

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

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended July 2, 1995

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

HERSHEY FOODS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 23-0691590
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

100 Crystal A Drive 17033
Hershey, Pennsylvania (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (717) 534-6799

(Former name, former address and former fiscal year, if changed since
last report)

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months (or for such shorter
period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days.

YES X NO

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

Common Stock, \$1 par value - 71,233,852 shares, as of July 20, 1995.
Class B Common Stock, \$1 par value - 15,241,454 shares, as of July 20,
1995.

HERSHEY FOODS CORPORATION
 CONSOLIDATED STATEMENTS OF INCOME
 (in thousands of dollars except per share amounts)

	For the Three Months Ended	
	July 2, 1995	July 3, 1994
Net Sales	\$722,269	\$675,983
Costs and Expenses:		
Cost of sales	423,763	403,100
Selling, marketing and administrative	235,717	222,313
Total costs and expenses	659,480	625,413
Income before Interest and Income Taxes	62,789	50,570
Interest expense, net	7,849	8,503
Income before Income Taxes	54,940	42,067
Provision for income taxes	21,617	16,742
Net Income	\$ 33,323	\$ 25,325
Net Income per Share	\$.38	\$.29
Cash Dividends Paid per Share of Common Stock	\$.3250	\$.3000
Cash Dividends Paid per Share of Class B Common Stock	\$.2950	\$.2725

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
 CONSOLIDATED STATEMENTS OF INCOME
 (in thousands of dollars except per share amounts)

	For the Six Months Ended	
	July 2, 1995	July 3, 1994
Net Sales	\$1,589,715	\$1,559,873
Costs and Expenses:		
Cost of sales	927,124	929,828
Selling, marketing and administrative	489,265	483,882
Total costs and expenses	1,416,389	1,413,710
Income before Interest and Income Taxes	173,326	146,163
Interest expense, net	16,993	16,029
Income before Income Taxes	156,333	130,134
Provision for income taxes	62,377	51,793
Net Income	\$ 93,956	\$ 78,341
Net Income per Share	\$ 1.08	\$.90
Cash Dividends Paid per Share of Common Stock	\$.6500	\$.6000
Cash Dividends Paid per Share of Class B Common Stock	\$.5900	\$.5450

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
 CONSOLIDATED CONDENSED BALANCE SHEETS
 JULY 2, 1995 AND DECEMBER 31, 1994
 (in thousands of dollars)

ASSETS	1995	1994
Current Assets:		
Cash and cash equivalents	\$ 31,914	\$ 26,738
Accounts receivable - trade	159,315	331,670
Inventories	577,929	445,702
Deferred income taxes	96,524	105,948
Prepaid expenses and other	52,399	38,608
 Total current assets	 918,081	 948,666
 Property, Plant and Equipment, at cost	 2,152,547	 2,123,529
Less - accumulated depreciation and amortization	(707,508)	(655,132)
 Net property, plant and equipment	 1,445,039	 1,468,397
Intangibles Resulting from Business		
Acquisitions	449,509	453,582
Other Assets	32,605	20,336
 Total assets	 \$2,845,234	 \$2,890,981
 LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 86,411	\$ 115,428
Accrued liabilities	234,075	265,283
Accrued restructuring reserves	51,929	82,055
Accrued income taxes	5,496	8,718
Short-term debt	348,131	316,783
Current portion of long-term debt	2,239	7,954
 Total current liabilities	 728,281	 796,221
Long-term Debt	154,089	157,227
Other Long-term Liabilities	309,867	303,056
Deferred Income Taxes	189,050	193,377
 Total liabilities	 1,381,287	 1,449,881
Stockholders' Equity:		
Preferred Stock, shares issued: none in 1995 and 1994		
Common Stock, shares issued: 74,680,882 in 1995 and 74,679,357 in 1994	74,681	74,679
Class B Common Stock, shares issued: 15,241,454 in 1995 and 15,242,979 in 1994	15,241	15,243
Additional paid-in capital	47,455	49,880
Cumulative foreign currency translation adjustments	(26,471)	(24,537)
Unearned ESOP compensation	(36,725)	(38,321)
Retained earnings	1,561,370	1,522,867
Treasury-Common Stock shares at cost: 3,440,330 in 1995 and 3,187,139 in 1994	(171,604)	(158,711)
 Total stockholders' equity	 1,463,947	 1,441,100
 Total liabilities and stockholders' equity	 \$2,845,234	 \$2,890,981

The accompanying notes are an integral part of these balance sheets.

HERSHEY FOODS CORPORATION
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
 (in thousands of dollars)

	For the Six Months Ended	
	July 2, 1995	July 3, 1994
Cash Flows Provided from Operating Activities	\$110,644	\$ 13,544
Cash Flows Provided from (Used by) Investing Activities		
Capital additions	(66,569)	(79,354)
Other, net	(6,072)	2,635
Net Cash Flows Used by Investing Activities	(72,641)	(76,719)
Cash Flows Provided from (Used by) Financing Activities		
Net increase in short-term debt	40,948	147,964
Long-term borrowings	410	
Repayment of long-term debt	(5,839)	(2,297)
Cash dividends paid	(55,453)	(51,483)
Repurchase of Common Stock	(12,893)	(31,290)
Net Cash Flows (Used by) Provided from Financing Activities	(32,827)	62,894
Increase (Decrease) in Cash and Cash Equivalents	5,176	(281)
Cash and Cash Equivalents, beginning of period	26,738	15,959
Cash and Cash Equivalents, end of period	\$ 31,914	\$ 15,678
Interest Paid	\$ 16,954	\$ 15,282
Income Taxes Paid	\$ 63,040	\$ 81,891

The accompanying notes are an integral part of these statements.

1. The accompanying unaudited consolidated condensed financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions. These statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the information contained herein. All such adjustments were of a normal and recurring nature.

2. Interest expense, net consisted of the following:

	For the Six Months Ended	
	July 2, 1995	July 3, 1994
	(in thousands of dollars)	
Interest expense	\$19,318	\$18,848
Interest income	(1,572)	(851)
Capitalized interest	(753)	(1,968)
Interest expense, net	\$16,993	\$16,029

3. Income per share has been computed based on the weighted average number of shares of the Common Stock and the Class B Common Stock outstanding during the period. Average shares outstanding during the second quarter and six months ended July 2, 1995 were 86,637,997 and 86,683,439, respectively, and were 87,095,985 and 87,256,569 for the respective periods in 1994. There were no shares of Preferred Stock outstanding during the periods presented.

A total of 3,704,330 shares of Common Stock have been repurchased under a share repurchase program of which 3,440,330 shares were held as Treasury Stock as of July 2, 1995.

4. The majority of inventories are valued under the last-in, first-out (LIFO) method. The remaining inventories are stated at the lower of first-in, first-out (FIFO) cost or market. Inventories were as follows:

	July 2, 1995	December 31, 1994
	(in thousands of dollars)	
Raw materials	\$314,301	\$234,317
Goods in process	29,542	28,680
Finished goods	316,340	247,272
Inventories at FIFO	660,183	510,269
Adjustment to LIFO	(82,254)	(64,567)
Total inventories	\$577,929	\$445,702

5. Restructuring Charge

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

The restructuring charge and its subsequent utilization are summarized below by category (in thousands of dollars):

	Total Charge	Utilized as of Year-End 1994	Utilized in 1995	Remaining Reserve
Employee severance benefits	\$ 34,269	\$ (4,239)	\$ (7,625)	\$22,405
Loss on disposal of businesses	39,100	(653)	(16,362)	22,085
Product line discontinuations	17,533	(15,166)	(3,294)	(927)
Consolidation of operations and disposal of machinery and equipment	15,203	(3,992)	(2,845)	8,366
Total	\$106,105	\$(24,050)	\$(30,126)	\$51,929

In June 1995, the Corporation completed the sale of Overspecht B.V. (OZF/Jamin) to a management buyout group at OZF/Jamin. During the first half of 1995, non-cash charges to accrued restructuring reserves were \$18.9 million, related primarily to the divestiture of OZF/Jamin. Operating cash flows will be used to fund any severance or other cash items.

The Corporation anticipates that the remaining reserve is adequate to cover the cost of restructuring activities to be completed during 1995. Any deficiencies in particular reserve categories will be offset as requirements in other categories are finalized.

6. Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of July 2, 1995 because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, approximated fair value as of July 2, 1995, based upon quoted market prices for the same or similar debt issues.

As of July 2, 1995, the Corporation had foreign exchange forward contracts maturing primarily in 1995 and 1996 to purchase \$14.4 million in foreign currency, principally British sterling and Irish punt, and to sell \$15.9 million in foreign currency, primarily Canadian dollars and Japanese yen, at contracted forward rates. Additionally, the Corporation had purchased foreign exchange options of \$11.6 million and written foreign exchange options of \$10.9 million, principally related to British sterling. As of July 2, 1995, the fair value of foreign exchange forward and options contracts approximated carrying value. The Corporation does not hold or issue financial instruments for trading purposes.

7. Reference is made to the Registrant's 1994 Annual Report on Form 10-K for more detailed financial statements and footnotes.

Results of Operations - Second Quarter 1995 vs. Second Quarter 1994

Consolidated net sales for the second quarter rose from \$676.0 million in 1994 to \$722.3 million in 1995, an increase of 7%. The higher sales primarily reflected volume growth from existing domestic confectionery brands and pasta products and selling price increases in several of the Corporation's foreign businesses. These increases were offset somewhat by lower sales resulting from the discontinuance of the Corporation's refrigerated pudding line in late 1994 and the divestiture of OZF/Jamin in May 1995.

The consolidated gross margin increased from 40.4% in 1994 to 41.3% in 1995. The increase was primarily the result of manufacturing efficiency improvements and selling price increases, partially offset by higher costs for certain major raw materials. Selling, marketing and administrative expenses increased by 6%, due to increased advertising for existing confectionery brands and higher levels of promotion expense primarily related to the sales volume increase. These increases were partially offset by lower administrative expenses.

Net interest expense in the second quarter of 1995 was \$.7 million below the comparable period of 1994 due to lower fixed interest expense and higher interest income. The decrease in fixed interest expense reflected reduced long-term borrowings, while increased interest income resulted from higher investment rates and balances.

The second quarter effective income tax rate decreased from 39.8% in 1994 to 39.3% in 1995. The lower rate in 1995 was due primarily to the impact of changes in Pennsylvania state tax regulations which included a June 1995 reduction in the state income tax rate which was retroactive to January 1, 1995.

Results of Operations - Second Six Months 1995 vs. Second Six Months 1994

Consolidated net sales for the first six months of 1995 increased by \$29.8 million or 2% as a result of incremental sales from new confectionery and grocery products, pasta sales volume increases, the introduction of confectionery brands in new international markets and selected selling price increases. These increases were partially offset by lower sales resulting from the discontinuance of the Corporation's refrigerated pudding line in late 1994 and the divestiture of OZF/Jamin in May 1995.

The consolidated gross margin increased from 40.4% in 1994 to 41.7% in 1995. The increase was primarily the result of manufacturing efficiency improvements and selling price increases, partially offset by higher costs for certain major raw materials. Selling, marketing and administrative expenses increased by 1% due to increased advertising for existing confectionery brands, partly offset by lower administrative expenses.

Net interest expense was \$1.0 million above prior year as higher short-term interest expense and reduced capitalized interest were only partially offset by lower fixed interest expense and higher interest income. Short-term interest expense was above prior year primarily as a result of higher borrowing rates, partially offset

by lower borrowing balances. Capitalized interest was below prior year reflecting lower levels of spending on projects qualifying for interest capitalization. Fixed interest expense was less than prior year due to reduced long-term borrowings, while investment income exceeded prior year as a result of an increase in average investment income rates and higher investment balances.

The effective income tax rate increased from 39.8% in 1994 to 39.9% in 1995. The higher rate in 1995 was due primarily to changes in the mix of the Corporation's income among various tax jurisdictions which more than offset lower Pennsylvania state income taxes resulting from changes in tax regulations enacted in June 1995.

Financial Condition

Historically, the Corporation's major source of financing has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer, generally have been met by issuing commercial paper. During the first six months of 1995, the Corporation's cash and cash equivalents increased by \$5.2 million. Cash provided from operations and short-term borrowings was sufficient to finance capital additions of \$66.6 million, pay cash dividends of \$55.5 million, repay long-term debt of \$5.8 million and fund share repurchases of \$12.9 million. The increase in cash generated from operations primarily reflected increases in cash provided from changes in accounts receivable and inventory balances, the timing of income tax payments and higher income in 1995 versus 1994.

The ratio of current assets to current liabilities was 1.3:1 and 1.2:1 as of July 2, 1995 and December 31, 1994, respectively. The Corporation's capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 26% as of July 2, 1995, and 25% as of December 31, 1994. As of July 2, 1995 the Corporation had lines of credit with domestic and international commercial banks in the amount of approximately \$470 million which could be borrowed directly or used to support the issuance of commercial paper.

In the fourth quarter of 1994, the Corporation recorded a pre-tax restructuring charge of \$106.1 million (\$80.2 million after-tax or \$.92 per share). The restructuring program is expected to be completed in 1995 and result in annual savings of approximately \$18.0 million starting in 1996.

As of July 2, 1995, \$100 million of debt securities remained available for issuance under a Form S-3 Registration Statement which was declared effective in June 1990 and an additional \$400 million of debt securities under a Form S-3 Registration Statement declared effective in November 1993. Proceeds from any offering of the \$500 million of debt securities available under these shelf registrations may be used to reduce existing commercial paper borrowings, finance capital additions, and fund a share repurchase program and future business acquisitions.

As of July 2, 1995, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization. The Corporation anticipates that capital expenditures will be in the range of \$125 million to \$175 million per annum during the next

several years as a result of continued modernization of existing facilities and capacity expansion to support new products and line extensions.

A total of 3,704,330 shares of Common Stock have been repurchased for approximately \$184.4 million under a share repurchase program. As of July 2, 1995, 3,440,330 shares were held as Treasury Stock.

Items 1 through 5 have been omitted as not applicable.

Item 6 - Exhibits and Reports on Form 8-K

a) Exhibits

The following are attached and incorporated herein by reference:

Exhibit 3 - Restated By-laws of Hershey Foods Corporation as amended and restated on June 6, 1995.

Exhibit 12 - Statement showing computation of ratio of earnings to fixed charges for the quarters ended July 2, 1995 and July 3, 1994.

Exhibit 27 - Financial Data Schedule for the period ended July 2, 1995 (required for electronic filing only).

b) Reports on Form 8-K

No reports on Form 8-K were filed during the six-month period ended July 2, 1995.

SIGNATURES

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

HERSHEY FOODS CORPORATION
(Registrant)

Date July 28, 1995

/s/ William F. Christ

William F. Christ
Senior Vice President and
Chief Financial Officer

Date July 28, 1995

/s/ R. Montgomery Garrabrant

R. Montgomery Garrabrant
Corporate Controller and
Chief Accounting Officer

EXHIBIT INDEX

- Exhibit 3 - Amended and restated By-laws of Hershey Foods Corporation
- Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges
- Exhibit 27 - Financial Data Schedule for the period ended July 2, 1995 (required for electronic filing only)

BY-LAWS
 OF
 HERSHEY FOODS CORPORATION
 INCORPORATED OCTOBER 24, 1927
 UNDER THE LAWS OF THE
 STATE OF DELAWARE

CORPORATE HEADQUARTERS
 100 CRYSTAL A DRIVE
 HERSHEY, PENNSYLVANIA 17033

Amended and Restated by the
 Board of Directors as of
 June 6, 1995

Prior Amendments:
 January 31, 1985
 February 13, 1985
 April 29, 1991
 December 3, 1991
 April 24, 1995

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BY-LAWS

OF

HERSHEY FOODS CORPORATION

ARTICLE I - STOCKHOLDERS

Section 1. Annual Meeting. The annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 2. Special Meetings. A special meeting of the stockholders may be called by the Board of Directors, the Executive Committee of the Board of Directors or by stockholders holding in the aggregate at least twenty-five percent of the outstanding votes entitled to be cast by holders of the Common Stock and the Class B Common Stock voting together without regard to class on the date such meeting is called.

Section 3. Place of Meetings. All meetings of the stockholders shall be held at such places, within or without the State of Delaware, as may from time to time be fixed by the Board of Directors, or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 4. Notice of Meetings. Notice of each meeting of the stockholders, whether annual or special, shall be given not less than ten nor more than sixty days before the date on which the meeting is to be held to each stockholder of record entitled to vote, by delivering a written or printed notice thereof to him, personally, or by mailing such notice in a postage prepaid envelope addressed to him at his post office address registered with the Corporation. No publication of any notice of a meeting of stockholders shall be required. Every notice of a special meeting of stockholders, besides stating the time and place of the meeting, shall state briefly the purpose or purposes for which the meeting is called.

Section 5. Waiver of Notice. Regardless of any other provision herein, notice of any meeting of stockholders shall not be required as to any stockholder who shall attend such meeting in person or by proxy; and, if any stockholder shall, in person or by proxy duly authorized, waive notice of any meeting, whether before or after such meeting, notice thereof shall not be required as to him.

Section 6. Quorum and Required Vote. At any meeting of stockholders at which any action is to be taken or questions decided (including the election of directors), the presence in person or by proxy of the holders of a majority of the votes entitled to be cast at the meeting with respect to such action or question shall constitute a quorum, provided, however, that at such time as shares of the Class B Common Stock become outstanding, with respect to the taking of any action or the deciding of any question as to which either the Common Stock or the Class B Common Stock is entitled to vote separately as a class pursuant to the provisions of the Restated Certificate of Incorporation, the holders of a majority of the votes entitled to be cast by such class voting separately as a class at such meeting shall constitute a quorum. At every such meeting at which a quorum is present for the taking of any action or the deciding of any question, a majority of the votes present or represented shall be necessary to take such action or decide such question, with the Common Stock and the Class B Common Stock voting together without regard to class or separately as a class or classes as may be prescribed by the provisions of the Restated Certificate of Incorporation, provided, however, that with respect to the election of directors pursuant to the provisions of the Restated Certificate of Incorporation and these By-laws, the persons receiving the greatest number of votes, in descending order, shall be elected for the positions to be filled. The absence of a quorum as provided for herein for the taking of any one action or the deciding of any one question shall not prevent the taking of any other action or the deciding of any other question for which a quorum is present.

Section 7. Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v)

certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

Section 8. Conduct of Meetings. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting by the person presiding over the meeting. The Board of Directors of the Corporation may adopt by resolution such rules, regulations or procedures for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules, regulations or procedures as adopted by the Board of Directors, the chair of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chair, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chair of the meeting, may include, without limitation, the following: (1) the establishment of an agenda or order of business for the meeting; (2) rules and procedures for maintaining order at the meeting and the safety of those present; (3) limitations on attendance at or participation in the meeting to the stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chair shall permit; (4) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (5) limitations on the time allotted to questions or comments by participants. Unless, and to the extent determined by the Board of Directors or the chair of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 9. Notice of Stockholder Business. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or by a stockholder or stockholders holding, in the aggregate, at least twenty-five percent (25%) of the outstanding votes entitled to be cast by holders of the Common Stock and Class B Common Stock voting together without regard to class, or (c) otherwise properly

requested to be brought before the meeting by a stockholder. For business to be properly requested to be brought before an annual meeting by a stockholder pursuant to (c) above, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days prior to the meeting; provided, however, that in the event that the date of the meeting is not publicly announced by the Corporation by mail, press release or otherwise more than sixty (60) days prior to the meeting, notice by the stockholder to be timely must be delivered to the Secretary of the Corporation not later than the close of business on the fifteenth (15th) day following the day on which such announcement of the date of the meeting was mailed to stockholders. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 9, Article I of these By-laws. The chair of an annual meeting, shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 9 of these By-laws, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

ARTICLE II - STOCK

Section 1. Stock Certificates. Every stockholder shall be entitled to a certificate signed by or having engraved thereon a facsimile signature of the Chief Executive Officer and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the number and class of the Corporation's shares held by such stockholder.

Section 2. Transfer Agents and Registrars. The Board of Directors may, in its discretion, appoint responsible banks or trust companies to act as Transfer Agents and Registrars of the stock of the Corporation; and, upon such appointments being made, no stock certificate shall be valid until countersigned by one of such Transfer Agents and registered by one of such Registrars. Where any such certificate is registered with the manual

signature of a Registrar, the countersignature of a Transfer Agent may be a facsimile or engraved, stamped or printed.

Section 3. Transfer of Stock. Shares of stock may be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on the back of the certificates or by written power of attorney to sell, assign and transfer the same, signed by the record holder thereof; but no transfer shall affect the right of the Corporation to pay any dividend upon the stock to the holder of record thereof, or to treat the holder of record as the holder in fact thereof for all purposes, and no transfer shall be valid, except between the parties thereto, until such transfer shall have been made upon the books of the Corporation.

Section 4. Lost Certificates. In case any certificate of stock shall be lost, stolen or destroyed, the Board of Directors, in its discretion, may authorize the issue of, or provide for the manner of issuing, a substitute certificate in place of the certificate so lost, stolen or destroyed; provided, that, in each such case, the applicant for a substitute certificate shall furnish to the Corporation and to such of its Transfer Agents and Registrars as may require the same evidence to their satisfaction, in their discretion, of the loss, theft or destruction of such certificate and of the ownership thereof, and also such security or indemnity as may be required by them.

Section 5. Record Date. The Board of Directors may fix a record date for the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof; to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock; or for the purpose of any other lawful action. The record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and the record date shall not be more than sixty (60) days prior to the date of such meeting or such action, or, with respect to any such meeting, less than ten (10) days before the date of such meeting. Only stockholders of record on the record date shall be entitled to notice of and to vote at such meeting, or to receive such dividends or rights, or to exercise such rights, as the case may be. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. The Board of Directors may fix a record date for the purpose of determining the stockholders entitled to consent to corporate action in writing without a meeting, which record date shall not precede the date upon which the resolution fixing the record date

is adopted by the Board of Directors, and shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors.

Section 6. Dividends. The Board of Directors may declare and pay such dividends upon the shares of the Corporation's capital stock out of the surplus or the net profits of the Corporation as it may deem expedient and as the condition of the Corporation shall warrant.

ARTICLE III - BOARD OF DIRECTORS

Section 1. Number and Term of Office. Consistent with the provisions of the Restated Certificate of Incorporation, the Board of Directors shall have the power by resolution to fix the number of directors and from time to time increase or decrease the number thereof. The directors shall be elected annually, and each director shall continue in office until his successor shall have been elected and qualified, or until his death or until he shall resign or shall have been removed.

Section 2. Director Nominations. Nominations for the election of directors, whether by vote of the Common Stock and the Class B Common Stock voting together as a single class or the Common Stock voting as a separate class, may be made by (a) the Board of Directors, (b) a committee appointed by the Board of Directors, (c) a stockholder or stockholders holding at least twenty-five percent (25%) of the outstanding votes entitled to be cast by holders of the Common Stock and Class B Common Stock voting together without regard to class, or (d) any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting as provided for in (d) above only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, sixty (60) days prior to the anniversary date of the immediately preceding annual meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the fifteenth (15th) day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and

intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chair of the meeting may refuse to acknowledge the nomination of a person not made in compliance with the foregoing procedure.

Section 3. Organization Meeting. The Board of Directors shall meet as soon as practicable after the annual election of directors for the purpose of organization and the transaction of other business. No notice of such meeting shall be required. Such organization meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board or in a consent and waiver of notice thereof, signed by all the directors.

Section 4. Stated Meetings. The Board of Directors may by resolution appoint the time and place for holding stated meetings of the Board, if deemed advisable; and such stated meetings shall be held at the time and place so appointed, without the giving of any special notice. In case the day appointed for the stated meeting shall fall on a legal holiday, such meeting shall be held on the next following business day, not a legal holiday, at the same hour.

Section 5. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman or Vice Chairman of the Board of Directors or by the President or by one-sixth (calculated to the nearest whole number) of the total number of directors constituting the Board of Directors. Notice of any such meeting, setting forth the time and place of the meeting, shall be mailed to each director, addressed to him or her at his or her residence or usual place of business, not later than the second day before the day on which the meeting is to be held, or shall be sent to him or her at such place by telegraph, or be delivered personally, or by telephone or other oral means, not later than the day before the day on which the meeting is to be held. Except as otherwise provided in these By-laws or as may be indicated in the notice thereof, any and all business may be transacted at any special meeting.

Section 6. Notice of Meetings. Notice of any meeting of the Board of Directors or of any committee need not be given to any director if waived by him or her in writing, whether before or after such meeting, or if he or she shall be present at the meeting without objection; and any meeting of the Board of Directors, or of any committee, shall be a legal meeting without any notice thereof having been given, if all the members shall be present thereat.

Section 7. Participation by Conference Telephone. Members of the Board of Directors or of any committee may participate in a meeting of the Board or committee by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 8. Quorum and Manner of Acting. A majority of the total number of directors constituting the Board of Directors at the time of any meeting shall constitute a quorum for the transaction of business; and, except as otherwise required by these By-laws, the act of a majority of the directors present at any such meeting at which a quorum is present shall be the act of the Board of Directors.

Section 9. Directors' Fees. The Board of Directors shall have authority to determine the amount of compensation which shall be paid to its members.

Section 10. Signature of Negotiable Instruments. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned in such manner as may be prescribed by resolution (whether general or special) of the Board of Directors or the Executive Committee.

Section 11. Fiscal Year. The fiscal year of the Corporation shall be the calendar year or as the Board of Directors may prescribe by resolution.

ARTICLE IV - EXECUTIVE COMMITTEE AND OTHER COMMITTEES

Section 1. Executive Committee; Constitution. The Board of Directors may, by resolution passed by a majority of the whole Board, constitute or reconstitute an Executive Committee, which shall be composed of the Chairman of the Board, the President and such other members of the Board as the Board may determine. Any vacancy in the Executive Committee shall be filled by vote of a majority of the whole Board. The members of the Executive Committee shall act only as a committee, and the individual members shall have no power as such.

Section 2. Executive Committee; Powers. The Executive Committee, to the extent permitted by the Delaware General Corporation Law and to the extent provided by resolution passed by a majority of the whole Board of Directors, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation.

Section 3. Executive Committee; Meetings, Quorum and Manner of Acting. Stated and special meetings of the Executive Committee shall be held and notice thereof given in the same manner provided for meetings of the Board of Directors. The provisions of these By-laws relating to the determination of a quorum and the manner of acting at meetings of the Board shall also apply to the Executive Committee.

Section 4. Executive Committee; Records. The Executive Committee shall keep a record of its acts and proceedings and shall report the same from time to time to the Board of Directors. The Secretary of the Corporation or, in his absence, an Assistant Secretary, shall act as secretary to the Executive Committee; or the Committee may, in its discretion, appoint its own secretary.

Section 5. Other Committees. The Board of Directors may appoint other committees for any purposes and may delegate to any such committee, or to any officer or officers, such powers as the Board may deem expedient.

ARTICLE V - OFFICERS

Section 1. Officers; Generally. The elected officers of the Corporation shall be a Chairman of the Board of Directors and a President (each of whom shall be a director), one or more Senior Vice Presidents or Executive Vice Presidents or Vice Presidents, a Secretary, and a Treasurer. The Board of Directors or the Executive Committee may also appoint such other officers and agents as may appear to be necessary or advisable in the conduct of the affairs of the Corporation.

Section 2. Term of Office. So far as practicable, all elected officers shall be elected at the organization meeting of the Board of Directors, in each year, and shall hold office until the organization meeting of the Board in the next subsequent year and until their respective successors are elected and qualified. All other officers shall hold office during the pleasure of the Board, and in the case of officers appointed by the Executive Committee, such officers shall hold office during its pleasure as well as that of the Board.

Section 3. Removal of Elected Officers. Any elected officer may be removed at any time, either with or without cause, by vote of a majority of the whole Board of Directors, at any meeting, or by unanimous written consent of the Board as provided for in Section 11 of Article III of these By-laws.

Section 4. Vacancies. If any vacancy occurs in any office, the Board of Directors may elect or appoint, or, in the case of an appointive office, the Executive Committee may appoint, a successor to fill such vacancy for the remainder of the term of such office.

Section 5. Chairman of the Board of Directors. The Chairman of the Board of Directors shall also be the Chairman of the Executive Committee and shall preside, when present, at all meetings of the stockholders, of the Board of Directors, and of the Executive Committee. He shall have such other powers and perform such other duties as may from time to time be assigned or required by the Board of Directors or the Executive Committee.

Section 6. President. The President shall have such powers and perform such duties as may from time to time be assigned or required by the Board of Directors or the Executive Committee.

Section 7. Chief Executive Officer. The Chairman or the President shall be designated by the Board of Directors as Chief Executive Officer of the Corporation. The Chief Executive Officer shall have active and general supervision over the business and affairs of the Corporation, and in the case of his temporary absence, he shall have the authority to designate who shall act as Chief Executive Officer in his place. In the case of his inability to discharge his powers and duties, the President shall act as Chief Executive Officer.

Section 8. Chief Operating Officer. The Chief Operating Officer of the Corporation shall be the President or, as may be designated by the Board of Directors, the Executive Committee, or the Chief Executive Officer.

Section 9. Division Presidents, Senior Vice Presidents, Executive Vice Presidents and Vice Presidents. The several Division Presidents, Senior Vice Presidents, Executive Vice Presidents or Vice Presidents shall have such powers and perform such duties as may from time to time be assigned or required by the Board of Directors, the Executive Committee, the Chief Executive Officer, or their immediate superior.

Section 10. Secretary. The Secretary shall attend to the giving of notice of all meetings of stockholders and of the Board of Directors and shall keep and attest true records of all proceedings at such meetings. He shall have charge of the corporate seal and have authority to attest any and all instruments or writings to which the same may be affixed. He shall keep and account for all basic documents, papers and records of the Corporation. He shall have authority to sign stock certificates, and shall generally perform all the duties usually appertaining to the office of the secretary of a corporation. In the absence of the Secretary, an Assistant Secretary or Secretary pro tempore shall perform his duties.

Section 11. Treasurer. The Treasurer shall have the care and custody of all moneys, funds and instruments denominated with a monetary value, and shall deposit or cause to be deposited all funds of the Corporation in and with such depositories as the Board of Directors or the Executive Committee shall by resolution (whether general or special) direct. He shall have power to sign stock certificates; to endorse for deposit or collection, or otherwise, all checks, drafts, notes, stock certificates, bills of exchange or other commercial paper payable to or in the name of the Corporation, and to give proper receipts or discharges therefor; and shall generally perform all duties usually appertaining to the office of the treasurer of a corporation. In the absence of the Treasurer, the Board of Directors or the Executive Committee shall appoint an Assistant Treasurer to perform his duties.

Section 12. Compensation. The compensation of all elected officers of the Corporation shall be fixed by the Board of Directors; and the compensation of all appointed officers shall be fixed, or the method of so doing shall be provided for, by either the Board of Directors or the Executive Committee.

ARTICLE VI - INDEMNIFICATION

Section 1. General. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by the Delaware General Corporation Law as it presently exists or may be hereafter amended from time to time, any person who was or is

made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism or proceeding, whether civil, criminal, administrative or investigative ("Proceeding") by reason of the fact that such person, or a person for whom such person is the legal representative, is or was

- (a) a director or officer of the Corporation or its subsidiaries, or
- (b) a director, officer or employee of the Corporation and is or was serving at the request of the Corporation through designation by the Chief Executive Officer as a director, officer, employee, agent or fiduciary of another corporation or of a partnership, joint venture, trust, nonprofit entity or other enterprise, including service with respect to employee benefit plans,

against all liability and loss suffered and expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person or on such person's behalf in connection with any such Proceeding. However, the Corporation shall be required to indemnify a person in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was or is authorized by the Board of Directors of the Corporation.

Section 2. Advancement of Expenses. The Corporation shall pay the reasonable expenses (including attorneys' fees) as and when incurred by a director or officer of the Corporation in connection with any Proceeding described in Section 1 in advance of its final disposition, provided, however, that such payment shall be made only upon a receipt of an undertaking by the director or officer to repay all expenses (including attorneys' fees) advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified under this Article or otherwise. Payment of such expenses (including attorneys' fees) incurred by employees of the Corporation may be made by the Board of Directors in its discretion upon such terms and conditions, if any, as it deems appropriate.

Section 3. Rights Not Exclusive. The rights conferred on any person by this Article VI shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Corporation's Certificate of Incorporation, these By-laws, agreement, vote of stockholders or disinterested directors, or otherwise. The indemnification and advancement of expenses provided for by this Article VI shall continue as to a person who has ceased to be a director, officer

or employee described in Section 1 and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 4. Claims. Notwithstanding any other provision of this Article VI, if a claim by a director, officer or employee described in Section 1 for indemnification or advancement of expenses under this Article VI is not paid in full within thirty days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid in full all costs and expenses (including attorneys' fees) of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or advancement of expenses under applicable law and this Article VI.

Section 5. Other Indemnification. The Corporation's obligation to indemnify or advance expenses hereunder to a person who is or was serving at the request of the Corporation (as provided for in Section 1) as a director, officer, employee, agent or fiduciary of any other corporation, partnership, joint venture, trust, nonprofit entity, employee benefit plan or other enterprise shall be reduced by any amount such person is entitled to and actually receives as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, nonprofit entity, employee benefit plan or other enterprise.

Section 6. Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article VI shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to or at the time of such repeal or modification.

ARTICLE VII - EMERGENCY CONDITIONS

Section 1. Board of Directors. During any emergency resulting from an attack on the United States or on a locality in which the Corporation conducts its business or customarily holds meetings of its Board of Directors or its stockholders or during a nuclear or atomic disaster or during the existence of any catastrophe, or other similar emergency condition (any of the foregoing is hereinafter referred to as an "Emergency Condition"), as a result of which a quorum of the Board of Directors cannot readily be convened for action, then if at least three members of the Executive Committee of the Board of Directors are able and available, such members of the Executive

Committee shall be deemed for all purposes to constitute a quorum of the Board of Directors, notwithstanding any limitations or other provisions contained in the Restated Certificate of Incorporation, these By-laws or resolutions of the Board of Directors in effect at the time of the Emergency Condition. If at least three members of the Executive Committee are not able and available to act as the Board of Directors under the foregoing circumstances, then in addition to any director or directors who are able and available, the elected officers of the Corporation who are able and available shall be deemed, in order of rank and within the same rank in order of seniority, directors to the extent required to constitute a quorum of three for any meeting of the Board of Directors during such Emergency Conditions.

Section 2. Chief Executive Officer. If as a result of any Emergency Condition, the Chief Executive Officer is unable or unavailable to act, then until the Chief Executive Officer becomes able and available to act or a new Chief Executive Officer is elected, the senior officer of the Corporation, in order of rank and within the same rank in order of seniority, who is able and available to act shall act as Chief Executive Officer of the Corporation.

Section 3. Notice of Meetings. During an Emergency Condition, a meeting of the Board of Directors may be called by any director, and if none are able and available to do so, by any elected officer of the Corporation, by notice of the time and place given to such of the directors, or officers serving as directors in accordance with this Article, as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio.

Section 4. Powers During an Emergency Condition. During an Emergency Condition, the Board of Directors may take any acts in good faith deemed necessary and in the best interests of the Corporation, including, but not limited to, changing the head office or designating several alternative head offices or regional offices of the Corporation, or providing for and from time to time modifying lines of succession in the event that during any such Emergency Condition any or all officers or agents of the Corporation shall for any reason be rendered incapable of discharging their duties.

Section 5. Liability. No officer or director shall be liable for any act taken in accordance with this Article during an Emergency Condition, except for willful misconduct.

Section 6. Effectiveness of Other By-laws. To the extent not inconsistent with the provisions of this Article, the other By-laws of the Corporation shall remain in effect during any Emergency Condition and upon its termination, the provisions of this Article shall cease to be operative.

ARTICLE VIII - AMENDMENTS

These By-laws may be amended or repealed, in whole or in part, and new By-laws may be adopted, either by the affirmative vote of a majority of the votes entitled to be cast by the holders of the Common Stock and the Class B Common Stock voting together without regard to class, given at any meeting of stockholders or by a consent, or by the affirmative vote of two-thirds (calculated to the nearest whole number) of the total number of directors constituting the Board of Directors, given at any meeting of directors or by a consent.

HERSHEY FOODS CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (in thousands of dollars except for ratios)
 (Unaudited)

	For the Six Months Ended	
	July 2, 1995	July 3, 1994
Earnings:		
Income before income taxes	\$156,333	\$130,134
Add (deduct):		
Interest on indebtedness	18,565	16,880
Portion of rents representative of the interest factor(a)	4,100	3,802
Amortization of debt expense	27	32
Amortization of capitalized interest	1,578	1,447
 Earnings as adjusted	 \$180,603	 \$152,295
Fixed Charges:		
Interest on indebtedness	\$ 18,565	\$ 16,880
Portion of rents representative of the interest factor(a)	4,100	3,802
Amortization of debt expense	27	32
Capitalized interest	753	1,968
 Total fixed charges	 \$ 23,445	 \$ 22,682
 Ratio of earnings to fixed charges	 7.70	 6.71

NOTE:

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

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HERSHEY FOODS CORPORATION'S CONSOLIDATED CONDENSED BALANCE SHEET AS OF JULY 2, 1995 AND CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JULY 2, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

	6-MOS	
	DEC-31-1995	
	JUL-02-1995	
		31,914
		0
		159,315
		0
		577,929
	918,081	
		2,152,547
		707,508
	2,845,234	
	728,281	
		154,089
		89,922
	0	
		0
		1,374,025
2,845,234		
		1,589,715
	1,589,715	
		927,124
		1,416,389
		0
		0
	16,993	
		156,333
		62,377
	93,956	
		0
		0
		0
		93,956
		1.08
		0

BALANCE IS NET OF RESERVES FOR RETURNS, DISCOUNTS AND ALLOWANCES.