation and other adjustments. Certain adjustments were made to reflect the final fair value of assets acquired through business acquisitions. These increases were offset somewhat by a reduction due to a goodwill impairment charge of $12.3 million recorded in 2007. The impairment charge resulted from our annual goodwill impairment evaluation for our business in Brazil. Despite a relatively high investment level, our Brazilian business has not gained profitable scale or adequate market distribution. This resulted in reduced expectations for future cash flows and a lower estimated

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fair value for this reporting unit. The increases in trademark and customer-related intangibles were principally the result of the acquisition of the Godrej Hershey Foods and Beverages Company.

The useful lives of trademarks were determined to be indefinite and, therefore, we are not amortizing these assets. We amortize customer-related intangible assets over their estimated useful lives of approximately ten years. We amortize patents over their remaining legal lives of approximately thirteen years. Total amortization expense for other intangible assets was $3.0 million in 2007, $3.4 million in 2006 and $3.0 million in 2005.

The estimated amortization expense over the next five years is as follows:

In millions of dollars	2008	2009	2010	2011	2012
Estimated amortization expense	$3.0	$2.9	$2.8	$2.8	$2.8

Accrued Liabilities

Accrued liabilities were as follows:

December 31, In thousands of dollars	2007	2006
Payroll, compensation and benefits	**$ 187,605**	$ 158,952
Advertising and promotion	**196,598**	187,494
Other	**154,783**	107,577
Total accrued liabilities	**$ 538,986**	$ 454,023

Other Long-term Liabilities

Other long-term liabilities were as follows:

December 31, In thousands of dollars	2007	2006
Accrued post-retirement benefits	**$ 330,708**	$ 316,455
Other	**213,308**	170,018
Total other long-term liabilities	**$ 544,016**	$ 486,473

17. SEGMENT INFORMATION

We operate as a single reportable segment in manufacturing, marketing, selling and distributing various package types of chocolate candy, sugar confectionery, refreshment and snack products, and food and beverage enhancers under more than 60 brand names. Our five operating segments comprise geographic regions including the United States, Canada, Mexico, Brazil and other international locations, such as Japan, Korea, India, the Philippines and China. We market confectionery products in approximately 50 countries worldwide.

For segment reporting purposes, we aggregate our operations in the Americas, which comprise the United States, Canada, Mexico and Brazil in accordance with the criteria of Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*. We base this aggregation on similar economic characteristics, and similar products and services, production processes, types or classes of customers, distribution methods, and the similar nature of the regulatory environment in each

location. We aggregate our other international operations with the Americas to form one reportable segment. When combined, our other international operations share most of the aggregation criteria and represent less than 10% of consolidated revenues, operating profits and assets.

The percentage of total consolidated net sales for businesses outside of the United States was 13.8% for 2007, 10.9% for 2006 and 10.9% for 2005. The percentage of total consolidated assets outside of the United States as of December 31, 2007 was 16.2%, and 13.8% as of December 31, 2006.

Sales to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, exceeded 10% of total net sales in each of the last three years, totaling $1.3 billion in 2007, $1.2 billion in 2006 and $1.1 billion in 2005. McLane Company, Inc. is the primary distributor of our products to Wal-Mart Stores, Inc.

18. SUBSEQUENT EVENT

In January 2008, we announced an increase in the wholesale prices of our domestic confectionery line, effective immediately. The price increase applied to our standard bar, king-size bar, 6-pack and vending lines and represented a weighted average increase of approximately thirteen percent on these items. These products represent approximately one-third of our U.S. confectionery portfolio. The price changes approximated a three percent price increase over our entire domestic product line. We implemented this action to help partially offset increases in input costs, including raw materials, fuel, utilities and transportation.

19. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

Year 2007 In thousands of dollars except per share amounts	First	Second	Third	Fourth
Net sales	**$ 1,153,109**	**$ 1,051,916**	**$ 1,399,469**	**$ 1,342,222**
Gross profit	**414,031**	**329,438**	**470,623**	**417,477**
Net income	**93,473**	**3,554**	**62,784**	**54,343**
Per share—Basic—Class B Common Stock (a)	**.37**	**.01**	**.26**	**.22**
Per share—Diluted—Class B Common Stock	**.37**	**.02**	**.26**	**.22**
Per share—Basic—Common Stock	**.42**	**.02**	**.28**	**.24**
Per share—Diluted—Common Stock (a)	**.40**	**.01**	**.27**	**.24**

Year 2006 In thousands of dollars except per share amounts	First	Second	Third	Fourth
Net sales	$ 1,139,507	$ 1,051,912	$ 1,416,202	$ 1,336,609
Gross profit	432,142	407,835	545,469	482,066
Net income	122,471	97,897	185,121	153,572
Per share—Basic—Class B Common Stock	.47	.38	.73	.61
Per share—Diluted—Class B Common Stock (a)	.47	.38	.72	.61
Per share—Basic—Common Stock (a)	.52	.42	.81	.68
Per share—Diluted—Common Stock	.50	.41	.78	.65

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

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

None.

Item 9A. ***CONTROLS AND PROCEDURES***

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2007. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There has been no change during the most recent fiscal quarter in the Company's internal control over financial reporting identified in connection with the evaluation that has materially affected, or is likely to materially affect, the Company's internal control over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's Common Stock is listed on the New York Stock Exchange ("NYSE") under the ticker symbol "HSY." On May 8, 2007, the Company's Chief Executive Officer, Richard H. Lenny, certified to the NYSE pursuant to Rule 303A.12(a) that, as of the date of that certification, he was not aware of any violation by the Company of the NYSE's Corporate Governance listing standards.

On November 13, 2007, we received a notice from NYSE Regulation, Inc. stating that the Company was deficient in meeting the requirements of the following sections of the New York Stock Exchange Listed Company Manual:

303A.01—The Company does not have a majority of independent directors serving on the Board of Directors of the Company (the "Company Board").

303A.04(a)—The Company does not have any independent directors serving on the Nominating Committee of the Company Board.

303A.07(a)—The Company does not have three members serving on the Audit Committee of the Company Board.

303A.07(a)—The Company does not have an audit committee with financial management expertise.

On November 16, 2007, we notified the NYSE that we had cured all of the above deficiencies. The items listed above had arisen as the result of the November 11, 2007 changes in the composition of our Board of Directors.

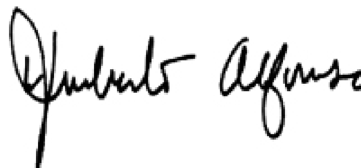
MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of The Hershey Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on this assessment, management believes that, as of December 31, 2007, the Company's internal control over financial reporting was effective based on those criteria.

David J. West
Chief Executive Officer



Humberto P. Alfonso
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

The Hershey Company:

We have audited The Hershey Company and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Hershey Company as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2007, and our report dated February 18, 2008 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
February 18, 2008

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Item 9B. ***OTHER INFORMATION***

None.

PART III

Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The names, ages, positions held with our Company, periods of service as a director, principal occupations, business experience and other directorships of nominees for director of our Company are set forth in the Proxy Statement in the section entitled "Proposal No. 1—Election of Directors," following the question "Who are the nominees?," which information is incorporated herein by reference.

Our Executive Officers as of February 12, 2008

Name	Age	Positions Held During the Last Five Years
David J. West	44	President and Chief Executive Officer (December 2007); President (October 2007); Executive Vice President, Chief Operating Officer (and Chief Financial Officer until July 2007, when his successor to that position was elected) (January 2007); Senior Vice President, Chief Financial Officer (January 2005); Senior Vice President, Chief Customer Officer (June 2004); Senior Vice President, Sales (December 2002)
Humberto P. Alfonso [(1)]	50	Senior Vice President, Chief Financial Officer (July 2007); Vice President, Finance and Planning, North American Commercial Group (October 2006); Vice President, Finance and Planning, U.S. Commercial Group (July 2006)
John P. Bilbrey [(2)]	51	Senior Vice President, President Hershey North America (December 2007); Senior Vice President, President International Commercial Group (November 2005); Senior Vice President, President Hershey International (November 2003)
Michele G. Buck [(3)]	46	Senior Vice President, Global Chief Marketing Officer (December 2007); Senior Vice President, Chief Marketing Officer, U.S. Commercial Group (November 2005); Senior Vice President, President U.S. Snacks (April 2005)
Thaddeus Jastrzebski [(4)]	46	Senior Vice President, President Hershey International (December 2007); Vice President, International Finance and Planning (September 2004)
Burton H. Snyder	60	Senior Vice President, General Counsel and Secretary (November 2003); General Counsel, Secretary, and Senior Vice President, International (December 2002)
C. Daniel Azzara	53	Vice President, Global Research and Development (April 2007); Vice President, Global Innovation and Quality (October 2005); Vice President, Global Research and Development (June 2004); Vice President, Research and Development (January 2002)
George F. Davis	59	Vice President, Chief Information Officer (December 2000)
David W. Tacka	54	Vice President, Chief Accounting Officer (February 2004); Vice President, Corporate Controller and Chief Accounting Officer (April 2000)

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

(1) Mr. Alfonso was elected Vice President, Finance and Planning, U.S. Commercial Group effective July 17, 2006. Prior to joining our Company he was Executive Vice President Finance, Chief Financial Officer, Americas Beverages, Cadbury Schweppes (March 2005); Vice President Finance, Global Supply Chain, Cadbury Schweppes (May 2003); Vice President Finance, Pfizer Inc., Adams Division (August 2000).

(2) Mr. Bilbrey was elected Senior Vice President, President Hershey International effective November 5, 2003. Prior to joining our Company he was Executive Vice President, Sales—Mission Foods (May 2003); President and Chief Executive Officer—Danone Waters of North America, Inc., a division of Groupe Danone, Paris (June 2001).

(3) Ms. Buck was elected Senior Vice President, President U.S. Snacks effective April 19, 2005. Prior to joining our Company, Ms. Buck was Senior Vice President and General Manager, Kraft Confections (October 2001).

(4) Mr. Jastrzebski was elected Vice President, International Finance and Planning effective September 29, 2004. Prior to joining our Company he was Senior Vice President, Finance, IT and Administration, and Chief Financial Officer for CARE, U.S.A., (July 2002).

Our Executive Officers are generally elected each year at the organization meeting of the Board in April.

Information regarding the identification of the Audit Committee as a separately-designated standing committee of the Board and information regarding the status of one or more members of the Audit Committee being an "audit committee financial expert" is set forth in the Proxy Statement in the section entitled "Governance of the Company," following the question "What are the committees of the Board and what are their functions?," which information is incorporated herein by reference.

Reporting of any inadvertent late filings under Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth in the section of the Proxy Statement entitled "Section 16(a) Beneficial Ownership Reporting Compliance." This information is incorporated herein by reference.

Information regarding our Code of Ethical Business Conduct applicable to our directors, officers and employees is set forth in Part I of this Annual Report on Form 10-K, under the heading "Available Information."

Item 11. *EXECUTIVE COMPENSATION*

Information regarding compensation of each of the named executive officers, including our Chief Executive Officer, and the Compensation Committee Report are set forth in the section of the Proxy Statement entitled "Executive Compensation," which information is incorporated herein by reference. Information regarding compensation of our directors is set forth in the section of the Proxy Statement entitled "Director Compensation," which information is incorporated herein by reference.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

(a) Information concerning ownership of our voting securities by certain beneficial owners, individual nominees for director, the named executive officers, including persons serving as our Chief Executive Officer and executive officers as a group, is set forth in the section entitled "Ownership of the Company's Securities" in the Proxy Statement, which information is incorporated herein by reference.

(b) The following table provides information about all of the Company's equity compensation plans as of December 31, 2007:

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders[1]	12,706,616	$ 43.23	17,349,520
Equity compensation plans not approved by security holders[2]	1,182,500	$ 43.62	1,147,684
Total	13,889,116	$ 43.26	18,497,204

(1) Column (a) includes stock options granted under the stockholder-approved EICP. The securities available for future issuances in column (c) are not allocated to any specific type of award under the EICP, but are available generally for future awards of stock options, PSUs, performance stock, RSUs, restricted stock and other stock-based awards.

(2) Column (a) includes 946,100 stock options outstanding that were granted under the Broad Based Stock Option Plan. In July 2004, the Company announced a worldwide stock option grant under the Broad Based Stock Option Plan, which provided over 13,000 eligible employees with a grant of 100 non-qualified stock options each. The stock options were granted at a price of $46.44 per share which equates to 100% of the fair market value of our Common Stock on the date of grant (determined as the closing price on the New York Stock Exchange on the trading day immediately preceding the date the stock options were granted), have a term of ten years and will vest on July 19, 2009. Column (c) includes 1,023,900 stock options under the Broad Based Stock Option Plan remaining available for future issuances as of December 31, 2007.

Column (a) also includes 236,400 stock options granted to our former Chief Executive Officer, Richard H. Lenny, outside the Incentive Plan in connection with his recruitment. The stock options were granted on March 12, 2001 with an exercise price of $32.33, became fully vested on March 12, 2005, and have a ten-year term.

Column (c) also includes 123,784 shares remaining available for future issuances under the Directors' Compensation Plan as of December 31, 2007.

Item 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

Information regarding transactions with related persons is set forth in the section of the Proxy Statement entitled "Certain Transactions and Relationships" and information regarding director independence is set forth in the section of the Proxy Statement entitled "Governance of the Company" following the question, "Which directors are independent, and how does the Board make that determination?," which information is incorporated herein by reference.

Item 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES***

Information regarding "Principal Accountant Fees and Services," including the policy regarding pre-approval of audit and non-audit services performed by our Company's independent auditors, is set forth in the section entitled "Information About our Independent Auditors" in the Proxy Statement, which information is incorporated herein by reference.

PART IV

Item 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

Item 15(a)(1): Financial Statements

The audited consolidated financial statements of the Company and its subsidiaries and the Report of the Independent Registered Public Accounting Firm thereon, as required to be filed with this report, are set forth under Item 8 of this report.

Item 15(a)(2): Financial Statement Schedule

The following consolidated financial statement schedule of the Company and its subsidiaries for the years ended December 31, 2007, 2006 and 2005 is filed herewith on the indicated page in response to Item 15(c):

Schedule II—Valuation and Qualifying Accounts (Page 110)

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 company only are omitted because the Company is primarily an operating company and there are no significant restricted net assets of consolidated and unconsolidated subsidiaries.

Item 15(a)(3): Exhibits

The following items are attached or incorporated by reference in response to Item 15(c):

Articles of Incorporation and By-laws

3.1 The Company's Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2005. The By-laws, as amended and restated as of December 4, 2007, are incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, filed December 7, 2007.

Instruments defining the rights of security holders, including indentures

4.1 Stockholder Protection Rights Agreement between the Company and Mellon Investor Services LLC, as Rights Agent, dated December 14, 2000, is incorporated by reference from Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

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

1) 5.300% Notes due 2011

2) 6.95% Notes due 2012

3) 4.850% Notes due 2015

4) 5.450% Notes due 2016

5) 8.8% Debentures due 2021

6) 7.2% Debentures due 2027

7) Other Obligations

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

Material contracts

10.1	Kit Kat and Rolo License Agreement (the "License Agreement") between the Company and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit 10(a) to the Company'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 19 to the Company'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 19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.
10.2	Peter Paul/York Domestic Trademark & Technology License Agreement between the Company and Cadbury Schweppes Inc. (now Cadbury Beverages Delaware, Inc.) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company's Current Report on Form 8-K dated September 8, 1988. This agreement was assigned by the Company to its wholly-owned subsidiary, Hershey Chocolate & Confectionery Corporation.
10.3	Cadbury Trademark & Technology License Agreement between the Company and Cadbury Limited dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company's Current Report on Form 8-K dated September 8, 1988. This agreement was assigned by the Company to its wholly-owned subsidiary, Hershey Chocolate & Confectionery Corporation.
10.4	Trademark and Technology License Agreement between Huhtamaki and the Company dated December 30, 1996, is incorporated by reference from Exhibit 10 to the Company's Current Report on Form 8-K dated February 26, 1997. This agreement was assigned by the Company to its wholly-owned subsidiary, Hershey Chocolate & Confectionery Corporation. The agreement was amended and restated in 1999 and the Amended and Restated Trademark and Technology License Agreement is incorporated by reference from Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
10.5	Five Year Credit Agreement dated as of December 8, 2006 among the Company and the banks, financial institutions and other institutional lenders listed on the respective signature pages thereof ("Lenders"), Citibank, N.A., as administrative agent for the Lenders (as defined therein), Bank of America, N.A., as syndication agent, UBS Loan Finance LLC, as documentation agent, and Citigroup Global Markets, Inc. and Banc of America Securities LLC, as joint lead arrangers and joint book managers is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 11, 2006.
10.6	Short-Term Credit Agreement, dated March 13, 2006, among the Company and the banks, financial institutions and other institutional lenders listed on the respective signature pages thereof ("Lenders"), Citibank, N.A., as administrative agent for the Lenders, Bank of America, N.A., as syndication agent, UBS Loan Finance LLC, as documentation agent, and Citigroup Global Markets Inc. and Banc of America Securities LLC, as joint lead arrangers and joint book managers, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 15, 2006.
10.7	Letter Amendment to Short Term Credit Agreement, dated September 14, 2006, among the Company and the banks, financial institutions and other institutional lenders listed on the respective signature pages thereof ("Lenders"), and Citibank, N.A., as agent for the Lenders, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed September 15, 2006.
10.8	Agreement dated July 26, 2006, between the Company and Hershey Trust Company, as Trustee for the benefit of Milton Hershey School, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 28, 2006.

10.9	Master Innovation and Supply Agreement between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 19, 2007.
10.10	Supply Agreement for Monterrey, Mexico, between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K, filed July 19, 2007.
10.11	The Company's Short-Term Credit Agreement dated August 24, 2007, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed August 30, 2007.

Executive Compensation Plans and Management Contracts

10.12	Terms and Conditions of Nonqualified Stock Option Grants under the Key Employee Incentive Plan is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 18, 2005.
10.13	The Long-Term Incentive Program Participation Agreement is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 18, 2005.
10.14	The Company's Executive Benefits Protection Plan (Group 3A) Amended and Restated as of December 29, 2006, covering certain of its executive officers, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 3, 2007.
10.15	The Executive Employment Agreement between the Company and Richard H. Lenny, dated March 12, 2001, is incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001.
10.16	Amendment to Executive Employment Agreement between the Company and Richard H. Lenny, effective as of October 3, 2006, is incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K, filed October 10, 2006.
10.17	The Company's Equity and Incentive Compensation Plan, as approved by our stockholders on April 17, 2007, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 20, 2007.
10.18	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan is incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2007.
10.19	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan is attached hereto and filed as Exhibit 10.1.
10.20	The Retirement Agreement and General Release between the Company and Marcella K. Arline dated October 1, 2007, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 16, 2007.
10.21	A summary of certain compensation matters previously contained in the Company's Current Report on Form 8-K filed February 15, 2008, is attached hereto and filed as Exhibit 10.2.
10.22	The Confidential Agreement and General Release between the Company and Thomas K. Hernquist is attached hereto and filed as Exhibit 10.3.
10.23	The Company's Executive Benefits Protection Plan (Group 3A), Amended and Restated as of October 2, 2007, is attached hereto and filed as Exhibit 10.4.
10.24	The Company's Deferred Compensation Plan, Amended and Restated as of October 1, 2007, is attached hereto and filed as Exhibit 10.5.
10.25	The Company's Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, is attached hereto and filed as Exhibit 10.6.

10.26	The Company’s Compensation Limit Replacement Plan, Amended and Restated as of October 2, 2007, is attached hereto and filed as Exhibit 10.7.
10.27	The Executive Employment Agreement between the Company and David J. West, dated as of October 2, 2007, is attached hereto and filed as Exhibit 10.8.
10.28	The Amended and Restated Executive Employment Agreement between the Company and David J. West, dated as of October 2, 2007, is attached hereto and filed as Exhibit 10.9.
10.29	The Company’s Directors’ Compensation Plan, Amended and Restated as of December 4, 2007, is attached hereto and filed as Exhibit 10.10.

Broad Based Equity Compensation Plans

10.30	The Company’s Broad Based Stock Option Plan, as amended, is incorporated by reference from Exhibit 10.4 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

Other Exhibits

12	Computation of ratio of earnings to fixed charges statement
	A computation of ratio of earnings to fixed charges for the fiscal years ended December 31, 2007, 2006, 2005, 2004, and 2003 is attached hereto and filed as Exhibit 12.
21	Subsidiaries of the Registrant
	A list setting forth subsidiaries of the Company is attached hereto and filed as Exhibit 21.
23	Independent Auditors’ Consent
	The consent dated February 19, 2008 to the incorporation of reports of the Company’s Independent Auditors is attached hereto and filed as Exhibit 23.
31.1	Certification of David J. West, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, is attached hereto and filed as Exhibit 31.1.
31.2	Certification of Humberto P. Alfonso, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, is attached hereto and filed as Exhibit 31.2.
32.1*	Certification of David J. West, Chief Executive Officer, and Humberto P. Alfonso, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is attached hereto and furnished as Exhibit 32.1.

* Pursuant to Securities and Exchange Commission Release No. 33-8212, this certification will be treated as “accompanying” this Annual Report on Form 10-K and not “filed” as part of such report for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 19th day of February, 2008.

THE HERSHEY COMPANY
(Registrant)

By: /S/ HUMBERTO P. ALFONSO
Humberto P. Alfonso
Senior Vice President, 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 Company and in the capacities and on the date indicated.

Signature	Title	Date
/S/ DAVID J. WEST **(David J. West)**	Chief Executive Officer and Director	February 19, 2008
/S/ HUMBERTO P. ALFONSO **(Humberto P. Alfonso)**	Chief Financial Officer	February 19, 2008
/S/ DAVID W. TACKA **(David W. Tacka)**	Chief Accounting Officer	February 19, 2008
/S/ ROBERT F. CAVANAUGH **(Robert F. Cavanaugh)**	Director	February 19, 2008
/S/ CHARLES A. DAVIS **(Charles A. Davis)**	Director	February 19, 2008
/S/ EDWARD J. KELLY, III **(Edward J. Kelly, III)**	Director	February 19, 2008
/S/ ARNOLD G. LANGBO **(Arnold G. Langbo)**	Director	February 19, 2008
/S/ JAMES E. NEVELS **(James E. Nevels)**	Director	February 19, 2008
/S/ THOMAS J. RIDGE **(Thomas J. Ridge)**	Director	February 19, 2008
/S/ CHARLES B. STRAUSS **(Charles B. Strauss)**	Director	February 19, 2008
/S/ KENNETH L. WOLFE **(Kenneth L. Wolfe)**	Director	February 19, 2008
/S/ LEROY S. ZIMMERMAN **(LeRoy S. Zimmerman)**	Director	February 19, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
The Hershey Company:

Under date of February 18, 2008, we reported on the consolidated balance sheets of The Hershey Company and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2007, which are included in The Hershey Company's Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pensions and Other Postretirement Plans,* at December 31, 2006.

/s/ KPMG LLP

New York, New York
February 18, 2008

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Schedule II

THE HERSHEY COMPANY AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2007, 2006 and 2005

Description In thousands of dollars	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts(a)	Deductions from Reserves	Balance at End of Period
Year Ended December 31, 2007:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply					
Accounts Receivable—Trade	$ 18,665	$ 2,840	$ 427	$ (4,125)	$17,807
Year Ended December 31, 2006:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply					
Accounts Receivable—Trade	$ 19,433	$ 2,669	$ —	$ (3,437)	$18,665
Year Ended December 31, 2005:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply					
Accounts Receivable—Trade	$ 17,581	$ 13,342	$ 676	$(12,166)	$19,433

(a) Includes recoveries of amounts previously written off and amounts related to acquired businesses.

CERTIFICATION

I, David J. West, certify that:

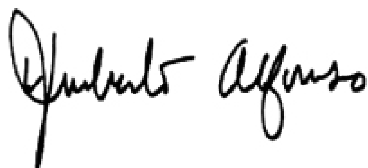
1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

David J. West
Chief Executive Officer
February 19, 2008

CERTIFICATION

I, Humberto P. Alfonso, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.



Humberto P. Alfonso
Chief Financial Officer
February 19, 2008

THE HERSHEY COMPANY

TERMS AND CONDITIONS OF
NONQUALIFIED STOCK OPTION AWARDS
UNDER THE
EQUITY AND INCENTIVE COMPENSATION PLAN

1. The Optionee, by accepting the option to purchase shares of the Company's Common Stock (the "Options") awarded to him/her on**__________, 2008**, (the "**Award Date**"), accepts and agrees to these terms and conditions and the terms and conditions of the Equity and Incentive Compensation Plan (the "**Plan**"), which Plan is incorporated herein by reference.

2. The Options shall not be exercisable until vested. The Options shall be exercisable during the period **__________, 2009** through **__________, 2018** (the "**Exercise Period**"), subject to the vesting schedule described in the next sentence and the provisions regarding termination set forth in paragraphs 3 and 4 below and in the Plan. Of the total Options awarded to the Optionee on the Award Date ("**Total Award**"), twenty-five percent (25%) of the Total Award will become vested on the first anniversary of the Award Date; an additional twenty-five percent (25%) of the Total Award will become vested on the second anniversary of the Award Date; an additional twenty-five percent (25%) of the Total Award will become vested on the third anniversary of the Award Date; and an additional twenty-five percent (25%) of the Total Award will become vested on the fourth anniversary of the Award Date. During the Exercise Period, vested Options may be exercised in whole or in part and on one or more than one occasion. The purchase price of any shares as to which the Options shall be exercised shall be paid in full at the time of such exercise.

3. In the event Optionee's employment with the Company is terminated for any reason other than the occurrence of an event described in paragraph 4 below, or a "Corporate Event" or "Change in Control" as described in this paragraph 3, whether voluntarily or involuntarily, the Options shall terminate immediately upon termination of Optionee's employment and may not be exercised after such termination of employment.

If Optionee's employment with the Company is terminated solely due to a "Corporate Event," Optionee shall have the right to exercise any Options that vest on or prior to the Corporate Event Exercise Deadline at the time or after such Options vest but on or before the Corporate Event Exercise Deadline. The "Corporate Event Exercise Deadline" is the 90th day following the Optionee's termination of employment or, if such 90th day is not a New York Stock Exchange trading day, the first day after such 90th day that is a New York Stock Exchange trading day, provided that the Corporate Event Exercise Deadline shall not extend beyond **__________, 2018**, the date the Options expire. For purposes of this award, a Corporate Event shall mean a corporate action, such as the sale of a subsidiary or business unit, a corporate restructuring, or other material, non-recurring event which results in the displacement or elimination of a significant number of jobs and which is required to be disclosed as a separate matter in the Company's financial statements.

Upon the occurrence of a Change in Control (as that term is defined in the Plan), the Options shall become fully vested and exercisable notwithstanding the vesting schedule set forth in paragraph 2 above. If Optionee's employment is terminated by the Company within two (2) years following the Change in Control for any reason other than for Cause (as that term is defined in the Plan) or if Optionee's employment is terminated by the Optionee within such two year period for Good Reason (as that term is defined in the Plan), Optionee shall have one (1) year from the date of termination of employment to exercise his/her Options. In no event, however, may Options be exercised after **__________, 2018,** the date the Options expire.

4. If Optionee retires after the Award Date and during the calendar year in which the Award Date occurs, the Total Award will be reduced on a pro-rata basis to reflect Optionee's period of employment during the calendar year in which the Award Date occurs (the "**Adjusted Award**"). The Adjusted Award shall equal the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during such year preceding the month during which Optionee's retirement date occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Award down to the nearest whole number.

The foregoing provisions of this paragraph 4 notwithstanding, if a Change in Control occurs following the Award Date, and Optionee retires after the occurrence of the Change in Control but during the calendar year during which the Award Date occurs, the Total Award shall not be reduced as aforesaid, but rather the Total Award of Options shall be deemed to have become fully vested and exercisable upon the occurrence of the Change in Control.

In the event Optionee retires, dies or becomes totally disabled, the Options shall not terminate but instead will continue to remain outstanding and vest, subject to the vesting provisions of paragraph 2, the provisions of paragraph 3 if a Change in Control occurs or shall have occurred and the provisions regarding possible adjustment of the Total Award to an Adjusted Award as provided in this paragraph 4, and Optionee (or his/her estate in the case of death) shall have five (5) years from the date of retirement, death, or disability to exercise his/her Options at the time or after such Options vest, provided such five (5) year period cannot extend beyond **__________, 2018**, the date the Options expire. For purposes of this award, Optionee shall be deemed to have retired if his or her employment terminates for any reason on or after his or her 55th birthday.

5. The Options shall be exercisable through Charles Schwab & Co. ("**Schwab**"), the broker selected by the Company to provide services for stock options, or by such other method as shall be established by the Company from time to time. For information about Schwab's services and how to exercise stock options, call 1-800-654-2593 or go online to Schwab Equity Award Center™ at http://equityawardcenter.schwab.com for assistance.

6. The Compensation and Executive Organization Committee of the Board of Directors (the “**Committee**”), or any successor committee performing similar functions, may from time to time impose certain limitations or restrictions on the exercise of the Options by employees who are subject to employee minimum stockholding requirements established by the Committee. Such limitations, restrictions and minimum stockholding requirements are subject to change at the discretion of the Committee.

7. Except to the extent that the Plan permits exercise in limited circumstances by persons other than the Optionee, the Options may not be assigned, transferred, pledged or hypothecated in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof or of the Plan, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect and shall cause the Options to terminate.

8. By accepting the Options awarded herewith, Optionee acknowledges and agrees, subject to paragraph 12 below, that the Options are awarded under and governed by the terms and conditions set forth in this document and in the Plan. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the Plan or the Options awarded thereunder shall be determined in all cases and for all purposes by the Committee, or any successor committee, and any such determination shall be final, binding and conclusive for all purposes.

9. In selling the Company's Common Stock (the "**Shares**") upon Optionee's exercise of his/her Options, the Company is fulfilling in full its contractual obligation to Optionee by making such transfer, and the Company shall have no further obligations or duties with respect thereto and is discharged and released from the same. The Company makes no representations to Optionee regarding the market price of the Shares or the information which is available to Optionee regarding the Shares of the Company.

10. The Optionee may be restricted by the Company in its sole judgment from exercising any of the Options to the extent necessary to comply with insider trading or other provisions of federal or state securities laws.

11. The award of Options and all terms and conditions related thereto, including those of the Plan, shall be governed by the laws of the Commonwealth of Pennsylvania. The Plan shall control in the event there is a conflict between the Plan and these terms and conditions.

12. The terms and conditions set forth in this document shall not, unless expressly stated otherwise, modify or supersede the terms and conditions of any other plan or agreement applicable to employee benefit plans of the Company.

Exhibit 10.2

Compensation Summary
(As reported in The Hershey Company's
Current Report on Form 8-K, filed February 15, 2008)

On February 12, 2008, the Compensation and Executive Organization Committee ("Committee") of our Board of Directors approved 2008 incentive compensation awards for certain of the executive officers who were named in the Summary Compensation Table of our 2007 Proxy Statement ("named executive officers"). Three of these officers retired or terminated their employment with the Company in 2007. Richard H. Lenny retired as Chairman of the Board of Directors, and Marcella K. Arline retired as Chief People Officer, effective December 31, 2007. Thomas K. Hernquist resigned as an executive officer on December 4, 2007 and discontinued active employment with the Company on December 31, 2007. Of the two remaining named executive officers, David J. West was elected President of the Company on October 2, 2007 and Chief Executive Officer effective December 1, 2007, and J. P. Bilbrey was elected Senior Vice President, President Hershey North America on December 4, 2007.

The independent members of our Board of Directors also approved certain compensation for Mr. West, as well as the adoption or amendment of certain plans and agreements, on February 13, 2008, all as more fully described below.

Special Performance Stock Unit (PSU) Retention Award. The Committee approved a special contingent target award of PSUs ("special award") under our Equity and Incentive Compensation Plan ("Incentive Plan") for executive officers, including Mr. Bilbrey, who received contingent target PSUs for the 2007-2009 performance cycle, and recommended to the independent directors as a group that Mr. West receive a special award as he also was a recipient of PSUs for the 2007-2009 performance cycle. PSU awards are based upon a percentage of the named executive officer's base salary and are earned, if at all, upon the Company's achievement of certain performance objectives over the performance cycle. The special award was made to aid in retention of these executive officers as the potential retention value of the 2007-2009 PSUs is diminished in light of the Company's 2007 financial performance.

The special award creates a two-year, 2008-2009 performance cycle under which eligible executives received contingent target awards equal to two-thirds of the target value of the PSU award for the 2007-2009 performance cycle. The performance objective for the 2008-2009 performance cycle is the Company's two-year compound annual growth in absolute diluted earnings per share from operations measured against an internal target. The total performance score can range from a minimum of 0% to a maximum of 150%. Upon completion of the performance cycle, an award will be paid on the basis of the number of PSUs originally awarded to the executive, the Company's performance against the performance objectives for the cycle and the value per unit, which is determined at the conclusion of the cycle based upon the average of the daily closing prices of our Common Stock on the New York Stock Exchange in December of the final year of the cycle. To prevent the possible payment of a duplicate award to any executive under the 2007-2009 and 2008-2009 performance cycles, the amount of any PSUs earned by an executive under the 2007-2009 performance cycle will reduce the total PSUs earned by that executive under the 2008-2009 special award (but not below zero). Awards will

be paid only in shares of our Common Stock. The independent directors as a group approved the Committee's recommended contingent target PSU award for Mr. West on February 13, 2008.

As a condition to receiving the special award, Mr. Bilbrey and other executive officers (excluding Mr. West) will be required to sign an Executive Confidentiality and Restrictive Covenant Agreement ("ECRCA"), approved by the Board on February 13, 2008, prohibiting the executive from: (i) disclosing the Company's confidential information at any time during or following the executive's employment with the Company; (ii) competing with the Company in any geographic area in which the Company does business in the domestic and worldwide confectionery, snack, better-for-you, balanced nutrition and chocolate-related grocery products businesses at any time during the executive's employment with the Company and for a period of 12 months following termination of the executive's employment; and (iii) recruiting or soliciting the Company's employees, or disparaging the Company's reputation in any way, at any time during the executive's employment with the Company and for a period of 12 months following termination of the executive's employment. The ECRCA contains certain exceptions to these restrictions that are customary in agreements of this type. The ECRCA will be filed as an exhibit to our Quarterly Report on Form 10-Q for the first quarter of 2008.

Mr. West was not required to sign the ECRCA because he continues to be bound by the non-disclosure, non-competition, non-solicitation and non-disparagement provisions of the Amended and Restated Executive Employment Agreement ("Executive Employment Agreement") between him and the Company, dated as of October 2, 2007. Mr. West's Executive Employment Agreement will be filed as an exhibit to the Company's 2007 Annual Report on Form 10-K. Each of the executive officers (including Messrs. West and Bilbrey) also will continue to be bound by the terms of the Long-Term Incentive Program Participation Agreement, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on February 18, 2005.

Amendment to Executive Benefits Protection Plan (Group 3A). On February 13, 2008, our Board approved an amendment to the Company's Executive Benefits Protection Plan (Group 3A) ("Group 3A Plan") that would reduce the Lump-Sum Severance Payment payable to an eligible participant whose employment with the Company is terminated as the result of a Change in Control from three-times the sum of Annual Base Salary and Annual Incentive Pay to two-times the sum of Annual Base Salary and Annual Incentive Pay. Capitalized terms used herein shall have the meanings ascribed to them in the Group 3A Plan. The Group 3A Plan, Amended and Restated as of October 2, 2007, will be filed as an exhibit to the Company's 2007 Annual Report on Form 10-K. The Group 3A Plan containing the amendment described above will be filed as an exhibit to our Quarterly Report on Form 10-Q for the first quarter of 2008.

Amendment to Mr. West's Executive Employment Agreement. The Board and Mr. West agreed on February 13, 2008 to amend Mr. West's Executive Employment Agreement to conform the agreement to the changes to the Group 3A Plan described above. The amendment will be filed as an exhibit to our Quarterly Report on Form 10-Q for the first quarter of 2008.

At its meeting on February 12, 2008, the Committee also approved or recommended the following incentive compensation awards for executive officers:

2008 Annual Incentive Program (AIP) Target Awards. The Committee approved 2008 contingent target awards for our executive officers including Mr. Bilbrey, and recommended to the independent directors as a group a 2008 contingent target award for Mr. West, under the annual incentive program ("AIP") of the Incentive Plan. The final award, if any, will be calculated as the product of the executive officer's base salary, applicable target percentage and a corporate performance score reflecting the Company's achievement of certain growth objectives in 2008. These corporate growth objectives are based upon the Company's diluted earnings per share from operations (weighted 40%), consolidated net sales (weighted 40%) and free cash flow (weighted 20%). The target percentage of base salary used in the 2008 AIP contingent target award for Mr. Bilbrey is 65% and the target for Mr. West is 100%. The independent directors as a group approved the Committee's recommended 2008 AIP contingent target award for Mr. West on February 13, 2008.

Performance Stock Units (*PSUs) for the 2008-2010 Cycle.* The Committee also approved contingent target awards of PSUs under the Incentive Plan for our executive officers including Mr. Bilbrey, and recommended to the independent directors as a group a contingent target award of PSUs for Mr. West, for the 2008-2010 PSU performance cycle. The performance objectives for the 2008-2010 performance cycle are the Company's three-year compound annual growth in absolute diluted earnings per share from operations measured against an internal target and the Company's relative total stockholder return ("TSR") over the three-year cycle versus the three-year compound annual growth in TSR of a peer group of companies we identified in our 2007 proxy statement as the "financial peer group." The total performance score can range from a minimum of 0% to a maximum of 250% based upon each of the performance measurements having a 50% weighted value in the formula. Upon completion of the performance cycle, an award will be paid on the basis of the number of PSUs originally awarded to the executive, the Company's performance against the performance objectives for the cycle and the value per unit, which is determined at the conclusion of the cycle based upon the average of the daily closing prices of our Common Stock on the New York Stock Exchange in December of the final year of the cycle. Awards will be paid only in shares of our Common Stock. The independent directors as a group approved the Committee's recommended contingent target PSU award for Mr. West on February 13, 2008.

Stock Option Awards. The Committee approved stock option awards under the Incentive Plan for our executive officers other than Mr. West, and recommended to the independent directors as a group a stock option award to Mr. West, all such awards to be effective February 13, 2008. The independent directors as a group approved the grant of stock options to Mr. West on February 13, 2008. All such awards were made subject to the Incentive Plan and the Terms and Conditions of Nonqualified Stock Option Awards, which will be filed as an exhibit to the Company's 2007 Annual Report on Form 10-K.

Additional information regarding the compensation of the Company's executive officers will be provided in the Company's Proxy Statement for the 2008 Annual Meeting of Stockholders, which will be filed in March 2008.

Exhibit 10.3

CONFIDENTIAL AGREEMENT AND GENERAL RELEASE

This is a Confidential Agreement and General Release (hereinafter "Agreement") between **The Hershey Company** (hereinafter "the Company") and Thomas K. Hernquist (hereinafter "you"). The Company is presenting this Agreement to you on November 29, 2007. *You should talk to an attorney before you sign this Agreement because it affects your legal rights*.

1. Purpose of this Agreement.

You and the Company have mutually agreed to terminate your employment relationship with the Company. You and the Company are entering into this Agreement because you wish to receive benefits under Article 9 of the Company's Executive Benefits Protection Plan (Group 3A), receipt of which is conditioned upon the execution of a waiver and release acceptable to the Company.

2. Scope of this Agreement.

You agree that this Agreement applies to The Hershey Company and its past and present subsidiaries, divisions, affiliates, benefits plans and its and their agents, directors, officers, employees, representatives, successors and assigns (hereinafter collectively "the Company"). You also agree that you are entering into this Agreement knowingly and voluntarily on your own behalf and also on behalf of any heirs, agents, representatives, successors and assigns that you may have now or in the future.

3. Lump Sum Payment.

You will receive a lump sum payment in the amount of two times your current base salary, totaling $840,000. In addition, you shall receive a lump sum payment for any unused 2007 vacation days, excluding any carry-over days from 2006 or any prior year. These amounts will be paid on the date on which the Company makes its first payroll payment in January 2008.

4. Termination of Active Employment:Unpaid Leave of Absence.

Your period of active employment with the Company will end on December 31, 2007. It is intended that such termination will be a separation from service for purposes of Internal Revenue Code Section 409A, because, except for the consultation and transition assistance the Company might request of you under paragraph 6 below (which assistance will involve bona fide services at a level significantly less than 20% of the level of services you have been providing), it is not expected that you will return to perform services for the Company after December 31, 2007 or during the period beginning on January 1, 2008, and continuing until December 31, 2009 (hereinafter "Leave of Absence Period"). During this Leave of Absence Period, you shall be placed on an unpaid leave of absence and shall continue to receive the following employee benefits, in accordance with the terms and conditions of the applicable programs and plans as if you remained an active employee: the group insurance flex benefits you previously elected, except you are not eligible for short-term disability benefits or long-term disability benefits. Your participation in any group insurance flex benefits is contingent upon your payment to the Company of the applicable premium amount for an active employee at the E2 (or comparable successor) salary band. In addition, you will continue to participate during the Leave of Absence Period in the Annual Incentive Pay program of the Employee Incentive Compensation Plan (or any comparable successor plan applicable to a member of the Hershey Executive Team), and your target percentage will be that in effect prior to the beginning of the Leave of Absence Period. For purposes of determining the amount due hereunder, the applicable score shall be the Company's actual financial score for the payment received in 2008 based on 2007 performance, and for the payments received in 2009 based on 2008 performance and in 2010 based on 2009 performance, the applicable score shall be the Company's actual financial score up to a maximum payment of target (Exhibit A details this further). Financial scores shall be those determined by the Company in its sole discretion and made applicable to members of the Hershey Executive Team. These payments and the lump sum referenced in paragraph 3 above are referred to collectively as "Severance Benefits." A summary of these Severance Benefits and certain other benefit programs of the Company is set forth in the attached Exhibit A.

5. Termination of Employment and Officer Status.

As noted in paragraph 4 above, your active employment will cease irrevocably on December 31, 2007. At the end of the Leave of Absence Period on December 31, 2009, your employment with the Company will cease irrevocably and forever, and will not be resumed again at any point in the future. Your status as an elected or appointed officer of the Company will be terminated effective December 4, 2007, and your execution of this Agreement will constitute your resignation as an officer effective as of that date. In exchange for the Severance Benefits set forth in Exhibit A, you promise that you will not seek to be employed, reinstated or re-employed by the Company.

6. Consultation and Transition Assistance.

You have agreed to provide transition assistance and consultation during the period January 1, 2008 to December 31, 2008. You agree that you will provide such information, consultation and transition assistance as may be reasonably requested by the Company at times mutually agreed upon and which do not interfere with any future employment during this period. It is understood that such assistance shall only involve a level of services that is less than 20% of the average level of services you have provided to the company since January 1, 2005. The benefits provided under this Agreement constitute consideration for your performance of such services.

7. Severance Benefits and Other Benefits.

In addition to the Severance Benefits, you are entitled to certain other benefits (“Other Benefits”), all of which are set forth on Exhibit A, attached hereto and incorporated herein by this reference. By signing this Agreement, you agree that these Severance Benefits and Other Benefits are the only benefits that you are entitled to receive under the Executive Benefits Protection Plan (Group 3A), under any other benefits plans or by law. You agree that all payments or benefits paid to you under this Agreement are subject to withholding in accordance with applicable plan provisions, laws and regulations. In the event of a change in control during your leave of absence, no additional benefits would be due to you.

8. COBRA Rights.

Effective as of the end of your Leave of Absence Period, as required by the continuation coverage provisions of Section 4980B of the U. S. Internal Revenue Code of 1986, as amended (“the Code”), you shall be offered the opportunity to elect continuation coverage under the group medical plan of the Company (“COBRA coverage”). The Company shall provide you with the appropriate COBRA coverage notice and election form for this purpose. You shall notify the Company within two weeks of any change in circumstances that would warrant discontinuation of COBRA coverage and benefits (including but not limited to your receipt of group medical and dental benefits from any other employer). The existence and duration of your rights and/or the COBRA rights of any of your eligible dependents shall be determined in accordance with Section 4980B of the Code.

9. General Release.

In exchange for the Severance Benefits and Other Benefits, you agree to release and hereby do release the Company from all claims, demands, actions or liabilities you may have against the Company of whatever kind including, but not limited to, those that are related to your employment by the Company, the termination of that employment, your eligibility for other benefits under non-vested benefits plans and/or claims for attorneys’ fees, except that you do not waive any claims which you are unable to waive under applicable law.

You agree that this General Release covers, but is not limited to, claims arising from the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Americans with Disabilities Act, the Rehabilitation Act of 1973 and any other federal, state or local law dealing with discrimination in employment including, but not limited to, discrimination based on sex, sexual orientation, race, national origin, religion, disability, veteran status or age. You also agree that this General Release covers claims arising from the Family and Medical Leave Act of 1993 and any state or local law dealing with leave time or wages and hours of work. You also agree that this General Release covers, but is not limited to, claims based on theories of contract or tort, whether based on common law or otherwise.

This General Release covers both claims you know about and those you may not know about which accrued by the time you sign this General Release. In this regard, you agree to waive all rights that any state or local law may provide with respect to a general release of unknown claims.

You agree to pay all costs, damages, expenses and attorneys' fees incurred by the Company in successfully defending against any lawsuit or administrative proceeding you bring to contest the validity of this Agreement or asserting any of the claims covered by this General Release.

You hereby agree and acknowledge that you are not entitled to receive, and the Company would not have granted you, the Severance Benefits and Other Benefits without release of each and every claim covered by this General Release. You agree that, if you file a lawsuit asserting any of the claims covered by the General Release, the Company will be entitled to a set-off against any judgment you obtain against the Company. You also agree that the appropriate amount of any such set-off in a lawsuit or administrative proceeding asserting any one or more of the claims covered by the General Release is the entire amount of Severance Benefits.

You waive your right to file any charge or complaint against the Company arising out of your employment or separation from employment with any federal, state or local court or any state or local administrative agency, except where such waivers are prohibited by law. This Agreement, however, does not prevent you from filing a charge with the Equal Employment Opportunity Commission, any other government agency, concerning claims of discrimination, although you waive the right to recover any damages or other relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other federal, state or local agency under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964 as amended, the Americans with Disabilities Act, or any other federal or state discrimination law, except where such waivers are prohibited by law.

You represent and affirm that you have not filed or caused to be filed, and are not presently a party to, any claim, complaint, or action against the Company in any forum or form. You further affirm and represent that you have no known workplace injuries.

10. Confidentiality.

(a) Confidentiality of Proprietary Information and/or Trade Secrets.

In exchange for the Severance Benefits and Other Benefits, you agree not to disclose, use to your benefit or use to the benefit of any other person or entity any confidential information, proprietary information and/or trade secrets to which you had access during your employment by the Company. This includes, but is not limited to, formulas, trade secrets, manufacturing processes, customer lists, marketing strategies, financial information and business data not generally known to the public. You agree that disclosure of such information by you in violation of this paragraph 10(a) would cause so much injury to the Company that money alone could not fully compensate the Company. You also agree that the Company would be entitled to recover money from you if you violate this paragraph 10(a).

(b) Confidentiality of the Terms of this Agreement.

The terms and conditions of this Agreement are confidential. You agree not to disclose the terms of this Agreement to anyone except immediate family members, your attorney and your financial and tax advisors. You further agree to inform these people that the Agreement is confidential and must not be disclosed to anyone else. The Company agrees not to disclose the terms of this Agreement to anyone except those persons who have a business need to know its contents or except as required by law. Either party may disclose the terms of this Agreement if compelled to do so by a court. However, the party so compelled (the "Disclosing Party") agrees to notify the other party immediately if anyone seeks to compel production of this Agreement or the Disclosing Party's testimony about this Agreement, and the Disclosing Party agrees to cooperate with the other party if the other party decides to oppose such effort. Any notice required by this paragraph 10(b) to be given to the other party shall be mailed by first class mail, postage prepaid, to the following address: if to the Company, to the address listed in paragraph 15, and if to you, to your address at 240 Eshelman Road, Lancaster, Pennsylvania 17601.

11. Creative Property.

You agree that all ideas, inventions, trade secrets, know-how, documents and data (hereinafter "Creative Property") developed either during, in connection with, or pursuant to your employment by the Company are and will be the Company's exclusive property. You agree to provide all reasonable assistance to the Company in perfecting and maintaining its rights to the Creative Property. The Company shall have the right to use the Creative Property for any purpose without any additional compensation to you. This Agreement, however, does not prevent you from using your general business, management, financial, professional and/or scientific skills, techniques and abilities.

12. Mutual non-disparagement.

(a) The Parties agree that they will not make any statement that disparages or tends to disparage the other. The Parties also agree that they will not make any public statements to the media concerning the other, including any statements concerning the business objective, management practices or management personnel of the Company. The Parties agree that they will take no action that would cause the other embarrassment, humiliation or to be held in disrepute by the general public or by the Company's employees, suppliers or customers. For purposes of this Agreement, it would be considered disparagement for either party to make any statement to the effect that the other had violated any law or regulation, breached any statutory or contractual obligation, or had otherwise acted wrongfully in any manner in connection with your employment at the Company.

(b) Nothing in this paragraph 12 is intended to restrict you from describing your personal or professional reasons for seeking opportunities outside of Hershey in a non-disparaging manner; or from making other non-disparaging statements about Hershey.

13. Covenant Not To Compete.

In exchange for the Severance Benefits and Other Benefits, you agree that beginning on the date you execute this Agreement and continuing during the Leave of Absence Period: (a) you will not participate in recruiting or soliciting any Company employees; (b) you will not communicate to any person or entity regarding the nature, quality of work, special knowledge or personal characteristics of any person employed by the Company without the prior written consent of the Company's Senior Vice President, Chief People Officer (or successor having similar responsibilities within the Company); and (c) without the consent of the Company's Chief Executive Officer, who will consider and respond to any request within ten business days, you will not accept employment with or perform services for (1) The Wm. Wrigley Company or (2) any company that produces or sells cocoa-based products, including without limitation chocolate, cocoa-based snacks including confectionery, cocoa-based beverages or other products containing chocolate, cocoa or cocoa butter (the "Competitive Businesses"), provided that this provision shall not be violated by your accepting employment with or providing services to:

(i) a subsidiary, division or unit ("Group") of an entity that engages, directly or indirectly, in any of the Competitive Businesses, so long as the Group for which you work is not engaged in any of the Competitive Businesses, or

(ii) a parent company for which the gross revenue from Competitive Businesses constitutes less than 10% of the parent company's gross consolidated revenue for its most recently completed fiscal year, so long as you do not participate directly in such Competitive Business, or

(iii) an entity with annual gross revenue less than $50 million which does not sell confectionery and which has not more than 30% of its revenue from products that have either (a) cocoa, cocoa butter or chocolate as a primary ingredient or (b) cocoa or chocolate as the primary characterizing flavor.

14. Return of Company Property.

You agree to return to the Company all documents, business records in any form, manuals, handbooks, ID cards, keys, credit cards, computer disks or any other property of the Company, both tangible and intangible, that are in your possession, custody or control. If you do not return all Company property, in addition to any other rights it

may have under this Agreement or otherwise, the Company may withhold Severance Benefits and Other Benefits equal to the value of such Company property as determined in the sole judgment of the Company.

15. No Admission of Liability.

By making this Agreement, the Company does not admit that it has done anything wrong.

16. No Modification.

This Agreement constitutes the entire agreement between you and the Company, and it cannot be modified except in writing by both you and the Company.

17. Twenty-one (21) Days To Consider This Agreement.

You have up to twenty-one (21) calendar days to decide whether or not to sign this Agreement. You agree, if you decide not to take all that time, that your reasons for doing so are entirely personal and not due to any pressure by the Company.

18. Seven (7) Days To Revoke This Agreement.

You also may revoke this Agreement up to seven (7) calendar days after signing it. The Agreement will not be effective or enforceable until after this revocation period has expired. To revoke this Agreement, you must deliver written notice of the revocation to the Company by 5 p.m. on the seventh calendar day after you sign this Agreement to the following address: General Counsel's Office, The Hershey Company, 100 Crystal A Drive, Hershey, PA 17033-0810. You agree that, if you revoke this Agreement, it will not be effective or enforceable and you will not receive the Severance Benefits and Other Benefits.

19. Advice of Counsel.

You acknowledge that the Company has expressly advised you to seek the advice of an attorney before executing this Agreement and that you had adequate time to do so. You acknowledge that the decision to sign this Agreement is yours alone.

20. Severability and Interpretation.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. In case any part of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

21. Integration.

This Agreement, including the attached Exhibit A and Long Term Incentive Program Participation Agreement (other than paragraph 3 of such Long Term Incentive Participation Agreement), set forth the entire agreement between the parties and supersedes any and all prior agreements, arrangements, representations or warranties, whether expressed or implied, written or oral, that relate to the subject matter of this Agreement.

22. Governing Laws.

The provisions of this Agreement shall be construed, administered and enforced according to applicable federal law and, where appropriate, the laws of the Commonwealth of Pennsylvania without reference to its conflict of laws rules and without regard to any rule of any jurisdiction that would result in the application of the law of another jurisdiction. You expressly consent that: (a) any action or proceeding relating to this Agreement will only be brought in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (b) any such action or proceeding will be heard without a jury. You expressly waive the right to bring any such action in any other jurisdiction and to have such action heard before a jury.

BY SIGNING BELOW, YOU CERTIFY THAT YOU HAVE READ THIS AGREEMENT, THAT YOU KNOW AND UNDERSTAND THE MEANING AND INTENT OF THIS AGREEMENT AND THAT YOU ARE ENTERING THIS AGREEMENT KNOWINGLY AND VOLUNTARILY.

EMPLOYEE	**THE HERSHEY COMPANY**
By: */s/ Thomas K. Hernquist* Thomas K. Hernquist	By: */s/ Burton H. Snyder*
Date: November 29, 2007	Date: November 29, 2007

EXHIBIT A

Thomas K. Hernquist

Lump sum payment	Lump sum payment of 2 times current base salary ($840,000) Unused 2007 vacation, if any (no payment for carry-over vacation from prior years, and vacation for subsequent years does not accrue) • Will be paid with first payroll period of 2008
Status	• Cease to be an officer of the Company December 4, 2007 • Termination of employment and separation from service as defined under Section 409A occurs on December 31, 2007 • Available for consultation to ensure smooth transition January 1, 2008 through December 31, 2008 • Unpaid leave of absence January 1, 2008 through December 31, 2009
AIP	Will participate in AIP through the end of the unpaid leave of absence period. During the unpaid leave of absence period, AIP is determined as the lower of actual financial results or target bonus • 2007 based on actual financial results • 2008 range from $0 - $294,000, based on actual financial results but not exceeding $294,000 • 2009 range from $0 - $294,000, based on actual financial results but not exceeding $294,000 • For clarity, a financial result of 100% of target or higher would result in a payment of $294,000. The payout for a financial result below target would be the percentage approved by the Compensation Committee for members of the Hershey Executive Team (this is more accurate than the way it was written, as this puts Tom in the same position for bonuses below target as if he were a continuing employee.)
Benefits	• Health and welfare benefits including medical, dental and vision coverage will remain in effect as elected until December 31, 2009, the end of the leave of absence period. You will pay the active rate based on the E2 salary band by personal check • Short-term disability and long term disability benefits will not continue during the leave of absence period
COBRA Continuation	Will have the option to elect COBRA continuation for benefits at the end of the leave of absence period.
401(k) and pension	Benefit accruals cease upon separation from service, December 31, 2007
SERP	Benefit forfeited; did not meet age 55 vesting requirement
CLRP	Will be eligible for the Compensation Limit Replacement Plan (CLRP), calculated based on accruals up to December 31, 2007, with no accruals thereafter. The CLRP provides retirement benefits on pensionable earnings that exceed the IRS compensation limit under the Hershey Retirement Account, which was $225,000 in 2007. The CLRP amount will be paid no later than August 1, 2008 with interest at the applicable rate under the CLRP from December 31, 2007 until paid.

Deferred Compensation	Subject to deferral elections, if any. Change in deferral election permissible under 409A transition rules in accordance with Company procedures.
LTIP	PSU cycle 2003 – 2005 Will be fully vested on 12/31/08 via the leave of absence 2005 – 2007 Payout, if any, will be determined after February 2008 Board meeting, based on company performance as determined by Board 2006 – 2008 Based on company performance, this cycle is not expected to have a payout. Not eligible. 2007 – 2009 Not eligible. 2008 – 2010 Not eligible. **Stock option portion** • Existing stock options continue to vest and be available for exercise through the leave period of absence period, 12/31/09 • Will not receive a 2008 award or future awards
RSUs	<u>Vesting Date</u> <u>RSUs</u> 6/16/08 1,250 2/28/08 2,500 2/28/09 2,500 All above will vest through the leave of absence period.
Outplacement Assistance	Will be provided in accordance with Company practices
Financial Counseling and Tax Preparation	Will be provided through the leave of absence period at the same level as made available to active employees at the E2 salary grade

Exhibit 10.4

THE HERSHEY COMPANY
EXECUTIVE BENEFITS PROTECTION PLAN
(GROUP 3A)
Amended and Restated as of October 2, 2007

The Hershey Company Executive Benefits Protection Plan (Group 3A), as set forth herein, is intended to help attract and retain qualified management employees and maintain a stable work environment by making provision for the protection of covered employees in connection with a Change in Control or termination of employment under certain circumstances as set forth herein. The Plan is an amendment to and restatement (as amended) of The Hershey Company Executive Benefits Protection Plan (Group 3A), which was last amended and restated effective December 29, 2006.

ARTICLE 1
DEFINITIONS

As hereinafter used, the following words shall have the meanings set forth below.

1.1 Annual Base Salary means with respect to an Executive the higher of:

1.1.1 his or her highest annual base salary in effect during the one (1) year period preceding a Change in Control; or

1.1.2 his or her highest annual base salary in effect during the one (1) year period preceding his or her Date of Termination.

For purposes of the foregoing, salary reduction elections pursuant to Code sections 125 and 401(k) shall not be taken into account.

1.2 Annual Incentive Pay means with respect to an Executive the higher of:

1.2.1 the highest Incentive Pay paid or payable, including any Incentive Pay or portion thereof which has been earned but deferred, to him or her by the Company in any of the three fiscal years (or such shorter period during which he or she has been employed by the Company or eligible to receive any Incentive Pay payment) 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 he or she has been employed by the Company or eligible to receive Incentive Pay for less than twelve full months); or

1.2.2 his or her 100% target Incentive Pay award amount payable for the year in which his or her Date of Termination occurs.

1.3 Base Amount shall have the meaning ascribed to such term in Code section 280G(b)(3).

1.4 Board means the Board of Directors of the Company.

1.5 Cause means with respect to an Executive:

1.5.1 his or her willful and continued failure to substantially perform his or her 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 him or her 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 his or her duties; or

1.5.2 his or her willfully engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this Section 1.5, no act or failure to act, on the part of an Executive, shall be considered willful unless it is done, or omitted to be done, by him or her in bad faith and without reasonable belief that his or her 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 instruction or with the approval of the Chief Executive Officer or an Executive's superior, or based upon the advice of counsel for the Company (provided such approval, instruction, or advice of counsel is made by or from someone other than the Executive), 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 an Executive shall not be deemed to be for Cause unless and until there shall have been delivered to him or her 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 the provision of reasonable notice to him or her and after he or she has been heard before the Board, or has been given a reasonable opportunity to be heard but declined to do so, together with counsel (if he or she chooses)), finding that, in the good faith opinion of the Board, he or she is guilty of the conduct described in Section 1.5.1 or 1.5.2 above, and specifying the particulars thereof in detail.

1.6 Change in Control means:

1.6.1 individuals who, on April 18, 2006, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a Director subsequent to April 18, 2006, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as nominee for Director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest (as described in Rule 14a-12(c) under the Securities Exchange Act of 1934 (the "Exchange Act"))

("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any person (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) ("Person") other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; and provided further, however, that a Director who has been approved by the Hershey Trust while it beneficially owns more than 50% of 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") shall be deemed to be an Incumbent Director;

1.6.2 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 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 by any Subsidiary for the benefit of the Company and/or its employees or those of a Subsidiary; (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary; (iv) the Company or any Subsidiary or (v) any underwriter temporarily holding securities pursuant to an offering of such securities;

1.6.3 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 eligible to elect directors of (x) the surviving entity or entities (the "Surviving Corporation") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of more than 50% of the combined voting power of the then outstanding voting securities eligible to elect directors of the Surviving Corporation; or

1.6.4 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 (the "Acquiring Corporation") if, following consummation of such sale or other disposition, the Hershey Trust beneficially owns more than 50% of the total voting power of all outstanding voting securities eligible to elect directors (x) of the Acquiring Corporation or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of more than 50% of the combined voting power of the then outstanding voting securities eligible to elect directors of the Acquiring Corporation, or (ii) a liquidation or dissolution of the Company.

1.7 Change in Control Event means a Change in Control Event as defined under Code section 409A and applicable guidance thereunder.

1.8 CLRP means The Hershey Company Compensation Limit Replacement Plan and any successor or replacement plan thereof.

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

1.10 Committee means the Compensation and Executive Organization Committee of the Board or any successor committee having similar authority.

1.11 Company means The Hershey Company, a Delaware corporation.

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

1.13 Date of Termination has the meaning assigned to such term in Section 4.2 or 4.3.

1.14 DB SERP means The Hershey Company Amended and Restated (2007) Supplemental Executive Retirement Plan and any successor or replacement plan thereof.

1.15 DC SERP means the Defined Contribution Supplemental Executive Retirement Plan benefit of The Hershey Company Deferred Compensation Plan.

1.16 Deferred Compensation Plan means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

1.17 Director means a member of the Board.

1.18 Disability means the long-term disability of the Executive determined in accordance with the terms set forth in the Company's long-term disability plan (the "LTD Plan") (regardless of whether the Executive is covered by the LTD Plan; except that with respect to an Executive who is covered by the LTD Plan, a determination that the Executive does not meet the definition of disability under the LTD Plan will mean that the Executive does not meet the definition of disability under this Plan).

1.19 Effective Date means October 2, 2007.

1.20 EICP means The Hershey Company Equity and Incentive Compensation Plan (formerly known as the Hershey Foods Corporation Key Employee Incentive Plan) and any successor or replacement plan thereof.

1.21 Excise Tax means any excise tax imposed under Code section 4999.

1.22 Executive means an individual designated by the Committee, in its sole discretion, as eligible for coverage under the Plan.

1.23 Good Reason means with respect to an Executive:

1.23.1(i) the assignment to him or her of any duties inconsistent in any respect with his or her position, authority, duties or responsibilities immediately prior to either the Potential Change in Control preceding the Change in Control or the Change in Control, or (ii) any other action by the Company, which assignment or other action results in a material diminution in any respect in his or her position, authority, duties or responsibilities;

1.23.2 a material diminution by the Company in his or her annual base salary as in effect, as applicable, on the Effective Date or as the same may be increased from time to time, or on the date he or she first becomes an Executive if he or she was not an Executive on the Effective Date or as the same may be increased from time to time;

1.23.3 the failure by the Company, without his or her consent, to pay to him or her any portion of his or her current compensation (including, but not limited to, current salary and employee benefits), or to pay to him or her any portion of an installment of deferred compensation under any deferred compensation program of the Company, provided that any such failures, in the aggregate, result in a material negative change in the Executive's compensation;

1.23.4 the failure by the Company to continue in effect any compensation plan in which he or she participates immediately prior to either the Potential Change in Control preceding the Change in Control or the Change in Control which is material to his or her total compensation, including but not limited to the EICP (other than with respect to any contingent PSU grant that is outstanding as of the date of the Change in Control), the CLRP, and the DB SERP, as applicable, or any substitute or alternative plans adopted prior to either such Potential Change in Control or Change in Control, (unless (a) an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or (b) the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) is on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his or her participation relative to other participants, as existed at the time of such Potential Change in Control or Change in Control), and provided that any such failures, in the aggregate, result in a material negative change in the Executive's compensation;

1.23.5 the failure by the Company to continue to provide him or her with benefits substantially similar to those enjoyed by him or her under any of the Company's pension, life insurance, medical, health and accident, disability, vacation pay or other welfare or fringe benefit plans or arrangements in which he or she was participating at the time of either the Potential Change in Control preceding the Change in Control or the Change in Control, provided that any such failures, in the aggregate, result in a material negative change in the Executive's compensation;

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

1.23.7 any material failure by the Company to comply with and satisfy any of its obligations under any grantor trust established by the Company to provide itself with a source of funds to assist itself in satisfying its liabilities under this Plan after (a) a Change in Control described in one of the following: Section 1.6.1, Section 1.6.4(ii), or Section 1.6.4(i) other than a sale or other disposition to a corporation; (b) a Change in Control described in Section 1.6.2 if during the Coverage Period, Incumbent Directors, as described in Section 1.6.1, cease for any reason to constitute at least a majority of the Board; (c) a Change in Control described in Section 1.6.3 if, at any time during the Coverage Period, Incumbent Directors, as described in Section 1.6.1, do not constitute at least a majority of the board of directors of the Surviving Corporation; or (d) a Change in Control described in clause (i) of Section 1.6.4 involving a sale or other disposition to a corporation if, at any time during the Coverage Period, Incumbent Directors, as described in Section 1.6.1, do not constitute at least a majority of the board of directors of such corporation; provided further, that any such failures, in the aggregate, result in a material negative change in the Executive's compensation.

To qualify as a Good Reason under the Plan, any of the conditions listed above in this Section 1.23 must be followed by a termination of employment within two years of the initial existence of the Good Reason, and the notice requirements of Section 4.1 must be satisfied. For purposes of this Plan, any good faith determination of Good Reason (including the corresponding determination of "materiality") made by the Executive shall be conclusive; provided that such determination satisfies the materiality requirement under Treasury Regulations §1.409A-1(n)(2)(i), any successor thereto and other applicable guidance.

1.24 Hershey Pension Plan means The Hershey Company Retirement Plan and any successor or replacement plan thereof.

1.25 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.

1.26 Incentive Pay means incentive payments awarded under the EICP from the Company's Annual Incentive Program, Sales Incentive Program and any similar, successor or replacement program under the EICP.

1.27 Incumbent Director has the meaning assigned to such term in Section 1.6.1.

1.28 Key Employee means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined under Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under

Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Plan Administrator.

1.29 Mandatory Retirement Age means age sixty-five (65) in the case of an Executive who has served for a minimum of two (2) years at a high level executive or high policy-making position and who is entitled to a non-forfeitable, immediate, annual employer-provided retirement benefit from any source, which is at least equal to a benefit, computed as a life annuity, of at least $44,000 per year (or such other amount as may be provided by future legislation). In the case of all other Executives, there shall be no Mandatory Retirement Age.

1.30 Notice of Intent to Terminate shall have the meaning assigned to such term in Section 4.1.

1.31 Plan means The Hershey Company Executive Benefits Protection Plan (Group 3A), as set forth herein, as amended from time to time.

1.32 Plan Administrator means the Company's Senior Vice President, Chief People Officer (or other officer of the Company holding a successor position in the Company having the same or substantially similar organizational responsibilities).

1.33 Potential Change in Control means the occurrence of any of the following:

1.33.1 The Hershey Trust by action of: (i) the Board of Directors of Hershey Trust Company; (ii) the Board of Managers of Milton Hershey School; (iii) the Investment Committee of the Hershey Trust; and/or (iv) any officer or officers of Hershey Trust Company or Milton Hershey School (acting with authority), undertakes consideration of any action the taking of which would lead to a Change in Control as defined herein, including, but not limited to consideration of (1) an offer made to the Hershey Trust to purchase any number of its shares in the Company such that if the Hershey Trust accepted such offer and sold such number of shares in the Company the Hershey Trust might no longer have more than 50% of the Outstanding Company Voting Power, (2) an offering by the Hershey Trust of any number of its shares in the Company for sale such that if such sale were consummated the Hershey Trust might no longer have more than 50% of the Outstanding Company Voting Power, or (3) entering into any agreement or understanding with a person or entity that would lead to a Change in Control; or

1.33.2 The Board approves a transaction described in Section 1.6.2, 1.6.3 or 1.6.4 of the definition of a Change in Control contained herein.

1.34 Separation from Service or Separates from Service means a "separation from service" within the meaning of Code section 409A.

1.35 Severance Benefits has the meaning assigned to such term in Section 3.2.

1.36 Severance Period means the period beginning on the Executive's Date of Termination and continuing for 36 months, or, if less, the number of months until the Executive would reach his or her Mandatory Retirement Age, if applicable, but not less than 12 months.

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

1.38 The 401(k) Plan means The Hershey Company 401(k) Plan and any successor or replacement plan thereof.

1.39 Vested Current Incentive Pay Amount shall have the meaning assigned to such term in Section 2.1.

1.40 Vested Current PSU Amount shall have the meaning assigned to such term in Section 2.2.

1.41 Vested DB SERP Benefit shall have the meaning assigned to such term in Section 2.3.

ARTICLE 2
VESTING OR PAYMENT OF CERTAIN BENEFITS
IN THE EVENT OF A CHANGE IN CONTROL

2.1 Vesting of Incentive Pay Benefits; Payment of Benefits. Upon the occurrence of a Change in Control:

2.1.1 each Executive shall have a vested and non-forfeitable right hereunder to receive a lump sum cash payment (as specified in Section 2.1.2) with respect to each Incentive Pay award for which the award's performance period has begun but not ended as of the date of the Change in Control equal to the greater of (x) the amount of the Executive's 100% target Incentive Pay award, and (y) the amount that would have been payable to him or her under the Incentive Pay award calculated using his or her and the Company's annualized actual performance as of the date of the Change in Control (the greater of (x) and (y) is herein referred to as the "Vested Current Incentive Pay Amount"); and

2.1.2 the Company shall, within sixty (60) days following the Change in Control, pay to each Executive a lump sum cash payment equal to his or her Vested Current Incentive Pay Amount.

2.2 Vesting of PSU Benefits; Payment of Benefits. Upon the occurrence of a Change in Control and Change in Control Event:

2.2.1 each Executive shall have a vested and non-forfeitable right hereunder to receive in cash (as specified in Section 2.2.2) an amount equal to the target Performance Stock

Unit ("PSU") grant, if any, made to him or her under the EICP for the cycle ending in the year of the Change in Control, determined as the greater of (x) the amount of the Executive's 100% target PSU grant and (y) the PSU grant amount that would have been payable to him or her at the end of such grant cycle based on the Company's actual performance through the date of the Change in Control (as if the same level of Company performance continued throughout the remainder of the cycle); plus, if applicable, the PSU grant amounts from any other cycle that was completed prior to the Change in Control for which (i) payment has not been made or (ii) an election to defer such PSUs has been made, but such amounts have not been credited to the Executive's PSU Award Sub-Account under the Deferred Compensation Plan, in each case valued at the higher of (a) 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 (b) 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 (the higher of (a) and (b) is herein referred to as the "Transaction Value") (the greater of (x) and (y) is herein referred to as the "Vested Current PSU Amount"); and

2.2.2 the Company shall, within sixty (60) days following the Change in Control Event, pay to each Executive a lump sum cash payment equal to his or her Vested Current PSU Amount, increased for any dividends that would be otherwise payable on the PSUs following the Change in Control Event but prior to the distribution date under this Section 2.2.2.

2.3 Vested DB SERP Benefit. Upon the occurrence of a Change in Control each Executive who either is a participant in the DB SERP on the date of the Change in Control or was a participant in the DB SERP on the date of the Potential Change in Control preceding the Change in Control shall be fully vested under the DB SERP (such vested benefit is hereinafter referred to as "Vested DB SERP Benefit"). If such an Executive has not attained age fifty-five (55) as of his or her Date of Termination, the Executive shall be treated as being eligible for the "Early Retirement Benefit" as set forth in Section 4 of the DB SERP; provided, however, the reduction factor prescribed in Section 4 of the DB SERP shall still be given effect in calculating his or her Vested DB SERP Benefit, provided that (i) for an Executive (other than the Chief Executive Officer of the Company) who has not yet attained age fifty (50) as of the Executive's Date of Termination, the reduction factor in Section 4 of the DB SERP shall be based on the number of complete calendar months by which the Date of Termination precedes the Executive's fifty-second (52nd) birthday, and (ii) for an Executive (other than the Chief Executive Officer of the Company) who has attained age fifty (50) as of the Executive's Date of Termination, the reduction factor in Section 4 of the DB SERP shall be zero percent (0%).

An Executive's Vested DB SERP Benefit shall be payable in accordance with the DB SERP, but the actuarial present value of such Executive's Vested DB SERP Benefit, taking into account the foregoing provisions, shall be determined using: (i) the mortality table described in the DB SERP; (ii) an interest rate equal to the "Lump Sum Interest Rate," as defined in the DB SERP, as of the Executive's Date of Termination; (iii) the Executive's Date of Termination as the date on which payment of the Executive's Vested DB SERP Benefit is to commence being paid and as the date as on which the actuarial present value of such Vested DB SERP Benefit is calculated; and (iv) the actual age of the Executive and his or her spouse as of the Executive's Date of Termination.

2.4 Vested Deferred Compensation Plan Benefit. Upon the occurrence of a Change in Control, each Executive who either is a participant in the Deferred Compensation Plan on the date of the Change in Control or was a participant in the Deferred Compensation Plan on the date of the Potential Change in Control preceding the Change in Control shall be fully vested in all benefits payable under the Deferred Compensation Plan.

2.5 Vested CLRP Benefit. Upon the occurrence of a Change in Control, each Executive who either is a participant in the Hershey Pension Plan on the date of the Change in Control or was a participant in the Hershey Pension Plan on the date of the Potential Change in Control preceding the Change in Control shall be fully vested in his or her benefit, if any, under the CLRP.

2.6 Vested 401(k) Plan Accounts. Upon the occurrence of a Change in Control, each Executive who either is a participant in The 401(k) Plan on the date of the Change in Control or was a participant in The 401(k) Plan on the date of the Potential Change in Control preceding the Change in Control shall be fully vested in all of his or her accounts under The 401(k) Plan.

2.7 DB SERP, CLRP, or Deferred Compensation Plan Amendments. Notwithstanding any provision of the DB SERP, CLRP, or Deferred Compensation Plan, none of the DB SERP, CLRP, or Deferred Compensation Plan may be terminated or amended in any manner that is adverse to the interests of any Executive without his or her consent 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. In addition, any termination or amendment of the DB SERP, CLRP, or Deferred Compensation Plan in a manner adverse to the interests of an Executive within one (1) year prior to a Potential Change in Control shall not be given effect for purposes of determining benefits under this Plan.

2.8 Other PSU Grants Outstanding as of the Date of a Change in Control. An Executive shall have a vested and non-forfeitable right hereunder to receive a lump sum cash payment with respect to each PSU grant cycle that has begun but not ended as of the occurrence of both a Change in Control and Change in Control Event (and that is not otherwise paid out in whole or in part in accordance with the terms of Section 2.2) in an amount equal to the product of (x) and (y), where (x) is an amount equal to the 100% target PSU grant for each such cycle valued at the higher of (i) the Transaction Value and (ii) the highest closing price of the Company’s Common Stock on the New York Stock Exchange from the date of the Change in Control until the earlier of the end of the applicable grant cycle or the Executive’s Separation from Service, and (y) is 100%, unless the Change in Control occurs within the first year of the applicable grant cycle, in which case, (y) is a fraction the numerator of which is the number of days from and including the first day of the applicable grant cycle until (and including) the date of the Change in Control or the Change in Control Event (whichever is later) and the denominator of which is the number of days in the applicable grant cycle; and such product is increased for any dividends that would be otherwise payable on the PSUs following the Change

in Control but prior to the distribution date under this Section 2.8. The payment provided for in this Section 2.8 with respect to each such PSU grant cycle shall be made to an Executive in a lump sum by the sixtieth (60th) day following the earlier of: (a) the last day of the applicable grant cycle, and (b) the Executive's Separation from Service. Notwithstanding the foregoing, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payment upon a Key Employee's Separation from Service under this Section 2.8 shall be made in the seventh month following the date of such Separation from Service (or, if earlier, the month after the Key Employee's death).

ARTICLE 3
EXECUTIVE BENEFITS AND RIGHTS
UPON TERMINATION OF EMPLOYMENT

3.1 General Termination Rights and Benefits. If an Executive's employment at the Company is terminated at any time after a Change in Control for any reason (whether by him or her or the Company), the Company shall pay to him or her payments described in Sections 3.1.1 through 3.1.5 below.

3.1.1 Previously Earned Salary. The Company shall pay his or her full salary to him or her through his or her Date of Termination at the highest rate in effect during the period between (a) the Potential Change in Control (if any) preceding the Change in Control or the Change in Control (if no Potential Change in Control occurs), and (b) the date the Notice of Intent to Terminate is given, together with all compensation and benefits payable to him or her through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.1.2 Previously Earned Benefits. The Company shall pay his or her normal post-termination compensation and benefits to him or her 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.

3.1.3 Payment of Vested Current Incentive Pay Amount. Except to the extent that the Company has previously paid or concurrently pays to him or her all or a portion of his or her Vested Current Incentive Pay Amount pursuant to Section 2.1, Section 3.1.1 or Section 3.1.2, the Company shall pay to him or her a lump sum cash payment equal to his or her Vested Current Incentive Pay Amount.

3.1.4 Payment of Vested Current PSU Amount. Except to the extent that the Company has previously paid or concurrently pays to him or her all or a portion of his or her Vested Current PSU Amount pursuant to Section 2.2, Section 3.1.1 or Section 3.1.2, the Company shall pay to him or her a lump sum cash payment equal to his or her Vested Current PSU Amount.

3.1.5 Hershey Pension Plan and The 401(k) Plan. In the event that any amount under the Hershey Pension Plan and/or The 401(k) Plan which vests pursuant to Sections 2.5 and/or 2.6, respectively, cannot be paid to the Executive under the terms of the applicable plan, the Company shall pay such amount to the Executive under the terms of this Plan.

3.2 Severance Benefits. In addition to the payments provided for by Section 3.1, the Company shall pay or provide to an Executive the payments, benefits, and services described in Sections 3.2.1 through 3.2.5 below (the "Severance Benefits") in accordance with such Sections upon termination of his or her employment with the Company during the Coverage Period, unless such termination is (a) by the Company for Cause, (b) by reason of his or her death or Disability or after his or her Mandatory Retirement Age, if applicable, or (c) by him or her without Good Reason.

3.2.1 Lump-Sum Severance Payment. In lieu of any further salary payments to him or her for periods subsequent to the Date of Termination, the Company shall pay to him or her a lump-sum severance payment, in cash, equal to the number of years (including fractions) in the Executive's Severance Period times the sum of (a) and (b), where (a) equals his or her Annual Base Salary, and (b) equals his or her Annual Incentive Pay.

3.2.2 Continued Welfare Benefits. During the Executive's Severance Period, the Company shall provide him or her with continued welfare benefits (including group term life insurance, and health and other welfare benefits, but excluding long-term and short-term disability benefits) (the benefits to be provided hereunder referred to collectively as "Welfare Benefits") that are substantially similar in all respects to those which he or she was receiving immediately prior to the Notice of Intent to Terminate on substantially the same terms and conditions, including contributions required from him or her for such benefits (without giving effect to any reduction in such benefits (e.g., increasing the contributions required from the Executive) 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); provided that if he or she cannot continue to participate in the Company plans providing Welfare Benefits, the Company shall otherwise provide such benefits on the same after-tax basis as if continued participation had been permitted. The Executive shall be entitled to elect to change his or her level of coverage and/or his or her 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 him or her to the same extent that actively employed executives of the Company are permitted to make such changes; provided, however, that in the event of any such changes he or she shall pay the amount of any cost increase that would actually be paid by an actively employed executive of the Company by reason of such actively employed executive making the same change in level of coverage or coverage options. Notwithstanding the foregoing, in the event that the Executive becomes reemployed with another employer and becomes eligible to receive welfare benefits from such employer, the Welfare Benefits described herein shall be secondary to such benefits, but only to the extent that the Company reimburses him or her for any increased cost and provides any additional benefits necessary to give him or her benefits at the same level as the Welfare Benefits provided hereunder.

To the extent the continuation of the Welfare Benefits under this Section 3.2.2 is, or ever becomes, taxable to the Executive, and to the extent the Welfare Benefits continue beyond the period in which the Executive would be entitled (or would, but for this Plan, be entitled) to continuation coverage under a group health plan of the Company under Code section 4980B (COBRA) if the Executive elected such coverage and paid the applicable premiums, the Company shall administer such continuation of coverage consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

3.2.2.1 Executive's eligibility for Welfare Benefits in one year will not affect Executive's eligibility for Welfare Benefits in any other year (disregarding any limit on the amount of Welfare Benefits that may be reimbursed during such continuation period);

3.2.2.2 Any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and

3.2.2.3 Executive's right to Welfare Benefits is not subject to liquidation or exchange for another benefit.

In the event the preceding sentence applies, the Executive's applicable COBRA period lasts less than six (6) months and the Executive is a Key Employee, reimbursement for Welfare Benefits shall commence in the seventh month following the Executive's Separation from Service (or, if earlier, the month after the Executive's death).

3.2.3 Outstanding Awards. Except to the extent the Company has previously paid or concurrently pays to him or her all or a portion of his or her Vested Current Incentive Pay Amount as provided for herein, if an Executive's Date of Termination occurs within the Coverage Period, he or she shall be entitled to a lump sum cash payment with respect to each Incentive Pay award for which the award's performance period has begun but not ended as of the Executive's Date of Termination equal to the product of (x) and (y) for each such Incentive Pay award, where (x) is an amount equal to the greater of (A) the 100% target Incentive Pay award amount for the applicable award period, and (B) the amount that would have been payable to the Executive under such Incentive Pay award for the applicable award period, calculated using his or her and the Company's annualized actual performance as of his or her 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 until (and including) his or her Date of Termination, and the denominator of which is the number of days in such applicable award period.

3.2.4 Outplacement Services. If an Executive becomes eligible to receive Severance Benefits, such Executive shall be entitled to receive reasonable outplacement services in accordance with the Company's outplacement services policy (as in effect immediately prior to the Change in Control) until the earliest of: (a) one (1) year following the Executive's Separation from Service, (b) the date the Executive secures other full-time employment, or (c) the date the value of such reasonable outplacement services provided by the Company reaches $35,000. The reimbursement of the reasonable outplacement services set forth above shall be made to the Executive as soon as practicable, but in no event later than the end of the second year following the year the Executive Separates from Service.

3.2.5 Financial Counseling and Tax Preparation. If an Executive becomes eligible to receive Severance Benefits, such Executive shall be entitled to receive reimbursements for expenses incurred for financial counseling and tax preparation services under The Hershey Company Financial Counseling and Tax Preparation Services Program (hereinafter referred to as "Qualifying Expenses"), on a basis that is no less favorable than the manner in which such benefits were available to the Executive immediately prior to the Change in Control, for twenty-four (24) months following the Executive's Separation from Service. The Company shall reimburse the Executive directly or indirectly for Qualifying Expenses commencing in the seventh month following the Executive's Separation from Service and in the first month of each subsequent calendar quarter until the end of the twenty-four (24) month period referred to in the previous sentence. On the first date of reimbursement, the Company's payment will reimburse the Executive for all Qualifying Expenses that are incurred during the initial delay period immediately following his or her Separation from Service; thereafter, such reimbursements shall be in an amount equal to the Qualifying Expenses that are submitted to the Company during each subsequent quarterly period. For the purposes of this Section 3.2.5, the Committee in its sole discretion shall determine whether the expenses incurred by the Executive for financial counseling and tax preparation services constitute Qualifying Expenses.

Benefits under this Section 3.2.5 shall be administered consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv): (1) Executive's eligibility for benefits in one year will not affect Executive's eligibility for benefits in any other year; (2) any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and (3) Executive's right to benefits is not subject to liquidation or exchange for another benefit.

3.3 Enhanced Pension Benefits. In addition to payments provided for by Sections 3.1 and 3.2, the Company shall pay or provide to an Executive the benefits described in Sections 3.3.1 through 3.3.4 below in accordance with such Sections upon termination of his or her employment with the Company during the Coverage Period, unless such termination is (a) by the Company for Cause, (b) by reason of his or her death or Disability or after his or her Mandatory Retirement Age, if applicable, or (c) by him or her without Good Reason.

3.3.1 Enhanced DB SERP Benefit. For an Executive who continues to be a participant in the DB SERP as of his or her Date of Termination, such Executive shall receive in cash an amount equal to the increase in his or her Vested DB SERP Benefit, as a result of the additional credits set forth below (such vested benefit under this Section 3.3.1 is hereinafter referred to as "Enhanced DB SERP Benefit").

For purposes of determining such Executive's Enhanced DB SERP Benefit as of the date of his or her Date of Termination: (i) he or she shall be credited for all purposes under the DB SERP with additional Years of Service (as defined in the DB SERP) equal to the number of years (including fractions thereof) in the Executive's Severance Period; (ii) the provisions of

Section 2.3 regarding vesting and early retirement eligibility and reduction factors shall apply; (iii) he or she shall be deemed to have been paid his or her Annual Base Salary during his or her Severance Period which shall be considered to have been earned over such period of time during his or her last five (5) years of employment with the Company for purposes of calculating “Final Average Compensation” (as defined in the DB SERP); (iv) he or she shall be deemed to have been paid his or her Annual Incentive Pay during his or her Severance Period which, together with his or her Vested Current Incentive Pay Amount as determined pursuant to Section 2.1.1 shall be considered his or her Incentive Pay awards paid or accrued with respect to his or her Severance Period, which shall be considered part of his or her last five (5) years of employment with the Company for purposes of calculating “Final Average Compensation” (as defined in the DB SERP); and (v) for the purposes of determining “Final Average Compensation” and not for the purposes of any other provision of the DB SERP, in the event he or she has not participated in the Incentive Pay portion of the EICP (after taking into account the year during which the Change in Control occurs as to which he or she is entitled to his or her Vested Current Incentive Pay Amount plus the number of years with respect to which he or she is deemed to have been paid his or her Annual Incentive Pay as provided in this Section 3.3.1(v)) for three (3) consecutive years in his or her last five (5) years of employment with the Company, he or she shall have his or her highest annual average Incentive Pay award be based on the average of his or her Incentive Pay awards paid or accrued over the sum of the number of years preceding the year during which the Date of Termination occurs during which he or she has participated in the Incentive Pay portion of the EICP plus the number of years with respect to which he or she is deemed to have been paid his or her Annual Incentive Pay as provided in this Section 3.3.1(v) plus the year during which the Change in Control occurs with respect to which he or she is entitled to his or her Vested Current Incentive Pay Amount regardless of his or her actual years of participation in the Incentive Pay portion of the EICP at the time of his or her Date of Termination and regardless of the number of years such Executive has been employed by the Company as of the Date of Termination.

3.3.2 Enhanced DC SERP Benefit. Each Executive who is a participant in the DC SERP as of his or her Date of Termination shall receive in cash an amount equal to the applicable percentage rate under Section 6.2 of the Deferred Compensation Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid during the years (including fractions thereof) in the Executive’s Severance Period.

3.3.3 Alternative Enhanced DB Benefits. Each Executive who is not a participant in the DB SERP as of his or her Date of Termination shall have a vested and non-forfeitable right hereunder to receive in cash an amount equal to the amount determined under either Section 3.3.3.1 or 3.3.3.2, as applicable.

3.3.3.1 For an Executive who is a participant in the Hershey Pension Plan, a lump sum cash amount equal to the Basic Credit rate applicable to the Executive under the Hershey Pension Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid to the Executive for the number of years (including fractions thereof) in his or her Severance Period. For this purpose, the IRS limitations imposed under the Hershey Pension Plan shall not apply. Notwithstanding the foregoing, for purposes of

determining the lump sum cash amount payable under this Section 3.3.3.1 to an Executive who is a participant under the DC SERP, the Basic Credit rate applicable to amounts paid to the Executive in excess of the limitation under Code section 401(a)(17) shall equal three (3) percent; or

3.3.3.2 For an Executive who is not a participant in the Hershey Pension Plan, a lump sum cash amount equal to the Core Retirement Contribution rate in effect under The 401(k) Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid to the Executive for the number of years (including fractions thereof) in his or her Severance Period. For this purpose, the IRS limitations imposed under The 401(k) Plan shall not apply.

3.3.4 Enhanced Matching Contributions. Each Executive who is eligible to receive amounts under Section 3.3.1, 3.3.2, or 3.3.3 shall also receive in cash an amount equal to the Matching Contribution rate in effect under The 401(k) Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid to the Executive for the number of years (including fractions thereof) in his or her Severance Period. For this purpose, the IRS limitations imposed under The 401(k) Plan shall not apply.

3.4 Gross-Up Payment. In the event that an Executive becomes entitled to the Severance Benefits or any other benefits or payments under this Plan (other than pursuant to this Section 3.4), or under the EICP 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 him or her an additional amount (the “Gross-Up Payment”) such that the net amount retained by him or her, 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 3.4, shall be equal to the Total Benefits. Any Gross-Up Payment made to or on behalf of the Executive under this Section 3.4 shall be made in compliance with Code section 409A and by the end of the year following the year that the related taxes are remitted to the applicable taxing authority.

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 an Executive in connection with a Change in Control or his or her termination of employment (whether pursuant to the terms of this Plan or any other plan, arrangement or agreement 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 Code section 280G(b)(2), and all excess parachute payments within the meaning of Code 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, 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 Code section 280G(b)(4) 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 Code sections 280G(d)(3) and (4). For purposes of determining the amount of the Gross-Up Payment, an Executive shall be deemed to pay federal income taxes at the applicable rate for federal income tax withholding on supplemental wage payments in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the applicable rate for withholding taxes on supplemental wage payments in the state and locality of his or her 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 Code section 68 in the amount of itemized deductions allowable to him or her applies first to reduce the amount of such state and local income taxes that would otherwise be deductible by him or her).

In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of an 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 him or her in respect of such excess (plus any interest, penalties or additions payable by him or her with respect to such excess) at the time that the amount of such excess is finally determined.

3.5 Timing of Payments. The amounts payable under Sections 3.1.1, 3.1.3, 3.1.4, 3.1.5, 3.2.1, 3.2.3, and 3.3.4 and, as applicable, Sections 3.3.1, 3.3.2, or 3.3.3 shall be made to an Executive not later than the sixtieth (60th) day following his or her Date of Termination.

3.6 Reimbursement of Legal Costs. The Company shall pay to an Executive reasonable legal fees and expenses incurred by him or her as a result of a termination of his or her employment which may entitle him or her to any payments under Article 3 of the Plan to the extent that such fees and expenses, if any, are incurred (a) in contesting or disputing in good faith any right or benefit under Article 3 in connection with a Change in Control or any Notice of Intent to Terminate under Section 4.3, or (b) in connection with any tax audit or proceeding to the extent attributable to the application of Code section 4999 to any payment or benefit provided hereunder. Such payments shall be made within sixty (60) days after delivery of his or her respective written requests for payment accompanied by such evidence of fees and expenses incurred as the Company reasonably may require.

Benefits under this Section 3.6 shall be administered consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv): (1) Executive's eligibility for benefits in one year will not affect Executive's eligibility for benefits in any other year; (2) any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and (3) Executive's right to benefits is not subject to liquidation or exchange for another benefit. In the event the Executive is a Key Employee, reimbursement for benefits under this Section 3.6 shall commence in the seventh month following the Executive's Separation from Service (or, if earlier, the month after the Executive's death).

3.7 Executives' Covenant. The Company may condition the payment of the amounts and provision of the benefits described in Article 3 of the Plan to an Executive upon his or her providing to the Company a written agreement that, subject to the terms and conditions of this Plan, in the event of a Potential Change in Control, he or she will remain in the employ of the Company until the earliest of (a) a date which is nine months after the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of his or her termination of 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 his or her employment for any reason, or (e) his or her attaining age sixty-five (65). In the event of such future written agreement between the Company and the Executive, the benefits described in Article 3 of the Plan shall be provided in compliance with Code section 409A, as applicable.

ARTICLE 4
TERMINATION PROCEDURES AND
COMPENSATION DURING DISPUTE

4.1 Notice of Intent to Terminate. After a Change in Control, any purported termination of an Executive's employment (other than by reason of death) that may result in benefits under this Plan must be preceded by a written Notice of Intent to Terminate from him or her to the Company or the Company to him or her, as applicable, in accordance with Section 8.17. For purposes of this Plan, a Notice of Intent to Terminate shall mean a notice which shall indicate the notifying party's opinion regarding the specific provisions of this Plan 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 so 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 him or her, together with his or her counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, he or she was guilty of conduct set forth in Section 1.5.1 or 1.5.2 herein, and specifying the particulars thereof in detail.

In the case of a termination for Good Reason, the Executive must provide notice to the Company of the existence of the applicable condition described in Section 1.23 or 9.3 within ninety (90) days of the initial existence of the condition. The Company will then have a period of thirty (30) days during which it may remedy the condition in which case the Good Reason condition will no longer apply to the Executive for purposes of this Plan.

4.2 Date of Termination. Date of Termination, (a) with respect to any purported termination of an Executive's employment after a Change in Control, shall mean (except as provided in Section 4.3) (i) if his or her employment is terminated by reason of his or her death, the date of his or her death, (ii) if his or her employment is terminated for Disability, thirty (30) days after Notice of Intent to Terminate is given (provided that he or she shall not have returned to the full-time performance of his or her duties during such thirty (30) day period), or (iii) if his or her employment is terminated for any other reason, the date specified as the date of termination within the Notice of Intent to Terminate (which (x) 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 him or her to not report to work during such ten (10) day period, and (y) in the case of a termination by an 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), and (b) for purposes of Section 2.3 of this Plan and the definitions of the defined terms Annual Base Salary and Annual Incentive Pay as used in such Section 2.3, shall mean the date a Change in Control occurs.

4.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Intent to Terminate is given (within eight (8) days in the case of a termination for Cause by the Company), or, if later, prior to the Date of Termination (as determined without regard to this Section 4.3), the person receiving such Notice of Intent to Terminate notifies the person giving such notice that a dispute exists concerning the termination or the provisions of this Plan 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 to such dispute 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 person giving such notice pursues the resolution of such dispute with reasonable diligence; and provided, that the payment, if applicable, of any amount in dispute under this Section 4.3 shall be made as soon as practicable following the Date of Termination (as determined without regard to this Section 4.3), but in no event later than March 15 of the year following such date.

4.4 Compensation During Dispute. If a purported termination of an Executive's employment occurs following a Change in Control and such termination or the provisions of this Plan that apply upon such termination is disputed in accordance with Section 4.3 (including a dispute as to the existence of good faith and/or reasonable diligence thereunder), the Company shall continue to pay the Executive his or her Annual Base Salary and continue to provide to him or her the Welfare Benefits provided for in Section 3.2.2 until the dispute is finally resolved in accordance with Section 4.3. Notwithstanding the foregoing, payment of Annual Base Salary may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay shall be accumulated and paid in the seventh month following the Participant's Separation from Service (or, if earlier, the month after the Participant's death). Amounts paid under this Section 4.4 are in addition to all other amounts due under this Plan (other than those due under Section 3.1.1) and shall not be offset against or reduce any other amounts due under this Plan.

ARTICLE 5
PLAN ADMINISTRATION

5.1 Authority to Plan Administrator. The Plan shall be interpreted, administered and operated by the Plan Administrator, subject to the express provisions of the Plan.

5.2 Delegation of Duties. The Plan Administrator may delegate any of his or her duties hereunder to such person or persons from time to time as he or she may designate.

5.3 Engagement of Third Parties. The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as he or she deems necessary or advisable to assist him or her in the performance of his or her duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Company.

ARTICLE 6
CLAIMS

6.1 Claims Procedure. Claims for benefits under the Plan shall be filed with the Plan Administrator. If any Executive or other payee claims to be entitled to a benefit under the Plan and the Plan Administrator determines that such claim shall be denied in whole or in part, the Plan Administrator shall notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (a) specific reasons for the denial, (b) specific reference to pertinent Plan provisions, (c) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (d) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within ninety (90) days after the claim is received by the Plan Administrator. If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

6.2 Review Procedure. Within sixty (60) days after the date on which a person receives a written notice of a denied claim (or, if applicable, within sixty (60) days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (a) file a written request with the Plan Administrator for a review of his or her denied claim and of pertinent documents and (b) submit written issues and comments to the Plan Administrator. The Plan Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within sixty (60) days after the request for review is received by the Plan Administrator. If the decision on review is not made within such period, the claim will be considered denied.

6.3 Claims and Review Procedures Not Mandatory. The claims procedure and review procedure provided for in this Article 6 are provided for the use and benefit of Executives who may choose to use such procedures, but compliance with the provisions of this Article 6 is not mandatory for any Executive claiming benefits under the Plan. It shall not be necessary for any Executive to file a claim with the Plan Administrator or to exhaust the procedures and remedies provided for by this Article 6 prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which he or she claims entitlement hereunder.

ARTICLE 7
PLAN MODIFICATION OR TERMINATION

The Plan may be amended or terminated by resolution of the Board at any time; provided, however, that (a) the Plan may not be terminated or amended in a manner adverse to the interests of any Executive, without his or her consent (i) after a Potential Change in Control occurs and for one (1) year following the cessation of a Potential Change in Control, or (ii) for the two-year period following consummation of the transaction(s) resulting from or in the Change in Control; and (b) no termination of this Plan or amendment hereof in a manner adverse to the interests of any Executive, without his or her consent, 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 in Control or (ii) in connection with or in anticipation of a Change in Control or Potential Change in Control. For this purpose, the cessation of a Potential Change in Control occurs if a Change in Control has not occurred within one (1) year following the Potential Change in Control. In the event that the termination of this Plan by the Company or an amendment hereof in a manner adverse to the interests of any Executive (without his or her consent) occurs within one (1) year 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 next preceding sentence shall have been met. Upon the expiration of the Coverage Period, the Plan may not be amended in any manner which would adversely affect the rights which any Executive has at that time to receive any and all payments or benefits pursuant to Articles 2, 3, and 4 by reason of a Change in Control which has theretofore occurred or by reason of a termination of his or her employment during the Coverage Period, and the Company’s obligations to make such payments and provide such benefits shall survive any termination of the Plan.

ARTICLE 8
MISCELLANEOUS

8.1 Terminations in Anticipation of Change in Control. An Executive’s employment shall be deemed to have been terminated by the Company without Cause during the Coverage Period if his or her employment is terminated by the Company without Cause prior to a Change in Control or Potential Change in Control and such termination of employment (a) was at the

request of a third party who had indicated an intention to take or had 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, and (c) in either case, a Change in Control does occur which may involve such third party (or a party competing with such third party to effectuate a Change in Control). An Executive shall be deemed to have terminated his or her employment for Good Reason during the Coverage Period if he or she terminates his or her employment with Good Reason prior to a Change in Control or Potential Change in Control if the circumstance or event which constitutes Good Reason (a) occurred at the request of a third party who had indicated an intention to take or had 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, and (c) in either case, a Change in Control does occur which may involve such third party (or a party competing with such third party to effectuate a Change in Control). In the event of a termination of employment described in this Section 8.1, the Executive shall be entitled to all payments and other benefits to which he or she would have been entitled had such termination occurred during the Coverage Period (other than salary pursuant to Section 3.1.1 for any period after the actual date of termination) and he or she shall be entitled to an additional payment in an amount which shall compensate him or her to the extent that he or she was deprived by such termination of the opportunity prior to termination of employment to exercise any stock options granted to him or her under the EICP (including any such stock options that were not exercisable at the time of his or her termination of employment) 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 an Executive as described in this Section 8.1 occurs following a Potential Change in Control or within six (6) 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 8.1 shall have been met. The Company shall pay to the Executive the amount determined under this Section 8.1 in a lump sum within sixty (60) days following the date of the Change in Control.

8.2 Burden. In any proceeding (regardless of who initiates such proceeding) in which the payment of Severance Benefits or other compensation or benefits under this Plan is at issue, (i) the burden of proof as to whether Cause exists for purposes of this Plan shall be upon the Company and (ii) in the event that the penultimate sentence of Section 8.1 applies, the Company shall have the burden to prove, by clear and convincing evidence, that a termination of employment has not been made in anticipation of a Change in Control as contemplated by Section 8.1.

8.3 No Right to Continued Employment. Nothing in the Plan shall be deemed to give any Executive the right to be retained in the employ of the Company, or to interfere with the right of the Company to discharge him or her at any time and for any lawful reason, with or without notice, subject in all cases to the terms of this Plan.

8.4 No Assignment of Benefits. Except as otherwise provided herein or by law, no right or interest of any Executive under the Plan 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 any Executive under the Plan shall be liable for, or subject to, any obligation or liability of such Executive.

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

8.6 Incompetency. Any benefit payable to or for the benefit of an Executive, if legally incompetent or incapable of giving a receipt therefore, shall be deemed paid when paid to his or her guardian or to the party providing or reasonably appearing to provide for his or her care, and such payment shall fully discharge the Company, the Plan Administrator and all other parties with respect thereto.

8.7 Reduction of Benefits By Legally Required Benefits. Notwithstanding any other provision of this Plan to the contrary, if the Company is obligated by law or by contract (other than under this Plan) to pay severance pay, a termination indemnity, notice pay, or the like, to an Executive or if the Company is obligated by law or by contract to provide advance notice of separation ("Notice Period") to an Executive, then any Severance Benefits payable to him or her 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.

8.8 Enforceability. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

8.9 Effective Date. The Plan shall be effective as of the Effective Date and shall remain in effect unless and until terminated by the Board, subject to the requirements of Article 7.

8.10 No Mitigation. The Company agrees that, if an 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 him or her by the Company pursuant to this Plan. Further, the amount of any payment or benefit provided for under this Plan (other than to the extent provided in Section 3.2.2) shall not be reduced by any compensation earned by him or her as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by him or her to the Company, or otherwise.

8.11 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 the Company's obligations under this Plan in the same manner and to the same extent that the Company would be required to perform them 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 entitle each Executive to compensation and benefits from the Company in the same amount and on the same terms as he or she would be entitled to hereunder if he or she were to terminate his or her employment for Good Reason during the Coverage Period, provided that the amounts payable under Sections 3.1.1, 3.1.3, 3.1.4, 3.1.5, 3.2.1, 3.2.3, and 3.3.4 and, as applicable, Sections 3.3.1, 3.3.2, or 3.3.3 shall be made to an Executive not later than the sixtieth (60th) day following the effective date of any such succession.

8.12 Consent to Cancellation of Awards and Reduction of DB SERP Benefit. The Company may condition the payment to an Executive of his or her Vested Current Incentive Pay Amount and Vested Current PSU Amount upon his or her providing a written consent to the cancellation of the applicable outstanding target Incentive Pay and PSU grants on which such amounts are based, and in lieu of which such amounts are paid. The Company may condition the payment to an Executive of his or her Vested DB SERP Benefit or the providing of any benefit or payment under Section 3.3.1 upon his or her providing a written consent to the reduction in the amount of the Vested DB SERP Benefit or the amount of any payments or benefits provided under Section 3.3.1.

8.13 Employment by Subsidiary. For purposes of this Plan, an Executive who is employed by a Subsidiary shall be treated as if employed by the Company and his or her entitlement to benefits hereunder shall be determined as if he or she were employed by the Company. For such purpose, the Subsidiary shall be treated as if it were an unincorporated division of the Company.

8.14 Waiver. No waiver by an Executive at any time of any breach of the terms of this Plan, or compliance with, any condition or provision of this Plan to be performed by the Company shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

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

8.16 Construction. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan. Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

8.17 Notices. Any notice or other communication required or permitted pursuant to the terms hereof shall be deemed to have been duly given when delivered or mailed by United States Mail, first class, postage prepaid, addressed to the intended recipient at his or her last known address (which in the case of an Executive shall be the address specified by him or her in any written notice provided to the Company in accordance with this Section 8.17).

8.18 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.

8.19 Governing Law. This Plan shall be construed and enforced according to the laws of the State of Delaware to the extent not preempted by Federal law, which shall otherwise control.

ARTICLE 9
TERMINATION WITHOUT CAUSE
UNRELATED TO A POTENTIAL CHANGE IN
CONTROL OR CHANGE IN CONTROL

9.1 Subject to the terms and conditions noted below, in the event Executive's employment with the Company is, or is deemed to be, terminated by the Company without cause (as defined below), or is, or is deemed to be, terminated by the Executive for good reason (as defined below) regardless of whether a Potential Change in Control or Change in Control has occurred or is pending (such termination hereinafter is referred to as "Change in Status Event"), the Executive shall be entitled to the severance benefits set forth below; provided, however, any termination of an Executive's employment which results in such Executive being entitled to Severance Benefits pursuant to Section 3.2 shall not constitute a Change in Status Event and no Executive entitled to Severance Benefits pursuant to Section 3.2 shall in addition be entitled to the benefits provided for in this Section 9.1. Notwithstanding the foregoing, a precondition to the receipt of severance benefits under Article 9 of the Plan shall be the Executive's signing and delivering to the Company, in a form acceptable to the Company, a separation agreement containing a valid and enforceable waiver and release of all claims which is not revoked ("Release"). In the absence of a valid and enforceable Release, the Company shall have no obligations under Article 9 of the Plan.

9.1.1 The Company shall pay to the Executive in a lump sum on or before March 15 of the year following the date of the Change in Status Event an amount equal to two (2) times the Executive's Annual Base Salary as defined in Section 1.1 (substituting "Change in Status Event" for "Change in Control"). Executive will be fully vested in Incentive Pay and PSU grants previously deferred and shall be entitled to payments for any awards covering periods ending prior to the date of the Change in Status Event that have been earned but not yet paid prior to the date of the Change in Status Event. For purposes of clarification, the Executive shall not receive credit towards vesting or participation in any PSU grant for any period after the date of the Change in Status Event.

9.1.2 From and after the date of the Change in Status Event for a period of two (2) years thereafter, the Company will continue Executive's Welfare Benefits excluding disability coverage (and excluding coverage under all tax-qualified retirement plans).

9.1.3 From and after the date of the Change in Status Event for a period of two (2) years thereafter, Executive shall remain entitled to participate in the Incentive Pay programs. During this two-year period, Executive's target Incentive Pay award percentage will be that in effect just prior to the Change in Status Event, and Executive's actual Incentive Pay award amounts will be determined and paid as follows:

9.1.3.1 For the period from January 1 of the year in which the Change in Status Event occurs until the date of the Change in Status Event, the award will be equal to the product of (x) and (y), where (x) is the amount that would have been payable to the Executive under such Incentive Pay award calculated using (A) the Company's actual performance for the complete calendar year in which such period ends, and (B) the Executive's actual performance as of the Change in Status Event, and (y) is a fraction the numerator of which is the number of days from and including the first day of that award period until (and including) his or her Change in Status Event and the denominator of which is the number of days in that award period. The amount determined will be paid in a lump sum on or after January 1 and on or before March 15 of the year following this period.

9.1.3.2 For the period from the Change in Status Event until December 31 of the year in which the Change in Status Event occurs, the award will be equal to the product of (x) and (y), where (x) is the amount that would have been payable to the Executive under such Incentive Pay award calculated using (A) for the Company's performance score, the lesser of 100% or the Company's actual performance for the complete calendar year in which such period ends, and (B) for the individual's performance score, 100%, and (y) is a fraction the numerator of which is the number of days from the day after the day of the Change in Status Event until (and including) the end of that award period and the denominator of which is the number of days in that award period. The amount determined will be paid in a lump sum on or after January 1 and on or before March 15 of the year following this period.

9.1.3.3 For the calendar year period beginning on January 1 after the Change in Status Event, the award will be equal to the amount that would have been payable to the Executive under such Incentive Pay award calculated using (A) for the Company's performance score, the lesser of 100% or the Company's actual performance for such calendar year, and (B) for the individual's performance score, 100%. The amount determined will be paid in a lump sum on or after January 1 and on or before March 15 of the year following this period.

9.1.3.4 For the period beginning on the second January 1 after the Change in Status Event until the second anniversary of the Change in Status Event, the award will be equal to the product of (x) and (y), where (x) is the amount that would have been payable to the Executive under such Incentive Pay award calculated using (A) for the Company's performance score, the lesser of 100% or the Company's actual performance for the complete calendar year in which such period ends, and (B) for the individual's performance score, 100%, and (y) is a

fraction the numerator of which is the number of days from and including the first day of that award period until (and including) the second anniversary of his or her Change in Status Event and the denominator of which is the number of days in that award period. The amount determined will be paid in a lump sum on or after January 1 and on or before March 15 of the year following this period.

9.1.4 From and after the date of the Change in Status Event for a period of two (2) years thereafter, (a) Executive's stock options granted prior to the Change in Status Event will continue to vest in accordance with the vesting schedule(s) applicable under the terms of the grant(s), but (b) except as provided in Section 9.1.4(a) above, Executive will not be eligible to participate in or receive new grants or benefits under the Long-Term Incentive Program portion of the EICP and will not be eligible for participation in or the payment of benefits under this Plan (except for under this Article 9), The Hershey Company Executive Benefits Protection Plan (Group 3), The Hershey Company Employee Benefits Protection Plan (Group 2), or The Hershey Company Severance Benefits Plan.

9.1.5 In the event an Executive is entitled to benefits under this Section 9.1 pursuant to a Change in Status Event, the Company shall reimburse the Executive following his or her Separation from Service for (i) reasonable outplacement services in accordance with Section 3.2.4 and (ii) financial counseling and tax preparation services in accordance with Section 3.2.5.

9.2 If Executive voluntarily resigns from the Company other than for good reason (as defined below), such resignation shall not constitute a Change in Status Event and therefore will not entitle Executive to the benefits provided for in Section 9.1 above. In such event, Executive may be entitled to the benefits provided under the other Company benefit plans in accordance with the terms of those plans.

9.3 Termination of an Executive's employment "without cause," for purposes of this Article 9, shall refer to the Company causing the Executive's Separation from Service with no "cause," as that term is defined in the DB SERP. Termination of Executive's employment "for good reason" for purposes of this Article 9 shall mean Separation from Service by the Executive during the first two (2) years of the tenure of the Company's then current Chief Executive Officer if, and only if, the Executive has not given the Company written notice of his or her intention to retire and during such two (2) year period prior to the Executive's Separation from Service either (i) the Company has assigned duties to the Executive or taken other actions which are inconsistent with his or her position, authority, duties or responsibilities immediately prior to the then current Chief Executive Officer becoming the Chief Executive Officer of the Company and such assignment of duties or other action results in a material diminution in such position, authority, duties or responsibilities; or (ii) the Company has caused a material diminution of the Executive's annual base salary as in effect, as applicable, on the date the then current Chief Executive Officer became the Chief Executive Officer of the Company or as the same may be increased from time to time. To qualify as a termination for good reason under this Article 9, either of the conditions listed in this paragraph must be followed by a Separation from Service within two (2) years of its occurrence and the notice requirements of Section 4.1 must be satisfied.

9.4 The severance arrangements of this Article 9 shall not be considered to constitute an employment contract. The terms and conditions of the Long-Term Incentive Program Participation Agreement and Mutual Agreement to Arbitrate Claims by and between Executive and the Company ("Participation and Arbitration Agreement"), are incorporated herein by reference and made a part hereof as if fully set forth herein. Notwithstanding any provisions to the contrary in the Participation and Arbitration Agreement, the terms and conditions thereof shall remain in effect for three (3) years after Executive's Change in Status Event regardless of whether he or she is eligible or not to receive benefits under the DB SERP.

ARTICLE 10
APPLICATION OF CODE SECTION 409A

This Plan is intended to comply with the provisions of Code section 409A and the Treasury regulations relating thereto. In furtherance of this intent, to the extent this Plan is subject to Code section 409A, it shall be interpreted, operated, and administered in a manner consistent with these intentions.

IN WITNESS WHEREOF, the Company has caused The Hershey Company Executive Benefits Protection Plan (Group 3A), Amended and Restated as of October 2, 2007, to be executed the 27th day of December, 2007.

THE HERSHEY COMPANY

By: */s/ Marcella K. Arline*
Marcella K. Arline
Senior Vice President, Chief People Officer

Exhibit 10.5

The Hershey Company
Deferred Compensation Plan
Amended and Restated as of October 1, 2007

This Deferred Compensation Plan (the "Plan") allows participants in the following programs of The Hershey Company Equity and Incentive Compensation Plan (the "EICP") to defer receipt of all or part of the following awards: (1) cash awards under the Annual Incentive Program (the "AIP"), (2) the cash equivalent or Common Stock of The Hershey Company (the "Company") representing performance stock unit ("PSU") awards under the EICP, and (3) awards of Common Stock of the Company pursuant to restricted stock unit ("RSU") awards under the EICP granted on or after January 1, 2001. This Plan also allows participants in The Hershey Company Amended and Restated (2007) Supplemental Executive Retirement Plan (the "DB SERP") and The Hershey Company Compensation Limit Replacement Plan (the "CLRP") to defer receipt of all or a portion of a lump sum cash payment payable under the DB SERP and CLRP. In addition, the Company may allocate Supplemental Core Retirement and Supplemental Match Contributions on behalf of eligible Plan Participants, and the Company may credit a specified percentage of Compensation for the benefit of certain Plan Participants under the Defined Contribution Supplemental Executive Retirement Plan (the "DC SERP"). The Plan is intended to benefit those executives of the Company and subsidiaries who are specified as participants in and receive awards under the EICP, former participants of the DB SERP and CLRP, and Plan Participants with compensation in excess of Code section 401(a)(17), to secure their goodwill, loyalty and achievement, and to help attract and retain highly qualified executives.

For Grandfathered Amounts (as defined below), the terms of the Plan in effect on December 31, 2004 and the requirements summarized in Appendix A of this Plan shall be followed in all respects.

Article I
Definitions

The following definitions apply to this Plan:

1.1 401(k) Plan. "401(k) Plan" means The Hershey Company 401(k) Plan, formerly the Hershey Foods Corporation Employee Savings Stock Investment and Ownership Plan, as in effect from time to time and any successor plan thereto.

1.2 Account. "Account" means a bookkeeping account established by the Company for each Participant under the Plan, which includes, but is not limited to, the following Sub-Accounts: (i) a Supplemental Core Retirement Contributions Sub-Account, (ii) a Supplemental Match Contributions Sub-Account, (iii) an AIP Sub-Account, (iv) a PSU Sub-Account, (v) an RSU Sub-Account, (vi) a DB SERP Sub-Account, (vii) a CLRP Sub-Account, and (viii) a DC SERP Sub-Account.

1.3 AIP and AIP Awards. “AIP” means the Annual Incentive Program, and any successor or replacement program thereof, of the EICP, including annual incentives awarded under the Company’s Sales Incentive Program and any successor or replacement thereof, and “AIP Awards” means cash awards made to a Participant under the AIP of the EICP.

1.4 AIP Sub-Account. “AIP Sub-Account” means a bookkeeping account established by the Company for each Participant electing to defer under this Plan all or a portion of his or her AIP Awards.

1.5 Board or Board of Directors. “Board” or “Board of Directors” means the Board of Directors of the Company.

1.6 Change in Control. “Change in Control” means a Change in Control as such term is defined in the EICP.

1.7 Change in Control Event. “Change in Control Event” means a Change in Control Event as defined under Code section 409A and applicable guidance thereunder.

1.8 Code. “Code” means the Internal Revenue Code of 1986, as amended.

1.9 Committee or Compensation Committee. “Committee” or “Compensation Committee” means the Compensation and Executive Organization Committee of the Board or any successor committee having similar authority.

1.10 Company. “Company” means The Hershey Company, a Delaware corporation.

1.11 Company Common Stock or Common Stock. “Company Common Stock” or “Common Stock” means the publicly traded common stock of the Company.

1.12 Compensation. “Compensation” means the sum of (i) base salary paid to a Participant during a calendar year and (ii) AIP Awards for that calendar year, whether paid or deferred.

1.13 CLRP and CLRP Benefits. “CLRP” means The Hershey Company Amended and Restated Compensation Limit Replacement Plan, and any successor or replacement plan thereof, and “CLRP Benefits” means amounts payable to a Participant under the CLRP that are deferred under this Plan.

1.14 CLRP Sub-Account. “CLRP Sub-Account” means a bookkeeping account established by the Company for each Participant electing to defer under this Plan all or a portion of his or her lump sum cash payment payable under the CLRP.

1.15 Core Retirement Contributions. “Core Retirement Contributions” means contributions made by the Company on behalf of an employee who is eligible to receive such contributions under the 401(k) Plan.

1.16 DB SERP and DB SERP Benefits. “DB SERP” means The Hershey Company Amended and Restated (2007) Supplemental Executive Retirement Plan and any successor or replacement plan thereof, and “DB SERP Benefits” means amounts payable to a Participant under the DB SERP.

1.17 DB SERP Sub-Account. “DB SERP Sub-Account” means a bookkeeping account established by the Company for each Participant electing to defer under this Plan all or a portion of his or her lump sum cash payment payable under the DB SERP.

1.18 DC SERP and DC SERP Benefits. “DC SERP” means the Defined Contribution Supplemental Executive Retirement Plan as described under Article VI, or any successor or replacement plan thereof, and “DC SERP Benefits” means amounts credited to a Participant’s DC SERP Sub-Account in accordance with Article VI.

1.19 DC SERP Sub-Account. “DC SERP Sub-Account” means a bookkeeping account established by the Company for each Participant to which amounts are credited on behalf of the Participant under the DC SERP.

1.20 Determination Date. “Determination Date” means the last day of each calendar quarter or any other date specified by the Plan Administrator in its sole discretion.

1.21 Disabled or Disability. “Disabled” or “Disability” means Disabled as that term is defined in The Hershey Company Retirement Plan, as in effect from time to time and any successor plan thereto.

1.22 EBPP. “EBPP” means, with respect to a Participant, The Hershey Company Employee Benefits Protection Plan (Group 2), The Hershey Company Executive Benefits Protection Plan (Group 3), The Hershey Company Executive Benefits Protection Plan (Group 3A), or The Hershey Company Severance Benefits Plan, as applicable to such Participant, and any successor or replacement plans thereof.

1.23 EICP. “EICP” means The Hershey Company Equity and Incentive Compensation Plan (formerly known as the Hershey Foods Corporation Key Employee Incentive Plan) and any successor or replacement plan thereof.

1.24 Grandfathered Amounts. “Grandfathered Amounts” means amounts that were deferred under this Plan, if any, by a Participant who was neither an active employee of the Company nor on a paid or Disabled leave of absence on October 1, 2007, to which such Participant had a nonforfeitable right as of December 31, 2004, plus subsequent investment credits. Grandfathered Amounts are only subject to the terms of the Plan in effect on December 31, 2004 and the requirements set forth in Appendix A of this Plan. Grandfathered Amounts are exempt from the requirements under Code section 409A.

1.25 Initial Deferral Election. “Initial Deferral Election” means an election to defer (i) AIP Awards, (ii) PSU Awards, (iii) RSU Awards, (iv) DB SERP Benefits, and/or (v) CLRP Benefits, in accordance with the requirements set forth under Section 4.1.

1.26 Investment Options. “Investment Options” means those investment options which are to be used as earnings indices as described in Section 2.1. Except as hereafter provided with respect to a Participant’s constructive investment in Company Common Stock:

(a) the Investment Options are chosen by the Plan Administrator and are subject to change from time to time as the Plan Administrator, in its sole discretion, deems necessary or appropriate, and (b) no provision of this Plan shall be construed as either giving any Participant an interest in any of these Investment Options or requiring that the Company make any investment in any such Investment Options. Investment Options, other than the Company Common Stock Investment Option, may be added, modified or deleted from time to time in the discretion of the Plan Administrator; provided, however, that after the occurrence of a Change in Control, the Plan Administrator shall not add or delete any Investment Option that was in effect immediately prior to the Change in Control unless the overall mix of Investment Options is substantially the same as that provided to participants in the 401(k) Plan or other tax-qualified retirement plan of the Company (whichever has the most investment options available for selection by its participants).

1.27 Long Term Disability Plan. “Long Term Disability Plan” means The Hershey Company Long Term Disability Plan and any successor or replacement plan thereof.

1.28 Participant. “Participant” means an employee of the Company who meets the eligibility criteria for participation in this Plan established by the Plan Administrator from time to time.

1.29 Plan. “Plan” means The Hershey Company Deferred Compensation Plan as set forth herein and as amended from time to time.

1.30 Plan Administrator. “Plan Administrator” means the Employee Benefits Committee of the Company, or any successor committee having similar authority, or such other individual or committee as may be determined by the Compensation Committee from time to time.

1.31 Plan Year. “Plan Year” means the calendar year.

1.32 PSU and PSU Awards. “PSU” means performance stock units granted under the EICP, and “PSU Awards” means PSU awards made to a Participant under the EICP.

1.33 PSU Sub-Account. “PSU Sub-Account” means a bookkeeping account established by the Company for each Participant electing to defer under this Plan all or a portion of his or her PSU Awards.

1.34 Retirement Plan. “Retirement Plan” means The Hershey Company Retirement Plan, as in effect from time to time and any successor plan thereto.

1.35 RSU and RSU Awards. “RSU” means restricted stock units granted under the EICP, and “RSU Awards” means RSU awards made to a Participant under the EICP.

1.36 RSU Sub-Account. “RSU Sub-Account” means a bookkeeping account established by the Company for each Participant electing to defer under this Plan all or a portion of his or her RSU Awards.

1.37 Separation from Service. “Separation from Service” or “Separates from Service” means a “separation from service” within the meaning of Code section 409A; provided that, in

the event a Participant becomes Disabled and takes a leave of absence from active employment in connection therewith, a Separation from Service shall not occur for up to 29 months following the first day of such leave of absence, as permitted under Code section 409A and the regulations issued thereunder.

1.38 Supplemental Core Retirement Contributions. “Supplemental Core Retirement Contributions” means amounts credited to a Participant’s Supplemental Core Retirement Contributions Sub-Account in accordance with Section 3.1.

1.39 Supplemental Core Retirement Contributions Sub-Account. “Supplemental Core Retirement Contributions Sub-Account” means a bookkeeping account established by the Company for each Participant to which Supplemental Core Retirement Contributions are credited on behalf of the Participant.

1.40 Supplemental Match Contributions. “Supplemental Match Contributions” means amounts credited to a Participant’s Supplemental Match Contributions Sub-Account in accordance with Section 3.2.

1.41 Supplemental Match Contributions Sub-Account. “Supplemental Match Contributions Sub-Account” means a bookkeeping account established by the Company for each Participant to which Supplemental Match Contributions are credited on behalf of the Participant.

1.42 Trust. “Trust” means the trust described in Section 9.2.

1.43 Year of Service. “Year of Service” means years of Vesting Service as that term is defined in the 401(k) Plan.

Article II
Account and Sub-Accounts

2.1 Establishment of Account and Sub-Accounts. Except as provided in Section 9.2, any amounts deferred by a Participant will not be funded or set aside for future payment by the Company. Instead, an Account with Sub-Accounts will be established to which (i) Supplemental Core Retirement Contributions and (ii) Supplemental Match Contributions, along with deferrals of (iii) AIP Awards, (iv) PSU Awards, (v) RSU Awards, (vi) DB SERP Benefits, (vii) CLRP Benefits, and (viii) DC SERP Benefits, shall be credited to each respective Sub-Account, along with investment credits as provided in Section 2.3.c. below.

2.2 Participants as Unsecured Creditors. A Participant’s entitlement to receive the amount reflected by his or her Sub-Accounts, to the extent vested, will be based solely on an unfunded unsecured unconditional promise to pay by the Company that is not assignable.

2.3 Investment Credits to Sub-Accounts. Subject to such limitations as may from time to time be required by law, imposed by the Plan Administrator, or set forth in Section 2.3.f. below, and subject to such operating rules and procedures as may be imposed from time to time by the Plan Administrator, each Participant may express to the Plan Administrator a preference as to how the Participant’s Account should be constructively invested among the Investment Options (“Investment Preference”), in which the Participant shall designate the percentage of his or her Account to be constructively invested in each Investment Option. Following a Change in Control only, any Participant Investment Preference (whether expressed prior to, or following, a Change in Control) shall be binding upon the Plan Administrator.

a. All Investment Preferences shall be in writing on a form supplied by and filed with the Plan Administrator or in any other form as determined by the Plan Administrator from time to time in its sole discretion. Participants may change their Investment Preferences effective as of the beginning of each Plan Year, or more frequently if permitted in the discretion of the Plan Administrator; provided, however, that following a Change in Control, Participants shall be permitted to change their Investment Preferences at least as frequently as they could under procedures in effect immediately prior to the Change in Control.

b. Except as set forth above following a Change in Control, all Investment Preferences shall be advisory only and shall not bind the Company or the Plan Administrator. Neither the Company nor Plan Administrator shall be obligated to invest any funds in connection with this Plan. Moreover, should the Company voluntarily choose to invest any amount under this Plan, the Plan Administrator shall have complete discretion as to investments, and no Participant shall have any claim on such investments as a fund to provide benefits hereunder.

c. From time to time, but not less frequently than each Determination Date, the Plan Administrator shall allocate the net earnings or losses of the Plan that have occurred since the preceding Determination Date among the Accounts of Participants, and to the extent a Participant's Investment Preference is honored by the Plan Administrator, such net earnings or losses shall be allocated as though the Participant's Account had been invested in the Investment Options in accordance with the Participant's Investment Preference. The "net earnings or losses" of the Plan shall be equal to the net increase or net decrease (taking into account any constructive dividends or interest thereon), as the case may be, in the value of a Participant's Account since the last Determination Date, based on either the Participant's Investment Preference (if honored) or the funds constructively invested by the Plan Administrator and allocated to the Accounts of Participants hereunder.

d. If the Plan Administrator receives an Investment Preference from a Participant that it deems to be incomplete, unclear or improper, such Participant's pre-existing Investment Preference then in effect (if any) shall remain in effect until the beginning of the next Plan Year, unless the Plan Administrator provides for, and permits the application of, corrective action prior thereto. If a Participant fails to file an effective Investment Preference and no pre-existing Investment Preference is on file, the Participant's Account will be constructively invested in the Investment Option designated by the Plan Administrator from time to time as a default Investment Option.

e. If the Plan Administrator determines that the constructive value of an Account as of any date on which distributions are to be made differs materially from the constructive value of the Account on the prior Determination Date upon which the distribution is to be based, the Plan Administrator, in its discretion, shall have the right to designate any date in the interim as a Determination Date for the purpose of constructively revaluing the Account so that the Account from which the distribution is being made will, prior to the distribution, reflect its share of such material difference in value. Similarly, the Plan Administrator may adopt a policy of providing for regular interim valuations without regard to the materiality of changes in the value of the Accounts.

f. Notwithstanding the foregoing provisions of this Section 2.3 to the contrary, (i) prior to a Change in Control, that portion of all deferred PSUs that is payable in Company Common Stock under the EICP and all deferred RSUs shall be constructively invested in Company Common Stock, (ii) a Participant's Account shall be credited from time to time with the amount of any dividends declared and paid on such Company Common Stock, and shall be adjusted in connection with any stock dividend, split, reorganization, liquidation or other event which affects the number of shares of Common Stock represented by such PSUs and/or RSUs, and (iii) no other amounts deferred under this Plan shall be constructively invested in Company Common Stock. Following a Change in Control, no amounts deferred under this Plan shall be required to be constructively invested in Company Common Stock.

2.4 Statement of Account and Sub-Accounts. Within a reasonable time after the end of each Plan Year, the Plan Administrator shall submit to each Participant a statement of the balance in his or her Account, including his or her Sub-Accounts; provided, however, that following a Change in Control, such statement of Account and Sub-Accounts shall be provided on at least a quarterly basis.

Article III
Supplemental Core Retirement and Supplemental Match Contributions

3.1 Supplemental Core Retirement Contributions.

a. Each Plan Year, for a Participant who (i) is eligible to receive Core Retirement Contributions under Section 5.2(g) of the 401(k) Plan and (ii) defers to this Plan AIP Awards for that Plan Year, the Company shall credit to such Participant's Supplemental Core Retirement Contributions Sub-Account an amount equal to three percent (3%) of those deferred AIP Award amounts as soon as administratively practicable following the last day of the Plan Year.

b. In addition to any amounts credited pursuant to Section 3.1.a., each Plan Year, for a Participant who is eligible to receive Core Retirement Contributions under Section 5.2(g) of the 401(k) Plan, the Company shall credit to such Participant's Supplemental Core Retirement Contributions Sub-Account an amount equal to three percent (3%) of the excess of (1) plus (2) less (3), where (1), (2), and (3) are determined as follows:

(1) Compensation for that Plan Year as defined under Section 1.14 of the 401(k) Plan, other than AIP Awards and without application of the limitation under Code section 401(a)(17) (indexed for inflation);

(2) Amounts awarded under the AIP for that Plan Year that are not deferred under this Plan; and

(3) The limit under Code section 401(a)(17) (indexed for inflation).

c. The amounts described in Sections 3.1.a. and 3.1.b. above shall be credited to a Participant's Supplemental Core Retirement Contributions Sub-Account as soon as administratively practicable following the last day of the Plan Year, provided that the Participant either (x) was employed on the last day of the Plan Year or (y) during the year he or she (1) terminated employment while at least age 55, (2) retired in accordance with the provisions of any applicable Company-sponsored qualified or nonqualified retirement plan or program, (3) became Disabled, or (4) died. In the case of any allocation for a Plan Year for which the Participant was not employed on December 31, except as provided in Section 3.1.d., the amount determined under Section 3.1.b.(1) shall be based on the Participant's actual Compensation paid for services performed through the Participant's last active day worked for the Company during the year, and which shall not include any amounts paid on account of the Participant's severance from employment with the Company.

d. If a Participant becomes Disabled, such Participant shall continue to be credited with Supplemental Core Retirement Contributions, in accordance with Sections 3.1.a. and 3.1.b. until the earlier of (i) two (2) years from the date benefits commence under the Company's Long Term Disability Plan or (ii) the date he or she is no longer eligible for benefits under the Long Term Disability Plan, based on the amount of annual Compensation (as defined in Section 3.1.b.(1) above) that was payable to the Participant at the time he or she becomes Disabled.

3.2 Supplemental Match Contributions. Each Plan Year, for a Participant who defers remuneration under the 401(k) Plan equal to (i) the maximum deferral percentage as permitted by the plan administrator of the 401(k) Plan or (ii) the maximum contribution limit under Code section 402(g) (indexed for inflation) (provided, however, the Plan Administrator may waive the conditions in (i) or (ii) in their entirety if it determines, in its sole discretion, that the Participant did not satisfy those conditions due to administrative, regulatory or other circumstances beyond the Participant's reasonable control), the Company shall credit to such Participant's Supplemental Match Contributions Sub-Account an amount, if any, determined under a., b., and c. below:

a. Four and one-half percent (4-1/2%) of those amounts awarded under the AIP that are deferred under this Plan for that Plan Year.

b. In addition to any amounts credited pursuant to Section 3.2.a., four and one-half percent (4-1/2%) of (1) plus (2) less (3), where (1), (2), and (3) are determined as follows:

(1) Compensation as defined under Section 1.14 of the 401(k) Plan, other than AIP Awards and without application of the limitation under Code section 401(a)(17) (indexed for inflation), for that Plan Year;

(2) Amounts awarded under the AIP for that Plan Year that are not deferred under this Plan; and

(3) The limit under Code section 401(a)(17) (indexed for inflation).

c. The amounts described in Sections 3.2.a. and 3.2.b. above shall be credited to a Participant's Supplemental Match Contributions Sub-Account as soon as administratively practicable following the last day of the Plan Year, provided that the Participant either (x) was employed on the last day of the Plan Year or (y) during the year he or she (1) terminated employment while at least age 55, (2) retired in accordance with the provisions of any applicable Company-sponsored qualified or nonqualified retirement plan or program, (3) became Disabled, or (4) died. In the case of any allocation for a Plan Year for which the Participant was not employed on December 31, except as provided in the case of a Participant who becomes Disabled, the amount determined under Section 3.2.b.(1) shall be based on the Participant's actual Compensation paid for services performed through the Participant's last active day worked for the Company during the year, and which shall not include any amounts paid on account of the Participant's severance from employment with the Company.

3.3 Time and Form of Distribution.

a. Nonelective Initial Deferral. Amounts held in a Participant's Supplemental Core Retirement Contributions Sub-Account and Supplemental Match Contributions Sub-Account shall be payable in a lump sum cash payment within ninety (90) days following the earlier of a Separation from Service, subject to the requirements under Section 5.2.b., or death, subject to the requirements under Section 5.2.c.

b. Change in Time and Form of Distribution. A Participant may make an election to change the time or form of distribution from that specified in Section 3.3.a. pursuant to Section 4.2.b. (i.e., a Participant may elect to change the form of payment to any form described in Section 5.1.a.), but only if the requirements of Section 4.2.a. are satisfied. A distribution of a Participant's Supplemental Core Retirement Contributions Sub-Account and/or Supplemental Match Contributions Sub-Account subject to an election to change under this Section 3.3.b. shall be made following the occurrence of the distributable event designated by the Participant in such election to change. Notwithstanding an election to change under this Section 3.3.b., in the case of death, a distribution will be made in accordance with Section 5.2.c.

3.4 Vesting. A Participant shall become one hundred percent (100%) vested in his or her Supplemental Core Retirement Contributions Sub-Account and Supplemental Match Contributions Sub-Account on the date following the completion of three (3) Years of Service with the Company (or, if earlier, the date of any death or Disability of the Participant).

Article IV
Elections to Defer

4.1 Initial Deferral Election.

a. AIP Awards. A Participant may elect under the Plan to defer receipt of all or a portion of his or her anticipated AIP Award, but such election must be made no later than June 30 of the calendar year on which such award is based. Deferred AIP Awards shall be credited to a Participant's AIP Sub-Account as soon as administratively practicable following the last day of the Plan Year. If a Participant receives a hardship withdrawal under the 401(k) Plan or a withdrawal upon an Unforeseeable Emergency under Section 5.2.d., the Participant's Initial Deferral Election, if any, for his or her anticipated AIP Award for the Plan Year in which the withdrawal occurs shall be cancelled.

b. PSU Awards. A Participant may elect under the Plan to defer receipt of all or a portion of the cash or Company Common Stock amount earned as a PSU Award by a date specified by the Plan Administrator in its sole discretion, but such election must be made no later than June 30 of the calendar year in which the performance period for such PSU Award ends. Deferred PSU Awards shall be credited to a Participant's PSU Sub-Account as soon as administratively practicable following the last day of the Plan Year.

c. RSU Awards. A Participant may elect under the Plan to defer receipt of all or a portion of the Company Common Stock amount earned as an RSU Award, but such election must be made no later than thirty (30) days after the date of grant and at least 12 months in advance of the first vesting date with respect to such grant. Deferred RSU Awards shall be credited to a Participant's RSU Sub-Account as soon as administratively practicable following the last day of the Plan Year. Upon the occurrence of both a Change in Control and Change in Control Event, all restrictions on a Participant's RSU Awards shall lapse pursuant to the terms of the EICP.

d. DB SERP Benefits. A Participant may elect to defer all or a portion of the lump sum cash payment payable under the DB SERP, provided the election is made at least twelve (12) months before such amounts are payable under the DB SERP. A distribution of DB SERP Benefits under this Plan may not be made earlier than five (5) years from the date the distribution would have been made under the DB SERP but for the Participant's election to defer such amounts under this Plan. Deferred DB SERP Benefits shall be credited to a Participant's DB SERP Sub-Account as soon as administratively practicable following the date a distribution of them under the DB SERP would have otherwise been made.

e. CLRP Benefits. A Participant may elect to defer all or a portion of the lump sum cash payment payable under the CLRP, provided the election is made at least twelve (12) months before such amounts are payable under the CLRP. A distribution of CLRP Benefits under this Plan may not be made earlier than five (5) years from the date the distribution would have been made under the CLRP but for the Participant's election to defer such amounts under this Plan. Such CLRP Benefits shall be credited to a Participant's CLRP Sub-Account as soon as administratively practicable following the date a distribution under the CLRP would have otherwise been made.

f. Any Initial Deferral Election under this Section 4.1:

(1) Must specify:

(i) The time of distribution under one of the distributable events set forth under Sections 5.2.a. and 5.2.b.; and

(ii) The form of distribution as set forth under Section 5.1.

(2) Shall be irrevocable, except as otherwise provided in this Plan; and

(3) Shall be made in accordance with procedures and distribution rules established by the Plan Administrator.

4.2 Changes in Time and Form of Distribution.

a. A Participant may make a subsequent election to change the time or form of distribution otherwise specified in Section 3.3.a., in his or her Initial Deferral Election pursuant to Section 4.1., and/or as specified in Section 6.3.a. (hereinafter, a “Subsequent Deferral Election”), in accordance with procedures and distribution rules established by the Plan Administrator and only if the following conditions are satisfied:

(1) The election may not take effect until at least twelve (12) months after the date on which the election is made;

(2) In the case of an election to change the time and form of a distribution under Sections 5.2.a., 5.2.b. (which includes an election to change the distribution that would occur upon a Separation from Service under Sections 3.3.a. and 6.3.a.), and 5.2.e., a distribution may not be made earlier than five (5) years from the date the distribution would have otherwise been made; and

(3) The election must be made at least twelve (12) months before the date of the first scheduled distribution.

b. A Participant may make a Subsequent Deferral Election under Section 3.3.b., 4.2.a., or 6.3.b. that indicates a change to a (i) form of distribution set forth in Section 5.1.a. and/or (ii) distributable event described in Sections 5.2.a. and 5.2.b.; provided, however, a Separation from Service distribution event may only be changed to a distribution five (5) or more years following Separation from Service.

4.3 Special Election During Transition Years. Notwithstanding the provisions of Section 4.2, during 2007 or 2008, a Participant who is an active employee of the Company (including on a paid leave of absence) on or after October 1, 2007 may make an election to receive all or a specified portion of his or her Account commencing upon a distributable event described in Sections 5.2.a. and 5.2.b. (including one (1) or more years after Separation from Service) in a lump sum or substantially equal installment payments over a number of years (to be specified by the Participant) up to fifteen (15) years. Any such election must become irrevocable on or before December 31, 2008 and must be made in accordance with procedures and distribution rules established by the Plan Administrator.

Article V
Distribution of Deferrals

The provisions of this Article V shall apply only to amounts subject to Code section 409A. Distribution rules applicable to Grandfathered Amounts are summarized in Appendix A of this Plan.

5.1 Forms of Distribution.

a. A Participant may elect to receive his or her (i) AIP Awards, (ii) PSU Awards, (iii) RSU Awards, (iv) DB SERP Benefits, and/or (v) CLRP Benefits, which he or she has deferred under this Plan, in:

(1) A lump sum payment; or

(2) Substantially equal annual installment payments over a number of years (to be specified by the Participant) up to fifteen (15) years.

All amounts of a Participant's Account constructively invested in Company Common Stock shall be distributed in the form of Company Common Stock, except in the event a Change in Control occurs, in which case amounts constructively invested in Company Common Stock shall be dealt with in accordance with the terms of the EBPP applicable to such Participant. All other amounts shall be distributed in cash.

b. Distributions shall be made or commence (in the case of installment payments) (1) within ninety (90) days following the occurrence of a distributable event set forth under Section 5.2.b.; or (2) within the period following the date selected by the Participant, if any, under Section 5.2.a., to the extent permitted in Treas. Reg. § 1.409A-3(d). In the event a Participant has elected to receive annual installment payments, payments after the initial installment shall be made as soon as administratively practicable during the first calendar quarter of each calendar year after the year in which the prior installment payment was made.

c. Notwithstanding the form of distribution elected under Section 5.1.a., if a Participant's Account balance is less than the applicable dollar amount under Code section 402(g)(1)(B) at the time the Participant Separates from Service, the full Account balance shall be distributed in a lump sum payment within ninety (90) days following the Participant's Separation from Service.

5.2 Permissible Distributable Events. A Participant may designate in his or her Initial Deferral Election under Section 4.1 to receive a distribution:

a. As of a specified date or time.

b. Upon a Separation from Service.

(1) In the case of a Separation from Service of a Key Employee, a distribution may not be made before the date which is six (6) months after the date of the Key Employee's Separation from Service (hereinafter called the "Waiting Period"); provided, however, in the event of the Key Employee's death during the Waiting Period, distribution shall be made on the date of the Key Employee's death pursuant to Section 5.2.c. Any payments that would otherwise be made during the Waiting Period shall be accumulated and paid in the first month following the Waiting Period, and thereafter, made in accordance with Section 5.1.b.

(2) During the Waiting Period, a Key Employee's Account will continue to accrue investment credits in accordance with Section 2.1.c.

(3) For purposes of this Section 5.2.b., Key Employee means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined under Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Plan Administrator.

c. Distribution Upon Death. Notwithstanding any provision in the Plan to the contrary, if a Participant dies, the unpaid portion of such Participant's Account balance shall be distributed to the Participant's beneficiary, or in the absence of a beneficiary, to the Participant's estate in an immediate lump sum payment as soon as administratively practicable within ninety (90) days following the date of death. A Participant may designate or change his or her beneficiary (without the consent of any prior beneficiary) on a form provided by the Plan Administrator and delivered to the Plan Administrator before the Participant's death.

d. Withdrawals for Unforeseeable Emergency. A Participant may withdraw all or any portion of his AIP Sub-Account or the cash portion of his or her PSU Sub-Account in the event of demonstrated Unforeseeable Emergency. "Unforeseeable Emergency" means for this purpose a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The amounts distributed with respect to an Unforeseeable Emergency may not exceed the amounts necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Plan. A Participant seeking a withdrawal on account of an Unforeseeable Emergency must request a hearing with the Plan Administrator. If the Plan Administrator renders a decision in favor of permitting a withdrawal for an Unforeseeable Emergency, such withdrawal amounts shall be payable to the Participant as soon as administratively practicable within ninety (90) days following such decision.

e. Distribution Upon a Change in Control. Notwithstanding any provision in the Plan to the contrary, a Participant's Account balance under the Plan shall be distributed in an immediate lump sum payment on the later of (i) the first business day of January of the year following the year in which both a Change in Control and Change in Control Event occurs and (ii) the one hundred twentieth (120th) day following the occurrence of both a Change in Control and Change in Control Event.

5.3 Withholding. Any payments made pursuant to Articles III, V, or VI shall be subject to appropriate federal, state and/or local income tax withholdings. With respect to any withholdings on a distribution of Company Common Stock, the Company will first withhold from the cash equivalent of dividends on such Company Common Stock and interest earned on such cash equivalent that are payable to the Participant on the date of distribution, and if such withholdings are insufficient, then the Company will withhold from such distribution such number of shares of Company Common Stock having a fair market value (as defined in the EICP) equal to the amount required to satisfy the remaining tax to be withheld, unless the Participant elects to (i) deposit with the Company such amount of cash or (ii) direct the Company to withhold cash from other amounts then distributed under this Plan to satisfy such withholding tax. In addition, the Company may reduce a Participant's Account balance in order to meet any federal, state, or local tax withholdings with respect to Plan benefits. The Company shall report Plan payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws.

Article VI
DC SERP

6.1 Eligibility. An individual will be eligible to become a Participant in this Plan and receive DC SERP Benefits in accordance with this Article VI if the individual is selected by the Compensation Committee in its sole discretion.

6.2 Benefits. A Participant meeting the eligibility requirements under Section 6.1 shall receive DC SERP Benefits in an amount equal to a percentage of Compensation determined by the Compensation Committee in its sole discretion. Such DC SERP Benefits shall be credited to a Participant's DC SERP Sub-Account as soon as administratively practicable following the last day of the Plan Year, provided that the Participant:

a. defers remuneration under the 401(k) Plan equal to either (1) the maximum deferral percentage as permitted by the plan administrator of the 401(k) Plan or (2) the maximum contribution limit under Code section 402(g) (indexed for inflation) (provided, however, the Plan Administrator may waive the conditions in (i) or (ii) in their entirety if it determines, in its sole discretion, that the Participant did not satisfy those conditions due to administrative, regulatory or other circumstances beyond the Participant's reasonable control); and

b. either (x) was employed on the last day of the Plan Year, or (y) during the year he or she (1) terminated employment while at least age 55, (2) retired in accordance with the provisions of any applicable Company-sponsored qualified or nonqualified retirement plan or program, (3) became Disabled, or (4) died. In the case of any allocation for a Plan Year for which the Participant was not employed on December 31, except as provided for in the next paragraph for a Participant who becomes Disabled, the allocation shall be based on the amount of the Participant's actual Compensation paid for services performed through the Participant's last active day worked for the Company during the year and shall not include any amounts paid on account of the Participant's severance from employment with the Company.

If a Participant becomes Disabled, such Participant shall continue to be credited with DC SERP Benefits in accordance with this Section 6.2 until the earlier of (i) two (2) years from the date benefits commence under the Long Term Disability Plan or (ii) the date he or she is no longer eligible for benefits under the Long Term Disability Plan, based on the amount of Compensation that was payable to the Participant at the time he or she became Disabled.

6.3 Time and Form of Benefit.

a. Nonelective Initial Deferral. Amounts held in a Participant's DC SERP Sub-Account shall be payable in a lump sum cash payment within ninety (90) days following the earlier of a Separation from Service, subject to the requirements under Section 5.2.b., or death, subject to the requirements under Section 5.2.c.

b. Change in Time and Form of Distribution. A Participant may make an election to change the time or form of the distribution of his or her DC SERP Sub-Account as specified in Section 6.3.a. in accordance with Section 4.2.b. (i.e., a Participant may elect to change the form of payment to any form described in Section 5.1.a.), but only if the requirements of Section 4.2.a. are satisfied. A distribution of a Participant's DC SERP Sub-Account subject to an election to change under this Section 6.3.b. shall be made following the occurrence of a distributable event set forth under Sections 5.2.a. and 5.2.b. Notwithstanding an election to change made under this Section 6.3.b., in the case of death, a distribution will be made in accordance with Section 5.2.c.

6.4 Vesting. Benefits under this Article VI shall be payable only to the extent vested. A Participant shall become vested in his or her DC SERP Sub-Account in accordance with the following vesting schedule, provided the Participant has first completed five (5) Years of Service with the Company:

Age	Vested Percentage
45	0 percent
46	10 percent
47	20 percent
48	30 percent
49	40 percent
50	50 percent
51	60 percent
52	70 percent
53	80 percent
54	90 percent
55	100 percent

Notwithstanding the above, in all cases, a Participant shall be 100% vested in his or her DC SERP Benefits if he or she dies or becomes Disabled while employed with the Company.

Article VII
Plan Administrator

7.1 Plan Administrator Duties. The Plan Administrator shall administer this Plan. All members of the committee comprising the Plan Administrator may be Participants. A member of the committee comprising the Plan Administrator who is a Participant may not vote on matters involving a personal benefit claim or appeal under this Plan, but any such individual shall otherwise be fully entitled to act in matters arising out of or affecting this Plan notwithstanding his or her participation herein. The Plan Administrator shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan.

7.2 Agents. In the administration of this Plan, the Plan Administrator may, from time to time, employ agents and delegate to them or to others (including employees of the Company) such administrative duties as it sees fit. The Plan Administrator may from time to time consult with counsel, who may be counsel to the Company.

7.3 Binding Effect of Decisions. In carrying out its duties herein, the Plan Administrator (or its designee) shall have full discretion to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and its determinations shall be final and binding on all parties.

7.4 Indemnity. The Company shall indemnify and hold harmless the Plan Administrator and any employees to whom administrative duties under this Plan are delegated, against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct.

Article VIII
Amendment and Termination

8.1 Amendment. The Committee may at any time amend the Plan in whole or in part. However, no amendment shall be effective to decrease or restrict any then existing Account or to change the Company's obligations under (a) any then existing Initial or Subsequent Deferral Election, (b) any then existing agreement entered into between the Company and the Participant, or (c) the provisions of the EBPP applicable to such Participant, except as set forth in Section 8.2. After the occurrence of a Change in Control, no amendment shall be made to this Plan that would adversely affect the rights of any Participant without the consent of such Participant, except for such changes that the Committee reasonably determines, upon the advice of nationally recognized tax counsel, are necessary to fulfill the intent of the Plan to defer federal income taxation of Participants' Accounts until such Accounts are paid in accordance with the terms of the Plan.

8.2 Board's Right to Terminate. The Board may at any time terminate the Plan in its entirety, in which event no new Initial or Subsequent Deferral Elections shall be made and no further benefit accruals shall occur, but the obligations of the Company under this Plan and under existing Initial or Subsequent Deferral Elections and Account balances shall continue, unless the Board determines, in its sole discretion, that all such amounts shall be distributed upon Plan termination in accordance with the requirements under Code section 409A.

8.3 No Material Modification. Notwithstanding the foregoing, no amendment of the Plan shall apply to Grandfathered Amounts, unless it specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to Grandfathered Amounts.

Article IX
Miscellaneous

9.1 Unfunded Plan. This Plan is intended to be an "unfunded" plan maintained primarily to provide deferred compensation for a "select group of management or highly compensated employees" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and shall be so construed.

9.2 Rabbi Trust. The Company shall establish promptly a revocable trust ("Trust") to hold assets, subject to the claims of the Company's creditors in the event of the Company's insolvency, for the purpose of the payment of the benefits hereunder, which Trust shall become irrevocable upon a Change in Control. The Company shall contribute to the Trust cash in such amounts and at such times as are specified in this Plan and in the applicable trust agreement. Upon the occurrence of a Change in Control, the Company shall contribute to a separate Trust account maintained for each Participant under the Trust, in cash, an amount equal to 100% of the value of each such Participant's Account, less any amount credited to such Participant's Trust account as of the date of such contribution. Amounts paid to Participants from the Trust shall discharge the obligations of the Company hereunder to the Participants to the extent of the payments so made.

9.3 Unsecured General Creditor. This Plan is unfunded. Benefits shall be paid from the Company's general assets. Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest or claims in any property or assets owned or which may be acquired by the Company. Such assets of the Company shall not be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors or assigns, or held in any way as collateral security against the obligations of the Company under this Plan, except in the limited circumstances described in Section 9.2. The Company's obligation under the Plan shall be that of an unfunded and unsecured promise of the Company to pay money in the future. The Company in its sole discretion, may, however, elect to provide for its liabilities under this Plan through a trust or funding vehicle, provided, however, that the terms of any such trust or funding vehicle shall not alter the status of Participants and beneficiaries as mere general unsecured creditors of the Company or otherwise cause the Plan to be funded or benefits taxable to Participants except upon actual receipt.

9.4 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof. The rights to all such amounts are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to

seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by Participants or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency, except as required by law.

9.5 Domestic Relations Orders. Notwithstanding Section 9.4, all or a portion of a Participant's Account may be paid to another person as specified in a domestic relations order that the Plan Administrator determines meets certain requirements (a "Domestic Relations Order"). For this purpose, a Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

(a) Issued pursuant to a State's domestic relations law;

(b) Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;

(c) Creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan;

(d) Provides for payment in an immediate lump sum as soon as practicable after the Company determines that a Domestic Relations Order exists; and

(e) Meets such other requirements established by the Plan Administrator.

The Plan Administrator in its sole discretion shall determine whether any document received by it is a Domestic Relations Order. In making this determination, the Plan Administrator may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant. If an order is determined to be a Domestic Relations Order, the amount to which any other person is entitled under the Order shall be paid in a single lump sum payment as soon as administratively practicable within ninety (90) days after such determination.

9.6 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant, and a Participant shall have no rights against the Company except as may otherwise be specifically provided herein. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge an employee at any time. The foregoing provisions of this Section 9.6 to the contrary notwithstanding, this Plan shall not diminish any rights or increase any obligations of a Participant or the Company under any employment agreement entered into by the Participant and the Company prior to such Participant's most recent Initial or Subsequent Deferral Election, or after such deferral election to the extent that such employment agreement specifically provides that it shall supersede any inconsistency with the terms of this Plan.

9.7 Forfeiture of Benefits. If a Participant's employment is terminated because of willful misfeasance or gross negligence in the performance of his or her duties, his or

her right to benefits under this Plan shall be forfeited in the discretion of (i) the Committee, in the case of officers covered by Section 16(b) of the Securities and Exchange Act of 1934 or (ii) the Plan Administrator, in the case of all other Participants, and the Company shall have no further obligation hereunder to such Participant or his or her beneficiary(ies); provided, however, that notwithstanding any provision of the Plan, (a) upon a Change in Control, a Participant's Supplemental Core Retirement Contributions, Supplemental Match Contributions, AIP Awards, PSU Awards, DB SERP Benefits, CLRP Benefits, and DC SERP Benefits deferred under the Plan (together, the "Deferred Benefits") shall vest pursuant to the provisions of Article 2 of the EBPP applicable to such Participant, respectively; and (b) upon both a Change in Control and Change in Control Event, a Participant's RSU Awards shall vest pursuant to Section 7.IV(b) of the EICP. If a Participant is not a participant under any EBPP or the EICP: (x) upon a Change in Control, Article 2 of the Employee Benefits Protection Plan (Group 2) shall nevertheless apply to the Participant's Deferred Benefits; and (y) upon both a Change in Control and Change in Control Event, Section 7.IV(b) of the EICP shall nevertheless apply to the Participant's RSU Awards. Upon vesting as set forth above, such Deferred Benefits and RSU Awards shall not be subject to forfeiture under this Section 9.7 and shall be payable pursuant to Section 5.2.e.

9.8 Effect of Taxation. If a portion of the Participant's Account balance is includible in income under Code section 409A, such portion shall be distributed immediately to the Participant.

9.9 Terms. Use of the masculine, feminine and neuter pronouns in this Plan are intended to be interchangeable and use of the singular will include the plural, unless the context clearly indicates otherwise.

9.10 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.11 Governing Law. This Plan shall be governed by the laws of the United States and, to the extent not preempted thereby, the laws of Pennsylvania; provided, however, that after a Change in Control, any court or tribunal that adjudicates any dispute, controversy or claim arising between a Participant or Participants and the Committee, Plan Administrator, Company or any of their delegates or successors, relating to or concerning the provisions of this Plan, will apply a de novo standard of review to any determinations made by such person. Such de novo standard shall apply notwithstanding the grant of full discretion hereunder to any such person or characterization of any decision by such person as final, binding or conclusive on any party.

9.12 Validity. The illegality or invalidity of any provision of this Plan shall not affect its remaining parts, but this Plan shall be construed and enforced without such illegal or invalid provisions.

9.13 Notice. Any notice or filing required or permitted to be given to the Plan Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to:

Employee Benefits Committee
The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

9.14 Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term successors as used herein shall include any corporation or other business entity which shall, whether by merger, consolidation, purchase of assets, or otherwise, acquire all or substantially all of the business or assets of the Company, and successors of any such corporation or other business entity.

9.15 Incapacity. If the Plan Administrator finds that any Participant or beneficiary to whom a benefit is payable under this Plan is unable to care for his or her affairs, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Plan Administrator, to any person who is charged with the support of the Participant or beneficiary. Any such payment shall be payment for the account of the Participant and shall be a complete discharge of any liability of the Company under the Plan to the Participant or beneficiary.

IN WITNESS WHEREOF, the Company has caused The Hershey Company Deferred Compensation Plan, Amended and Restated as of October 1, 2007, to be executed the 27th day of December, 2007.

THE HERSHEY COMPANY

By: */s/ Marcella K. Arline*
Marcella K. Arline
Senior Vice President, Chief People Officer

Appendix A

Distribution of the Grandfathered Amounts shall be made in accordance with the Plan terms as in effect on October 3, 2004 and as summarized in this Appendix A.

Article I
Distribution of Deferrals

1.1 Initial Election of Distribution Options in Deferral Election.

a. A Participant must specify in each of his or her Deferral Elections when such Account will be distributed. Distribution may be made or begin in any future Plan Year or Years, but distributions must begin not later than the Plan Year following the calendar year in which the Participant attains age 70. The Participant may elect to receive amounts deferred in a lump sum or in up to ten substantially equal annual installments. A Participant may specify different distribution dates and forms of payment under each of his or her Deferral Elections. All amounts of a Participant's Accounts constructively invested in Company Common Stock shall be distributed in the form of Company Common Stock, except in the event a Change in Control occurs, in which case amounts constructively invested in Company Common Stock shall be dealt with in accordance with the terms of the EBPP applicable to such Participant. All other amounts shall be distributed in cash.

b. Any provision of this Plan to the contrary notwithstanding, all distributions hereunder shall be deferred until such time (but not beyond the occurrence of a Change in Control unless otherwise specified in a Participant's Deferral Election), in the discretion of the Committee, as such distribution would not be disallowed as a deduction under Section 162(m) of the Internal Revenue Code.

1.2 Changes in Distribution Options.

a. A Participant is entitled to one future opportunity to further lengthen (not shorten) the deferral period provided in a Deferral Election and to make one future change with regard to lengthening (not shortening) the payment schedule provided in that Deferral Election up to a maximum payment schedule of ten years.

b. Any change in the deferral period or the payment schedule must be submitted to the Plan Administrator in writing, on a form provided by the Plan Administrator, at least twelve months, or such shorter period as the Plan Administrator may accept, but in no event later than the December 31, before the date payments were originally scheduled to begin. No change in the deferral period shall be permitted if such change would cause payments to begin after the Plan Year following the calendar year in which the Participant attains age 70.

1.3 Payment of Deferred Amounts.

a. Upon the date elected by the Participant, the Company shall begin to pay to the Participant an amount equal to the total amount then credited to the Participant's Accounts. Such amount is to be paid either in one lump sum or in substantially equal annual installments over a

period of years as previously elected by the Participant, which period shall be not more than ten years. Each annual installment shall include investment credits on the remaining balance during the previous Plan Year until the Accounts shall have been paid in full. A Participant may continue to express investment preferences as provided in the Plan during the period that an Account is being distributed.

b. If the Participant dies before payment in full of the amount standing to the Participant's credit in the Accounts, the unpaid balance may be paid in one lump sum or in substantially equal installments to the Participant's beneficiary over the remaining distribution period elected by the Participant. If the Participant dies before the beginning date of the deferred payment and did not indicate a specific method of distribution, then the Participant's designated beneficiary may petition the Plan Administrator regarding the method of distribution. In the absence of a designated beneficiary, the balance of the Accounts will be paid in a lump sum to the estate of the Participant as soon as possible.

c. If the Participant's employment is terminated for any reason other than Retirement, death or Disability before the elected payment date, then the Company, acting through the Plan Administrator, at its discretion, but subject to any limitations set forth in the EBPP applicable to such Participant (or any successor or replacement plan thereof) or any employment agreement to which the Participant is a party or is covered, at any time thereafter may:

(1) Immediately pay over any amounts credited to the Participant's Accounts to the Participant; provided, however, if such termination of employment occurs at any time following a Change in Control, the Company and the Plan Administrator may not pay over any amounts credited to a Participant's Accounts, unless prior to the occurrence of the Change in Control, such Participant made an election pursuant to which such Participant consented to receive an immediate payment of such Participant's Accounts in the event such Participant's employment is terminated following a Change in Control for any reason other than Retirement, death or Disability.

(2) Deposit any amounts credited to the Participant's Accounts in a grantor trust for the Company's benefit who will manage and pay over such amounts to the Participant in accordance with the terms of this Plan, with administrative costs in such event being charged to the Participant's Accounts; provided, however, that following a Change in Control, all such administrative costs shall be borne solely by the Company.

(3) Continue to itself maintain and pay over amounts deferred to the Participant in accordance with the terms of this Plan and the Participant's election pursuant thereto.

d. If both the Participant and his or her beneficiary die after payments to the Participant begin and before all payments are made from the Participant's Accounts, the remaining value of the Accounts shall be determined as of the date of death of the beneficiary or Participant, whichever is later, and shall be paid as promptly as possible in one lump sum to the estate of the survivor of the Participant and such beneficiary.

e. A Participant may designate or change his or her beneficiary (without the consent of any prior beneficiary) on a form provided by the Plan Administrator and delivered to the Plan Administrator before the Participant's death.

f. Subject to Section 3.1 of the Plan in effect on October 3, 2004: (1) if a Participant elects to receive amounts deferred in a lump sum or in annual installments on a date prior to Retirement, such payments will commence or payment will be made in the month of January of the Plan Year selected by the Participant; (2) if the Participant elects to receive amounts deferred in a lump sum (other than amounts deferred as Common Stock for payment in a lump sum) or in annual installments after Retirement, such payments shall commence or payment shall be made in the month of January of the Plan Year following the calendar year in which the Participant retires; and (3) if a Participant elects to receive amounts deferred as Common Stock in a lump-sum after Retirement, such payment will be made in the month of January of the Plan Year following the calendar year in which the Participant retires, unless an earlier date is approved by the Plan Administrator upon application by the Participant.

g. Notwithstanding anything herein to the contrary, if, at any time, the Company determines (based on advice of tax counsel), by reason of legislation relating to, amendment of, or interpretation by a court or administrative body of, the provisions of the Internal Revenue Code of 1986, as amended, or any rules and regulations promulgated thereunder, that any amounts deferred by a Participant under this Plan shall be currently taxable, such Participant shall be entitled to elect to receive immediate payment of any such deferred amounts (without any reduction other than applicable tax withholding).

1.4 Hardship Distributions. The Plan Administrator may, in its discretion, accelerate payments to a Participant in an amount up to the AIP bonus or the cash portion of a PSU award previously deferred, together with investment credits to date, in the event of demonstrated severe financial hardship (or any similar circumstances under which a payment would be permitted without causing the imposition of federal income taxes on Participants' Accounts that have not been distributed, pursuant to Revenue Procedure 92-65 or any successor Revenue Procedure, Revenue Ruling, regulation or other applicable administrative determination issued by the Internal Revenue Service.) Any such payments made will be limited to the amount needed to meet the demonstrated financial need. A Participant seeking a financial hardship withdrawal from his or her Accounts must request a hearing with the Plan Administrator, who will then render a decision on whether to permit such distribution.

1.5 Other Withdrawals: Forfeiture Penalty. A Participant may, by written request on a form provided by the Plan Administrator, withdraw all or any portion of any of his Accounts as of any Determination Date, provided that the Participant shall forfeit 10% of the amount withdrawn as a penalty.

1.6 Withholding. Any payments made pursuant to Articles III, V, or VI of the Plan in effect on October 3, 2004 shall be subject to appropriate federal, state or local income tax withholdings. With respect to any withholdings required on a distribution of Company Common Stock, the Company will first withhold from the cash equivalent of dividends on such Company Common Stock and interest earned on such cash equivalent that are payable to the Participant on the date of distribution, and if such withholdings are insufficient, then the Company will withhold from such distribution such number of shares of Company Common Stock having a fair market value (as defined in the Hershey Foods Corporation Key Employee Incentive Plan, as in effect on October 3, 2004) equal to the amount required to satisfy the remaining withholding tax obligation, unless the Participant elects to (i) deposit with the Company such amount of cash or (ii) direct the Company to withhold cash from other amounts then distributed under this Plan to satisfy such withholding tax obligation.

Exhibit 10.6

THE HERSHEY COMPANY
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
Amended and Restated as of October 2, 2007

1. Purpose of Plan. The purpose of this amendment and restatement of The Hershey Company Supplemental Executive Retirement Plan, effective as of October 2, 2007, (hereinafter called the “Plan”) is to enable The Hershey Company (hereinafter called the “Company”) to help attract and retain a strong management team by ensuring executive and certain selected upper level management employees receive benefits to assist them in preparing for retirement. The Plan constitutes an amendment, restatement and continuation of the prior plan which was most recently restated effective as of January 1, 2007.

To the extent provided by law, the benefits provided hereunder with respect to any Participant who retired or whose employment with the Company terminated prior to January 1, 2008, will, except as otherwise specifically provided for herein, be governed in all respects by the terms of the plan document then in effect on the date of the Participant’s retirement or other termination of employment.

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. “30-Year Interest Rate” means, for purposes of this Plan, for any specific month, the rate of interest on 30-Year Treasury securities as published by the Internal Revenue Service.

b. “Board” or “Board of Directors” means the Board of Directors of the Company.

c. “Cause” means, as determined by the Committee in its reasonable discretion, the willful engaging by an employee of the Company in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company, including, without limitation, illegal conduct or gross misconduct that causes, or has the potential to cause, material financial or reputational injury to the Company.

For purposes of this definition, no act or failure to act, on the part of an employee of the Company, shall be considered “willful” unless it is done, or omitted to be done, by the employee in bad faith and without reasonable belief that the employee’s action or omission was in the best interest of the Company. 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 employee’s superior or based upon the advice of counsel for the Company (provided such approval, instruction, or advice of counsel is made by or from someone other than the Participant) shall be conclusively presumed to be done, or omitted to be done, by the employee in good faith and in the best interest of the Company.

d. “Change in Control” means a Change in Control as such term is defined in the EICP.

e. “Committee” or “Compensation Committee” means the Compensation and Executive Organization Committee of the Board or any successor committee having similar authority.

f. “Company” means The Hershey Company, a Delaware corporation.

g. “Deferred Compensation Plan” means The Hershey Company Deferred Compensation Plan, as amended from time to time, and any successor or replacement plan thereof.

h. “Deferred Retirement Date” means the first day of the month following an employee’s Separation from Service with the Company provided such separation occurs after his or her Normal Retirement Date.

i. “Disability” or “Disabled” means a Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant’s employer.

j. “Early Retirement Date” means the first day of any month following an employee’s Separation from Service with the Company which is coincident with or following his or her fifty-fifth (55th) birthday and prior to his or her Normal Retirement Date.

k. “EICP” means The Hershey Company Equity and Incentive Compensation Plan (formerly known as the Hershey Foods Corporation Key Employee Incentive Plan) and any successor or replacement plan thereof.

l. “Final Average Compensation” means the sum of (i) the average of the highest three (3) calendar years of base salary paid to a Vested Participant over his or her last five (5) years of employment with the Company and (ii) the average of the highest three (3) annual awards under the Annual Incentive Program of the EICP for his or her last five (5) years of employment with the Company, whether received or deferred.

m. “Lump Sum Interest Rate” means, as of any specific date, the sum of one-twelfth ($1/12^{th}$) of each 30-Year Interest Rate for the twelve (12) consecutive months beginning with the thirteenth (13th) month preceding the month during which such date occurs.

n. “Normal Retirement Date” means, for the purposes of this Plan, the first day of the month nearest an employee’s sixty-fifth (65th) birthday, except that if his or her birthday is equally near the first of two (2) calendar months, the first day of the month prior to his or her sixty-fifth (65th) birthday shall be his or her Normal Retirement Date.

o. “Participant” means an employee of the Company who was selected for participation in this Plan by the Committee in its sole discretion on or before October 2, 2006. Any employee who is not a Participant after October 2, 2006 may not be selected for participation in the Plan after October 2, 2006.

p. “Plan” means The Hershey Company Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, as set forth herein and as amended from time to time.

q. “Plan Administrator” means the Employee Benefits Committee of the Company, or any successor committee having similar authority, or such other individual or committee as may be determined by the Compensation Committee from time to time.

r. “Potential Change in Control” means a Potential Change in Control as such term is defined in the EICP.

s. “Retirement Plan” means The Hershey Company Retirement Plan, as in effect from time to time and any successor plan thereto.

t. “Separation from Service” or “Separates from Service” means a “separation from service” within the meaning of Code section 409A.

u. “Vested Participant” means, as of any specific date, a Participant who, as of such date, satisfies each eligibility requirement set forth in the first sentence of Section 3 of the Plan.

v. “Years of Service,” shall have the same meaning as provided in the Retirement Plan.

3. Eligibility. A Participant will be eligible to receive a benefit pursuant to Section 4 of the Plan if, at the time of his or her termination of employment with the Company, such Participant (i) is at least fifty-five (55) years of age and (ii) has completed five (5) Years of Service. No Participant, regardless of whether he or she satisfies all the eligibility requirements to be a Vested Participant, shall be entitled to receive any benefits under the Plan if his or her employment with the Company is terminated for Cause. Notwithstanding the above, a Participant whose employment with the Company is terminated prior to his or her Normal Retirement Date for reason of Disability will be treated as provided for in Section 4.c.

4. Retirement Benefits.

a. Normal Retirement Benefit. An employee who qualifies as a Vested Participant on the date of his or her termination of employment with the Company, and who Separates from Service (other than for Cause), on or after his or her Normal Retirement Date shall be entitled under the Plan to receive a lump sum cash payment (as determined under Section 6) equal to the present value of the annual benefit equal to:

(1) the product of three and two-thirds percent (3-2/3%) of his or her Final Average Compensation and his or her Years of Service not in excess of fifteen (15) Years of Service; reduced by the sum of (2) and (3), where (2) and (3) equal:

(2) one hundred percent (100%) of the Vested Participant's retirement benefit under the Retirement Plan (calculated as described in Section 4.e.) and any other tax-qualified defined benefit pension plan maintained by the Company or any affiliate thereof, payable as a life annuity commencing at his or her Normal Retirement Date or his or her Deferred Retirement Date if he or she Separates from Service after his or her 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 estimated primary social security benefit to which the Vested Participant would be entitled on his or her Normal Retirement Date or his or her Deferred Retirement Date if he or she Separates from Service after his or her Normal Retirement Date regardless of whether he or she receives any portion of such primary Social Security benefit on such date.

The benefit payable (as determined above) to a Participant who is age fifty (50) or over as of January 1, 2007 shall be reduced by ten percent (10%). For those Participants who have not attained age fifty (50) as of January 1, 2007, the benefit payable (as determined above) shall be reduced by twenty percent (20%).

b. Early Retirement Benefit. An employee who qualifies as a Vested Participant on the date of his or her termination of employment with the Company, and who Separates from Service (other than for Cause) on or after his or her Early Retirement Date and prior to his or her Normal Retirement Date shall be entitled under the Plan to receive a lump sum cash payment (as determined under Section 6) equal to the present value of the annual benefit equal to:

(1) the product of three and two-thirds percent (3-2/3%) of his or her Final Average Compensation and his or her Years of Service not in excess of fifteen (15) Years of Service reduced by the sum of (2), (3), and (4), where (2), (3), and (4) equal:

(2) one hundred percent (100%) of the Vested Participant's retirement benefit under the Retirement Plan (calculated as described in Section 4.e.) and any other tax-qualified defined benefit pension plan maintained by the Company or any affiliate thereof, payable as a life annuity commencing at his or her Early Retirement Date or the first day thereafter on which such benefits would be payable if they are not payable on his or her Early Retirement Date, regardless of whether such benefit payment is in that form or begins at that time;

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

receives any portion of such primary Social Security benefit on such date; provided, however, if the Vested Participant has not attained age sixty-two (62) at the time he or she Separates from Service, this reduction shall be calculated as if his or her compensation is payable at the same rate in effect at the time of his or her Separation from Service; and

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

The benefit payable (as determined above) to a Participant who is age fifty (50) or over as of January 1, 2007 shall be reduced by ten percent (10%). For those Participants who have not attained age fifty (50) as of January 1, 2007, the benefit payable (as determined above) shall be reduced by twenty percent (20%).

c. Disability Retirement Benefit. Notwithstanding any provision in the Plan to the contrary, if a Participant becomes Disabled prior to his or her Normal Retirement Date and while employed by the Company, he or she will be entitled to the benefit described in and calculated under Section 4.a. or 4.b. (i.e., the period of his or her Disability will be recognized as Years of Service and as years as a Participant in the Plan for purposes of vesting and calculating benefits under Section 4), as applicable, through the earlier of: (1) the last day of such Disability; or (2) the Participant's Normal Retirement Date, and the present value of his or her annual benefit (as determined under Section 6) will be distributed in a lump sum cash payment on the Participant's Normal Retirement Date.

d. Pre-Retirement Death Benefit. Notwithstanding any provision in the Plan to the contrary, if a Participant (i) dies before his or her employment with the Company terminates and (ii) qualifies as a Vested Participant on his or her date of death, his or her designated beneficiary(ies), or his or her estate if he or she has not designated any beneficiary or beneficiaries in accordance with procedures established by the Plan Administrator, shall receive a death benefit equal to the lump sum cash payment that would have been payable to the Vested Participant under Sections 4.a. or 4.b. as if he or she had Separated from Service on the date of death. Such amount shall be distributed as soon as administratively practicable within ninety (90) days following the Participant's date of death.

e. Post-Retirement Death Benefit. Notwithstanding any provision in the Plan to the contrary, if a Vested Participant, who is receiving annuity payments following his or her Separation from Service pursuant to an election under Section 6.c., dies, his or her surviving spouse, if he or she 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 as of the first day of the month following the Vested Participant's death, equal to:

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

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

f. Calculation of Retirement Plan Benefits. Notwithstanding any future amendment to the Retirement Plan, the terms of the Retirement Plan as in effect on December 31, 2006 shall be used for the purposes of calculating a benefit payable under this Section 4.

5. Administration of the Plan. The Plan Administrator is charged with the administration of the Plan. All members of the committee comprising the Plan Administrator may be Participants. A member of the committee comprising the Plan Administrator who is a Participant may not vote on matters involving a personal benefit claim or appeal under this Plan, but any such individual shall otherwise be fully entitled to act in matters arising out of or affecting this Plan notwithstanding his or her participation herein. In carrying out its duties herein, the Plan Administrator (or its designee) shall have full discretion to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and its determinations shall be final and binding on all parties. In the administration of this Plan, the Plan Administrator may, from time to time, employ agents and delegate to them or to others (including employees of the Company) such administrative duties as it sees fit. The Plan Administrator may from time to time consult with counsel, who may be counsel to the Company. Subject to Section 11, the Plan Administrator shall also have the power, in its sole discretion, at any time to waive, in whole or in part, application of any of the eligibility requirements of Section 3 or of the benefit reduction factors in Sections 4.a. and 4.b. in the case of any individual Participant, Vested Participant or other employee of the Company (including an employee who has participated in the performance share unit portion of the EICP). The Company shall indemnify and hold harmless the Plan Administrator and any employees to whom administrative duties under this Plan are delegated, against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct.

6. Time and Form of Distribution.

a. Lump Sum Distribution. Absent an effective election under Section 6.c. or 6.d., a lump sum cash payment payable to or on behalf of a Vested Participant under Section 4 shall be payable within ninety (90) days following the Participant’s Separation from Service. Such payment shall be equal to the actuarial present value of (i) if the Vested Participant is not married on the date of retirement or death, the annual benefit payable to a Vested Participant as a single life annuity under Sections 4.a. or 4.b., or (ii) if the Vested Participant is married on the date of retirement or death, the annual benefit payable to a Vested Participant as a fifty percent (50%) joint and survivor annuity with the Participant’s spouse as contingent annuitant under Sections 4.a. or 4.b. (reduced by the monthly annuity value of any life insurance provided by the Company or any affiliate thereof for retired employees that is in excess of post-retirement group term life insurance regularly provided by the Company or any affiliate thereof). Such payment shall be calculated using: (i) the mortality table set forth in Revenue Ruling 2001-62, 2001-53

I.R.B. 632, and (ii) an interest rate equal to the Lump Sum Interest Rate as of the date of the Vested Participant's Separation from Service or death. Notwithstanding the preceding sentence, the interest rate for those Vested Participants who participate in The Hershey Company 2005 Enhanced Mutual Separation Plan for E-Grade Employees (the "EMSP") or who were eligible for The Hershey Company 2005 Early Retirement Plan for E-Grade Employees (the "ERP for E-Grade Employees") shall be an interest rate equal to the lesser of (i) the Lump Sum Interest Rate as of December 31, 2005 or (ii) the prevailing Lump Sum Interest Rate as of the date of the Vested Participant's retirement.

b. Distribution to Key Employees. Notwithstanding anything herein to the contrary, in the case of a Separation from Service of a Key Employee, a lump sum cash payment payable under Section 6.a., and monthly annuity payments under Section 6.c., may not be made before the date which is six (6) months after the date of the Key Employee's Separation from Service (hereinafter called the "Waiting Period"); provided, however, in the event of the Key Employee's death during the Waiting Period, distribution shall be made as soon as administratively practicable within ninety (90) days following the date of the Key Employee's death. The lump sum cash payment that is otherwise payable to a Key Employee under Section 6.a., and the monthly annuity payments that are otherwise payable to a Key Employee under Section 6.c., shall accrue interest during the Waiting Period at a rate equal to the Lump Sum Interest Rate. A Key Employee means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined under Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Plan Administrator.

c. Annuity Form of Distribution. Notwithstanding Section 6.a. and subject to the restrictions of Section 6.b., a Participant who is an active employee of the Company (including on a paid leave of absence) on or after October 1, 2007 may make an election to receive his or her benefits under this Plan in a life annuity form provided under the Plan in accordance with procedures and distribution rules established by the Plan Administrator. Any such election must become irrevocable on or before December 31, 2008 and must be made in accordance with procedures and distribution rules established by the Plan Administrator.

d. Subsequent Deferral Election under Deferred Compensation Plan. A Participant may elect to change the time or form of distribution set forth in Section 6.a. in accordance with the requirements set forth in the Deferred Compensation Plan (a "Subsequent Deferral Election"). In the event of a Subsequent Deferral Election, the present value of the Participant's annual benefit (as determined under Section 6) shall be transferred to the Deferred Compensation Plan on the date such amounts would otherwise be payable under the Plan and the subsequent distribution of such amounts shall be made in accordance with the applicable provisions of the Deferred Compensation Plan.

7. 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 Company and any Participant, Vested Participant, spouse of a

Participant or Vested Participant, or any other person. No person other than the Company shall by virtue of the provisions of the Plan have any interest in any property or assets owned or which may be acquired by the Company. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. The right of any Vested 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 non-transferable. No payments hereunder shall be subject to the claim of the creditors of any Vested Participant or 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 Company 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 such person's benefit; or

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

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

8. Domestic Relations Orders. Notwithstanding Section 7, all or a portion of a Participant's benefits under the Plan may be paid to another person as specified in a domestic relations order that the Plan Administrator determines meets certain requirements (a "Domestic Relations Order"). For this purpose, a Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

(a) Issued pursuant to a State's domestic relations law;

(b) Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;

(c) Creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan;

(d) Provides for payment in an immediate lump sum as soon as practicable after the Company determines that a Domestic Relations Order exists; and

(e) Meets such other requirements established by the Plan Administrator.

The Plan Administrator in its sole discretion shall determine whether any document received by it is a Domestic Relations Order. In making this determination, the Plan Administrator may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant. If an order is determined to be a Domestic Relations Order, the amount to which any other person is entitled under the Order shall be paid in a single lump sum payment as soon as administratively practicable within ninety (90) days after such determination.

9. Taxes. The Company may withhold from a benefit payment under the Plan or a Participant's wages, or the Company may reduce a Participant's accrued benefit under the Plan, for purposes of withholding any federal, state, or local taxes with respect to Plan benefits. The Company shall report Plan payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws. In addition, if the Participant's benefits under the Plan are includible in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

10. Effective Date of Plan. This Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, shall be effective as of October 2, 2007 (except as otherwise provided in this Plan), and Vested Participants who become eligible to retire under the Plan on or after that date shall be entitled to the benefits provided hereunder (except as otherwise provided in this Plan).

11. Amendment, Suspension or Termination of the Plan.

a. Ability to Amend, Suspend, or Terminate. The Board may, at any time, suspend or terminate the Plan. The Board, or its duly appointed delegee, if applicable, 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, or its delegee in accordance with the Board's delegation of authority thereto, deems to be in the best interest of the Company. No such suspension, termination or amendment of the Plan shall adversely affect any right of any person who is a Vested Participant at the time of such suspension, termination or amendment or his or her 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 Vested 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, unless the Board determines, in its sole discretion, that all such amounts shall be distributed upon Plan termination in accordance with the requirements under Code section 409A.

b. Amendment or Termination After Change in Control. Notwithstanding the foregoing, (i) 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: (a) after a Potential Change in Control occurs and for one (1) year following the cessation of the Potential Change in Control, or (b) for a two (2) year period beginning on the date of a Change in Control (the "Coverage Period"), and (ii) no termination of this Plan or amendment hereof in a manner adverse to the interests of any

Participant, or such Participant's surviving spouse, (without the consent of the Participant or surviving spouse) shall be effective if such termination or amendment occurs (a) at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (b) in connection with or in anticipation of a Change in 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 or her 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 Section 11, whether an employee of the Company qualifies as a Participant shall be determined at the time (i) the Coverage Period commences and any time thereafter or (ii) his or her employment is terminated or the Plan is amended (a) at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (b) in connection with or in anticipation of a Change in Control.

IN WITNESS WHEREOF, The Hershey Company has caused The Hershey Company Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, to be executed the 27th day of December, 2007.

THE HERSHEY COMPANY

By: */s/ Marcella K. Arline*
Marcella K. Arline
Senior Vice President, Chief People Officer

Exhibit 10.7

THE HERSHEY COMPANY
COMPENSATION LIMIT REPLACEMENT PLAN
Amended and Restated as of October 2, 2007

I. PURPOSE OF PLAN

The purpose of The Hershey Company Compensation Limit Replacement Plan (hereinafter called the "Plan") is to ensure that the amount of future retirement benefits of executives of The Hershey Company (hereinafter called the "Company") are not reduced by federally regulated limits on the amount of compensation that may be included in the calculation of retirement benefits payable from the Company's Retirement Plan. The Plan constitutes an amendment, restatement and continuation of the prior plan which was most recently restated effective as of January 1, 2007.

II. DEFINITIONS

All of the capitalized terms used in this Plan and not defined herein shall have the same meaning as in the Company's Retirement Plan, as may be amended from time to time. The following words and phrases as used in this Plan shall have the following meanings unless a different meaning is plainly required by the context:

(a) "Average Annual Earnings" as of any date during a Participant's employment with an Employer means the average of the Participant's Earnings for the five (5) calendar years preceding such date of calculation.

(b) "Board" or "Board of Directors" means the Board of Directors of the Company.

(c) "Change in Control," for purposes of this Plan, shall have the same meaning as provided in The Hershey Company Equity and Incentive Compensation Plan (and any successor or replacement plan thereof).

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(e) "Committee" or "Compensation Committee" means the Compensation and Executive Organization Committee of the Board or any successor committee having similar authority.

(f) "Company" means The Hershey Company, a Delaware Corporation.

(g) "Credits" means the sum of the Participant's Basic Credits, Prior Service Credits, Supplemental Prior Service Credits, and Periodic Adjustment Credits.

(h) "DB SERP" means The Hershey Company Supplemental Executive Retirement Plan, as amended from time to time, and any successor or replacement plan thereof.

(i) “DC SERP” means Defined Contribution Supplemental Executive Retirement Plan benefit of the Deferred Compensation Plan, and any successor or replacement plan thereof.

(j) “Deferred Compensation Plan” means The Hershey Company Deferred Compensation Plan, as amended from time to time, and any successor or replacement Plan thereof.

(k) “Disabled” means Disabled as that term is defined in The Hershey Company Retirement Plan, as in effect from time to time, and any successor plan thereto.

(l) “Earnings,” for purposes of this Plan, shall have the same meaning as provided in the Retirement Plan, except that such Earnings shall not be subject to the compensation limits of Section 401(a)(17) of the Code.

(m) “Effective Date” means October 2, 2007, except as specifically provided otherwise in this Plan.

(n) “Excess Account” as of a determination date equals the excess of:

1. the sum of the Credits to the Participant’s Accounts (including Grandfather benefits) for all years ending on or before the determination date, including years prior to the Effective Date, that would have been made under Article 4 of the Retirement Plan, if Earnings and Average Annual Earnings defined in this Plan were used in such calculation, over

2. the sum of the Credits to the Participant’s Accounts (including Grandfather Benefits) in all years ending on the determination date, including years prior to the Effective Date, under Article 4 of the Retirement Plan.

Notwithstanding the foregoing, for purposes of determining the Excess Account of any participant eligible for the DC SERP, the Credits to the Participant’s Accounts determined under subsections 1 and 2 above for periods of participation in DC SERP shall be determined by assuming pay-based credits equal 3% of “Earnings” (as defined in this Plan or under the Retirement Plan, as applicable).

(o) “For Cause” means, as determined by the Committee in its reasonable discretion, the willful engaging by an employee of the Company in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company, including, without limitation, illegal conduct or gross misconduct that causes, or has the potential to cause, material financial or reputational injury to the Company.

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 Company. Any act or failure to act, based

on prior approval given by the Board or upon the instruction or with the approval of the Chief Executive Officer or the employee's superior or based upon the advice of counsel for the Company (provided such approval, instruction, or advice of counsel is made by or from someone other than the Participant) 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 Company.

(p) "Long Term Disability Plan" means The Hershey Company Long Term Disability Plan, and any successor or replacement Plan thereof.

(q) "Participant" means an employee of the Company who becomes eligible to receive a benefit under this Plan in accordance with the provisions of Section III.

(r) "Plan Administrator" means the Employee Benefits Committee of the Company, or any successor committee having similar authority, or such other individual or committee as may be determined by the Compensation Committee from time to time.

(s) "Plan" means The Hershey Company Compensation Limit Replacement Plan, Amended and Restated as of October 2, 2007, as set forth herein and as amended from time to time.

(t) "Retirement Plan" means The Hershey Company Retirement Plan, as in effect from time to time and any successor plan thereto.

(u) "Separation from Service" or "Separates from Service" means a "separation from service" within the meaning of Code section 409A; provided that, in the event a Participant becomes Disabled and takes a leave of absence in connection therewith, a Separation from Service shall not occur for up to 29 months following the first day of such leave of absence as permitted under Code section 409A and the regulations issued thereunder.

III. ELIGIBILITY

(a) A U.S. paid executive who is an employee of the Company shall be a participant in this Plan if (i) he or she is an active participant in the Retirement Plan on or after January 1, 1995, and (ii) his or her pension benefit, determined on the basis of the provisions of the Retirement Plan without regard to the limitations of Section 415 or Section 401(a)(17) of the Code, would exceed the benefit payable from the Retirement Plan with regard to such limits. An employee of the Company hired on or after January 1, 2007 shall not be a participant in this Plan.

(b) Except as provided in Section III.(c), in the event that a Participant in this Plan is designated by the Committee to be eligible to participate in the DB SERP, regardless of whether he or she reaches at least fifty-five (55) years of age and completes five (5) Years of Service, the Participant shall no longer be eligible to participate in this Plan or to receive a benefit hereunder, even for periods prior to being designated as eligible to participate in the DB SERP.

(c) In the event that an employee described in Section III.(b) above (i) ceases to be designated by the Committee as eligible to participate in the DB SERP prior to his or her termination of employment with the Company, or (ii) has his or her employment involuntarily terminated by the Company (other than For Cause) (i.e., not as a result of a voluntary termination or resignation by the Participant) prior to reaching at least fifty-five (55) years of age and completing five (5) Years of Service, such employee shall become eligible to participate in this Plan, and to receive a benefit hereunder for all years in which he or she would have been a Participant, but for his or her designation by the Committee to be eligible to participate in the DB SERP.

IV. BENEFITS

(a) *Retirement*

An employee who qualifies as a Participant and who retires or whose employment is otherwise terminated other than For Cause on or after his or her "Early Retirement Date" (as determined under the Retirement Plan) shall be entitled under this Plan to receive a retirement benefit equal to the lump sum value of his or her Excess Account, determined as of the Participant's date of Separation from Service with the Company.

(b) *Termination*

An employee who qualified as a Participant and who terminates employment other than For Cause prior to his or her Early Retirement Date but after completing five (5) Years of Service shall be entitled to a benefit equal to the lump sum value of his or her Excess Account as of the employee's date of Separation from Service with the Company.

(c) *Pre-retirement Death*

If a Participant dies prior to his or her Early Retirement Date, the Designated Beneficiary of the Participant shall be entitled to the lump sum value of the Participant's Excess Account as of the date of Participant's death.

(d) *Disability*

Effective as of January 1, 2007, if a Participant becomes Disabled prior to his or her Normal Retirement Date and while employed by the Company, the Participant shall continue to accrue credits to his or her Excess Account until the earlier of (i) two (2) years from the date benefits commence under the Company's Long Term Disability Plan or (ii) the date he or she is no longer eligible for benefits under the Long Term Disability Plan. The Basic Credits, if any, during this period will be determined based on the method described in Section 5.2 of the Retirement Plan.

V. DISTRIBUTION AND FORM OF PAYMENT

(a) *Form of Payment*

Subject to Section V.(b), benefits payable under Sections IV and VI of this Plan shall be payable in a lump sum cash payment within ninety (90) days following the earlier of a Participant's (i) Separation from Service, or (ii) death. A Participant may elect to change the time or form of distribution in accordance with the requirements set forth in the Deferred Compensation Plan (a "Subsequent Deferral Election"). In the event of a Subsequent Deferred Election, the lump sum value of the Participant's Excess Account shall be transferred to the Deferred Compensation Plan on the date such amount would otherwise be payable under the Plan and the subsequent distribution of such amount shall be made in accordance with the applicable provisions of the Deferred Compensation Plan.

(b) *Distribution to Key Employees*

In the case of a Separation from Service of a Key Employee, a lump sum cash payment payable under Sections IV(a), IV(b), IV(d) and VI(a) of this Plan may not be made before the date which is six (6) months after the date of the Key Employee's Separation from Service (hereinafter called the "Waiting Period"); provided, however, in the event of the Key Employee's death during the Waiting Period, payment shall be made as of the date of the Key Employee's death pursuant to Section V.(a). The lump sum cash payment that is otherwise payable to a Key Employee under these Sections of this Plan shall accrue interest during the Waiting Period at a rate equal to the HRA Crediting Rate.

(c) *Definitions*

For purposes of this Section V:

(i) "Key Employee" means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined under Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Plan Administrator; and

(ii) "HRA Crediting Rate" means a periodic adjustment percentage equal to the average of one-year Treasury Constant Maturities as published in the Federal Reserve Statistical Release H.15(519) of the Board of Governors of the Federal Reserve System, measured on the first business day of October, November and December of the year immediately preceding the Plan Year. The average rate shall be calculated and rounded to the nearest

one-hundredth of a percentage point. Notwithstanding the preceding sentence, the periodic adjustment percentage shall not exceed twelve (12) percent and shall not be less than three (3) percent in any Plan Year.

VI. CHANGE IN CONTROL

Upon the occurrence of a Change in Control, a Participant shall have a vested right to receive, upon his or her Separation from Service and notwithstanding his or her Years of Service, the value of his or her Excess Account as of his or her date of Separation from Service in accordance with Section V.(a). In addition, a Participant shall have a vested right to receive the value of his or her Excess Account, notwithstanding his or her Years of Service, if such Participant Separates from Service with the Company, (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.

VII. ADMINISTRATION OF THE PLAN

(a) The Plan Administrator is charged with the administration of the Plan. The Plan Administrator shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan. All members of the committee comprising the Plan Administrator may be Participants. A member of the committee comprising the Plan Administrator who is a Participant may not vote on matters involving a personal benefit claim or appeal under this Plan, but any such individual shall otherwise be fully entitled to act in matters arising out of or affecting this Plan notwithstanding his or her participation herein.

(b) In the administration of this Plan, the Plan Administrator may, from time to time, employ agents and delegate to them or to others (including employees of the Company) such administrative duties as it sees fit. The Plan Administrator may from time to time consult with counsel, who may be counsel to the Company.

(c) In carrying out its duties herein, the Plan Administrator (or its designee) shall have full discretion to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and its determinations shall be final and binding on all parties.

(d) The Company shall indemnify and hold harmless the Plan Administrator and any employees to whom administrative duties under this Plan are delegated, against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct.

VIII. 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 Company and the Participant, his or her spouse or any other person. Benefits under the Plan shall be paid out of the general assets of the Company. No person other than the Company 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 Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof. The rights to all such amounts are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by Participants or any other person, nor be transferable by operation of law in the event of a Participant's or any other persons bankruptcy or insolvency, except as required by law. Any payments required to be made pursuant to the Plan to a person who is under legal disability may be made by the Company to or for the benefit of such person in such of the following ways as the Plan Administrator 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, or

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

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

IX. DOMESTIC RELATIONS ORDERS

Notwithstanding Section VIII, all or a portion of a Participant's Excess Account may be paid to another person as specified in a domestic relations order that the Plan Administrator determines meets certain requirements (a "Domestic Relations Order"). For this purpose, a Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

(a) Issued pursuant to a State's domestic relations law;

(b) Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;

(c) Creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan;

(d) Provides for payment in an immediate lump sum as soon as practicable after the Company determines that a Domestic Relations Order exists; and

(e) Meets such other requirements established by the Plan Administrator.

The Plan Administrator in its sole discretion shall determine whether any document received by it is a Domestic Relations Order. In making this determination, the Plan Administrator may consider the rules applicable to “domestic relations orders” under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant. If an order is determined to be a Domestic Relations Order, the amount to which the other person is entitled under the Order shall be paid in a single lump sum payment as soon as administratively practicable within ninety (90) days after such determination.

X. EFFECTIVE DATE OF PLAN

Except as specifically provided herein, this amendment and restatement of the Plan shall be effective October 2, 2007.

XI. AMENDMENT, SUSPENSION, OR TERMINATION OF THE PLAN

The Board may, at any time, suspend or terminate the Plan. The Committee 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 the law or in other respects which the Committee deems to be in the best interest of the Company. Except as provided in the next sentence, no such amendment shall adversely affect any right of any Participant or his or her spouse to benefits hereunder that have become payable (i.e. the Participant has five (5) Years of Service with the Company) prior to the effective date of the amendment without the consent of such Participant or spouse. Unless the Board determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A, any benefits payable under the terms of the Plan at the time of termination 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 or her surviving spouse. Upon termination of the Plan, no further benefit accruals shall occur.

IN WITNESS WHEREOF, the Company has caused The Hershey Company Compensation Limit Replacement Plan, Amended and Restated as of October 2, 2007, to be executed the 27th day of December, 2007.

THE HERSHEY COMPANY

By: */s/ Marcella K. Arline*
Marcella K. Arline
Senior Vice President, Chief People Officer

Exhibit 10.8

[Execution Copy]

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of October 2, 2007 (the "Effective Date"), between The Hershey Company, a Delaware corporation together with its successors and assigns permitted under this Agreement ("Employer"), and David J. West (the "Executive").

1. Term. Subject to earlier termination as provided herein, Employer hereby agrees to employ Executive, and the Executive hereby accepts such employment, for the period commencing on the Effective Date and ending on the third anniversary of the Effective Date; provided, however, that commencing on the day following the Effective Date and each day thereafter, the term of the Executive's employment under this Agreement shall be extended automatically for one (1) additional day, creating a new three-year term commencing as of each day until such date on which either the Board of Directors of Employer (the "Board"), on behalf of Employer, or the Executive gives written notice to the other, in accordance with Section 17(b), below, that such automatic extension of the Executive's employment under this Agreement shall cease, in which event, as of the effective date of such notice, the term of employment shall become a fixed three-year term. Any such notice shall be effective immediately upon delivery. The term of the Executive's employment as provided in this Section 1 shall be hereinafter referred to as the "Term."

2. Duties.

(a) Executive's Positions and Titles. Commencing on the Effective Date, the Executive's position and title shall be President of Employer. Commencing December 1, 2007, Executive shall also be the Chief Executive Officer of Employer.

(b) Executive's Duties. As Chief Executive Officer of Employer, Executive shall report directly to the Board and shall have active and general supervision and management over the business and affairs of Employer and shall have full power and authority to act for all purposes for and in the name of Employer in all matters except where action of the Board is required by law, the By-laws of Employer, or resolutions of the Board. During the period prior to assuming the position and title of Chief Executive Officer, as President, Executive shall assist the Chief Executive Officer in the discharge of the foregoing duties, and Executive shall have such other duties, authorities and responsibilities commensurate with the duties, authorities and responsibilities of persons serving as President of similarly sized companies.

(c) Business Time. The Executive agrees to devote substantially all of his business time and efforts to the business and affairs of Employer and the performance of the duties and responsibilities assigned to the Executive hereunder, subject to periods of vacation and sick leave to which he is entitled. Notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees and manage his personal investments and affairs, and continue to serve on any corporate board of directors on which he serves as of the Effective Date, to the extent such activities do not materially interfere with the performance of his duties and responsibilities hereunder. In addition, after consultation with the Board or the Compensation and Executive Organization Committee (the "Compensation Committee") thereof as to

appropriateness with regard to the Executive's duties and responsibilities to Employer, the Executive may also serve on other corporate boards of directors of corporations which do not compete, as described in Section 11(b), with Employer. In no event during the Term will Executive knowingly invest in any business which materially competes with Employer; provided, that nothing in this Agreement shall be construed to prohibit the Executive from investing in up to 2% of the stock of any publicly traded corporation.

(d) Board Service. Upon the Effective Date, the Executive will be appointed as a member of the Board and Executive agrees to serve as a member of the Board during the Term. Provided that the Executive's employment with Employer has not previously been terminated, the Executive will be nominated for election as a member of the Board at Employer's 2008 annual meeting of the stockholders and at each subsequent annual meeting of stockholders during the Term.

3. Compensation and Benefits.

(a) Base Salary. During the Term, the Executive shall receive a base salary (as may be increased from time to time, "Base Salary"), paid in accordance with the normal payroll practices of Employer, at an annual rate of $1,000,000. The Base Salary shall be reviewed from time to time in accordance with Employer's policies and practices, but no less frequently than once annually and may be increased, but not decreased from its then current level, at any time and from time to time by action of the Compensation Committee and Board.

(b) Annual Bonus Programs. In addition to the Base Salary, the Executive shall be eligible to participate throughout the Term in such annual bonus plans and programs ("Annual Bonus Programs"), as may be in effect from time to time in accordance with Employer's compensation practices and the terms and provisions of any such plans or programs, such as Employer's Annual Incentive Program (the "AIP") of the Equity and Incentive Compensation Plan (the "EICP"); provided that Executive shall have an aggregate target annual bonus under such Annual Bonus Programs of not less than one hundred percent (100%) of Base Salary and in all other respects, except as otherwise provided herein, the Executive's eligibility for and participation in each Annual Bonus Program shall be at a level and on terms and conditions consistent with those for other senior executives of Employer.

(c) Long-Term Incentive Programs. In addition to the Base Salary and participation in the Annual Bonus Programs, the Executive shall be eligible to participate throughout the Term in such long-term incentive plans and programs including, without limitation, stock option, restricted stock unit, performance stock unit and other similar programs ("Long-Term Incentive Programs"), as may be in effect from time to time in accordance with Employer's compensation practices and, except as otherwise provided herein, the terms and provisions of any such plans or programs, such as Employer's Long-Term Incentive Program (the "LTIP") under the EICP; provided that (i) Executive's aggregate target of LTIP awards to be granted in 2008 shall have a value (determined based on the valuation method used by the Compensation Committee in making LTIP awards to the senior officers of the Employer) equal to three hundred percent (300%) of Base Salary and the actual awards shall be determined and made at such times and in such manner as is consistent with the treatment of other senior executives of Employer and with the provisions of the LTIP and (ii) in all other respects, except

as otherwise provided herein, the Executive's participation in each Long-Term Incentive Program shall be at a level and on terms and conditions consistent with participation by other senior executives of Employer.

(d) Promotion-Based Equity Incentive Compensation.

(i) Option Grant. On the Effective Date, Executive was awarded a grant of a ten-year option to purchase 37,400 shares of the common stock of Employer having an exercise price per share of $45.78 and the same terms and conditions as the terms and conditions of the 2007 nonqualified stock option awards under the LTIP made in April 2007, except for the grant date of October 2, 2007 and as otherwise provided in this Agreement. To the extent approved by the Compensation Committee and Board, such option and all of Executive's options and awards of stock appreciation rights, heretofore or hereafter granted, shall provide for an exercise period after termination of employment for options vested as of such date of no less than the earlier of (x) the later of ninety (90) days after termination or thirty (30) days after the first date after termination in which exercise of options or rights or sale of the underlying stock is not blacked out by Employer policy or prohibited by legal limitations and (y) the original expiration date of the option or right.

(ii) PSU Grant On the Effective Date; 2003-2005 PSU Award. On the Effective Date, Executive was awarded an increase of 15,200 in the target number of performance stock units ("PSUs") for the 2007-2009 award cycle under the LTIP, which PSUs shall be subject to the same terms and conditions as the 2007-2009 target PSU award made to Executive in February 2007. In addition, the Executive's PSU grant for the 2003-2005 award cycle shall be fully vested on the earlier to occur of (A) December 31, 2008, and (B) termination of Executive's employment for any reason, and shall be payable as provided under the terms thereof, provided that such award shall be subject to forfeiture and the value of any shares and cash paid shall be subject to repayment to the Employer, in the event that, prior to September 30, 2008, Executive knowingly and materially violates the provisions of Section 11(a), (b) or (c) hereof.

(iii) Restricted Stock Unit Grant. On the Effective Date, the Executive was awarded 22,000 deferrable restricted stock units ("Promotion Restricted Stock Unit Grant") under the LTIP, which award shall be governed by the following terms and conditions. The restricted stock units shall vest on January 2, 2008, provided Executive's employment has not terminated prior to January 2, 2008 for any reason other than death or Disability. Vested restricted stock units shall be paid in shares (together with a cash payment equal to the amount of dividends that would have been paid had Executive owned the 22,000 shares underlying the restricted stock units from October 2, 2007 through the payment date) to the Executive (or, in the event of his death, to his beneficiary) on April 2, 2008, unless Executive has elected to defer receipt of such amount in accordance with an applicable deferred compensation plan. Notwithstanding the foregoing, the Promotion Restricted Stock Unit Grant shall be subject to forfeiture and the value of any shares and cash paid shall be subject to repayment to the Employer in the event that, prior to April 2, 2009, Executive knowingly and materially violates the provisions of Section 11(a), (b) or (c) hereof.

(e) Other Incentive Plans. During the Term, the Executive shall be eligible to participate, subject to the terms and conditions thereof, in all incentive plans and programs, including, but not limited to, such cash and deferred bonus programs as may be in effect from time to time with respect to senior executives employed by Employer on as favorable a basis as provided to other similarly situated senior executives so as to reflect the Executive's responsibilities; provided, however, that awards made thereunder shall be taken into account, as applicable, for purposes of determining the Employer's compliance with its obligations relating to target awards under 3(b) and 3(c) above.

(f) Supplemental Retirement Benefit. The Executive shall continue to participate in Employer's Amended and Restated Supplemental Executive Retirement Plan, as amended from time to time (the "SERP Program").

(g) Early Supplemental Retirement Benefit. In the event that upon the termination of Executive's employment on or after January 2, 2008 (or earlier for a reason other than termination by Employer with Cause or resignation by the Executive without Good Reason), but prior to Executive's 55th birthday, the Executive is not otherwise entitled to receive any benefit under the SERP Program, then, to the extent approved by the Compensation Committee and Board, Employer shall pay to Executive (or his beneficiary), subject to Section 16(b) hereof, within sixty (60) days of such termination, a lump sum cash payment equal to the lump sum cash Early Retirement Benefit to which the Executive (or his beneficiary) would be entitled to receive under SERP Program as if, as of his Date of Termination, the Executive was a Vested Participant eligible to receive an Early Retirement Benefit under the SERP Program.

(h) Other Pension and Welfare Benefit Plans. During the Term, the Executive and/or the Executive's dependents, as the case may be, shall be eligible to participate in all pension and similar benefit plans (qualified, non-qualified and supplemental), profit sharing, ESOP, 401(k), medical and dental, disability, group and/or executive life, accidental death and travel accident insurance, and all similar benefit plans and programs of Employer, subject to the terms and conditions thereof, as in effect from time to time with respect to senior executives employed by Employer so as to reflect the Executive's responsibilities.

(i) Perquisites. During the Term, the Executive shall be entitled to participate in perquisite programs, as such are made available to senior executives of Employer.

(j) Expenses. During the Term, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him in accordance with the policies and practices of Employer as in effect from time to time. Employer will promptly pay all reasonable professional expenses up to a maximum of $35,000 incurred by the Executive in connection with the negotiation and preparation of this Agreement.

(k) Vacation. During the Term, the Executive shall be entitled to paid vacation in accordance with the policies and practices of Employer as in effect from time to time with respect to senior executives employed by Employer, but in no event shall such vacation time be less than five weeks per calendar year.

(l) Certain Amendments. Nothing herein shall be construed to prevent Employer from amending, altering, eliminating or reducing any plans, benefits or programs so long as the Executive continues to receive compensation and benefits consistent with Sections 3(a) through (k).

(n) Minimum Stock Ownership. Executive shall be subject to, and shall comply with, the stock ownership guidelines of Employer, which, as of the date hereof, generally requires the Executive to hold shares of common stock of Employer with a value equal to at least five times the Executive's Base Salary.

4. Termination.

(a) Disability. Employer may terminate Executive's employment, after having established the Executive's Disability, and while such Disability continues, by giving notice of its intention to terminate the Executive's employment, and the Executive's employment with Employer shall terminate effective on the 30th day after such notice (the "Disability Effective Date") unless in the interim the Executive shall have returned to substantially full time performance of his duties. For purposes of this Agreement, the Executive's "Disability" shall occur and shall be deemed to have occurred only in the event that the Executive suffers an incapacity due to illness or injury which has substantially and materially prevented the Executive from performing the essential functions of the Executive's job, even with reasonable accommodation, for a continuing period of 180 days, and he has become entitled to receive disability benefits under the long-term disability plan offered by Employer to its exempt employees.

(b) Cause.

(i) Employer may terminate the Executive's employment for Cause, if "Cause" as defined below exists. For purposes of this Agreement, "Cause" means with respect to the Executive:

(A) Executive's willful and continued failure to attempt in good faith to substantially perform his duties with the Employer (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by the Board which specifically identifies the manner in which the Board believes that the Executive has willfully and continuously failed to attempt in good faith to substantially perform his duties;

(B) Executive willfully engaging in gross misconduct with respect to the Employer or his duties which is materially and demonstrably injurious to the Employer; or

(C) Executive's indictment for, conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving material moral turpitude.

(ii) For purposes of this Section 4(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 him in bad faith and without reasonable belief that his action or omission was in the best interests of the Employer. Any act, or failure to act, based upon the instructions or prior approval given by the Board or based upon the advice of counsel for the Employer 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 Employer. A termination for Cause shall not take effect unless the provisions of this subclause (ii) are complied with. The Executive shall be given written notice by the Board of the intention to terminate him for Cause, such notice (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based and (B) to be given within 90 days of the Board's learning of such act or acts or failure or failures to act. The Executive shall have 30 calendar days after the date that such written notice has been given to the Executive in which to cure such conduct. If he fails to cure such conduct, the Executive shall then be entitled to a hearing with his legal counsel before the Board, and, thereafter, upon a determination by affirmative vote of no fewer than three-quarters of the members of the Board that Cause exists, he shall be terminated for Cause.

(c) Good Reason.

(i) The Executive may terminate the Executive's employment at any time for Good Reason. For purposes of this Agreement, "Good Reason" means any of the following actions by the Employer without Executive's written consent:

(A) The assignment to the Executive of any duties materially inconsistent with his position (including status, offices, titles and reporting relationships), authority, duties or responsibilities, all as contemplated by Section 2(a) and (b) above, or any other action by Employer which results in a diminution in any respect in such title, position, authority, duties or responsibilities, excluding for this purpose any action not taken in bad faith and which is remedied by Employer promptly after receipt of notice thereof given by the Executive;

(B) Any material breach by Employer of a material provision of this Agreement, including, without limitation, a reduction in Executive's Base Salary or target bonus opportunity or failure to provide incentive opportunities as provided in Section 3(c), and excluding for this purpose any action, or failure to act, not taken in bad faith and which is remedied by Employer promptly after receipt of notice thereof given by the Executive;

(C) Any termination of The Hershey Company Executive Benefits Protection Plan (Group 3A), as in effect on the Effective Date (the "EBPP") or the amendment of the EBPP that eliminates or reduces Executive's benefits thereunder in connection with a Change in Control (as defined under the EBPP) without substituting a plan or arrangement that provides Executive equivalent or more favorable benefits in connection with a Change in Control than provided under the EBPP, immediately prior to such amendment or termination, excluding for this purpose any action, or failure to act, not taken in bad faith and which is remedied by Employer promptly after receipt of notice thereof by the Executive;

(D) The failure of the Employer to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of Employer within 15 days after a merger, consolidation, sale or similar transaction;

(F) Employer's giving notice to the Executive to stop further operation of the evergreen feature described in Section 1, above; or

(G) The Executive's removal from the Board or the failure to elect or re-elect the Executive to serve as a member of the Board (in each case, other than for Cause, as a result of death or Disability, or because of a legal prohibition).

(ii) A termination for Good Reason shall not take effect unless the provisions of this subclause (ii) are satisfied. Executive shall give Employer written notice of his intention to terminate his employment for Good Reason, such notice: (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Good Reason is based and (B) to be given within 90 days of the Executive's learning of such act or acts or failure or failures to act. Employer shall have 30 calendar days after the date that such written notice has been given by the Executive in which to cure such conduct. If Employer fails to cure such conduct, Executive shall be deemed to have terminated his employment for Good Reason.

(d) Termination by Executive Without Good Reason. Executive may, at any time without Good Reason, by at least 30 days' prior notice, voluntarily terminate his employment without liability. Executive's voluntary termination is not a breach of this Agreement.

(e) Notice of Termination. Any termination of the Executive's employment by Employer for Disability, for or without Cause or by the Executive for or without Good Reason shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 17(b). For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon; (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and (iii) specifies the Date of Termination (defined below).

(f) Date of Termination; "Separation from Service". "Date of Termination" means the date of actual receipt of the Notice of Termination or any later date specified therein (but not more than fifteen (15) days after the giving of the Notice of Termination), or the date of Executive's death, as the case may be; provided that (i) if the Executive's employment is terminated by Employer for any reason other than Cause or Disability, the Date of Termination is the date on which Employer notifies the Executive of such termination; (ii) if the Executive's employment is terminated due to Disability, the Date of Termination is the Disability Effective Date; and (iii) if the Executive's employment is terminated by the Executive without Good Reason, the Date of Termination is the date thirty (30) days after the giving of the Notice of

Termination, unless the parties otherwise agree in writing. The terms "termination" and "termination of employment," as used herein are intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A determined without regard to Executive's service as a member of the Board or of the board of directors of any subsidiary of Employer.

5. Obligations of Employer upon Termination. The Executive's entitlements upon termination of employment are set forth below. Except to the extent otherwise provided in this Agreement, all accrued and vested benefits under the Employer's employee benefit plans, including, without limitation, stock option grants, restricted stock units and awards under the Long-Term Incentive Programs, shall be subject to the terms and conditions of the plan or arrangement under which such benefits accrue, are granted or are awarded. For purposes of this Section 5, the term "Accrued Obligations" shall mean, as of the Date of Termination, (i) the Executive's full Base Salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, to the extent not theretofore paid, (ii) the amount of any bonus, incentive compensation, deferred compensation (including, but not limited to, any supplemental retirement benefits) and other cash compensation earned (and not forfeited hereunder) by the Executive as of the Date of Termination to the extent not theretofore paid and (iii) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid. For purposes of determining an Accrued Obligation under this Section 5, amounts shall be deemed to accrue ratably over the period during which they are earned (and not forfeited hereunder), but no discretionary compensation shall be deemed earned or accrued until it is specifically approved by the Board in accordance with the applicable plan, program or policy, provided that the amounts under Section 3(b) hereof shall be deemed earned and accrued on the last day of the applicable fiscal year.

(a) Death. If the Executive's employment is terminated by reason of the Executive's death, the Executive's legal representative or designated beneficiary, as applicable, shall be entitled to receive amounts and benefits as contained in any applicable Employer plan or program which is in effect at the date of his death, but in no event shall Employer's obligations be less than those provided by this Agreement, and the following:

(i) From and after the Date of Termination, the Executive's surviving spouse, other named beneficiaries or other legal representatives, as the case may be, shall be entitled to receive those benefits payable to them under the provisions of any applicable Employer plan or program and as provided for herein, including under Sections 3(f) or 3(g) above, as applicable, including, without limitation, any benefits commencing immediately upon the Executive's death;

(ii) On the Date of Termination, the disposition (including exercise period) of all options to purchase stock of Employer or stock appreciation rights, if any, theretofore granted to the Executive and not exercised by the Executive shall be determined in accordance with the terms of the applicable award agreement between Employer and the Executive;

(iii) On the Date of Termination, the disposition of restricted stock units and other incentive or equity compensation granted by Employer to the Executive

prior to the Date of Termination which had not vested prior to such date shall be forfeited or become nonforfeitable and payable to the extent provided in the terms of the applicable grant award or agreement between Employer and the Executive;

(iv) Promptly following the Date of Termination, Employer shall pay the Executive's legal representatives a lump sum in cash equal to a pro-rata AIP award for the year of termination, based on the target bonus; and

(v) Promptly following the Date of Termination, the Accrued Obligations not theretofore paid shall be paid.

(b) Disability. If the Executive's employment is terminated by reason of the Executive's Disability, the Executive shall be entitled to receive after the Disability Effective Date:

(i) Disability benefits, if any, which shall be at a level at least equal to those then provided by Employer to disabled executives and their families;

(ii) Subject to Section 16(b) hereof, supplemental executive retirement benefits, if any, under the SERP Program, or benefits under Section 3(g) hereof;

(iii) On the Date of Termination, the disposition (including exercise period) of all options to purchase stock of Employer or stock appreciation rights, if any, theretofore granted to the Executive and not exercised by the Executive shall be determined in accordance with the terms of the applicable award agreement between Employer and the Executive;

(iv) On the Date of Termination, the disposition of restricted stock units and other incentive or equity compensation granted by Employer to the Executive prior to the Date of Termination which had not vested prior to such date shall be forfeited or become nonforfeitable and payable to the extent provided in the terms of the applicable grant award or agreement between Employer and the Executive;

(v) Subject to Section 16(b) hereof, promptly following the Date of Termination, Employer shall pay the Executive a lump sum in cash equal to a pro-rata AIP award for the year of termination, based on the target bonus; and

(vi) Promptly following the Date of Termination, the Accrued Obligations not theretofore paid shall be paid.

(c) Cause/Other Than for Good Reason. If the Executive's employment is terminated for Cause by Employer or if the Executive terminates the Executive's employment without Good Reason, Employer shall promptly pay the Executive all Accrued Obligations. All unexercised stock options and all unpaid restricted stock units and other equity incentive compensation awards theretofore granted to the Executive, shall be exercisable or forfeited, as the case may be, in accordance with this Agreement, any other applicable agreement, or award between Employer and the Executive.

(d) Other Than for Cause, Death or Disability/For Good Reason. If Employer terminates the Executive's employment other than for Cause, death or Disability or the Executive terminates the Executive's employment for Good Reason,

(i) Employer shall pay to the Executive in a lump sum in cash promptly after the Date of Termination the aggregate of Executive's Accrued Obligations not theretofore paid and, subject to the provisions of Section 16(b) hereof, the following amounts shall promptly be paid;

(A) a pro-rata AIP bonus for the year of termination, based on the Executive's target bonus, and

(B) two times the sum of: (I) the Executive's annual Base Salary at the rate in effect at the time the Notice of Termination is given, or in effect immediately prior to any reduction thereof in violation of this Agreement, and (II) the AIP bonus at target for the year in which such termination occurs.

(ii) Executive shall be entitled to such other incentive compensation, including, without limitation, the equity compensation described in Section 3(d) hereof, in accordance with the terms of the applicable grant or award agreement between Employer and the Executive or plan and Section 3(d); provided that any stock options or stock appreciation rights held by the Executive as of the Date of Termination will remain outstanding, and to the extent not vested, will continue to vest during the two (2) years after any such termination and such stock options and stock appreciation rights vested at the Date of Termination, or which become vested during such two (2) years period, shall be exercisable during said two (2) year period (but not beyond the original expiration date);

(iii) Executive shall be entitled to receive the benefits described in Sections 3(f) or 3(g) of this Agreement, as applicable, and subject to Section 16(b) hereof.

(iv) Employer shall provide to the Executive at Employer's expense the life, accidental death and travel accident insurance benefits specified in Section 3(h) to which Executive is entitled as of the Date of Termination for two (2) years following the Date of Termination, provided that such benefits shall be reduced by any similar benefits, on a benefit-by-benefit and coverage-by-coverage basis, provided by a subsequent employer; provided further that (A) in the event the Date of Termination occurs after the Executive has attained age 55, the provisions of Section 15 shall nonetheless apply, provided that two (2) years shall be substituted for the five (5) year period set forth in Section 15; and (B) from and after the Date of Termination, Executive shall not become entitled to any additional awards under any plans, practices, policies or programs of Employer.

Notwithstanding the foregoing, the Employer's obligations to pay or provide any benefits, under this Section 5(d) shall (i) cease as of the date the Executive knowingly and materially violates the

provisions of Section 11(a), 11(b) or 11(c) hereof and (ii) be conditioned on the Executive signing a release of claims in favor of the Employer in the form annexed hereto within forty-five (45) days of such termination and the expiration of any revocation period provided for in such release; provided that, if such Date of Termination is after November 8 of any year, no payment conditioned on such release shall be made until the calendar year following the calendar year of termination even if the release is signed and the revocation period concluded earlier.

6. Change in Control. In the event of a Change in Control (as defined in the EBPP), the rights and obligations of Employer and the Executive, including, without limitation, rights and obligations upon termination of Executive’s employment, shall be governed by the EBPP subject to the following provisions of this Section 6. If any item of compensation or benefit is provided under this Agreement, or under any other plan, agreement, program or arrangement of Employer (other than the EBPP) which is more favorable to Executive than the corresponding item of compensation or benefit under the EBPP, or if an item of compensation or benefit is provided under this Agreement, or under such other plan, agreement, program or arrangement, but not under the EBPP, such item of compensation or benefit shall be provided in accordance with the terms of this Agreement or such other plan, agreement, program or arrangement. In no event, however, shall Executive be entitled to duplication as to any item of compensation or benefit that is provided under both this Agreement (or such other plan, agreement, program or arrangement) and the EBPP. In addition, for purposes of Section 3.4 of the EBPP, payments under or pursuant to this Agreement or any other payment with regard to the Employer that would be treated as a “parachute payment” under Q/A 2 of Treasury Regulation 1.280G-1 shall be deemed to be under the EBPP.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive’s continuing or future participation in any benefit, bonus, incentive or other plan or program provided by Employer and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreement with Employer or any of its affiliated companies. Except as otherwise provided herein, amounts and benefits which are vested benefits or which the Executive is otherwise entitled to receive under any plan, program, agreement or arrangement of Employer at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

8. No Set Off; No Mitigation. Except as provided herein, Employer’s obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which Employer may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

9. Arbitration of Disputes. As a condition of eligibility to receive PSUs, the Executive has executed the Long-Term Incentive Program Participation Agreement as in effect on the date hereof (the “Participation Agreement”), which agreement includes a Mutual Agreement to Arbitrate Claims. Executive and Employer agree that such agreement to arbitrate shall govern disputes hereunder, provided that, if the arbitrator determines that the Executive has

prevailed in such arbitration, the Employer shall reimburse Executive his costs of arbitration and his legal fees and disbursements in connection therewith.

10. Entire Agreement. The Executive acknowledges and agrees that this Agreement includes the entire agreement and understanding between the parties with respect to the subject matter hereof, including the termination of the Executive's employment during the Term and all amounts to which the Executive shall be entitled whether during the Term or thereafter. The Executive also acknowledges and agrees that the Executive's right to receive and retain severance pay and other benefits pursuant to Section 5(d) of this Agreement, and to the extent provided herein or in applicable plans or awards, to receive and retain other compensation and benefits, is contingent upon the Executive not knowingly and materially violating the covenants set forth in Section 11(a), 11(b) or 11(c) of this Agreement.

11. Executive's Covenants; Mutual Nondisparagement; Remedies.

(a) Executive acknowledges that due to the nature of his employment and the position of trust that he will hold with Employer, he will have special access to, learn, be provided with, and in some cases will prepare and create for Employer, trade secrets and other confidential and proprietary information relating to Employer's business, including, but not limited to, information about Employer's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities. Executive acknowledges and agrees that such information, whether or not in written form, is the exclusive property of Employer, that it has been and will continue to be of critical importance to the business of Employer, and that the disclosure of it to, or use by, competitors and others will cause Employer substantial and irreparable harm. Accordingly, Executive will not, either during his employment or at any time after the termination (whether voluntary or involuntary) of his employment with Employer, use, or disclose any trade secrets or other confidential information relating to the business of Employer which is not generally available to the public. Notwithstanding the foregoing provisions of this Section 11(a), the Executive may disclose or use any such information (i) as such disclosure or use may be required or appropriate in the good faith judgment of Executive in the course of his employment with Employer, (ii) when required by a court of law, by any governmental agency having supervisory authority over the business of Employer or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Employer. Executive understands and agrees that his obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Executive may have under any applicable statute or at common law, provided that the provisions of this Section 11(a) shall supersede the provisions of paragraph 2 of the Participation Agreement in all respects.

(b) Except as provided in the last sentence of Section 11(a) hereof, Executive shall be subject to and bound by all terms and conditions of the Participation Agreement; provided, however, that notwithstanding any provisions of the Participation Agreement to the contrary, the terms and conditions of paragraph 3 thereof ("Unfair Competition") shall (i) apply

only during the Term and for a period of 12 months after termination of Executive's employment for any reason and whether or not Executive is eligible to receive benefits under the SERP Program, (ii) be limited to domestic or worldwide confectionary, snack, better-for-you snack or beverage, balanced nutrition snack or beverage, or chocolate-related grocery businesses of any non-retailer entities or individuals in competition with Hershey's confectionary, snack, better-for-you snack or beverage, balanced nutrition snack or beverage, or chocolate-related grocery businesses; and (iii) not be violated by the Executive (A) providing services to a subsidiary, division or unit of an entity (a "parent company") that engages, directly or indirectly, in any competitive business described in clause (ii) above, so long as Executive and such subsidiary, division or unit do not engage in any such competitive business, or (B) serving as Chief Executive Officer of a parent company that engages, directly or indirectly, in any competitive business described in clause (ii) above, so long as the gross revenues of such parent company from such competitive businesses constituted less than 10% of such parent company's consolidated annual gross revenues for its most recently completed fiscal year; and provided, further, that in the event the Participation Agreement (or any successor or similar agreement) shall be amended with respect to the Employer's senior executive officers generally to require a noncompetition restriction that is less favorable to Executive than the above, such amendment shall be disregarded and such requirement or requirements of the Participation Agreement as in effect on the Effective Date (as modified herein) shall apply to Executive.

(c) The Executive agrees that for a period commencing on the termination of his employment and ending 12 months thereafter, the Executive will not knowingly participate in recruiting any of Employer's employees or in the solicitation of Employer's employees, and the Executive will not communicate, except in the case of a reference described in the last sentence of this paragraph, to any other person or entity about the nature, quality or quantity of work, or any special knowledge or personal characteristics, of any person employed by Employer. If the Executive should wish to discuss possible employment with any then-current employee of Employer during the period set forth above, the Executive may request written permission to do so from the senior human resources officer of Employer who may, in his/her discretion, grant a written exception to the no solicitation covenant set forth immediately above; provided, however, the Executive shall not discuss any such employment possibility with any such employee prior to such permission. Notwithstanding the foregoing, the provisions of this Section 11(c) shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of Employer or Employer's affiliates, (ii) Executive serving as a reference, upon request, for any employee of Employer or Employer's affiliates, or (iii) actions taken by any person or entity that Executive is associated with if Executive is not personally involved in any manner in the matter and has not identified such employee for recruiting or solicitation.

(d) Each of the Executive and the Employer (for purposes hereof, "the Employer" shall mean only (i) the Employer by press release or other formally released announcement and, (ii) the executive officers and directors thereof and not any other employee), agrees that during the Term and thereafter not to, directly or indirectly, make any public statements that disparage the other party, or in the case of the Employer, its respective affiliates, employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), normal competitive-type statements, statements made in the good faith performance of the Executive's

duties and good faith statements in rebuttal of the other party's statements shall not be subject to this Section 11(d). There shall be no third party beneficiaries of this provision.

(e) The parties acknowledge and agree that the other party's remedies at law for a breach or threatened breach of any of the provisions of this Section would be inadequate and, in recognition of this fact, the parties agree that, in the event of such a breach or threatened breach, in addition to any remedies at law, the other party, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available.

12. Indemnification.

(a) Employer agrees that if the Executive is made a party to or involved in, or is threatened to be made a party to or otherwise to be involved in, any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of Employer or is or was serving at the request of Employer as a director, officer, member, employee, fiduciary or agent of another corporation, limited liability corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is the Executive's alleged action in an official capacity while serving as a director, officer, member, employee, fiduciary or agent, the Executive shall be indemnified and held harmless by Employer against any and all liabilities, losses, expenses, judgments, penalties, fines and amounts reasonably paid in settlement in connection therewith, and shall promptly be advanced reasonable expenses (including attorneys' fees) as and when incurred in connection therewith, to the fullest extent legally permitted or authorized by Employer's by-laws or, if greater, by the laws of the State of Delaware, as may be in effect from time to time. The rights conferred on Executive by this Section 12(a) shall not be exclusive of any other rights which Executive may have or hereafter acquire under any statute, the by-laws, agreement, vote of stockholders or disinterested directors, or otherwise. The indemnification and advancement of expenses provided for by this Article are a contractual commitment of Employer, and shall continue as to Executive after he ceases to be a director, officer or employee and shall inure to the benefit of his heirs, executors and administrators.

(b) For the Term and thereafter, Executive shall be covered by any directors' and officers' liability policy maintained by Employer from time to time.

13. Successors.

(a) This Agreement is personal to the Executive and, without the prior written consent of Employer, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Employer and its successors. It shall not be assignable by Employer or its successors except in connection with the sale or other disposition of all or substantially all the assets or business of

Employer. Employer shall require any successor to all or substantially all of the business and/or assets of Employer, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as Employer would be required to perform if no such succession had taken place.

14. Amendment; Waiver. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and may be amended, modified or changed only by a written instrument executed by the Executive and Employer. No provision of this Agreement may be waived except by a writing executed and delivered by the party sought to be charged. Any such written waiver will be effective only with respect to the event or circumstance described therein and not with respect to any other event or circumstance, unless such waiver expressly provides to the contrary.

15. Certain Additional Agreements upon Termination Prior to Age 55. In the event Executive's employment terminates prior to his attainment of age 55 for any reason other than termination by the Employer for Cause, Executive (or his surviving spouse, in the event of his death) shall be entitled to participate for a period of up to five (5) years following such termination in the group medical and dental plan as made available from time to time by Employer to its senior officers; provided, however, that such coverage shall terminate prior to the end of such five (5) year period in the event (a) the COBRA premium applicable to such coverage is not paid within sixty (60) days of the due date thereof, or (b) the Executive (or his surviving spouse, in the event of his death) is or becomes eligible to enroll in comparable coverage under another employer's health plan. Within thirty (30) days following the end of each calendar quarter during which Executive (or, his surviving spouse, in the event of his death) maintains coverage under the preceding provisions of this Section 15, the Executive (or, his surviving spouse, in the event of his death) shall be entitled to receive a lump-sum cash payment equal to 125% of the aggregate COBRA premiums paid during such quarter, subject to the provisions of Section 16(b) hereof. Upon termination of the coverage described in the preceding provisions of this Section 15, Executive and his eligible dependents shall be entitled to elect COBRA coverage.

16. Code Section 409A.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Executive notifies the Employer (with specificity as to the reason therefore) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Code Section 409A and the Employer concurs with such belief or the Employer (without any obligation whatsoever to do so) independently makes such determination, the Employer shall, after consulting with the Executive, reform such provision to try to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good

faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Employer of the applicable provision without violating the provisions of Code Section 409A.

(b) If the Executive is deemed on the date of "separation from service" to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 16(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. If a payment is to be made promptly after a date, it shall be made within sixty (60) days thereafter.

(c) Any expense reimbursement under Section 3(j), 9 or 12(a) hereof shall be made on or before the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, and no such reimbursement or the amount of expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

(d) Employer agrees to timely amend any and all employee benefit plans of Employer (including, without limitation, the EICP, the SERP Program, and the EBPP)) and equity plan and grants applicable to Executive as the Employer determines in good faith to be required to comply with the requirements of Code Section 409A.

(e) With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits: (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not effect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, provided that the foregoing shall not be violated with regard to expenses covered by Code Section 105(h) that are subject to a limit related to the period in which the arrangement is in effect.

17. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) All notices and other communications hereunder shall be in writing; shall be delivered by hand delivery to the other party or mailed by registered or certified mail, return receipt requested, postage prepaid or by a nationally recognized courier service such as Federal Express; shall be deemed delivered upon actual receipt; and shall be addressed as follows:

If to Employer:

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033
ATT: Burton H. Snyder

If to Executive:

David J. West
100 Crystal A Drive
Hershey, Pennsylvania 17033

or to such other address as either party shall have furnished to the other in writing in accordance herewith.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

(d) Employer may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Executive Employment Agreement as of the date first set forth above.

EXECUTIVE:

David J. West

/s/ David J. West

EMPLOYER:

The Hershey Company, a Delaware corporation

By: /s/ Burton H. Snyder
Burton H. Snyder
Senior Vice President, General Counsel
and Secretary

ANNEX TO EXECUTIVE EMPLOYMENT AGREEMENT

Form of Release

<u>AGREEMENT AND GENERAL RELEASE</u>

The Hershey Company, its affiliates, subsidiaries, divisions, successors and assigns in such capacity, and the current, future and former employees, officers, directors, and agents thereof in such capacities (collectively referred to throughout this Agreement as "**Employer**") and David J. West ("**Executive**"), the Executive's heirs, executors, administrators, successors and assigns (collectively referred to throughout this Agreement as "**Executive**") agree:

1. **<u>Consideration</u>**. The parties acknowledge that this Agreement and General Release is being executed in accordance with Section 5(d) of the Employment Agreement by and between Executive and The Hershey Company.

2. **<u>Revocation</u>**. Executive may revoke this Agreement and General Release for a period of seven (7) calendar days following the day Executive executes this Agreement and General Release. Any revocation within this period must be submitted, in writing, hand delivered to Employer, or if mailed, postmarked, within seven (7) calendar days of execution of this Agreement and General Release. This Agreement and General Release shall not become effective or enforceable until the revocation period has expired.

3. **<u>General Release of Claim</u>**. Executive knowingly and voluntarily releases and forever discharges Employer from any and all claims, causes of action, demands, fees and liabilities of any kind whatsoever, whether known and unknown, against Employer, Executive has, has ever had or may have as of the date of execution of this Agreement and General Release, including, but not limited to, any alleged violation of:

- Title VII of the Civil Rights Act of 1964, as amended;
- The Civil Rights Act of 1991;
- Sections 1981 through 1988 of Title 42 of the United States Code, as amended;
- The Immigration Reform and Control Act, as amended;
- The Americans with Disabilities Act of 1990, as amended;
- The Age Discrimination in Employment Act of 1967, as amended;
- The Older Workers Benefit Protection Act of 1990;
- The Worker Adjustment and Retraining Notification Act, as amended;
- The Occupational Safety and Health Act, as amended;
- The Family and Medical Leave Act of 1993;

- Any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance;
- Any public policy, contract, tort, or common law; or
- Any allegation for costs, fees, or other expenses including attorneys' fees incurred in these matters.

Notwithstanding anything herein to the contrary, the sole matters to which the Agreement and General Release do not apply are: (i) Executive's rights of indemnification and directors and officers liability insurance coverage to which Executive was entitled immediately prior to DATE with regard to Executive's service as an officer and director of Employer; (ii) Executive's rights under any tax-qualified pension or claims for accrued vested benefits under any other Executive benefit plan, policy or arrangement maintained by Employer or under COBRA; (iii) Executive's rights under the provisions of the Employment Agreement which are intended to survive termination of employment; or (iv) Executive's rights as a stockholder.

4. **No Claims Permitted**. Executive waives Executive's right to file any charge or complaint against Employer arising out of Executive's employment with or separation from Employer before any federal, state or local court or any state or local administrative agency, except where such waivers are prohibited by law. This Agreement, however, does not prevent Executive from filing a charge with the Equal Employment Opportunity Commission, any other federal government agency, and/or any government agency concerning claims of discrimination, although Executive waives the Executive's right to recover any damages or other relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other state or local agency on behalf of Executive under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964 as amended, the Americans with Disabilities Act, or any other federal or state discrimination law, except where such waivers are prohibited by law.

5. **Affirmations**. Executive affirms Executive has not filed, has not caused to be filed, and is not presently a party to, any claim, complaint, or action against Employer in any forum or form. Executive further affirms that the Executive has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits to which Executive may be entitled and no other compensation, wages, bonuses, commissions and/or benefits are due to Executive, except as provided in Section 5(d) of the Employment Agreement. Executive also affirms Executive has no known workplace injuries.

6. **Governing Law and Interpretation**. This Agreement and General Release shall be governed and conformed in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws provisions. In the event Executive or Employer breaches any provision of this Agreement and General Release, Executive and Employer affirm either may institute an action in arbitration accordance with Section 9 of the Employment Agreement to specifically enforce any term or terms of this Agreement and General Release. Should any provision of this Agreement and General Release be declared illegal or unenforceable by any court of competent jurisdiction and should the provision be incapable of being modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of

this Agreement and General Release in full force and effect. Nothing herein, however, shall operate to void or nullify any general release language contained in the Agreement and General Release.

7. **Nonadmission of Wrongdoing**. Executive agrees neither this Agreement and General Release nor the furnishing of the consideration for this Release shall be deemed or construed at any time for any purpose as an admission by Employer of any liability or unlawful conduct of any kind.

8. **Amendment**. This Agreement and General Release may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Agreement and General Release.

9. **Entire Agreement**. This Agreement and General Release sets forth the entire agreement between the parties hereto and fully supersedes any prior agreements or understandings between the parties; provided, however, that notwithstanding anything in this Agreement and General Release, the provisions in the Employment Agreement which are intended to survive termination of the Employment Agreement, including but not limited to those contained in Section 11 thereof, shall survive and continue in full force and effect. Executive acknowledges Executive has not relied on any representations, promises, or agreements of any kind made to Executive in connection with Executive's decision to accept this Agreement and General Release.

EXECUTIVE HAS BEEN ADVISED THAT EXECUTIVE HAS UP TO FORTY-FIVE (45) CALENDAR DAYS TO REVIEW THIS AGREEMENT AND GENERAL RELEASE AND HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTION OF THIS AGREEMENT AND GENERAL RELEASE.

EXECUTIVE AGREES ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT AND GENERAL RELEASE DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL TWENTY-ONE (21) CALENDAR DAY CONSIDERATION PERIOD.

HAVING ELECTED TO EXECUTE THIS AGREEMENT AND GENERAL RELEASE, TO FULFILL THE PROMISES SET FORTH HEREIN, AND TO RECEIVE THE SUMS AND BENEFITS SET FORTH IN THE EMPLOYMENT AGREEMENT, EXECUTIVE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EXECUTIVE HAS OR MIGHT HAVE AGAINST EMPLOYER.

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this Agreement and General Release as of the date set forth below:

The Hershey Company

By: ______________________

____
David J. West

Name: ______________________
Title: ______________________

Date: ______________________

Date: ______________________

Exhibit 10.9

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), entered into as of October 2, 2007 (the "Effective Date"), between The Hershey Company, a Delaware corporation together with its successors and assigns permitted under this Agreement ("Employer"), and David J. West (the "Executive"), is amended and restated as of November 11, 2007.

1. Term. Subject to earlier termination as provided herein, Employer hereby agrees to employ Executive, and the Executive hereby accepts such employment, for the period commencing on the Effective Date and ending on the third anniversary of the Effective Date; provided, however, that commencing on the day following the Effective Date and each day thereafter, the term of the Executive's employment under this Agreement shall be extended automatically for one (1) additional day, creating a new three-year term commencing as of each day until such date on which either the Board of Directors of Employer (the "Board"), on behalf of Employer, or the Executive gives written notice to the other, in accordance with Section 17(b), below, that such automatic extension of the Executive's employment under this Agreement shall cease, in which event, as of the effective date of such notice, the term of employment shall become a fixed three-year term. Any such notice shall be effective immediately upon delivery. The term of the Executive's employment as provided in this Section 1 shall be hereinafter referred to as the "Term."

2. Duties.

(a) Executive's Positions and Titles. Commencing on the Effective Date, the Executive's position and title shall be President of Employer. Commencing December 1, 2007, Executive shall also be the Chief Executive Officer of Employer.

(b) Executive's Duties. As Chief Executive Officer of Employer, Executive shall report directly to the Board and shall have active and general supervision and management over the business and affairs of Employer and shall have full power and authority to act for all purposes for and in the name of Employer in all matters except where action of the Board is required by law, the By-laws of Employer, or resolutions of the Board. During the period prior to assuming the position and title of Chief Executive Officer, as President, Executive shall assist the Chief Executive Officer in the discharge of the foregoing duties, and Executive shall have such other duties, authorities and responsibilities commensurate with the duties, authorities and responsibilities of persons serving as President of similarly sized companies.

(c) Business Time. The Executive agrees to devote substantially all of his business time and efforts to the business and affairs of Employer and the performance of the duties and responsibilities assigned to the Executive hereunder, subject to periods of vacation and sick leave to which he is entitled. Notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees and manage his personal investments and affairs, and continue to serve on any corporate board of directors on which he serves as of the Effective Date, to the extent such activities do not materially interfere with the performance of his duties and responsibilities hereunder. In addition, after consultation with the Board or the Compensation

and Executive Organization Committee (the "Compensation Committee") thereof as to appropriateness with regard to the Executive's duties and responsibilities to Employer, the Executive may also serve on other corporate boards of directors of corporations which do not compete, as described in Section 11(b), with Employer. In no event during the Term will Executive knowingly invest in any business which materially competes with Employer; provided, that nothing in this Agreement shall be construed to prohibit the Executive from investing in up to 2% of the stock of any publicly traded corporation.

(d) Board Service. Upon the Effective Date, the Executive will be appointed as a member of the Board and Executive agrees to serve as a member of the Board during the Term. Provided that the Executive's employment with Employer has not previously been terminated, the Executive will be nominated for election as a member of the Board at Employer's 2008 annual meeting of the stockholders and at each subsequent annual meeting of stockholders during the Term.

3. Compensation and Benefits.

(a) Base Salary. During the Term, the Executive shall receive a base salary (as may be increased from time to time, "Base Salary"), paid in accordance with the normal payroll practices of Employer, at an annual rate of $1,000,000. The Base Salary shall be reviewed from time to time in accordance with Employer's policies and practices, but no less frequently than once annually and may be increased, but not decreased from its then current level, at any time and from time to time by action of the Compensation Committee and Board.

(b) Annual Bonus Programs. In addition to the Base Salary, the Executive shall be eligible to participate throughout the Term in such annual bonus plans and programs ("Annual Bonus Programs"), as may be in effect from time to time in accordance with Employer's compensation practices and the terms and provisions of any such plans or programs, such as Employer's Annual Incentive Program (the "AIP") of the Equity and Incentive Compensation Plan (the "EICP"); provided that Executive shall have an aggregate target annual bonus under such Annual Bonus Programs of not less than one hundred percent (100%) of Base Salary and in all other respects, except as otherwise provided herein, the Executive's eligibility for and participation in each Annual Bonus Program shall be at a level and on terms and conditions consistent with those for other senior executives of Employer.

(c) Long-Term Incentive Programs. In addition to the Base Salary and participation in the Annual Bonus Programs, the Executive shall be eligible to participate throughout the Term in such long-term incentive plans and programs including, without limitation, stock option, restricted stock unit, performance stock unit and other similar programs ("Long-Term Incentive Programs"), as may be in effect from time to time in accordance with Employer's compensation practices and, except as otherwise provided herein, the terms and provisions of any such plans or programs, such as Employer's Long-Term Incentive Program (the "LTIP") under the EICP; provided that (i) Executive's aggregate target of LTIP awards to be granted in 2008 shall have a value (determined based on the valuation method used by the Compensation Committee in making LTIP awards to the senior officers of the Employer) equal to three hundred percent (300%) of Base Salary and the actual awards shall be determined and made at such times and in such manner as is consistent with the treatment of other senior

executives of Employer and with the provisions of the LTIP and (ii) in all other respects, except as otherwise provided herein, the Executive's participation in each Long-Term Incentive Program shall be at a level and on terms and conditions consistent with participation by other senior executives of Employer.

(d) Promotion-Based Equity Incentive Compensation.

(i) Option Grant. On the Effective Date, Executive was awarded a grant of a ten-year option to purchase 37,400 shares of the common stock of Employer having an exercise price per share of $45.78 and the same terms and conditions as the terms and conditions of the 2007 nonqualified stock option awards under the LTIP made in April 2007, except for the grant date of October 2, 2007 and as otherwise provided in this Agreement. All of Executive's options and awards of stock appreciation rights, heretofore or hereafter granted, shall provide for an exercise period after termination of employment for options vested as of such date of no less than the earlier of (x) the later of ninety (90) days after termination or thirty (30) days after the first date after termination in which exercise of options or rights or sale of the underlying stock is not blacked out by Employer policy or prohibited by legal limitations and (y) the original expiration date of the option or right.

(ii) PSU Grant On the Effective Date; 2003-2005 PSU Award. On the Effective Date, Executive was awarded an increase of 15,200 in the target number of performance stock units ("PSUs") for the 2007-2009 award cycle under the LTIP, which PSUs shall be subject to the same terms and conditions as the 2007-2009 target PSU award made to Executive in February 2007. In addition, the Executive's PSU grant for the 2003-2005 award cycle shall be fully vested on the earlier to occur of (A) December 31, 2008, and (B) termination of Executive's employment for any reason, and shall be payable as provided under the terms thereof, provided that such award shall be subject to forfeiture and the value of any shares and cash paid shall be subject to repayment to the Employer, in the event that, prior to September 30, 2008, Executive knowingly and materially violates the provisions of Section 11(a), (b) or (c) hereof.

(iii) Restricted Stock Unit Grant. On the Effective Date, the Executive was awarded 22,000 deferrable restricted stock units ("Promotion Restricted Stock Unit Grant") under the LTIP, which award shall be governed by the following terms and conditions. The restricted stock units shall vest on January 2, 2008, provided Executive's employment has not terminated prior to January 2, 2008 for any reason other than death or Disability. Vested restricted stock units shall be paid in shares (together with a cash payment equal to the amount of dividends that would have been paid had Executive owned the 22,000 shares underlying the restricted stock units from October 2, 2007 through the payment date) to the Executive (or, in the event of his death, to his beneficiary) on April 2, 2008, unless Executive has elected to defer receipt of such amount in accordance with an applicable deferred compensation plan. Notwithstanding the foregoing, the Promotion Restricted Stock Unit Grant shall be subject to forfeiture and the value of any shares and cash paid shall be subject to repayment to the Employer in the event that, prior to April 2, 2009, Executive knowingly and materially violates the provisions of Section 11(a), (b) or (c) hereof.

(e) Other Incentive Plans. During the Term, the Executive shall be eligible to participate, subject to the terms and conditions thereof, in all incentive plans and programs, including, but not limited to, such cash and deferred bonus programs as may be in effect from time to time with respect to senior executives employed by Employer on as favorable a basis as provided to other similarly situated senior executives so as to reflect the Executive's responsibilities; provided, however, that awards made thereunder shall be taken into account, as applicable, for purposes of determining the Employer's compliance with its obligations relating to target awards under 3(b) and 3(c) above.

(f) Supplemental Retirement Benefit. The Executive shall continue to participate in Employer's Amended and Restated Supplemental Executive Retirement Plan, as amended from time to time (the "SERP Program").

(g) Early Supplemental Retirement Benefit. In the event that upon the termination of Executive's employment on or after January 2, 2008 (or earlier for a reason other than termination by Employer with Cause or resignation by the Executive without Good Reason), but prior to Executive's 55th birthday, the Executive is not otherwise entitled to receive any benefit under the SERP Program, then Employer shall pay to Executive (or his beneficiary), subject to Section 16(b) hereof, within one hundred twenty (120) days of such termination, a lump sum cash payment equal to the lump sum cash Early Retirement Benefit to which the Executive (or his beneficiary) would be entitled to receive under SERP Program as if, as of his Date of Termination, the Executive was a Vested Participant eligible to receive an Early Retirement Benefit under the SERP Program; provided, however, Executive shall not be entitled to and Employer shall not make such payment if (i) Executive resigns without Good Reason and (ii) within ninety (90) days of the date of his termination of employment, he either commences employment by another employer or there is a public announcement that he will become employed by another employer regardless of whether his employment commencement date with such other employer falls within such ninety (90) day period.

(h) Other Pension and Welfare Benefit Plans. During the Term, the Executive and/or the Executive's dependents, as the case may be, shall be eligible to participate in all pension and similar benefit plans (qualified, non-qualified and supplemental), profit sharing, ESOP, 401(k), medical and dental, disability, group and/or executive life, accidental death and travel accident insurance, and all similar benefit plans and programs of Employer, subject to the terms and conditions thereof, as in effect from time to time with respect to senior executives employed by Employer so as to reflect the Executive's responsibilities.

(i) Perquisites. During the Term, the Executive shall be entitled to participate in perquisite programs, as such are made available to senior executives of Employer.

(j) Expenses. During the Term, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him in accordance with the policies and practices of Employer as in effect from time to time. Employer will promptly pay all reasonable professional expenses up to a maximum of $35,000 incurred by the Executive in connection with the negotiation and preparation of this Agreement.

(k) Vacation. During the Term, the Executive shall be entitled to paid vacation in accordance with the policies and practices of Employer as in effect from time to time with respect to senior executives employed by Employer, but in no event shall such vacation time be less than five weeks per calendar year.

(l) Certain Amendments. Nothing herein shall be construed to prevent Employer from amending, altering, eliminating or reducing any plans, benefits or programs so long as the Executive continues to receive compensation and benefits consistent with Sections 3(a) through (k).

(n) Minimum Stock Ownership. Executive shall be subject to, and shall comply with, the stock ownership guidelines of Employer, which, as of the date hereof, generally requires the Executive to hold shares of common stock of Employer with a value equal to at least five times the Executive's Base Salary.

4. Termination.

(a) Disability. Employer may terminate Executive's employment, after having established the Executive's Disability, and while such Disability continues, by giving notice of its intention to terminate the Executive's employment, and the Executive's employment with Employer shall terminate effective on the 30th day after such notice (the "Disability Effective Date") unless in the interim the Executive shall have returned to substantially full time performance of his duties. For purposes of this Agreement, the Executive's "Disability" shall occur and shall be deemed to have occurred only in the event that the Executive suffers an incapacity due to illness or injury which has substantially and materially prevented the Executive from performing the essential functions of the Executive's job, even with reasonable accommodation, for a continuing period of 180 days, and he has become entitled to receive disability benefits under the long-term disability plan offered by Employer to its exempt employees.

(b) Cause.

(i) Employer may terminate the Executive's employment for Cause, if "Cause" as defined below exists. For purposes of this Agreement, "Cause" means with respect to the Executive:

(A) Executive's willful and continued failure to attempt in good faith to substantially perform his duties with the Employer (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by the Board which specifically identifies the manner in which the Board believes that the Executive has willfully and continuously failed to attempt in good faith to substantially perform his duties;

(B) Executive willfully engaging in gross misconduct with respect to the Employer or his duties which is materially and demonstrably injurious to the Employer; or

(C) Executive's indictment for, conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving material moral turpitude.

(ii) For purposes of this Section 4(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 him in bad faith and without reasonable belief that his action or omission was in the best interests of the Employer. Any act, or failure to act, based upon the instructions or prior approval given by the Board or based upon the advice of counsel for the Employer 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 Employer. A termination for Cause shall not take effect unless the provisions of this subclause (ii) are complied with. The Executive shall be given written notice by the Board of the intention to terminate him for Cause, such notice (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based and (B) to be given within 90 days of the Board's learning of such act or acts or failure or failures to act. The Executive shall have 30 calendar days after the date that such written notice has been given to the Executive in which to cure such conduct. If he fails to cure such conduct, the Executive shall then be entitled to a hearing with his legal counsel before the Board, and, thereafter, upon a determination by affirmative vote of no fewer than three-quarters of the members of the Board that Cause exists, he shall be terminated for Cause.

(c) Good Reason.

(i) The Executive may terminate the Executive's employment at any time for Good Reason. For purposes of this Agreement, "Good Reason" means any of the following actions by the Employer without Executive's written consent:

(A) The assignment to the Executive of any duties materially inconsistent with his position (including status, offices, titles and reporting relationships), authority, duties or responsibilities, all as contemplated by Section 2(a) and (b) above, or any other action by Employer which results in a diminution in any respect in such title, position, authority, duties or responsibilities, excluding for this purpose any action not taken in bad faith and which is remedied by Employer promptly after receipt of notice thereof given by the Executive;

(B) Any material breach by Employer of a material provision of this Agreement, including, without limitation, a reduction in Executive's Base Salary or target bonus opportunity or failure to provide incentive opportunities as provided in Section 3(c), and excluding for this purpose any action, or failure to act, not taken in bad faith and which is remedied by Employer promptly after receipt of notice thereof given by the Executive;

(C) Any termination of The Hershey Company Executive Benefits Protection Plan (Group 3A), as in effect on the Effective Date (the "EBPP") or the amendment of the EBPP that eliminates or reduces Executive's benefits thereunder in connection with a Change in Control (as defined under the EBPP) without substituting a plan or arrangement that provides Executive

equivalent or more favorable benefits in connection with a Change in Control than provided under the EBPP, immediately prior to such amendment or termination, excluding for this purpose any action, or failure to act, not taken in bad faith and which is remedied by Employer promptly after receipt of notice thereof by the Executive;

(D) The failure of the Employer to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of Employer within 15 days after a merger, consolidation, sale or similar transaction;

(F) Employer's giving notice to the Executive to stop further operation of the evergreen feature described in Section 1, above; or

(G) The Executive's removal from the Board or the failure to elect or re-elect the Executive to serve as a member of the Board (in each case, other than for Cause, as a result of death or Disability, or because of a legal prohibition).

(ii) A termination for Good Reason shall not take effect unless the provisions of this subclause (ii) are satisfied. Executive shall give Employer written notice of his intention to terminate his employment for Good Reason, such notice: (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Good Reason is based and (B) to be given within 90 days of the Executive's learning of such act or acts or failure or failures to act. Employer shall have 30 calendar days after the date that such written notice has been given by the Executive in which to cure such conduct. If Employer fails to cure such conduct, Executive shall be deemed to have terminated his employment for Good Reason.

(d) Termination by Executive Without Good Reason. Executive may, at any time without Good Reason, by at least 30 days' prior notice, voluntarily terminate his employment without liability. Executive's voluntary termination is not a breach of this Agreement.

(e) Notice of Termination. Any termination of the Executive's employment by Employer for Disability, for or without Cause or by the Executive for or without Good Reason shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 17(b). For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon; (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and (iii) specifies the Date of Termination (defined below).

(f) Date of Termination; "Separation from Service". "Date of Termination" means the date of actual receipt of the Notice of Termination or any later date specified therein (but not more than fifteen (15) days after the giving of the Notice of Termination), or the date of

Executive's death, as the case may be; provided that (i) if the Executive's employment is terminated by Employer for any reason other than Cause or Disability, the Date of Termination is the date on which Employer notifies the Executive of such termination; (ii) if the Executive's employment is terminated due to Disability, the Date of Termination is the Disability Effective Date; and (iii) if the Executive's employment is terminated by the Executive without Good Reason, the Date of Termination is the date thirty (30) days after the giving of the Notice of Termination, unless the parties otherwise agree in writing. The terms "termination" and "termination of employment," as used herein are intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A determined without regard to Executive's service as a member of the Board or of the board of directors of any subsidiary of Employer.

5. Obligations of Employer upon Termination. The Executive's entitlements upon termination of employment are set forth below. Except to the extent otherwise provided in this Agreement, all accrued and vested benefits under the Employer's employee benefit plans, including, without limitation, stock option grants, restricted stock units and awards under the Long-Term Incentive Programs, shall be subject to the terms and conditions of the plan or arrangement under which such benefits accrue, are granted or are awarded. For purposes of this Section 5, the term "Accrued Obligations" shall mean, as of the Date of Termination, (i) the Executive's full Base Salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, to the extent not theretofore paid, (ii) the amount of any bonus, incentive compensation, deferred compensation (including, but not limited to, any supplemental retirement benefits) and other cash compensation earned (and not forfeited hereunder) by the Executive as of the Date of Termination to the extent not theretofore paid and (iii) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid. For purposes of determining an Accrued Obligation under this Section 5, amounts shall be deemed to accrue ratably over the period during which they are earned (and not forfeited hereunder), but no discretionary compensation shall be deemed earned or accrued until it is specifically approved by the Board in accordance with the applicable plan, program or policy, provided that the amounts under Section 3(b) hereof shall be deemed earned and accrued on the last day of the applicable fiscal year.

(a) Death. If the Executive's employment is terminated by reason of the Executive's death, the Executive's legal representative or designated beneficiary, as applicable, shall be entitled to receive amounts and benefits as contained in any applicable Employer plan or program which is in effect at the date of his death, but in no event shall Employer's obligations be less than those provided by this Agreement, and the following:

(i) From and after the Date of Termination, the Executive's surviving spouse, other named beneficiaries or other legal representatives, as the case may be, shall be entitled to receive those benefits payable to them under the provisions of any applicable Employer plan or program and as provided for herein, including under Sections 3(f) or 3(g) above, as applicable, including, without limitation, any benefits commencing immediately upon the Executive's death;

(ii) On the Date of Termination, the disposition (including exercise period) of all options to purchase stock of Employer or stock appreciation rights, if any, theretofore granted to the Executive and not exercised by the Executive shall be determined in accordance with the terms of the applicable award agreement between Employer and the Executive;

(iii) On the Date of Termination, the disposition of restricted stock units and other incentive or equity compensation granted by Employer to the Executive prior to the Date of Termination which had not vested prior to such date shall be forfeited or become nonforfeitable and payable to the extent provided in the terms of the applicable grant award or agreement between Employer and the Executive;

(iv) Promptly following the Date of Termination, Employer shall pay the Executive's legal representatives a lump sum in cash equal to a pro-rata AIP award for the year of termination, based on the target bonus; and

(v) Promptly following the Date of Termination, the Accrued Obligations not theretofore paid shall be paid.

(b) Disability. If the Executive's employment is terminated by reason of the Executive's Disability, the Executive shall be entitled to receive after the Disability Effective Date:

(i) Disability benefits, if any, which shall be at a level at least equal to those then provided by Employer to disabled executives and their families;

(ii) Subject to Section 16(b) hereof, supplemental executive retirement benefits, if any, under the SERP Program, or benefits under Section 3(g) hereof;

(iii) On the Date of Termination, the disposition (including exercise period) of all options to purchase stock of Employer or stock appreciation rights, if any, theretofore granted to the Executive and not exercised by the Executive shall be determined in accordance with the terms of the applicable award agreement between Employer and the Executive;

(iv) On the Date of Termination, the disposition of restricted stock units and other incentive or equity compensation granted by Employer to the Executive prior to the Date of Termination which had not vested prior to such date shall be forfeited or become nonforfeitable and payable to the extent provided in the terms of the applicable grant award or agreement between Employer and the Executive;

(v) Subject to Section 16(b) hereof, promptly following the Date of Termination, Employer shall pay the Executive a lump sum in cash equal to a pro-rata AIP award for the year of termination, based on the target bonus; and

(vi) Promptly following the Date of Termination, the Accrued Obligations not theretofore paid shall be paid.

(c) Cause/Other Than for Good Reason. If the Executive's employment is terminated for Cause by Employer or if the Executive terminates the Executive's employment without Good Reason, Employer shall promptly pay the Executive all Accrued Obligations. All unexercised stock options and all unpaid restricted stock units and other equity incentive compensation awards theretofore granted to the Executive, shall be exercisable or forfeited, as the case may be, in accordance with this Agreement, any other applicable agreement, or award between Employer and the Executive.

(d) Other Than for Cause, Death or Disability/For Good Reason. If Employer terminates the Executive's employment other than for Cause, death or Disability or the Executive terminates the Executive's employment for Good Reason,

(i) Employer shall pay to the Executive in a lump sum in cash promptly after the Date of Termination the aggregate of Executive's Accrued Obligations not theretofore paid and, subject to the provisions of Section 16(b) hereof, the following amounts shall promptly be paid;

(A) a pro-rata AIP bonus for the year of termination, based on the Executive's target bonus, and

(B) two times the sum of: (I) the Executive's annual Base Salary at the rate in effect at the time the Notice of Termination is given, or in effect immediately prior to any reduction thereof in violation of this Agreement, and (II) the AIP bonus at target for the year in which such termination occurs.

(ii) Executive shall be entitled to such other incentive compensation, including, without limitation, the equity compensation described in Section 3(d) hereof, in accordance with the terms of the applicable grant or award agreement between Employer and the Executive or plan and Section 3(d); provided that any stock options or stock appreciation rights held by the Executive as of the Date of Termination will remain outstanding, and to the extent not vested, will continue to vest during the two (2) years after any such termination and such stock options and stock appreciation rights vested at the Date of Termination, or which become vested during such two (2) years period, shall be exercisable during said two (2) year period (but not beyond the original expiration date);

(iii) Executive shall be entitled to receive the benefits described in Sections 3(f) or 3(g) of this Agreement, as applicable, and subject to Section 16(b) hereof.

(iv) Employer shall provide to the Executive at Employer's expense the life, accidental death and travel accident insurance benefits specified in Section 3(h) to which Executive is entitled as of the Date of Termination for two (2) years following the Date of Termination, provided that such benefits shall be reduced by any similar benefits, on a benefit-by-benefit and coverage-by-coverage basis, provided by a subsequent employer; provided further that (A) in the event the Date of Termination occurs after the Executive has attained age 55, the provisions of Section 15 shall nonetheless apply, provided that two (2) years shall be substituted for the five (5) year period set forth in Section 15; and (B) from and after the Date of Termination, Executive shall not become entitled to any additional awards under any plans, practices, policies or programs of Employer.

Notwithstanding the foregoing, the Employer's obligations to pay or provide any benefits, under this Section 5(d) shall (i) cease as of the date the Executive knowingly and materially violates the provisions of Section 11(a), 11(b) or 11(c) hereof and (ii) be conditioned on the Executive signing a release of claims in favor of the Employer in the form annexed hereto within forty-five (45) days of such termination and the expiration of any revocation period provided for in such release; provided that, if such Date of Termination is after November 8 of any year, no payment conditioned on such release shall be made until the calendar year following the calendar year of termination even if the release is signed and the revocation period concluded earlier.

6. Change in Control. In the event of a Change in Control (as defined in the EBPP), the rights and obligations of Employer and the Executive, including, without limitation, rights and obligations upon termination of Executive's employment, shall be governed by the EBPP subject to the following provisions of this Section 6. If any item of compensation or benefit is provided under this Agreement, or under any other plan, agreement, program or arrangement of Employer (other than the EBPP) which is more favorable to Executive than the corresponding item of compensation or benefit under the EBPP, or if an item of compensation or benefit is provided under this Agreement, or under such other plan, agreement, program or arrangement, but not under the EBPP, such item of compensation or benefit shall be provided in accordance with the terms of this Agreement or such other plan, agreement, program or arrangement. In no event, however, shall Executive be entitled to duplication as to any item of compensation or benefit that is provided under both this Agreement (or such other plan, agreement, program or arrangement) and the EBPP. In addition, for purposes of Section 3.4 of the EBPP, payments under or pursuant to this Agreement or any other payment with regard to the Employer that would be treated as a "parachute payment" under Q/A 2 of Treasury Regulation 1.280G-1 shall be deemed to be under the EBPP.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by Employer and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreement with Employer or any of its affiliated companies. Except as otherwise provided herein, amounts and benefits which are vested benefits or which the Executive is otherwise entitled to receive under any plan, program, agreement or arrangement of Employer at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

8. No Set Off; No Mitigation. Except as provided herein, Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which Employer may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

9. Arbitration of Disputes. As a condition of eligibility to receive PSUs, the Executive has executed the Long-Term Incentive Program Participation Agreement as in effect on the date hereof (the “Participation Agreement”), which agreement includes a Mutual Agreement to Arbitrate Claims. Executive and Employer agree that such agreement to arbitrate shall govern disputes hereunder, provided that, if the arbitrator determines that the Executive has prevailed in such arbitration, the Employer shall reimburse Executive his costs of arbitration and his legal fees and disbursements in connection therewith.

10. Entire Agreement. The Executive acknowledges and agrees that this Agreement includes the entire agreement and understanding between the parties with respect to the subject matter hereof, including the termination of the Executive’s employment during the Term and all amounts to which the Executive shall be entitled whether during the Term or thereafter. The Executive also acknowledges and agrees that the Executive’s right to receive and retain severance pay and other benefits pursuant to Section 5(d) of this Agreement, and to the extent provided herein or in applicable plans or awards, to receive and retain other compensation and benefits, is contingent upon the Executive not knowingly and materially violating the covenants set forth in Section 11(a), 11(b) or 11(c) of this Agreement.

11. Executive’s Covenants; Mutual Nondisparagement; Remedies.

(a) Executive acknowledges that due to the nature of his employment and the position of trust that he will hold with Employer, he will have special access to, learn, be provided with, and in some cases will prepare and create for Employer, trade secrets and other confidential and proprietary information relating to Employer’s business, including, but not limited to, information about Employer’s manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities. Executive acknowledges and agrees that such information, whether or not in written form, is the exclusive property of Employer, that it has been and will continue to be of critical importance to the business of Employer, and that the disclosure of it to, or use by, competitors and others will cause Employer substantial and irreparable harm. Accordingly, Executive will not, either during his employment or at any time after the termination (whether voluntary or involuntary) of his employment with Employer, use, or disclose any trade secrets or other confidential information relating to the business of Employer which is not generally available to the public. Notwithstanding the foregoing provisions of this Section 11(a), the Executive may disclose or use any such information (i) as such disclosure or use may be required or appropriate in the good faith judgment of Executive in the course of his employment with Employer, (ii) when required by a court of law, by any governmental agency having supervisory authority over the business of Employer or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Employer. Executive understands and agrees that his obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Executive may have under any applicable statute or at common law, provided that the provisions of this Section 11(a) shall supersede the provisions of paragraph 2 of the Participation Agreement in all respects.

(b) Except as provided in the last sentence of Section 11(a) hereof, Executive shall be subject to and bound by all terms and conditions of the Participation Agreement; provided, however, that notwithstanding any provisions of the Participation Agreement to the contrary, the terms and conditions of paragraph 3 thereof ("Unfair Competition") shall (i) apply only during the Term and for a period of 12 months after termination of Executive's employment for any reason and whether or not Executive is eligible to receive benefits under the SERP Program, (ii) be limited to domestic or worldwide confectionary, snack, better-for-you snack or beverage, balanced nutrition snack or beverage, or chocolate-related grocery businesses of any non-retailer entities or individuals in competition with Hershey's confectionary, snack, better-for-you snack or beverage, balanced nutrition snack or beverage, or chocolate-related grocery businesses; and (iii) not be violated by the Executive (A) providing services to a subsidiary, division or unit of an entity (a "parent company") that engages, directly or indirectly, in any competitive business described in clause (ii) above, so long as Executive and such subsidiary, division or unit do not engage in any such competitive business, or (B) serving as Chief Executive Officer of a parent company that engages, directly or indirectly, in any competitive business described in clause (ii) above, so long as the gross revenues of such parent company from such competitive businesses constituted less than 10% of such parent company's consolidated annual gross revenues for its most recently completed fiscal year; and provided, further, that in the event the Participation Agreement (or any successor or similar agreement) shall be amended with respect to the Employer's senior executive officers generally to require a noncompetition restriction that is less favorable to Executive than the above, such amendment shall be disregarded and such requirement or requirements of the Participation Agreement as in effect on the Effective Date (as modified herein) shall apply to Executive.

(c) The Executive agrees that for a period commencing on the termination of his employment and ending 12 months thereafter, the Executive will not knowingly participate in recruiting any of Employer's employees or in the solicitation of Employer's employees, and the Executive will not communicate, except in the case of a reference described in the last sentence of this paragraph, to any other person or entity about the nature, quality or quantity of work, or any special knowledge or personal characteristics, of any person employed by Employer. If the Executive should wish to discuss possible employment with any then-current employee of Employer during the period set forth above, the Executive may request written permission to do so from the senior human resources officer of Employer who may, in his/her discretion, grant a written exception to the no solicitation covenant set forth immediately above; provided, however, the Executive shall not discuss any such employment possibility with any such employee prior to such permission. Notwithstanding the foregoing, the provisions of this Section 11(c) shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of Employer or Employer's affiliates, (ii) Executive serving as a reference, upon request, for any employee of Employer or Employer's affiliates, or (iii) actions taken by any person or entity that Executive is associated with if Executive is not personally involved in any manner in the matter and has not identified such employee for recruiting or solicitation.

(d) Each of the Executive and the Employer (for purposes hereof, "the Employer" shall mean only (i) the Employer by press release or other formally released announcement and, (ii) the executive officers and directors thereof and not any other employee), agrees that during the Term and thereafter not to, directly or indirectly, make any public statements that disparage the other party, or in the case of the Employer, its respective affiliates,

employees, officers, directors, products or services. Notwithstanding the foregoing, statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), normal competitive-type statements, statements made in the good faith performance of the Executive's duties and good faith statements in rebuttal of the other party's statements shall not be subject to this Section 11(d). There shall be no third party beneficiaries of this provision.

(e) The parties acknowledge and agree that the other party's remedies at law for a breach or threatened breach of any of the provisions of this Section would be inadequate and, in recognition of this fact, the parties agree that, in the event of such a breach or threatened breach, in addition to any remedies at law, the other party, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available.

12. Indemnification.

(a) Employer agrees that if the Executive is made a party to or involved in, or is threatened to be made a party to or otherwise to be involved in, any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of Employer or is or was serving at the request of Employer as a director, officer, member, employee, fiduciary or agent of another corporation, limited liability corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is the Executive's alleged action in an official capacity while serving as a director, officer, member, employee, fiduciary or agent, the Executive shall be indemnified and held harmless by Employer against any and all liabilities, losses, expenses, judgments, penalties, fines and amounts reasonably paid in settlement in connection therewith, and shall promptly be advanced reasonable expenses (including attorneys' fees) as and when incurred in connection therewith, to the fullest extent legally permitted or authorized by Employer's by-laws or, if greater, by the laws of the State of Delaware, as may be in effect from time to time. The rights conferred on Executive by this Section 12(a) shall not be exclusive of any other rights which Executive may have or hereafter acquire under any statute, the by-laws, agreement, vote of stockholders or disinterested directors, or otherwise. The indemnification and advancement of expenses provided for by this Article are a contractual commitment of Employer, and shall continue as to Executive after he ceases to be a director, officer or employee and shall inure to the benefit of his heirs, executors and administrators.

(b) For the Term and thereafter, Executive shall be covered by any directors' and officers' liability policy maintained by Employer from time to time.

13. Successors.

(a) This Agreement is personal to the Executive and, without the prior written consent of Employer, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Employer and its successors. It shall not be assignable by Employer or its successors except in connection with the sale or other disposition of all or substantially all the assets or business of Employer. Employer shall require any successor to all or substantially all of the business and/or assets of Employer, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as Employer would be required to perform if no such succession had taken place.

14. Amendment; Waiver. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and may be amended, modified or changed only by a written instrument executed by the Executive and Employer. No provision of this Agreement may be waived except by a writing executed and delivered by the party sought to be charged. Any such written waiver will be effective only with respect to the event or circumstance described therein and not with respect to any other event or circumstance, unless such waiver expressly provides to the contrary.

15. Certain Additional Agreements upon Termination Prior to Age 55. In the event Executive's employment terminates prior to his attainment of age 55 for any reason other than termination by the Employer for Cause, Executive (or his surviving spouse, in the event of his death) shall be entitled to participate for a period of up to five (5) years following such termination in the group medical and dental plan as made available from time to time by Employer to its senior officers; provided, however, that such coverage shall terminate prior to the end of such five (5) year period in the event (a) the COBRA premium applicable to such coverage is not paid within sixty (60) days of the due date thereof, or (b) the Executive (or his surviving spouse, in the event of his death) is or becomes eligible to enroll in comparable coverage under another employer's health plan. Within thirty (30) days following the end of each calendar quarter during which Executive (or, his surviving spouse, in the event of his death) maintains coverage under the preceding provisions of this Section 15, the Executive (or, his surviving spouse, in the event of his death) shall be entitled to receive a lump-sum cash payment equal to 125% of the aggregate COBRA premiums paid during such quarter, subject to the provisions of Section 16(b) hereof. Upon termination of the coverage described in the preceding provisions of this Section 15, Executive and his eligible dependents shall be entitled to elect COBRA coverage.

16. Code Section 409A.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Executive notifies the Employer (with specificity as to the reason therefore) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Code Section 409A and the Employer concurs with such belief or the Employer (without any obligation whatsoever to do so) independently makes such determination, the Employer shall, after consulting with the Executive, reform such provision to try to comply with

Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Employer of the applicable provision without violating the provisions of Code Section 409A.

(b) If the Executive is deemed on the date of "separation from service" to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 16(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. In addition to the foregoing, prior to the occurrence of a Disability termination as provided in Section 4(a) hereof, the payment of any compensation to Executive under this Agreement shall be suspended for a period of six months commencing at such time that Executive shall be deemed to have had a separation from service because either (i) a sick leave ceases to be a bona fide sick leave of absence, or (ii) the permitted time period for a sick leave of absence expires (an "SFS Disability"), without regard to whether such SFS Disability actually results in a Disability termination. Promptly following the expiration of such six-month period, all compensation suspended pursuant to the foregoing sentence (whether it would have otherwise been payable in a single sum or in installments in the absence of such suspension) shall be paid or reimbursed to Executive in a lump sum. If a payment is to be made promptly after a date, it shall be made within sixty (60) days thereafter, provided that if the terms of any plan or any deferral election provide for a different timing of payment, promptly means promptly at the time specified in such plan or deferral election.

(c) Any expense reimbursement under Section 9 or 12(a) hereof shall be made on or before the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, and no such reimbursement or the amount of expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year. Any expense reimbursement under Section 3(j) hereof that is taxable shall be made on or before March 15 of the calendar year following the calendar year in which such expenses are incurred.

(d) Employer agrees to timely amend any and all employee benefit plans of Employer (including, without limitation, the EICP, the SERP Program, and the EBPP)) and equity plan and grants applicable to Executive as the Employer determines in good faith to be required to comply with the requirements of Code Section 409A.

(e) With regard to any provision herein that provides for reimbursement of expenses or in-kind benefits: (i) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not effect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, provided that the foregoing shall not be violated with regard to expenses covered by Code Section 105(h) that are subject to a limit related to the period in which the arrangement is in effect.

17. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) All notices and other communications hereunder shall be in writing; shall be delivered by hand delivery to the other party or mailed by registered or certified mail, return receipt requested, postage prepaid or by a nationally recognized courier service such as Federal Express; shall be deemed delivered upon actual receipt; and shall be addressed as follows:

If to Employer:

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033
ATT: Burton H. Snyder

If to Executive:

David J. West
100 Crystal A Drive
Hershey, Pennsylvania 17033

or to such other address as either party shall have furnished to the other in writing in accordance herewith.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

(d) Employer may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

IN WITNESS WHEREOF, each of the parties hereto have duly executed this Amended and Restated Executive Employment Agreement as of the date first set forth above.

EXECUTIVE:
David J. West

/s/ David J. West

EMPLOYER:
The Hershey Company, a Delaware corporation

By: */s/ Burton H. Snyder*
Burton H. Snyder
Senior Vice President, General Counsel and Secretary

[Execution Copy]

ANNEX TO EXECUTIVE EMPLOYMENT AGREEMENT

Form of Release

AGREEMENT AND GENERAL RELEASE

The Hershey Company, its affiliates, subsidiaries, divisions, successors and assigns in such capacity, and the current, future and former employees, officers, directors, and agents thereof in such capacities (collectively referred to throughout this Agreement as "**Employer**") and David J. West ("**Executive**"), the Executive's heirs, executors, administrators, successors and assigns (collectively referred to throughout this Agreement as "**Executive**") agree:

1. **Consideration**. The parties acknowledge that this Agreement and General Release is being executed in accordance with Section 5(d) of the Employment Agreement by and between Executive and The Hershey Company.

2. **Revocation**. Executive may revoke this Agreement and General Release for a period of seven (7) calendar days following the day Executive executes this Agreement and General Release. Any revocation within this period must be submitted, in writing, hand delivered to Employer, or if mailed, postmarked, within seven (7) calendar days of execution of this Agreement and General Release. This Agreement and General Release shall not become effective or enforceable until the revocation period has expired.

3. **General Release of Claim**. Executive knowingly and voluntarily releases and forever discharges Employer from any and all claims, causes of action, demands, fees and liabilities of any kind whatsoever, whether known and unknown, against Employer, Executive has, has ever had or may have as of the date of execution of this Agreement and General Release, including, but not limited to, any alleged violation of:

- Title VII of the Civil Rights Act of 1964, as amended;
- The Civil Rights Act of 1991;
- Sections 1981 through 1988 of Title 42 of the United States Code, as amended;
- The Immigration Reform and Control Act, as amended;
- The Americans with Disabilities Act of 1990, as amended;
- The Age Discrimination in Employment Act of 1967, as amended;
- The Older Workers Benefit Protection Act of 1990;
- The Worker Adjustment and Retraining Notification Act, as amended;
- The Occupational Safety and Health Act, as amended;
- The Family and Medical Leave Act of 1993;

- Any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance;
- Any public policy, contract, tort, or common law; or
- Any allegation for costs, fees, or other expenses including attorneys' fees incurred in these matters.

Notwithstanding anything herein to the contrary, the sole matters to which the Agreement and General Release do not apply are: (i) Executive's rights of indemnification and directors and officers liability insurance coverage to which Executive was entitled immediately prior to DATE with regard to Executive's service as an officer and director of Employer; (ii) Executive's rights under any tax-qualified pension or claims for accrued vested benefits under any other Executive benefit plan, policy or arrangement maintained by Employer or under COBRA; (iii) Executive's rights under the provisions of the Employment Agreement which are intended to survive termination of employment; or (iv) Executive's rights as a stockholder.

4. **No Claims Permitted**. Executive waives Executive's right to file any charge or complaint against Employer arising out of Executive's employment with or separation from Employer before any federal, state or local court or any state or local administrative agency, except where such waivers are prohibited by law. This Agreement, however, does not prevent Executive from filing a charge with the Equal Employment Opportunity Commission, any other federal government agency, and/or any government agency concerning claims of discrimination, although Executive waives the Executive's right to recover any damages or other relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other state or local agency on behalf of Executive under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964 as amended, the Americans with Disabilities Act, or any other federal or state discrimination law, except where such waivers are prohibited by law.

5. **Affirmations**. Executive affirms Executive has not filed, has not caused to be filed, and is not presently a party to, any claim, complaint, or action against Employer in any forum or form. Executive further affirms that the Executive has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits to which Executive may be entitled and no other compensation, wages, bonuses, commissions and/or benefits are due to Executive, except as provided in Section 5(d) of the Employment Agreement. Executive also affirms Executive has no known workplace injuries.

6. **Governing Law and Interpretation**. This Agreement and General Release shall be governed and conformed in accordance with the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws provisions. In the event Executive or Employer breaches any provision of this Agreement and General Release, Executive and Employer affirm either may institute an action in arbitration accordance with Section 9 of the Employment Agreement to specifically enforce any term or terms of this Agreement and General Release. Should any provision of this Agreement and General Release be declared illegal or unenforceable by any court of competent jurisdiction and should the provision be incapable of being modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of

this Agreement and General Release in full force and effect. Nothing herein, however, shall operate to void or nullify any general release language contained in the Agreement and General Release.

7. **Nonadmission of Wrongdoing**. Executive agrees neither this Agreement and General Release nor the furnishing of the consideration for this Release shall be deemed or construed at any time for any purpose as an admission by Employer of any liability or unlawful conduct of any kind.

8. **Amendment**. This Agreement and General Release may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Agreement and General Release.

9. **Entire Agreement**. This Agreement and General Release sets forth the entire agreement between the parties hereto and fully supersedes any prior agreements or understandings between the parties; provided, however, that notwithstanding anything in this Agreement and General Release, the provisions in the Employment Agreement which are intended to survive termination of the Employment Agreement, including but not limited to those contained in Section 11 thereof, shall survive and continue in full force and effect. Executive acknowledges Executive has not relied on any representations, promises, or agreements of any kind made to Executive in connection with Executive's decision to accept this Agreement and General Release.

EXECUTIVE HAS BEEN ADVISED THAT EXECUTIVE HAS UP TO FORTY-FIVE (45) CALENDAR DAYS TO REVIEW THIS AGREEMENT AND GENERAL RELEASE AND HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTION OF THIS AGREEMENT AND GENERAL RELEASE.

EXECUTIVE AGREES ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT AND GENERAL RELEASE DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL TWENTY-ONE (21) CALENDAR DAY CONSIDERATION PERIOD.

HAVING ELECTED TO EXECUTE THIS AGREEMENT AND GENERAL RELEASE, TO FULFILL THE PROMISES SET FORTH HEREIN, AND TO RECEIVE THE SUMS AND BENEFITS SET FORTH IN THE EMPLOYMENT AGREEMENT, EXECUTIVE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EXECUTIVE HAS OR MIGHT HAVE AGAINST EMPLOYER.

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this Agreement and General Release as of the date set forth below:

	The Hershey Company
______________________________	By: ______________________________
David J. West	Name: ______________________________
	Title: ______________________________
Date: ______________________________	Date: ______________________________

THE HERSHEY COMPANY

DIRECTORS' COMPENSATION PLAN

(Amended and Restated as of December 4, 2007)

1

PURPOSE

The purposes of the Directors' Compensation Plan ("Plan") are to provide Directors of The Hershey Company ("Company") with payment alternatives for the retainer and fees payable for services as members of the Board of Directors ("Board") of the Company or as a chair of any committee thereof (together, "Director Fees"), to provide Directors the opportunity to elect to receive all or a portion of the Directors Fees in Deferred Stock Units ("DSUs"), each representing an obligation of the Company to issue one share of Common Stock of the Company, $1.00 par value per share ("Common Stock"), and to promote the identification of interests between such Directors and the stockholders of the Company by paying a portion of each Director's compensation in Restricted Stock Units ("RSUs"), each RSU representing an obligation of the Company to issue one share of Common Stock.

2

ELIGIBILITY

Any Director of the Company who is not an employee of the Company or any of its subsidiaries shall be eligible to participate in the Plan. Except as the context may otherwise require, references in this Plan to a "Director" shall mean only those directors of the Company who are participants in the Plan.

3

PAYMENT

(a) **Director Fees.** A Director shall be entitled to Director Fees, in such amounts as shall be determined by the Board, for services on the Board and as a chair of any committee of the Board. Pursuant to Section 4 hereof, a Director may elect to have payment of Directors Fees made currently in cash and/or Common Stock or deferred for subsequent payment in cash or Common Stock; provided that if paid currently, fees payable for services as a chair of any committee of the Board shall be payable only in cash. Any shares of Common Stock payable under this Section 3(a) shall be paid by the issuance to the Director of a number of shares of Common Stock equal to the cash amount of the retainer so payable divided by the Fair Market Value of one share of the Common Stock, as defined in Section 12 hereof. Any fractional

share of Common Stock resulting from such payment shall be rounded to the nearest whole share. The Company shall issue share certificates to the Director for the shares of Common Stock acquired or, if requested in writing by the Director and permitted under such plan, the shares acquired shall be added to the Director's account under the Company's Automatic Dividend Reinvestment Plan. As of the date on which the part or whole of the retainer is payable in shares of Common Stock, the Director shall be a stockholder of the Company with respect to such shares. Unless otherwise elected in Section 4, any remaining Director Fees shall be payable in cash.

(b) **Restricted Stock Units.** A Director shall also be entitled to receive RSUs, in such amounts as shall be determined by the Board, for services on the Board. Beginning January 1, 2006 and thereafter, unless otherwise directed by the Board, RSUs having a value of $25,000 (or such other amount as the Board shall from time to time determine) shall be awarded to each Director on the first day of January, April, July and October. The number of full and fractional RSUs so awarded shall be determined by dividing $25,000 (or such other amount) by the average of the per share closing price of the Common Stock on the New York Stock Exchange as published in **The Wall Street Journal** (or such other reliable publication as the Board or its delegates may determine) for the last three trading days of the month preceding the date of the award. Directors whose membership on the Board commences after January 1, 2006 on a day which is not the first day of any January, April, July or October, shall be awarded a pro rata number of RSU's with respect to the quarter during which the Director joined the Board equal to the number of RSUs awarded to each Director who was a member of the Board on the first day of the applicable quarter, multiplied by a fraction, the numerator of which equals the number of days remaining in the quarter after the first day on which such Director became a member of the Board, and the denominator being the total number of days in the quarter. A Restricted Stock Unit Account shall be established on the books of the Company in the name of each Director. During the period of the Director's membership on the Board, the Director's Restricted Stock Unit Account shall be subject to credits, adjustment and substitution to reflect any dividend or other distribution on the outstanding Common Stock or any split or consolidation or other change affecting the Common Stock. Any such credit, adjustment or substitution shall be made in a manner similar to that set forth in Section 6(a) and 6(b) with respect to Deferred Stock Compensation Accounts. RSUs awarded pursuant to the Plan shall vest upon termination of the Director's membership on the Board by reason of retirement, death or disability, or such other circumstances as the Board, in its sole discretion, shall at any time determine (provided that a termination of a Director's membership on the Board following a Change in Control (as defined in the Company's Executive Benefits Protection Plan (Group 3A), the "EBPP") shall be considered a retirement for this purpose). RSUs not vested upon or within 120 days following the Director's termination of membership on the Board, as aforesaid, shall be forfeited as of 11:59 p.m. (Eastern Time) on the 120th day following such Director's termination of membership on the Board, as aforesaid. The balance of the Director's Restricted Stock Unit Account which becomes vested shall be paid in a lump sum in accordance with Section 7. If payment hereunder would result in the issuance of a fractional share of Common Stock, such fractional share shall not be issued and cash in lieu of such fractional share shall be paid to the Director based upon the average of the per share closing price of the Common Stock on the New York Stock Exchange as published in **The Wall**

Street Journal (or such other reliable publication as the Board or its delegates may determine) for the three trading days immediately preceding the date of payment. The Company shall issue share certificates to the Director, or the Director's designated beneficiary, for the shares of Common Stock represented by the Director's vested RSUs, or if requested in writing by the Director and permitted under such plan, the shares to be distributed shall be added to the Director's account under the Company's Automatic Dividend Reinvestment Plan. As of the date on which the Director is entitled to receive payment of shares of Common Stock, a Director shall be a stockholder of the Company with respect to such shares.

4

ELECTIONS

(a) **Director Fee Payment Alternatives.** A Director may elect any one of the following alternatives with respect to payment of Director Fees:

(1) to receive currently full payment in cash and/or Common Stock, as set forth in Section 3(a) above, on the date or dates on which the Director Fees are payable;

(2) to defer payment of all or a portion of the Director Fees for subsequent payment in cash (a "Cash Deferral Election");

(3) to defer payment of all or a portion of the Director Fees for subsequent payment in shares of Common Stock (a "Stock Deferral Election"); or

(4) a combination of (2) and (3).

(b) **Filing and Effectiveness of Elections.** The election by a Director to receive payment of Director Fees other than as set forth in Section 4(a)(1) on the date on which the Director Fees are otherwise payable is made by filing with the Secretary of the Company a Notice of Election in the form prescribed by the Company (an "Election"). In order to be effective for any calendar year, an Election must be received by the Secretary of the Company on or before December 31 of the preceding calendar year, except that if a Director files a Notice of Election on or before 30 days subsequent to the Director's initial election to the office of Director, the Election shall be effective on the date of filing with respect to Director Fees payable for any portion of the calendar year which remains at the date of such filing. An Election may not be modified or terminated after the beginning of a calendar year for which it is effective. Unless modified or terminated by filing a new Notice of Election on or before December 31 immediately preceding the calendar year for which such modification or termination is effective, an Election shall be effective for and apply to Director Fees payable for each subsequent calendar year. Director Fees earned at any time for which an Election is not effective shall be paid as set forth in Section 4(a)(1) on the date when the Director Fees are otherwise payable. Any Election shall terminate on the date a Director ceases to be a member of the Board.

(c) **Cash Deferral Elections.** Director Fees deferred pursuant to a Cash Deferral Election shall be deferred and paid as provided in Sections 5 and 7.

(d) **Stock Deferral Elections.** Director Fees deferred pursuant to a Stock Deferral Election shall be deferred and paid as provided in Sections 6 and 7.

5

DEFERRED CASH COMPENSATION ACCOUNT

(a) **General.** The amount of any Director Fees deferred in accordance with a Cash Deferral Election shall be credited on the date on which such Director Fees are otherwise payable to a deferred cash compensation account maintained by the Company in the name of the Director (a "Deferred Cash Compensation Account"). A separate Deferred Cash Compensation Account shall be maintained for each calendar year for which a Director has elected a different number of payment installments or as otherwise may be agreed between the Director and the Company.

(b) **Adjustment for Earnings or Losses.** The amount in the Director's Deferred Cash Compensation Account shall be adjusted to reflect net earnings, gains or losses in accordance with the provisions of The Hershey Company Deferred Compensation Plan relating to Investment Credits and Investment Options. The adjustment for earnings, gains or losses shall be equal to the amount determined under (1) below as follows:

(1) ***Deemed Investment Options.*** The total amount determined by multiplying the rate earned (positive or negative) by each fund available (taking into account earnings distributed and share appreciation (gains) or depreciation (losses) on the value of shares of the fund) for the applicable period by the portion of the balance in the Director's Deferred Cash Compensation Account as of the end of each such period, respectively, which is deemed to be invested in such fund pursuant to paragraph (2) below. Subject to elimination, modification or addition by the Board, the funds available for the Director's election of deemed investments pursuant to paragraph (2) below shall be one or more of the funds available (excluding Common Stock) under the Investment Options of The Hershey Company Deferred Compensation Plan.

(2) ***Deemed Investment Elections.***

(A) The Director shall designate, on a form prescribed by the Company, the percentage of the deferred Director Fees that are to be deemed to be invested in the available funds under paragraph (1) above. Said designation shall be effective on a date specified therein and remain in effect and apply to all subsequent deferred Director Fees until changed as provided below.

(B) A Director may elect to change, on a calendar year basis (or on such other basis as permitted from time to time by the Board), the deemed investment

election under paragraph (A) above with respect to future deferred Director Fees among one or more of the options then available by written notice to the Secretary of the Company, on a form prescribed by the Company (or by voice or other form of notice permitted by the Company), at least ten days before the first day of the calendar year for which the change is to be effective, with such change to be effective for Director Fees credited to the Deferred Cash Compensation Account on and after the effective date of the change.

(C) A Director may elect to reallocate the balance of his Deferred Cash Compensation Account, subject to limitations imposed by the Board, on a calendar year basis, among the deemed investment options then available. A Director may make such an election by written notice to the Secretary of the Company, on a form prescribed by the Company (or by voice or other form of notice permitted by the Company), at least ten days before the first day of the calendar year for which the transfer election is to be effective, with such transfer to be based on the value of the Deferred Cash Compensation Account on the last day of the calendar year preceding the effective date of the transfer election.

(D) The election of deemed investments among the options provided above shall be the sole responsibility of each Director. The Company and Board members are not authorized to make any recommendation to any Director with respect to such election. Each Director assumes all risk connected with any adjustment to the value of his Deferred Cash Compensation Account. Neither the Board nor the Company in any way guarantees against loss or depreciation.

(E) All payments from the Plan shall be made pro-rata from the portion of the Director's Deferred Cash Compensation Account which is deemed to be invested in such funds as may be available from time to time for deemed investment elections under the Plan.

(F) The Company shall not be required or obligated to invest any amounts in the funds provided as deemed investment options, and such funds shall be used solely to measure investment performance. Further, the Company shall not be precluded from providing for its liabilities hereunder by investing in such funds or in any other investments deemed to be appropriate by the Board.

(c) **Manner of Payment.** The balance of a Director's Deferred Cash Compensation Account will be paid to the Director or, in the event of the Director's death, to the Director's designated beneficiary, in accordance with the Cash Deferral Election. A Director may elect at the time of filing the Notice of Election for a Cash Deferral Election to receive payment of the Director Fees in annual installments rather than a lump sum, provided that the payment period for installment payments shall not exceed fifteen years following the Payment Commencement Date, as described in Section 7 hereof. The amount of any installment shall be determined by multiplying (i) the balance in the Director's Deferred Cash Compensation Account on the date of such installment by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments (including the

installment payment then being determined). The balance of the Deferred Cash Compensation Account shall be appropriately reduced on the date of payment to the Director or the Director's designated beneficiary to reflect the installment payment made hereunder. Amounts held pending distribution pursuant to this Section 5(c) shall continue to be credited with the earnings, gains or losses as described in Section 5(b) hereof.

6

DEFERRED STOCK COMPENSATION ACCOUNT

(a) **General.** The amount of any Director Fees deferred in accordance with a Stock Deferral Election shall be credited to a deferred stock compensation account maintained by the Company in the name of the Director (a "Deferred Stock Compensation Account"). A separate Deferred Stock Compensation Account shall be maintained for each calendar year for which a Director has elected a different number of payment installments or as otherwise determined by the Board. On each date on which Director Fees are otherwise payable and a Stock Deferral Election is effective for a Director, the Director's Deferred Stock Compensation Account for that calendar year shall be credited with a number of full and fractional Deferred Stock Units ("DSUs") equal to the cash amount of the Director Fees payable divided by the Fair Market Value of one share of the Common Stock, as defined in Section 12 hereof, on the date on which such Director Fees are payable. If a dividend or distribution is paid on the Common Stock in cash or property other than Common Stock, on the date of payment of the dividend or distribution to holders of the Common Stock each Deferred Stock Compensation Account shall be credited with a number of full and fractional DSUs equal to the number of full and fractional DSUs credited to such Account on the date fixed for determining the stockholders entitled to receive such dividend or distribution times the amount of the dividend or distribution paid per share of Common Stock divided by the Fair Market Value of one share of Common Stock, as defined in Section 12 hereof, on the date on which the dividend or distribution is paid, it being intended that the number of full and fractional DSUs credited as a result of the dividend or distribution shall be equal to the number of full and fractional shares that would be issued if the DSUs credited to the Account were actual shares participating in the Company's dividend reinvestment plan. If the dividend or distribution is paid in property, the amount of the dividend or distribution shall equal the fair market value of the property on the date on which the dividend or distribution is paid. The Deferred Stock Compensation Account of a Director shall be charged on the date of distribution with any distribution of shares of Common Stock made to the Director from such Account pursuant to Section 6(c) hereof.

(b) **Adjustment and Substitution.** The number of DSUs credited to each Deferred Stock Compensation Account shall be proportionately adjusted to reflect any dividend or other distribution on the outstanding Common Stock payable in shares of Common Stock or any split or consolidation of the outstanding shares of Common Stock. If the outstanding Common Stock shall, in whole or in part, be changed into or exchangeable for a different class or classes of securities of the Company or securities of another Company or cash or property other than Common Stock, whether through reorganization, reclassification, recapitalization, merger, consolidation or otherwise, the Board shall adopt such amendments to the Plan as it deems necessary to carry out the purposes of the Plan, including the continuing deferral of any amount of any Deferred Stock Compensation Account.

(c) **Manner of Payment.** The balance of a Director's Deferred Stock Compensation Account will be paid in shares of Common Stock to the Director or, in the event of the Director's death, to the Director's designated beneficiary, in accordance with the Stock Deferral Election. A Director may elect at the time of filing of the Notice of Election for a Stock Deferral Election to receive payment of the shares of Common Stock credited to the Director's Deferred Stock Compensation Account in annual installments rather than a lump sum, provided that the payment period for installment payments shall not exceed fifteen years following the Payment Commencement Date as described in Section 7 hereof. The number of shares of Common Stock distributed in each installment shall be determined by multiplying (i) the number of DSUs credited to such Director's Deferred Stock Compensation Account on the date of payment of such installment, by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments (including the installment payment then being determined) and by rounding such result down to the nearest whole number of shares. The balance of the number of DSUs credited to such Director's Deferred Stock Compensation Account shall be appropriately reduced in accordance with this Section 6(c) to reflect the installment payments made hereunder. DSUs remaining in a Deferred Stock Compensation Account pending distribution of shares of Common Stock pursuant to this Section 6(c) shall continue to be credited with respect to dividends or distributions paid on the Common Stock pursuant to Section 6(a) hereof and shall be subject to adjustment pursuant to Section 6(b) hereof. If a lump sum payment or the final installment payment hereunder would result in the issuance of a fractional share of Common Stock, such fractional share shall not be issued and cash in lieu of such fractional share shall be paid to the Director based on the Fair Market Value of a share of Common Stock, as defined in Section 12 hereof, on the date immediately preceding the date of such payment. The Company shall issue share certificates to the Director, or the Director's designated beneficiary, for the shares of Common Stock distributed hereunder, or if requested in writing by the Director and permitted under such plan, the shares to be distributed shall be added to the Director's account under the Company's Automatic Dividend Reinvestment Plan. As of the date on which the Director is entitled to receive payment of shares of Common Stock, a Director shall be a stockholder of the Company with respect to such shares.

7

PAYMENT COMMENCEMENT DATE

Payment of amounts in a Restricted Stock Unit Account (if vested), Deferred Cash Compensation Account or a Deferred Stock Compensation Account shall commence on the first business day next succeeding the 89th day following the day on which the Director ceases to be a member of the Board for any reason, including death or disability. The Governance Committee of the Board may provide for the accelerated payment of Deferred Cash Compensation Accounts and Deferred Stock Compensation Accounts in one lump sum in connection with a change in control event within the meaning of the regulations promulgated under Code Section 409A, notwithstanding any other payment options previously selected by a Director under his or her Cash Deferral Elections and Stock Deferral Elections.

8

BENEFICIARY DESIGNATION

A Director may designate, in the Beneficiary Designation form prescribed by the Company, any person to whom payments of cash or shares of Common Stock are to be made if the Director dies before receiving payment of all amounts due hereunder. A beneficiary designation will be effective only after the signed beneficiary designation form is filed with the Secretary of the Company while the Director is alive and will cancel all beneficiary designations signed and filed earlier. If the Director fails to designate a beneficiary, or if all designated beneficiaries of the Director die before the Director or before complete payment of all amounts due hereunder, any remaining unpaid amounts shall be paid in one lump sum to the estate of the last to die of the Director or the Director's designated beneficiaries, if any.

9

NON-ALIENABILITY OF BENEFITS

Neither the Director nor any beneficiary designated by the Director shall have the right to, directly or indirectly, alienate, assign, transfer, pledge, anticipate or encumber (except by reason of death) any amount that is or may be payable hereunder, nor shall any such amount be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Director or the Director's designated beneficiary or to the debts, contracts, liabilities, engagements, or torts of any Director or designated beneficiary, or transfer by operation of law in the event of bankruptcy or insolvency of the Director or any beneficiary, or any legal process.

10

NATURE OF ACCOUNTS

Any Restricted Stock Unit Account, Deferred Cash Compensation Account or Deferred Stock Compensation Account shall be established and maintained only on the books and records of the Company, and no assets or funds of the Company or the Plan or shares of Common Stock of the Company shall be removed from the claims of the Company's general or judgment creditors or otherwise made available until such amounts are actually payable to Directors or their designated beneficiaries as provided herein. The Plan constitutes a mere promise by the Company to make payments in the future. The Directors and their designated beneficiaries shall have the status of, and their rights to receive a payment of cash or shares of Common Stock

under the Plan shall be no greater than the rights of, general unsecured creditors of the Company. No person shall be entitled to any voting rights with respect to shares credited to any RSU or Deferred Stock Compensation Account which is not yet payable to a Director or the Director's designated beneficiary. The Company shall not be obligated under any circumstance to fund its financial obligations under the Plan, and the Plan is intended to constitute an unfunded plan for tax purposes. However, the Company may, in its discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if such arrangement will not cause the Plan to be considered a funded deferred compensation plan under the Internal Revenue Code of 1986, as amended.

11

ADMINISTRATION OF PLAN; HARDSHIP WITHDRAWAL

Full power and authority to construe, interpret, and administer the Plan shall be vested in the Board. Decisions of the Board shall be final, conclusive, and binding upon all parties. Notwithstanding the terms of a Cash Deferral Election or a Stock Deferral Election made by a Director hereunder, the Board may, in its sole discretion, permit the withdrawal of amounts credited to a Deferred Cash Compensation Account or shares credited to a Deferred Stock Compensation Account with respect to Director Fees previously payable, or permit the early vesting and payment of RSUs previously awarded, upon the request of a Director or the Director's representative, or following the death of a Director upon the request of a Director's beneficiary or such beneficiary's representative, if the Board determines that the Director or the Director's beneficiary, as the case may be, is confronted with an unforeseeable emergency. An unforeseeable emergency is a severe financial hardship to the Director resulting from illness or accident of the Director, the Director's spouse, beneficiary or dependent, loss of the Director's property due to casualty or similar extraordinary and unforeseeable circumstances beyond the Director's control, which hardship cannot be relieved through insurance, cessation of deferrals under the Plan or liquidation of assets that would not cause a severe financial hardship. Cash needs arising from foreseeable events, such as the purchase or building of a house or education expenses, will not be considered to be the result of an unforeseeable financial emergency. The Director or the Director's beneficiary shall provide to the Board such evidence as the Board, in its discretion, may require to demonstrate that such emergency exists and financial hardship would occur if the withdrawal were not permitted. The withdrawal shall be limited to the amount or to the number of shares, as the case may be, necessary to meet the emergency. Payment shall be made as soon as practicable after the Board approves the payment and determines the amount of the payment or number of shares which shall be withdrawn. In the case of a hardship withdrawal from the Deferred Cash Compensation Account or Deferred Stock Compensation Account, payment shall be made in a single lump sum from the portion of the Deferred Cash Compensation Account or Deferred Stock Compensation Account, as applicable, with the largest number and in reverse order of installment payments, in each case in accordance with Section 5(b)(2)(E) if the distribution is from the Deferred Cash Compensation Account. No Director shall participate in any decision of the Board regarding such Director's request for a withdrawal under this Section 11.

12

FAIR MARKET VALUE

Fair Market Value of the Common Stock ("Fair Market Value") on a single date shall be the closing price on the applicable date (or if not a trading date, the next preceding trading date), and Fair Market Value, where the determination is made over a period of more than one day, shall be the average of the closing price for all trading dates for the applicable period covered by a payment. For purposes of Section 3(a) and 6(a) hereof, the applicable period for a quarterly Directors Fees payment or credit shall be the three calendar months immediately preceding the calendar month during which the day on which the payment or credit is being made, and the applicable period for a Directors Fees payment relating to a period other than a quarter shall be determined under similar principles. The closing price of the Common Stock for a single date or for each day within the applicable period shall be as quoted in **The Wall Street Journal** (or in such other reliable publication as the Board or its delegate, in its discretion, may determine to rely upon).

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SECURITIES LAWS; ISSUANCE OF SHARES; NONCERTIFICATED SHARES

The obligation of the Company to issue or credit shares of Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Company, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock shares may then be listed and (iii) all other applicable laws, regulations, rules and orders which may then be in effect. If, on the date on which any shares of Common Stock would be issued sufficient shares of Common Stock are not available under the Plan or the Company is not obligated to issue shares pursuant to this Section 13, then no shares of Common Stock shall be issued but rather, in the case of Common Stock to be issued currently, cash shall be paid in payment of the Director Fees payable. The Board shall adopt appropriate rules and regulations to carry out the intent of the immediately preceding sentence if the need for such rules and regulations arises. To the extent the Plan provides for issuance of share certificates to reflect the transfer of shares of Common Stock, the transfer of such shares may be effected on a noncertificated or "book-entry" basis.

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GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Delaware.

15

EFFECTIVE DATE; AMENDMENT AND TERMINATION

The Plan was adopted by the Board on December 4, 1996, and became effective as of January 1, 1997. The Plan was previously amended and restated effective October 2, 2001 and December 3, 2002. The Plan, as amended and restated herein, shall be effective as of June 14, 2007. The Board may amend or terminate the Plan at any time, provided that no such amendment or termination shall adversely affect rights with respect to amounts or shares then credited to any Deferred Cash Compensation Account or Deferred Stock Compensation Account.

16

AUTHORIZED SHARES; DESIGNATION AS AWARD UNDER EQUITY AND INCENTIVE COMPENSATION PLAN

Shares issued hereunder with respect to RSUs and DSUs credited prior to April 17, 2007 shall be deemed issued as part of the aggregate of 300,000 (reflecting prior stock splits and stock dividends and as shall be adjusted and subject to adjustment to reflect future stock splits and stock dividends) shares of Common Stock previously authorized for issuance hereunder. Effective as of April 17, 2007, the crediting of RSUs and the ability to make elections to receive Directors Fees in shares of Common Stock or to defer payment of Directors Fees and have such fees credited as DSUs shall constitute a non-employee directors award under The Hershey Company Equity and Incentive Compensation Plan (the “EICP”). This Plan and the related Notice of Election and other documents contemplated hereunder shall constitute the award agreement for purposes of the EICP and shares of Common Stock issued with respect to such RSUs, Directors Fees or DSUs shall be deemed issued from the shares authorized for issuance under the EICP.

THE HERSHEY COMPANY

By: */s/ Marcella K. Arline*
Marcella K. Arline, Senior Vice President,
Chief People Officer

EXHIBIT 12

THE HERSHEY COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
For the Years Ended December 31, 2007, 2006, 2005, 2004, and 2003
(in thousands of dollars except for ratios)
(Unaudited)

	2007	2006	2005	2004	2003
Earnings:					
Income from continuing operations before income taxes	$340,242 (a)	$ 876,502 (b)	$765,637 (c)	$810,036	$703,857 (d)
Add (Deduct):					
Interest on indebtedness	121,066	117,738	89,485	67,919	65,265
Portion of rents representative of the interest factor (e)	8,147	7,647	8,244	9,711	12,742
Amortization of debt expense	756	574	463	446	446
Amortization of capitalized interest	2,392	2,850	3,068	3,544	3,880
Adjustment to exclude minority interest and income or loss from equity investee	(503)	—	—	—	—
Earnings as adjusted	$472,100	$1,005,311	$866,897	$891,656	$786,190
Fixed Charges:					
Interest on indebtedness	$121,066	$ 117,738	$ 89,485	$ 67,919	$ 65,265
Portion of rents representative of the interest factor (e)	8,147	7,647	8,244	9,711	12,742
Amortization of debt expense	756	574	463	446	446
Capitalized interest	2,770	77	3	2,597	1,953
Total fixed charges	$132,739	$ 126,036	$ 98,195	$ 80,673	$ 80,406
Ratio of earnings to fixed charges	3.56	7.98	8.83	11.05	9.78

NOTES:

(a) Includes total charges for business realignment initiatives of $412.6 million before tax.
(b) Includes total charges for business realignment initiatives of $11.6 million before tax.
(c) Includes total charges for business realignment initiatives of $119.0 million before tax.
(d) Includes total charges for business realignment initiatives of $25.5 million and a gain on sale of business of $8.3 million.
(e) Portion of rents representative of the interest factor consists of all rental expense pertaining to off-balance sheet operating lease arrangements and one-third of rental expense for other operating leases.

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

Below is a listing of our subsidiaries, their jurisdictions of incorporation, and the name under which they do business. Each is wholly owned. We do not list certain subsidiaries because when considered in the aggregate as a single subsidiary, they do not constitute a significant subsidiary as of December 31, 2007.

Subsidiary Name	Jurisdiction of Incorporation
Hershey Chocolate & Confectionery Corporation	Delaware
Hershey Chocolate of Virginia, Inc.	Delaware
Hershey Canada, Inc.	Canada
Hershey Netherlands B.V.	The Netherlands
Hershey International Ltd.	Delaware
Mauna Loa Macadamia Nut Corporation	Hawaii

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
The Hershey Company:

We consent to the incorporation by reference in the registration statements (File No. 333-133938, File No. 333-72100, File No. 333-25853, File No. 333-72112, File No. 33-45431, File No. 33-45556, File No. 333-52509 and File No. 333-107706) on Forms S-8 and S-3 of The Hershey Company of our reports dated February 18, 2008, with respect to the consolidated balance sheets of The Hershey Company and subsidiaries as of December 31, 2007 and 2006, the related consolidated statements of income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2007, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2007, which reports appear in the December 31, 2007 Annual Report on Form 10-K of The Hershey Company.

Our report on the consolidated financial statements refers to the Company's adoption of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pensions and Other Postretirement Plans* at December 31, 2006.

/s/ KPMG LLP

New York, New York
February 19, 2008

Exhibit 31.1

CERTIFICATION

I, David J. West, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID J. WEST

David J. West
Chief Executive Officer
February 19, 2008

Exhibit 31.2

CERTIFICATION

I, Humberto P. Alfonso, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HUMBERTO P. ALFONSO

Humberto P. Alfonso
Chief Financial Officer
February 19, 2008

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of The Hershey Company (the "Company") hereby certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2008

/s/ DAVID J. WEST

David J. West
Chief Executive Officer

Date: February 19, 2008

/s/ HUMBERTO P. ALFONSO

Humberto P. Alfonso
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.