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 5, 2009**

OR

o 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

THE HERSHEY COMPANY

100 Crystal A Drive
Hershey, PA 17033

Registrant's telephone number: **717-534-4200**

State of Incorporation	IRS Employer Identification No.
Delaware	**23-0691590**

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

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 – 166,457,522 shares, as of July 24, 2009.
Class B Common Stock, $1 par value – 60,709,308 shares, as of July 24, 2009.

THE HERSHEY COMPANY
INDEX

Part I. Financial Information	**Page Number**
Item 1. Consolidated Financial Statements (Unaudited)	
Consolidated Statements of Income Three months ended July 5, 2009 and June 29, 2008	3
Consolidated Statements of Income Six months ended July 5, 2009 and June 29, 2008	4
Consolidated Balance Sheets July 5, 2009 and December 31, 2008	5
Consolidated Statements of Cash Flows Six months ended July 5, 2009 and June 29, 2008	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	29
Item 4. Controls and Procedures	29
Part II. Other Information	
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 4. Submission of Matters to a Vote of Security Holders	31
Item 6. Exhibits	32

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share amounts)

	For the Three Months Ended	
	July 5, 2009	June 29, 2008
Net Sales	$ 1,171,183	$ 1,105,437
Costs and Expenses:		
Cost of sales	717,893	722,926
Selling, marketing and administrative	298,710	266,612
Business realignment and impairment charges, net	37,904	21,786
Total costs and expenses	1,054,507	1,011,324
Income before Interest and Income Taxes	116,676	94,113
Interest expense, net	22,734	23,610
Income before Income Taxes	93,942	70,503
Provision for income taxes	22,644	29,036
Net Income	$ 71,298	$ 41,467
Earnings Per Share - Basic - Class B Common Stock	$ .29	$ .17
Earnings Per Share - Diluted - Class B Common Stock	$ .29	$ .17
Earnings Per Share - Basic - Common Stock	$ .32	$ .19
Earnings Per Share - Diluted - Common Stock	$ .31	$ .18
Average Shares Outstanding - Basic - Common Stock	166,846	166,624
Average Shares Outstanding - Basic - Class B Common Stock	60,710	60,806
Average Shares Outstanding - Diluted	228,489	228,664
Cash Dividends Paid Per Share:		
Common Stock	$ .2975	$ .2975
Class B Common Stock	$ .2678	$ .2678

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

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share amounts)

	For the Six Months Ended	
	July 5, 2009	**June 29, 2008**
Net Sales	$ 2,407,214	$ 2,265,779
Costs and Expenses:		
Cost of sales	1,513,696	1,506,816
Selling, marketing and administrative	573,166	516,561
Business realignment and impairment charges, net	50,742	25,871
Total costs and expenses	2,137,604	2,049,248
Income before Interest and Income Taxes	269,610	216,531
Interest expense, net	46,630	47,996
Income before Income Taxes	222,980	168,535
Provision for income taxes	75,788	63,823
Net Income	$ 147,192	$ 104,712
Earnings Per Share - Basic - Class B Common Stock	$ .60	$ .43
Earnings Per Share - Diluted - Class B Common Stock	$ .60	$ .43
Earnings Per Share - Basic - Common Stock	$ .66	$ .47
Earnings Per Share - Diluted - Common Stock	$ .64	$ .46
Average Shares Outstanding - Basic - Common Stock	166,817	166,701
Average Shares Outstanding - Basic - Class B Common Stock	60,710	60,806
Average Shares Outstanding - Diluted	228,396	228,798
Cash Dividends Paid Per Share:		
Common Stock	$ .5950	$ .5950
Class B Common Stock	$ .5356	$ .5356

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

THE HERSHEY COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

ASSETS	July 5, 2009	December 31, 2008
Current Assets:		
Cash and cash equivalents	$ 28,768	$ 37,103
Accounts receivable - trade	272,542	455,153
Inventories	642,505	592,530
Deferred income taxes	65,854	70,903
Prepaid expenses and other	169,255	189,256
Total current assets	1,178,924	1,344,945
Property, Plant and Equipment, at cost	3,400,412	3,437,420
Less-accumulated depreciation and amortization	(1,959,882)	(1,978,471)
Net property, plant and equipment	1,440,530	1,458,949
Goodwill	563,622	554,677
Other Intangibles	125,315	110,772
Deferred Income Taxes	21,182	13,815
Other Assets	163,849	151,561
Total assets	$ 3,493,422	$ 3,634,719
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 279,706	$ 249,454
Accrued liabilities	460,304	504,065
Accrued income taxes	—	15,189
Short-term debt	245,434	483,120
Current portion of long-term debt	16,495	18,384
Total current liabilities	1,001,939	1,270,212
Long-term Debt	1,504,475	1,505,954
Other Long-term Liabilities	503,638	504,963
Deferred Income Taxes	26,190	3,646
Total liabilities	3,036,242	3,284,775
Stockholders' Equity:		
The Hershey Company Stockholders' Equity		
Preferred Stock, shares issued:none in 2009 and 2008	—	—
Common Stock, shares issued: 299,192,436 in 2009 and 299,190,836 in 2008	299,192	299,190
Class B Common Stock, shares issued: 60,709,308 in 2009 and 60,710,908 in 2008	60,709	60,711
Additional paid-in capital	375,559	352,375
Retained earnings	3,991,467	3,975,762
Treasury-Common Stock shares at cost: 132,777,431 in 2009 and 132,866,673 in 2008	(4,008,120)	(4,009,931)
Accumulated other comprehensive loss	(301,051)	(359,908)
The Hershey Company stockholders' equity	417,756	318,199
Noncontrolling interests in subsidiaries	39,424	31,745
Total stockholders' equity	457,180	349,944
Total liabilities and stockholders' equity	$ 3,493,422	$ 3,634,719

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

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	For the Six Months Ended July 5, 2009	For the Six Months Ended June 29, 2008
Cash Flows Provided from (Used by) Operating Activities		
Net Income	$ 147,192	$ 104,712
Adjustments to Reconcile Net Income to Net Cash		
Provided from Operations:		
Depreciation and amortization	94,058	125,088
Stock-based compensation expense, net of tax of $11,270 and $6,546, respectively	20,567	11,537
Excess tax benefits from exercise of stock options	(1,069)	(559)
Deferred income taxes	38,495	39,795
Business realignment initiatives, net of tax of $24,898 and $23,774, respectively	36,765	46,155
Contributions to pension plans	(2,026)	(3,813)
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable - trade	184,336	183,876
Inventories	(66,893)	(95,618)
Accounts payable	29,031	58,133
Other assets and liabilities	(34,275)	(149,234)
Net Cash Flows Provided from Operating Activities	446,181	320,072
Cash Flows Provided from (Used by) Investing Activities		
Capital additions	(66,273)	(138,374)
Capitalized software additions	(7,543)	(8,157)
Proceeds from sales of property, plant and equipment	3,061	76,860
Business acquisition	(15,220)	—
Proceeds from divestiture	—	1,960
Net Cash Flows (Used by) Investing Activities	(85,975)	(67,711)
Cash Flows Provided from (Used by) Financing Activities		
Net decrease in short-term debt	(237,409)	(430,916)
Long-term borrowings	—	247,845
Repayment of long-term debt	(4,763)	(2,167)
Cash dividends paid	(131,487)	(131,481)
Exercise of stock options	6,041	21,114
Excess tax benefits from exercise of stock options	1,069	559
Contributions from noncontrolling interests in subsidiaries	7,322	—
Repurchase of Common Stock	(9,314)	(41,086)
Net Cash Flows (Used by) Financing Activities	(368,541)	(336,132)
Decrease in Cash and Cash Equivalents	(8,335)	(83,771)
Cash and Cash Equivalents, beginning of period	37,103	129,198
Cash and Cash Equivalents, end of period	$ 28,768	$ 45,427
Interest Paid	$ 46,665	$ 47,259
Income Taxes Paid	$ 109,182	$ 94,988

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

1. BASIS OF PRESENTATION

Our unaudited consolidated financial statements provided in this report 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 the noncontrolling stockholders 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. We prepared these statements in accordance with the instructions to Form 10-Q. These statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements.

We included all adjustments (consisting only of normal recurring accruals) which we believe were considered necessary for a fair presentation. We reclassified certain prior year amounts to conform to the 2009 presentation. Operating results for the six months ended July 5, 2009 may not be indicative of the results that may be expected for the year ending December 31, 2009, because of the seasonal effects of our business. For more information, refer to the consolidated financial statements and notes included in our 2008 Annual Report on Form 10-K.

In May 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* ("SFAS No. 165"). This new standard is effective for both interim and annual financial statements ending after June 15, 2009. SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued.

We adopted SFAS No. 165 as of July 5, 2009 and have evaluated all subsequent events through the date and time our financial statements were issued on August 13, 2009. The adoption of this standard did not have a material impact on our financial accounting or reporting. See Note 19 for related subsequent event disclosures.

2. BUSINESS ACQUISITIONS AND DIVESTITURES

In January 2008 our Brazilian subsidiary, 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 leverages Bauducco's strong sales and distribution capabilities for our products throughout Brazil. Under this agreement we manufacture and market, and they sell and distribute our products. In the first quarter of 2008, we received approximately $2.0 million in cash and recorded an other intangible asset of $13.7 million associated with the cooperative agreement with Bauducco in exchange for our conveying to Bauducco a 49% interest in Hershey do Brasil. We maintain a 51% controlling interest in Hershey do Brasil.

In March 2009, the Company completed the acquisition of the Van Houten Singapore consumer business. The acquisition from Barry Callebaut, AG provides the Company with an exclusive license of the Van Houten brand name and related trademarks in Asia and the Middle East for the retail and duty free distribution channels. The purchase price for the acquisition of Van Houten Singapore and the licensing agreement was approximately $15.2 million.

Results subsequent to the acquisition dates 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.

3. NONCONTROLLING INTERESTS IN SUBSIDIARIES

As of January 1, 2009, the Company adopted FASB Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS No. 160"). SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary (formerly known as minority interest) and for the deconsolidation of a subsidiary and requires the noncontrolling interest to be reported as a component of equity. In addition, changes in a parent's ownership interest while the parent retains its controlling interest will be accounted for as equity transactions, and any retained noncontrolling equity investment upon the deconsolidation of a subsidiary will be measured initially at fair value.

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 own a 51% controlling interest in Godrej Hershey Ltd. In January 2009, the Company contributed cash of approximately $8.7 million to Godrej Hershey Ltd. and owners of the noncontrolling interests in Godrej Hershey Ltd. contributed approximately $7.3 million. The ownership interest percentages in Godrej Hershey Ltd. did not change significantly as a result of these contributions. The noncontrolling interests in Godrej Hershey Ltd. are included in the equity section of the Consolidated Balance Sheets.

We also own a 51% controlling interest in Hershey do Brasil under the cooperative agreement with Bauducco. The noncontrolling interest in Hershey do Brasil is included in the equity section of the Consolidated Balance Sheets.

The increase in noncontrolling interests in subsidiaries from $31.7 million as of December 31, 2008 to $39.4 million as of July 5, 2009 reflected the $7.3 million contribution from the noncontrolling interests in Godrej Hershey Ltd. and the impact of currency translation adjustments, partially offset by a reduction resulting from the recording of the share of losses pertaining to the noncontrolling interests. The recording of the share of losses pertaining to the noncontrolling interests in subsidiaries increased income by $2.4 million for the six months ended July 5, 2009 and by $3.2 million for the six months ended June 29, 2008 and was included in selling, marketing and administrative expenses.

4. STOCK COMPENSATION PLANS

The Hershey Company Equity and Incentive Compensation Plan ("EICP") is the plan under which grants using shares for compensation and incentive purposes are made. The following table summarizes our stock compensation costs:

	For the Three Months Ended		For the Six Months Ended	
	July 5, 2009	June 29, 2008	July 5, 2009	June 29, 2008
	(in millions of dollars)			
Total compensation amount charged against income for stock options, performance stock units ("PSUs") and restricted stock units	$ 20.3	$ 9.0	$ 31.5	$ 17.8
Total income tax benefit recognized in the Consolidated Statements of Income for share-based compensation	$ 6.4	$ 3.4	$ 11.1	$ 6.4

The increase in share-based compensation expense for the second quarter and first six months of 2009 resulted from higher performance expectations for our PSU awards.

We estimated the fair value of each stock option grant on the date of the grant using a Black-Scholes option-pricing model and the weighted-average assumptions set forth in the following table:

	For the Six Months Ended	
	July 5, 2009	June 29, 2008
Dividend yields	3.3%	2.4%
Expected volatility	21.6%	18.1%
Risk-free interest rates	2.1%	3.1%
Expected lives in years	6.6	6.6

Stock Options

A summary of the status of our stock options as of July 5, 2009, and the change during 2009 is presented below:

Stock Options	For the Six Months Ended July 5, 2009 Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of the period	16,671,643	$42.08	6.6 years
Granted	3,145,970	$34.90	
Exercised	(227,972)	$26.50	
Forfeited	(353,653)	$44.58	
Outstanding as of July 5, 2009	19,235,988	$41.04	6.5 years
Options exercisable as of July 5, 2009	10,599,968	$42.27	5.0 years

	For the Six Months Ended July 5, 2009	June 29, 2008
Weighted-average fair value of options granted (per share)	$ 5.31	$ 6.21
Intrinsic value of options exercised (in millions of dollars)	$ 2.1	$ 4.9

— As of July 5, 2009, the aggregate intrinsic value of options outstanding was $25.7 million and the aggregate intrinsic value of options exercisable was $18.9 million.

— As of July 5, 2009, there was $37.0 million of total unrecognized compensation cost related to non-vested stock option compensation arrangements granted under our stock option plans. That cost is expected to be recognized over a weighted-average period of 2.6 years.

Performance Stock Units and Restricted Stock Units

A summary of the status of our performance stock units and restricted stock units as of July 5, 2009, and the change during 2009 is presented below:

Performance Stock Units and Restricted Stock Units	For the Six Months Ended July 5, 2009	Weighted-average grant date fair value for equity awards or market value for liability awards
Outstanding at beginning of year	766,209	$36.13
Granted	559,939	$35.00
Performance assumption change	561,420	$37.76
Vested	(243,027)	$34.55
Forfeited	(10,140)	$36.21
Outstanding as of July 5, 2009	1,634,401	$37.21

As of July 5, 2009, there was $38.7 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 2.4 years.

	For the Six Months Ended July 5, 2009	June 29, 2008
Intrinsic value of share-based liabilities paid, combined with the fair value of shares vested (in millions of dollars)	$ 8.1	$ 8.9

Deferred performance stock units, deferred restricted stock units, and directors' fees and accumulated dividend amounts representing deferred stock units totaled 509,615 units as of July 5, 2009. Each unit is equivalent to one share of the Company's Common Stock.

No stock appreciation rights were outstanding as of July 5, 2009.

For more information on our stock compensation plans, refer to the consolidated financial statements and notes included in our 2008 Annual Report on Form 10-K and our proxy statement for the 2009 annual meeting of stockholders.

5. INTEREST EXPENSE

Net interest expense consisted of the following:

	For the Six Months Ended	
	July 5, 2009	June 29, 2008
	(in thousands of dollars)	
Interest expense	$ 48,466	$ 51,943
Interest income	(545)	(1,047)
Capitalized interest	(1,291)	(2,900)
Interest expense, net	$ 46,630	$ 47,996

6. BUSINESS REALIGNMENT INITIATIVES

In February 2007, we announced a comprehensive, three-year supply chain transformation program (the "global supply chain transformation program or GSCT") and, in December 2007, we initiated a business realignment program associated with our business in Brazil (together, "the 2007 business realignment initiatives"). In December 2008, we approved a modest expansion in the scope of the global supply chain transformation program to include the closure of two subscale manufacturing facilities of Artisan Confections Company, a wholly-owned subsidiary, and consolidation of the associated production into existing U.S. facilities, along with rationalization of other select portfolio items. The affected facilities are located in Berkeley and San Francisco, California. The additional business realignment charges related to the expansion in scope will be recorded in 2009 and include severance for approximately 150 impacted employees.

The original estimated pre-tax cost of the program announced in February 2007 was from $525 million to $575 million over three years. The total included from $475 million to $525 million in business realignment costs and approximately $50 million in project implementation costs. The increase in scope approved in December 2008 increased the total expected cost by about $25 million. In addition, the current trends of employee lump sum withdrawals from the defined benefit pension plans are expected to result in non-cash pension settlement charges of up to $65 million in 2009 and 2010. Therefore, we now expect total pre-tax charges and non-recurring project implementation costs of $640 million to $665 million for the GSCT. Total costs of $61.7 million were recorded during the first six months of 2009, costs of $130.0 million were recorded in 2008 and costs of $400.0 million were recorded in 2007 for this program.

In an effort to improve the performance of our business in Brazil, in January 2008 Hershey do Brasil entered into a cooperative agreement with Bauducco. Business realignment and impairment charges of $4.9 million were recorded in 2008 and charges of $12.6 million were recorded in 2007.

Charges (credits) associated with business realignment initiatives recorded during the three-month and six-month periods ended July 5, 2009 and June 29, 2008 were as follows:

	For the Three Months Ended		For the Six Months Ended	
	July 5, 2009	June 29, 2008	July 5, 2009	June 29, 2008
	(in thousands of dollars)			
Cost of sales – 2007 business realignment initiatives	$ 3,116	$ 15,027	$ 7,167	$ 40,181
Selling, marketing and administrative – 2007 business realignment initiatives	1,671	2,443	3,754	3,877
Business realignment and impairment charges, net:				
Global supply chain transformation program				
Losses (gains) on sale of fixed assets	—	7,110	—	(6,790)
Fixed asset impairments and plant closure expenses	6,546	5,488	16,889	15,265
Employee separation costs	383	3,242	2,878	7,131
Pension settlement loss	30,555	4,743	30,555	4,743
Contract termination costs	420	1,591	420	1,591
Brazilian business realignment				
Employee separation (credits) costs	—	(334)	—	1,526
Fixed asset impairment (credits) charges	—	(5)	—	717
Contract termination costs and other exit (credits) costs	—	(49)	—	1,688
Total business realignment and impairment charges, net	37,904	21,786	50,742	25,871
Total net charges associated with 2007 business realignment initiatives	$ 42,691	$ 39,256	$ 61,663	$ 69,929

The charge of $3.1 million recorded in cost of sales during the second quarter of 2009 related primarily to the accelerated depreciation of fixed assets over a reduced estimated remaining useful life and start-up costs associated with the global supply chain transformation program. The $1.7 million recorded in selling, marketing and administrative expenses related primarily to project administration for the global supply chain transformation program. The $6.5 million of fixed asset impairments and plant closure expenses for 2009 related primarily to the preparation of plants for sale and line removal costs. 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 of $20.5 million was being held for sale as of July 5, 2009. The global supply chain transformation program employee separation costs were related to involuntary terminations at the manufacturing facilities of Artisan Confections Company which are being closed. As of July 5, 2009, manufacturing facilities located in Dartmouth, Nova Scotia; Oakdale, California; and Montreal, Quebec have been closed and sold. The facilities located in Naugatuck, Connecticut; Reading, Pennsylvania; and Smiths Falls, Ontario have been closed and are being held for sale. The higher pension settlement loss in the second quarter of 2009 compared to the second quarter of 2008 resulted from an increase in actuarial losses associated with the significant decline in the fair value of pension assets in 2008, along with the increased level of lump sum withdrawals from a defined benefit pension plan related to employee departures associated with the global supply chain transformation program.

The charge of $7.2 million recorded in cost of sales during the first six months of 2009 for the global supply chain transformation program related to the accelerated depreciation of fixed assets over a reduced estimated remaining useful life and start-up costs associated with the global supply chain transformation program. The $3.8 million recorded in selling, marketing and administrative expenses related primarily to project administration for the global supply chain transformation program. The $16.9 million of fixed asset impairments and plant closure expenses related primarily to the preparation of plants for sale and line removal costs. In determining the costs related to fixed asset impairments, fair value was estimated based on the expected sales proceeds. The global supply chain transformation program employee separation costs were related to involuntary terminations at the manufacturing facilities of Artisan Confections Company which are being closed.

The charge of $15.0 million recorded in cost of sales during the second quarter of 2008 related primarily to the accelerated depreciation of fixed assets over a reduced estimated remaining useful life and start-up costs associated with the global supply chain transformation program. The $2.4 million recorded in selling, marketing and administrative expenses related primarily to project administration for the global supply chain transformation program. In determining the costs related to fixed asset impairments, fair value was estimated based on the expected sales proceeds. The $7.1 million of losses on sale of fixed assets resulted from the write-off of machinery and equipment at a plant which was sold during the quarter. The $5.5 million of fixed asset impairments and plant closure expenses for 2008 related primarily to the preparation of plants for sale and line removal costs. The global supply chain transformation program employee separation costs related to involuntary terminations at the North American manufacturing facilities which were being closed.

The charge of $40.2 million recorded in cost of sales during the first six months of 2008 related primarily to the accelerated depreciation of fixed assets over a reduced estimated remaining useful life and start-up costs associated with the global supply chain transformation program. The $3.9 million recorded in selling, marketing and administrative expenses related primarily to project administration for the global supply chain transformation program. In determining the costs related to fixed asset impairments, fair value was estimated based on the expected sales proceeds. The $6.8 million of gains on sale of fixed assets resulted from the receipt of proceeds in excess of the carrying value primarily from the sale of a warehousing and distribution facility. The $15.3 million of fixed asset impairments and plant closure expenses for 2008 related primarily to the preparation of plants for sale and line removal costs. The global supply chain transformation program employee separation costs related to involuntary terminations at the North American manufacturing facilities which were being closed.

The 2008 (credits) charges for the Brazilian business realignment were related to costs for involuntary terminations and costs associated with office consolidation related to the cooperative agreement with Bauducco.

The July 5, 2009 liability balance relating to the 2007 business realignment initiatives was $14.3 million for employee separation costs to be paid primarily in 2009. Charges for employee separation costs of $3.1 million were recorded during the first six months of 2009. During the first six months of 2009, we made payments against the liabilities recorded for the 2007 business realignment initiatives of $19.8 million principally related to employee separation costs.

7. EARNINGS PER SHARE

In accordance with Statement of Financial Accounting Standards No. 128, *Earnings Per Share*, we compute Basic and Diluted Earnings Per Share based on the weighted-average number of shares of the Common Stock and the Class B Common Stock outstanding as follows:

	For the Three Months Ended		For the Six Months Ended	
	July 5, 2009	June 29, 2008	July 5, 2009	June 29, 2008
	(in thousands except per share amounts)			
Net income	$ 71,298	$ 41,467	$ 147,192	$ 104,712
Weighted-average shares - Basic				
Common Stock	166,846	166,624	166,817	166,701
Class B Common Stock	60,710	60,806	60,710	60,806
Total weighted-average shares - Basic	227,556	227,430	227,527	227,507
Effect of dilutive securities:				
Employee stock options	648	937	620	956
Performance and restricted stock units	285	297	249	335
Weighted-average shares - Diluted	228,489	228,664	228,396	228,798
Earnings Per Share - Basic				
Class B Common Stock	$ .29	$ .17	$ .60	$ .43
Common Stock	$ .32	$ .19	$ .66	$ .47
Earnings Per Share - Diluted				
Class B Common Stock	$ .29	$ .17	$ .60	$ .43
Common Stock	$ .31	$ .18	$ .64	$ .46

The Class B Common Stock is convertible into Common Stock on a share for share basis at any time. In accordance with proposed FASB Staff Position No. FAS 128-a, *Computational Guidance for Computing Diluted EPS under the Two-Class Method*, the calculation of earnings per share-diluted for the Class B Common Stock was performed using the two-class method and the calculation of earnings per share-diluted for the Common Stock was performed using the if-converted method.

	For the Three Months Ended		For the Six Months Ended	
	July 5, 2009	June 29, 2008	July 5, 2009	June 29, 2008
	(in millions)			
Stock options excluded from diluted earnings per share calculation because the effect would have been antidilutive	15.6	12.8	17.1	12.8

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We account for derivative instruments in accordance with FASB Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended ("SFAS No. 133"). SFAS No. 133 requires us to recognize all derivative instruments at fair value. We classify 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.

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 July 5, 2009 and December 31, 2008, we classified all of our derivative instruments as cash flow hedges.

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 $9.6 million after tax as of July 5, 2009. This amount was primarily associated with commodities futures contracts.

For more information, refer to the consolidated financial statements and notes included in our 2008 Annual Report on Form 10-K.

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 swap agreements and foreign currency forward contracts and options for periods consistent with their related underlying exposures. We enter into commodities futures and options contracts for varying periods. Our commodities futures and options 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 mitigate this risk by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. 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. We include gains and losses on interest rate swap agreements in other comprehensive income. We recognize gains and losses on interest rate swap agreements as an adjustment to interest expense in the same period as the hedged interest payments affect earnings. 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 interest rate 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 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. For 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.

As of July 5, 2009, the fair value of foreign exchange forward contracts with gains totaled $7.2 million and the fair value of foreign exchange forward contracts with losses totaled $2.3 million. Over the last three years the volume of activity for foreign exchange forward contracts to purchase foreign currencies ranged from a contract amount of $.8 million to $35.6 million. Over the same period, the volume of activity for foreign exchange forward contracts to sell foreign currencies ranged from a contract amount of $13.6 million to $165.1 million.

Commodities Futures and Options Contracts

We enter into commodities futures and options 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 and options contracts are highly effective in hedging price risks for our raw material requirements and transportation costs. Because our commodities futures and options 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 unpriced 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.

Over the last three years our total annual volume of futures and options traded in conjunction with commodities hedging strategies ranged from 55,000 to 70,000 contracts. We use futures and options contracts in combination with forward purchasing of 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. 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.

Hedge Effectiveness—Commodities

We perform an assessment of hedge effectiveness for commodities futures and options contracts 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 and options contracts 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.

Financial Statement Location and Amounts Pertaining to Derivative Instruments

The fair value of derivative instruments in the Consolidated Balance Sheet as of July 5, 2009 was as follows:

Balance Sheet Caption	Interest Rate Swap Agreements	Foreign Exchange Forward Contracts and Options	Commodities Futures and Options Contracts
		(in thousands of dollars)	
Prepaid expense and other current assets	$ —	$ 7,161	$ 4,621
Other assets	$ 8,623	$ —	$ —
Accrued liabilities	$ —	$ 2,275	$ 8,851

The fair value of the interest rate swap agreements represents the difference in the present values of cash flows calculated at the contracted interest rates and at current market interest rates at the end of the period. We calculate the fair value of interest rate swap agreements quarterly based on the quoted market price for the same or similar financial instruments.

We define the fair value of foreign exchange forward contracts and options 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 and options on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences.

As of July 5, 2009, prepaid expense and other current assets were associated with the fair value of commodity options contracts. Accrued liabilities were related to cash transfers payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. 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 IntercontinentalExchange or various other exchanges. These changes in value represent unrealized gains and losses.

The effect of derivative instruments on the Consolidated Statements of Income for the six months ended July 5, 2009 was as follows:

Cash Flow Hedging Derivatives	Interest Rate Swap Agreements	Foreign Exchange Forward Contracts and Options	Commodities Futures and Options Contracts
		(in thousands of dollars)	
Gains (losses) recognized in other comprehensive income (“OCI”) (effective portion)	$ 8,623	$ 1,634	$ 2,615
Gains (losses) reclassified from accumulated OCI into income (effective portion) (a)	$ —	$ 5,419	$ (11,400)
Gains (losses) recognized in income (ineffective portion) (b)	$ —	$ —	$ (431)

(a) Gains (losses) reclassified from accumulated OCI into earnings were included in cost of sales for commodities futures and options contracts and in selling, marketing and administrative expenses for foreign exchange forward contracts and options.

(b) Gains (losses) recognized in earnings were included in cost of sales.

All gains (losses) recognized in earnings were related to the ineffective portion of the hedging relationship. We recognized no components of gains and losses on cash flow hedging derivatives in income due to excluding such components from the hedge effectiveness assessment.

9. COMPREHENSIVE INCOME

A summary of the components of comprehensive income (loss) is as follows:

	For the Three Months Ended July 5, 2009		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
	(in thousands of dollars)		
Net income			$ 71,298
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 18,371	$ —	18,371
Pension and post-retirement benefit plans	39,953	(15,571)	24,382
Cash flow hedges:			
Losses on cash flow hedging derivatives	(8,172)	3,320	(4,852)
Reclassification adjustments	5,755	(2,253)	3,502
Total other comprehensive income	$ 55,907	$ (14,504)	41,403
Comprehensive income			$ 112,701

	For the Three Months Ended June 29, 2008		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
	(in thousands of dollars)		
Net income			$ 41,467
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 3,787	$ —	3,787
Pension and post-retirement benefit plans	4,830	(1,918)	2,912
Cash flow hedges:			
Gains on cash flow hedging derivatives	63,561	(22,877)	40,684
Reclassification adjustments	(18,767)	6,761	(12,006)
Total other comprehensive income	$ 53,411	$ (18,034)	35,377
Comprehensive income			$ 76,844

	For the Six Months Ended July 5, 2009		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
	(in thousands of dollars)		
Net income			$ 147,192
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 16,604	$ —	16,604
Pension and post-retirement benefit plans	48,098	(18,706)	29,392
Cash flow hedges:			
Gains on cash flow hedging derivatives	12,872	(3,651)	9,221
Reclassification adjustments	5,981	(2,341)	3,640
Total other comprehensive income	$ 83,555	$ (24,698)	58,857
Comprehensive income			$ 206,049

	For the Six Months Ended June 29, 2008		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
	(in thousands of dollars)		
Net income			$ 104,712
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ (95)	$ —	(95)
Pension and post-retirement benefit plans	4,924	(1,961)	2,963
Cash flow hedges:			
Gains on cash flow hedging derivatives	97,300	(35,020)	62,280
Reclassification adjustments	(28,964)	10,452	(18,512)
Total other comprehensive income	$ 73,165	$ (26,529)	46,636
Comprehensive income			$ 151,348

The components of accumulated other comprehensive income (loss) as shown on the Consolidated Balance Sheets are as follows:

	July 5, 2009	December 31, 2008
	(in thousands of dollars)	
Foreign currency translation adjustments	$ (13,149)	$ (29,753)
Pension and post-retirement benefit plans, net of tax	(284,961)	(314,353)
Cash flow hedges, net of tax	(2,941)	(15,802)
Total accumulated other comprehensive loss	$ (301,051)	$ (359,908)

10. 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 were as follows:

	July 5, 2009	December 31, 2008
	(in thousands of dollars)	
Raw materials	$ 281,960	$ 215,309
Goods in process	102,025	95,986
Finished goods	454,431	419,016
Inventories at FIFO	838,416	730,311
Adjustment to LIFO	(195,911)	(137,781)
Total inventories	$ 642,505	$ 592,530

The increase in raw material inventories as of July 5, 2009 resulted from the timing of deliveries to support manufacturing requirements and higher prices in 2009. The increase in finished goods inventories was primarily associated with seasonal sales patterns.

11. 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. Our five-year unsecured revolving credit agreement expires in December 2012. The credit limit is $1.1 billion with an option to borrow an additional $400 million with the concurrence of the lenders. The unsecured revolving credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. As of July 5, 2009, we complied with all covenants pertaining to the credit agreement. There were no significant compensating balance agreements that legally restricted these funds. For more information, refer to the consolidated financial statements and notes included in our 2008 Annual Report on Form 10-K.

12. LONG-TERM DEBT

In May 2006, we filed a 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"). In March 2008, the Company issued $250 million of 5.0% Notes due April 1, 2013 under the WKSI Registration Statement. The net proceeds of this debt issuance were used to repay a portion of the Company's outstanding indebtedness under its short-term commercial paper program. The May 2006 WKSI Registration Statement expired in May 2009. Accordingly, in May 2009, we filed a new registration statement on Form S-3 to replace the May 2006 WKSI Registration Statement. The May 2009 WKSI Registration Statement registered an indeterminate amount of debt securities and was effective immediately.

13. 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 5, 2009 and December 31, 2008, because of the relatively short maturity of these instruments.

The carrying value of long-term debt, including the current portion, was $1,521.0 million as of July 5, 2009, compared with a fair value of $1,634.8 million, an increase of $113.8 million over the carrying value, based on quoted market prices for the same or similar debt issues.

Interest Rate Swaps

In order to minimize financing costs and to manage interest rate exposure, the Company, from time to time, enters into interest rate swap agreements. In March 2009, the Company entered into forward starting interest rate swap agreements to hedge interest rate exposure related to the anticipated $250 million of term financing expected to be executed during 2011 to repay $250 million of 5.3% Notes maturing in September 2011. The weighted-average fixed rate on the forward starting swap agreements was 3.5%. The fair value of interest rate swap agreements was a net asset of $8.6 million as of July 5, 2009. The Company's risk related to interest rate swap agreements is limited to the cost of replacing such agreements at prevailing market rates. For more information see Note 8. Derivative Instruments and Hedging Activities.

Foreign Exchange Forward Contracts

The following table summarizes our foreign exchange activity:

	July 5, 2009		
	Contract Amount		Primary Currencies
	(in millions of dollars)		
Foreign exchange forward contracts to purchase foreign currencies	$	9.7	Euros
Foreign exchange forward contracts to sell foreign currencies	$	65.3	Canadian dollars

Our foreign exchange forward contracts mature in 2009 and 2010. For more information, see Note 8. Derivative Instruments and Hedging Activities.

14. FAIR VALUE ACCOUNTING

As of January 1, 2008, we adopted certain provisions of FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies when another standard required or permits assets or liabilities to be measured at fair value. Accordingly, SFAS No. 157 does not require any new fair value measurements. As of January 1, 2009, we adopted the remaining provisions of SFAS No. 157 relating to nonfinancial assets and liabilities that are not recognized or disclosed at fair value on a recurring basis. The adoption of SFAS No. 157 did not materially impact our consolidated financial statements.

We use certain derivative instruments, from time to time, to manage interest rate, foreign currency exchange rate and commodity market price risk exposures, all of which are recorded at fair value based on quoted market prices or rates.

A summary of our cash flow hedging derivative assets and liabilities measured at fair value on a recurring basis as of July 5, 2009, is as follows:

Description	Fair Value as of July 5, 2009	Quoted Prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands of dollars)		
Assets				
Cash flow hedging derivatives	$ 20,405	$ 4,621	$ 15,784	$ —
Liabilities				
Cash flow hedging derivatives	$ 11,126	$ 8,851	$ 2,275	$ —

As of July 5, 2009, cash flow hedging derivative Level 1 assets were associated with the fair value of commodity options contracts. As of July 5, 2009, cash flow hedging derivative Level 1 liabilities were related to cash transfers payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. As of July 5, 2009, cash flow hedging derivative Level 2 assets were related to the fair value of interest rate swap agreements and foreign exchange forward contracts with gains. Cash flow hedging Level 2 liabilities were related to the fair value of foreign exchange forward contracts with losses. For more information, see Note 8. Derivative Instruments and Hedging Activities.

15. INCOME TAXES

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. During the second quarter of 2009, the U.S. Internal Revenue Service completed its audit of our U.S. income tax returns for 2005 and 2006, resulting in the resolution of tax contingencies associated with the 2004, 2005 and 2006 tax years.

16. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Components of net periodic benefits cost (income) consisted of the following:

	Pension Benefits		Other Benefits	
	For the Three Months Ended			
	July 5, 2009	June 29, 2008	July 5, 2009	June 29, 2008
	(in thousands of dollars)			
Service cost	$ 6,421	$ 6,739	$ 381	$ 390
Interest cost	14,699	14,886	4,513	4,748
Expected return on plan assets	(17,852)	(26,575)	—	—
Amortization of prior service cost	302	324	(118)	(114)
Recognized net actuarial loss (gain)	8,246	(240)	(47)	(55)
Administrative expenses	93	91	—	—
Net periodic benefits cost (income)	11,909	(4,775)	4,729	4,969
Special termination benefits	—	147	—	—
Settlement losses	30,555	4,843	—	—
Total amount reflected in earnings	$ 42,464	$ 215	$ 4,729	$ 4,969

We made contributions of $.8 million and $5.6 million to the pension plans and other benefits plans, respectively, during the second quarter of 2009. In the second quarter of 2008, we made contributions of $.5 million and $6.0 million to our pension and other benefits plans, respectively. The contributions in 2009 and 2008 primarily reflected benefit payments from our non-qualified pension plans and post-retirement benefit plans.

In the second quarter of 2009, there was net periodic pension benefits expense of $11.9 million, compared with net periodic benefits income of $4.8 million in the second quarter of 2008. The higher net periodic pension benefits expense primarily reflected the significant decline in the value of pension assets during 2008 reflecting the unprecedented volatility and deterioration in financial market and economic conditions. The special termination benefits and settlement losses recorded in the second quarter of 2009 and 2008 related to the 2007 business realignment initiatives.

Components of net periodic benefits cost (income) consisted of the following:

	Pension Benefits		Other Benefits	
	For the Six Months Ended			
	July 5, 2009	June 29, 2008	July 5, 2009	June 29, 2008
	(in thousands of dollars)			
Service cost	$ 12,889	$ 14,764	$ 764	$ 877
Interest cost	29,282	29,899	9,330	10,170
Expected return on plan assets	(35,382)	(53,908)	—	—
Amortization of prior service cost	601	643	(238)	(228)
Recognized net actuarial loss (gain)	16,691	(287)	(73)	(2)
Administrative expenses	187	179	—	—
Net periodic benefits cost (income)	24,268	(8,710)	9,783	10,817
Special termination benefits	—	147	—	—
Settlement losses	30,555	4,843	—	—
Total amount reflected in earnings	$ 54,823	$ (3,720)	$ 9,783	$ 10,817

We made contributions of $2.0 million and $12.2 million to the pension plans and other benefits plans, respectively, during the first six months of 2009. In the first six months of 2008, we made contributions of $3.8 million and $11.9 million to our pension and other benefits plans, respectively. The contributions in 2009 and 2008 also included benefit payments from our non-qualified pension plans and post-retirement benefit plans.

In the first six months of 2009, there was net periodic pension benefits expense of $24.3 million, compared with net periodic pension benefits income of $8.7 million in the first six months of 2008. The net periodic pension benefits expense was primarily due to the significant decline in the value of pension assets during 2008 reflecting the unprecedented volatility and deterioration in financial market and economic conditions. The special termination benefits and settlement losses in the first six months of 2009 and 2008 related to the 2007 business realignment initiatives.

For 2009, there are no minimum funding requirements in excess of available credits for the domestic plans and minimum funding requirements for the non-domestic plans are not material. The Company may choose to make contributions to pension plans in excess of minimum funding requirements depending on pension asset performance during 2009. We currently expect such contributions to be between $50 million and $100 million, including benefit payments from our non-qualified plans.

For more information, refer to the consolidated financial statements and notes included in our 2008 Annual Report on Form 10-K.

17. SHARE REPURCHASES

Repurchases and Issuances of Common Stock

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

	For the Six Months Ended July 5, 2009	
	Shares	Dollars
	(in thousands)	
Shares repurchased in the open market under pre-approved share repurchase programs	—	$ —
Shares repurchased to replace Treasury Stock issued for stock options and incentive compensation	252	9,314
Total share repurchases	252	9,314
Shares issued for stock options and incentive compensation	(341)	(11,125)
Net change	(89)	$ (1,811)

In December 2006, our Board of Directors approved a $250 million share repurchase program. As of July 5, 2009, $100.0 million remained available for repurchases of Common Stock under this program.

18. PENDING ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* (“SFAS No. 166”). SFAS No. 166 addresses how information should be provided about transfers of financial assets; the effects of a transfer on a company’s financial position, performance and cash flows; and a transferor’s continuing involvement in transferred financial assets. SFAS No. 166 removes the concept of a qualifying special-purpose entity and modifies or eliminates certain other provisions related to transfers of financial assets. It also establishes additional requirements, including a requirement for enhanced disclosures to provide financial statement users with greater transparency.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (“SFAS No. 167”). SFAS No. 167 amends certain requirements of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, to improve financial reporting by enterprises involved with variable interest entities, and to provide more relevant and reliable information to users of financial statements.

SFAS Nos. 166 and 167 are effective for us as of January 1, 2010 and we are currently evaluating the impact on our consolidated financial statements upon adoption.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, *The* FASB Accounting Standards Codification™ *and the Hierarchy of Generally Accepted Accounting Principles —a replacement of FASB Statement No. 162* (“SFAS No. 168”). SFAS No. 168 becomes the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. It identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 168 is effective for us in our third quarter of 2009. There will be no impact on our consolidated financial statements upon adoption; however, this standard will impact our financial reporting as we begin to use the new codification when referring to GAAP in our financial statements.

19. SUBSEQUENT EVENT

Arnold G. Langbo and Charles B. Strauss resigned from the Board of Directors of The Hershey Company effective August 10, 2009. Following a decision by the Board of Directors to establish a Finance and Risk Management Committee that also delegated to such Committee responsibilities with respect to reviewing and monitoring the Company’s annual plan and certain strategic matters including but not limited to acquisitions and dispositions, Messrs. Langbo and Strauss decided to resign from the Board of Directors based on their views, expressed before the committee was established, that retaining responsibility for these matters with the Board of Directors as a whole was a better corporate governance structure for the Company.

Mr. Langbo served as chair of the Compensation and Executive Organization Committee of the Board of Directors and was a member of the Executive Committee of the Board at the time of his resignation. Mr. Strauss was chair of the Audit Committee of the Board of Directors and was a member of the Compensation and Executive Organization Committee and the Executive Committee of the Board at the time of his resignation. The Board of Directors has appointed Robert F. Cavanaugh, a current independent member of the Board, as chair of the Compensation and Executive Organization Committee and David L. Shedlarz, a current independent member of the Board, as chair of the Audit Committee. Pursuant to their appointments as chairs of Board committees, Messrs. Cavanaugh and Shedlarz will also become members of the Executive Committee.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

SUMMARY OF OPERATING RESULTS

Analysis of Selected Items from Our Income Statement

	For the Three Months Ended			For the Six Months Ended		
	July 5, 2009	June 29, 2008	Percent Change Increase (Decrease)	July 5, 2009	June 29, 2008	Percent Change Increase (Decrease)
	(in thousands except per share amounts)					
Net Sales	$ 1,171.2	$ 1,105.4	5.9%	$ 2,407.2	$ 2,265.8	6.2%
Cost of Sales	717.9	722.9	(0.7)%	1,513.7	1,506.8	0.5%
Gross Profit	453.3	382.5	18.5%	893.5	759.0	17.7%
Gross Margin	*38.7%*	*34.6%*		*37.1%*	*33.5%*	
SM&A Expense	298.7	266.6	12.0%	573.2	516.6	11.0%
SM&A Expense as a percent of sales	*25.5%*	*24.1%*		*23.8%*	*22.8%*	
Business Realignment Charges, net	37.9	21.8	74.0%	50.7	25.9	96.1%
EBIT	116.7	94.1	24.0%	269.6	216.5	24.5%
EBIT Margin	*10.0%*	*8.5%*		*11.2%*	*9.6%*	
Interest Expense, net	22.7	23.6	(3.7)%	46.6	48.0	(2.8)%
Provision for Income Taxes	22.7	29.0	(22.0)%	75.8	63.8	18.7%
Effective Income Tax Rate	*24.1%*	*41.2%*		*34.0%*	*37.9%*	
Net Income	$ 71.3	$ 41.5	71.9%	$ 147.2	$ 104.7	40.6%
Net Income Per Share-Diluted	$ .31	$ .18	72.2%	$ .64	$ .46	39.1%

<u>Results of Operations - Second Quarter 2009 vs. Second Quarter 2008</u>

Price Increases

In August 2008, we announced an increase in wholesale prices across the United States, Puerto Rico and export chocolate and sugar confectionery lines. This price increase was effective immediately, and represented a weighted average eleven percent increase on our instant consumable, multi-pack and packaged candy lines. These changes approximated a ten percent increase over the entire domestic product line.

In January 2008, we announced an increase in the wholesale prices of our domestic confectionery line, effective immediately. This 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 price changes approximated a three percent price increase over our entire domestic product line.

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.

We implemented these pricing actions to help offset increases in input costs, including raw materials, fuel, utilities and transportation, and to support increased investments in advertising and consumer-focused marketing programs.

Net Sales

Net sales for the second quarter of 2009 were higher than the comparable period of 2008 due to favorable price realization, offset somewhat by sales volume decreases primarily in the United States, reflecting the impact of pricing elasticity. Increased sales for our international businesses were more than offset by the impact of foreign currency exchange rates which reduced net sales by approximately 2.1%. The acquisition of the Van Houten Singapore business increased net sales by $2.9 million, or 0.3%.

Key Marketplace Metrics

Consumer takeaway increased 28.8% during the second quarter of 2009 compared with the same period of 2008 due to the timing of the Easter season. Excluding seasonal sales, consumer takeaway increased 5.4%. 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.

Market share in measured channels increased by 0.5 share points during the second quarter of 2009. The change in market share is provided for measured channels 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

Cost of sales decreased slightly in the second quarter of 2009 compared with the same period of 2008. The decrease was primarily due to lower sales volume, offset substantially by increased input and supply chain costs, principally reflecting higher pension expense and other overhead costs. Input costs were higher in the second quarter of 2009 versus 2008, primarily reflecting higher raw material and energy costs. Higher supply chain costs were offset somewhat by the impact of supply chain efficiencies and productivity, along with reduced costs for product obsolescence. Business realignment charges of $3.1 million were included in cost of sales in the second quarter of 2009 compared with $15.0 million in the second quarter of 2008.

The increase in gross margin in the second quarter of 2009 compared with the second quarter of 2008 was primarily due to favorable price realization, offset partially by increased supply chain costs and higher input costs. Approximately one-fourth of the gross margin increase was attributable to the impact of reduced costs for business realignment initiatives recorded in 2009 compared with 2008.

Selling, Marketing and Administrative

Higher selling, marketing and administrative costs were principally associated with higher incentive compensation, pension and other employee-related expenses. Increased advertising expense, offset somewhat by a reduction in consumer promotions, also contributed to the increase. Expenses of $1.7 million related to our business realignment initiatives were included in selling, marketing and administrative expenses in the second quarter of 2009 compared with $2.4 million in the second quarter of 2008.

Business Realignment Initiatives

Business realignment charges of $37.9 million were recorded in the second quarter of 2009 associated with the 2007 business realignment initiatives. The charges were primarily related to pension settlement losses, plant closure expenses and fixed asset disposals. Business realignment charges of $21.8 million were recorded in the second quarter of 2008 primarily associated with employee separation costs, pension settlement losses, contract termination costs, fixed asset disposals and plant closure expenses.

Income Before Interest and Income Taxes and EBIT Margin

EBIT increased in the second quarter of 2009 compared with the second quarter of 2008 as a result of higher gross profit, partially offset by increased selling, marketing and administrative expenses and higher business realignment charges. Net pre-tax business realignment charges of $42.7 million were recorded in the second quarter of 2009 compared with $39.3 million recorded in the second quarter of 2008.

EBIT margin increased from 8.5% for the second quarter of 2008 to 10.0% for the second quarter of 2009. The increase was attributable to the higher gross margin, partially offset by higher selling, marketing and administrative expense as a percentage of sales. The impact of net business realignment charges reduced EBIT margin by 3.6 percentage points in both 2009 and 2008.

Interest Expense, Net

Net interest expense was lower in the second quarter of 2009 than the comparable period of 2008 primarily reflecting lower interest rates and lower average debt balances, offset partially by a decrease in capitalized interest.

Income Taxes and Effective Tax Rate

Our effective income tax rate was 24.1% for the second quarter of 2009 compared with 41.2% for the same period of 2008. This decrease reflects the resolution of tax contingencies associated with the 2004, 2005 and 2006 tax years in the second quarter. The impact of tax rates associated with business realignment and impairment charges decreased the effective income tax rate by 4.2 percentage points in 2009 and increased the effective income tax rate by 2.2 percentage points in 2008.

Net Income and Net Income Per Share

Net income in the second quarter of 2009 was reduced by $26.7 million, or $0.12 per share-diluted, and was reduced by $25.5 million, or $0.11 per share-diluted, in the second quarter of 2008 as a result of net charges associated with our business realignment initiatives. After considering the impact of business realignment charges in each period, earnings per share-diluted in the second quarter of 2009 increased $0.14, or 48.3% as compared with the second quarter of 2008.

Results of Operations – First Six Months 2009 vs. First Six Months 2008

Net Sales

The increase in net sales was attributable to favorable price realization from list price increases, offset somewhat by sales volume decreases, primarily in the United States. Sales volume increases for our international businesses were more than offset by the unfavorable impact of foreign currency exchange rates which reduced net sales by approximately 2.3%. The acquisition of Van Houten Singapore increased net sales by $4.0 million, or 0.2%, in the first six months of 2009.

Key Marketplace Metrics

Consumer takeaway increased 8.9% during the first six months of 2009 compared with the same period of 2008. 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.

Market share in measured channels improved by 0.5 share points during the first six months of 2009. The change in market share is provided for measured channels 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

The cost of sales increase in the first six months of 2009 compared with 2008 was primarily associated with higher input costs, particularly raw materials and energy, and increased supply chain costs. These increases were substantially offset by the impact of sales volume decreases, improved supply chain efficiencies and productivity, and lower product obsolescence costs. Lower business realignment charges included in cost of sales in 2009 compared with 2008 also substantially offset the cost of sales increases. Business realignment charges of $7.2 million were included in cost of sales in the first six months of 2009, compared with $40.2 million in the prior year.

The gross margin improvement resulted primarily from favorable price realization, offset partially by increased input and supply chain costs. Approximately one-third of the gross margin increase was attributable to the impact of business realignment initiatives recorded in 2009 compared with 2008.

Selling, Marketing and Administrative

Selling, marketing and administrative expenses increased primarily as a result of higher administrative and selling costs, principally associated with higher pension, incentive compensation and other employee-related expenses. An increase in advertising expense was partly offset by lower consumer promotions. Expenses of $3.8 million related to our 2007 business realignment initiatives were included in selling, marketing and administrative expenses in 2009 compared with $3.9 million in 2008.

Business Realignment Initiatives

Business realignment charges of $50.7 million were recorded in the first six months of 2009 compared with $25.9 million in the same period of 2008. The charges in 2009 were primarily related to pension settlement losses, plant closure expenses, fixed asset impairments and employee separation costs. Business realignment charges recorded in 2008 primarily related to fixed asset impairments and plant closure expenses, in addition to employee separation costs, offset partially by gains on sales of fixed assets.

Income Before Interest and Income Taxes and EBIT Margin

EBIT increased in the first six months of 2009 compared with the first six months of 2008 principally as a result of higher gross profit, offset by increased selling, marketing and administrative expenses and increased business realignment charges. Net pre-tax business realignment charges of $61.7 million were recorded in the first six months of 2009 compared with $69.9 million recorded in the first six months of 2008, a decrease of $8.2 million.

EBIT margin increased from 9.6% for the first six months of 2008 to 11.2% for the first six months of 2009. The increase in EBIT margin was the result of the higher gross margin, partially offset by higher selling, marketing and administrative expense as a percentage of sales. The impact of net business realignment charges in the first six months of 2009 reduced EBIT margin by 2.6 percentage points and in the first six months of 2008 reduced EBIT margin by 3.0 percentage points.

Interest Expense, Net

Net interest expense was lower in the first six months of 2009 than the comparable period of 2008 primarily due to lower interest rates and lower average debt balances, partially offset by a decrease in capitalized interest.

Income Taxes and Effective Tax Rate

Our effective income tax rate was 34.0% for the first six months of 2009 and was decreased by 1.4 percentage points as a result of the effective tax rate associated with business realignment charges recorded during the first six months. We expect our effective income tax rate for the full year 2009 to be approximately 36.0%, excluding the impact of tax rates associated with business realignment charges during the year.

Net Income and Net Income Per Share

Net income in the first six months of 2009 was reduced by $36.8 million, or $0.17 per share-diluted, and was reduced by $46.2 million, or $0.20 per share-diluted, in the first six months of 2008 as a result of net charges associated with our business realignment initiatives. After considering the impact of business realignment charges in each period, earnings per share-diluted in the first six months of 2009 increased $0.15 as compared with the first six months of 2008.

Liquidity and Capital Resources

Historically, our major source of financing has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer months, generally have been met by issuing commercial paper. Commercial paper may also be issued from time to time to finance ongoing business transactions such as the repayment of long-term debt, business acquisitions and for other general corporate purposes. During the first six months of 2009, cash and cash equivalents decreased by $8.3 million.

Cash provided from operations was sufficient to fund the repayment of short-term debt of $237.4 million, dividend payments of $131.5 million, and capital additions and capitalized software expenditures of $73.8 million.

Net cash provided from operating activities was $446.2 million in 2009 and $320.1 million in 2008. The increase was primarily the result of higher net income and the change in cash used by other assets and liabilities which decreased to $34.3 million for the first six months of 2009 from $149.2 million for the same period of 2008. The decrease in the amount of cash used by other assets and liabilities from 2008 to 2009 primarily reflected the impact of business realignment initiatives, employee benefits and payroll, as well as the timing of payments associated with selling and marketing programs. Cash provided from working capital was $146.5 million in 2009 and $146.4 million in 2008.

In March 2009, the Company completed the acquisition of the Van Houten Singapore consumer business. The acquisition from Barry Callebaut, AG provides the Company with an exclusive license of the Van Houten brand name and related trademarks in Asia and the Middle East for the retail and duty free distribution channels. The purchase price for the acquisition of Van Houten Singapore and the licensing agreement was approximately $15.2 million.

During the first quarter of 2008, Hershey do Brasil entered into a cooperative agreement with Bauducco. We received cash of $2.0 million from Bauducco and recorded an intangible asset of $13.7 million related to the agreement. We will maintain a 51% controlling interest in Hershey do Brasil.

Proceeds from the sale of manufacturing and distribution facilities and related equipment under the global supply chain transformation program were $3.1 million in the first six months of 2009 and $76.9 million in the first six months of 2008.

A receivable of approximately $15.1 million was included in prepaid expenses and other current assets as of July 5, 2009 and $14.5 million as of December 31, 2008 related to the recovery of damages from a product recall and temporary plant closure in Canada. The increase primarily resulted from currency exchange rate fluctuations. 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.

Interest paid was $46.7 million during the first six months of 2009 versus $47.3 million for the comparable period of 2008. Income taxes paid were $109.2 million during the first six months of 2009 versus $95.0 million for the comparable period of 2008. The increase in taxes paid in 2009 was primarily related to the impact of higher annualized taxable income in 2009.

The ratio of current assets to current liabilities increased to 1.2:1.0 as of July 5, 2009 from 1.1:1.0 as of December 31, 2008. The capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) decreased to 79% as of July 5, 2009 from 85% as of December 31, 2008.

Generally, our short-term borrowings are in the form of commercial paper or bank loans with an original maturity of three months or less. Our five-year unsecured revolving credit agreement expires in December 2012. The credit limit is $1.1 billion with an option to borrow an additional $400 million with the concurrence of the lenders.

In March 2008, the Company issued $250 million of 5.0% Notes due April 1, 2013 under the WKSI Registration Statement. The net proceeds of this debt issuance were used to repay a portion of the Company's outstanding indebtedness under its short-term commercial paper program.

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 the Safe Harbor Statement below as well as Risk Factors and other information contained in our 2008 Annual Report on Form 10-K for information concerning the key risks to achieving future performance goals.

For 2009, we now expect full year net sales growth to be within our three to five percent long-term objective from our pricing actions and core brand sales growth. We expect growth in net sales substantially driven by net price realization and our brand-building initiatives, offset somewhat by the impact of unfavorable foreign currency exchange rates. We expect unit sales volume to decline due to the elasticity effects of price increases implemented during 2008 which will result in higher everyday and promoted prices for consumers. The decline in sales volume will be mitigated somewhat by our brand-building initiatives, as the impact of the declines in unit sales volume is expected to be more than offset by price realization.

We continue to expect our commodity cost basket to increase significantly in 2009 compared with 2008, although the total increase is expected to be less than our initial estimate of $175 million. We currently do not expect material price inflation for dairy products during the remainder of the year. The decline in the financial markets in 2008 significantly reduced the fair value of our pension plan assets which is expected to result in an increase in 2009 pension expense of approximately $70 million. Despite these increases we plan to continue to invest in our core brands in the U.S. and key international markets to build on our momentum. Specifically, advertising expense is now expected to increase by 40 to 45 percent in 2009 and we expect to make further investments in category management and global go-to-market capabilities. These cost increases will be more than offset by higher net pricing, savings from the global supply chain transformation program and on-going operating productivity improvement. We continue to expect an increase in earnings per share-diluted in 2009, excluding business realignment charges; with growth in adjusted earnings per share-diluted to be slightly above our long-term objective of six to eight percent.

For 2009, we expect total pre-tax business realignment and impairment charges for our global supply chain transformation program, including the increase in the scope of the program and non-cash pension settlement losses, to be in the range of $85 million to $120 million, or $0.24 to $0.33 per share-diluted.

Outlook for Global Supply Chain Transformation Program

We now expect total pre-tax charges and non-recurring project implementation costs for the global supply chain transformation program of $640 million to $665 million, including estimated pension settlement losses in 2009 and

2010. This includes pension settlement losses recorded in 2007 and 2008 as required in accordance with FASB Statement of Financial Accounting Standards No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* (as amended) ("SFAS No. 88"). Pension settlement losses are non-cash charges for the Company. Such charges accelerate the recognition of pension expense related to actuarial gains and losses resulting from interest rate changes and differences in actual versus assumed returns on pension assets. The Company normally amortizes actuarial gains and losses over a period of about 13 years.

The global supply chain transformation program charges recorded in 2007 and 2008 included pension settlement losses of approximately $24.6 million as employees leaving the Company under the program have been withdrawing lump sums from the defined benefit pension plans. An additional $30.6 million in pension settlement losses were recorded in the first six months of 2009. In addition to these charges, incremental SFAS No. 88 pension settlement losses of $15 million to $34 million were added to the GSCT program estimates based upon the current trends of employee withdrawals, with $15 million to $20 million projected for 2009.

Subsequent Event

Arnold G. Langbo and Charles B. Strauss resigned from the Board of Directors of The Hershey Company effective August 10, 2009. Following a decision by the Board of Directors to establish a Finance and Risk Management Committee that also delegated to such Committee responsibilities with respect to reviewing and monitoring the Company's annual plan and certain strategic matters including but not limited to acquisitions and dispositions, Messrs. Langbo and Strauss decided to resign from the Board of Directors based on their views, expressed before the committee was established, that retaining responsibility for these matters with the Board of Directors as a whole was a better corporate governance structure for the Company.

Mr. Langbo served as chair of the Compensation and Executive Organization Committee of the Board of Directors and was a member of the Executive Committee of the Board at the time of his resignation. Mr. Strauss was chair of the Audit Committee of the Board of Directors and was a member of the Compensation and Executive Organization Committee and the Executive Committee of the Board at the time of his resignation. The Board of Directors has appointed Robert F. Cavanaugh, a current independent member of the Board, as chair of the Compensation and Executive Organization Committee and David L. Shedlarz, a current independent member of the Board, as chair of the Audit Committee. Pursuant to their appointments as chairs of Board committees, Messrs. Cavanaugh and Shedlarz will also become members of the Executive Committee.

Safe Harbor Statement

We are subject to changing economic, competitive, regulatory and technological conditions, 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 that we have discussed directly or implied in this report. Many of the forward-looking statements contained in this report may be identified by the use of words such as “intend,” “believe,” “expect,” “anticipate,” “should,” “planned,” “projected,” “estimated,” and “potential,” among others.

The factors that could cause our actual results to differ materially from the results projected in our forward-looking statements include, but are not limited to the following:

- Issues or concerns related to the quality and safety of our products, ingredients or packaging could cause a product recall and/or result in harm to the Company’s reputation, negatively impacting our operating results;
- Increases in raw material and energy costs could affect future financial results;
- Price increases may not be sufficient to offset cost increases and maintain profitability or may result in sales volume declines associated with pricing elasticity;
- Market demand for new and existing products could decline;
- Increased marketplace competition could hurt our business;
- Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products;
- Political, economic, and/or financial market conditions in the United States and abroad could negatively impact our financial results;
- International operations could fluctuate unexpectedly and adversely impact our business;
- 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;
- Pension costs or funding requirements could increase at a higher than anticipated rate;
- Annual savings from initiatives to transform our supply chain and advance our value-enhancing strategy may be less than we expect;
- Implementation of our global supply chain transformation program may not occur within the anticipated timeframe and/or may exceed our cost estimates; and
- Such other matters as discussed in our Annual Report on Form 10-K for 2008.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The potential net loss in fair value of foreign exchange forward contracts and interest rate swap agreements of ten percent resulting from a hypothetical near-term adverse change in market rates was $1.4 million as of July 5, 2009 and was $1.0 million as of December 31, 2008. The market risk resulting from a hypothetical adverse market price movement of ten percent associated with the estimated average fair value of net commodity positions decreased from $44.1 million as of December 31, 2008, to $36.3 million as of July 5, 2009. Market risk represents ten percent of the estimated average fair value of net commodity positions at four dates prior to the end of each period.

Item 4. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (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 our 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.

As of the end of the period covered by this quarterly report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Rule 13a-15 under the Exchange Act. This evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our 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 our internal control over financial reporting identified in connection with the evaluation that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Items 1, 1A, 3 and 5 have been omitted as not applicable.

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

Issuer Purchases of Equity Securities

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
				(in thousands of dollars)
April 6 through May 3, 2009	—	$ —	—	$ 100,017
May 4 through May 31, 2009	—	$ —	—	$ 100,017
June 1 through July 5, 2009	—	$ —	—	$ 100,017
Total	—		—	

Item 4 – Submission of Matters to a Vote of Security Holders

The Hershey Company's Annual Meeting of Stockholders was held on April 30, 2009. The following directors were elected by the holders of Common Stock and Class B Common Stock, voting together without regard to class:

Name	Votes For	Votes Withheld
Robert F. Cavanaugh	711,894,443	38,873,176
Charles A. Davis	746,751,340	4,016,279
James E. Nevels	712,132,109	38,635,510
Thomas J. Ridge	746,028,492	4,739,127
David L. Shedlarz	748,657,312	2,110,307
David J. West	746,832,723	3,934,896
LeRoy S. Zimmerman	743,993,559	6,774,060

The following directors were elected by the holders of the Common Stock voting as a class:

Name	Votes For	Votes Withheld
Arnold G. Langbo	109,733,596	34,741,153
Charles B. Strauss	110,264,653	34,210,096

Holders of the Common Stock and the Class B Common Stock, voting together, ratified the appointment of KPMG LLP as the Company's independent auditors for 2009. Stockholders cast 749,355,446 votes for the appointment, 1,121,605 votes against the appointment and abstained from casting 290,568 votes on the appointment of independent auditors.

No other matters were submitted for stockholder action.

Item 6 - Exhibits

The following items are attached or incorporated herein by reference:

Exhibit Number	Description
10.1	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan.
10.2	The Company's Executive Benefits Protection Plan (Group 3A), Amended and Restated as of July 1, 2009.
12.1	Statement showing computation of ratio of earnings to fixed charges for the six months ended July 5, 2009 and June 29, 2008.
31.1	Certification of David J. West, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Humberto P. Alfonso, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.REF	XBRL Taxonomy Extension Reference Linkbase

SIGNATURES

Pursuant to the requirements 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.

THE HERSHEY COMPANY
(Registrant)

Date: August 13, 2009 /s/Humberto P. Alfonso
Humberto P. Alfonso
Chief Financial Officer

Date: August 13, 2009 /s/David W. Tacka
David W. Tacka
Chief Accounting Officer

EXHIBIT INDEX

Exhibit 10.1	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan
Exhibit 10.2	The Company's Executive Benefits Protection Plan (Group 3A), Amended and Restated as of July 1, 2009
Exhibit 12.1	Computation of Ratio of Earnings to Fixed Charges
Exhibit 31.1	Certification of David J. West, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Humberto P. Alfonso, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 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
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase
Exhibit 101.REF	XBRL Taxonomy Extension Reference Linkbase

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 __________, (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 __________through __________ (the "**Exercise Period**"), subject to the vesting schedule described in the next sentence and the provisions regarding termination set forth in paragraphs 3 and 5 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 and final 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 5 below, or a "Change in Control" as described in this paragraph 3, the Options shall terminate immediately upon termination of Optionee's employment and may not be exercised after such termination of employment unless: (i) Optionee is eligible to receive severance benefits pursuant to a Company-sponsored severance benefits plan or an employment or severance or similar agreement to which Optionee is a party upon termination of employment, in which case vesting, exercise, and payment of the Options will be in accordance with the terms of such Company-sponsored severance benefits plan or such agreement; or (ii) Optionee is an employee of the Company in a country other than the United States and has certain rights in the vesting, exercise and payment of Options upon termination of employment under the laws of the country in which Optionee is employed, in which case vesting, exercise and payment of the Options will be in accordance with the terms of a severance agreement entered into between the Company and Optionee that complies with the laws of the country in which Optionee is employed.

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 __________, the date the Options expire.

4. If Optionee retires (as that term is defined in paragraph 5 below) 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.

5. 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 and the provisions regarding possible adjustment of the Total Award to an Adjusted Award as provided in paragraph 4, and Optionee (or his/her estate in the case of death) shall have five (5) years from the earliest date of retirement, death, or total disability to exercise his/her Options at the time or after such Options vest, provided such five (5) year period cannot extend beyond __________, 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 other than for “Cause” (as that term is defined in the Plan) on or after his or her 55th birthday.

6. The Options shall be exercisable through the broker on record 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.

7. 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 stock ownership requirements established by the Committee. Such limitations, restrictions and minimum stock ownership requirements are subject to change at the discretion of the Committee.

8. 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.

9. By accepting the Options awarded herewith, Optionee acknowledges and agrees, subject to paragraph 13 below, that the Options are awarded under and governed by the terms and conditions set forth in this document and in the Plan, and the Executive Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Optionee. 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.

10. 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.

11. 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.

12. 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.

13. 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

THE HERSHEY COMPANY
EXECUTIVE BENEFITS PROTECTION PLAN
(GROUP 3A)
Amended and Restated as of July 1, 2009

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 January 1, 2009.

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 July 1, 2009.

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 Employee Benefits Committee means the Employee Benefits Committee of the Company, and any successor thereto.

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

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

1.24 Good Reason means with respect to an Executive:

1.24.1 (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;

1.24.2 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;

1.24.3 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;

1.24.4 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;

1.24.5 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;

1.24.6 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

1.24.7 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 1.24 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.

1.25 Hershey Pension Plan means The Hershey Company Retirement Plan and any successor or replacement plan thereof.

1.26 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.

1.27 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.

1.28 Incumbent Director has the meaning assigned to such term in Section 1.6.1.

1.29 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 Employee Benefits Committee.

1.30 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.

1.31 Notice of Intent to Terminate shall have the meaning assigned to such term in Section 4.1.

1.32 Plan means The Hershey Company Executive Benefits Protection Plan (Group 3A), as set forth herein, as amended from time to time.

1.33 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).

1.34 Potential Change in Control means the occurrence of any of the following:

1.34.1 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

1.34.2 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.

1.35 Separation from Service or Separates from Service means a "separation from service" within the meaning of Code section 409A.

1.36 Severance Benefits has the meaning assigned to such term in Section 3.2.

1.37 Severance Period means the period beginning on the Executive's Date of Termination and continuing for 24 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.

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

1.39 The 401(k) Plan means The Hershey Company 401(k) Plan and any successor or replacement plan thereof.

1.40 Vested Current Incentive Pay Amount shall have the meaning assigned to such term in Section 2.1.

1.41 Vested Current PSU Amount shall have the meaning assigned to such term in Section 2.2.

1.42 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 and Change in Control Event:

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 Event 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 Event (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 Event, 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 Event, 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 Event (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 Event 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 Event, and (b) if the Change in Control Event 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 except to the extent that such Vested Current PSU Amount would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, 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. In the event of an effective deferral election, the portion of the amount determined under Section 2.2.1 equal to the amount which would have otherwise been subject to such deferral election shall be credited to, and paid in accordance with, the Deferred Compensation Plan.

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 CLRP on the date of the Change in Control or was a participant in the CLRP 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. Except to the extent that such PSU amounts would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, 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 (60^{th}) 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). In the event of an effective deferral election, the portion of the amount determined under this Section 2.8 equal to the amount which would have otherwise been subject to such deferral election shall be credited to, and paid in accordance with, the Deferred Compensation Plan.

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 Vested Current PSU Amount would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan or 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 The 401(k) Plan. In the event that any amount under The 401(k) Plan which vests pursuant to Section 2.6 cannot be paid to the Executive under the terms of The 401(k) 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 upon his or her Separation from Service, 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. If an Executive's Date of Termination occurs within the two (2) year period beginning on the date on which a Change in Control Event occurs, he or she shall be entitled to a lump sum cash payment with respect to each Incentive Pay award, except for any portion of his or her Vested Current Incentive Pay Amount which the Company has previously paid or concurrently pays to him or her, 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. The amount payable under this Section shall be paid in a lump sum within sixty (60) days after the Executive's Separation from Service.

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 upon his or her Separation from Service, 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 1.24 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 Event 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 Event 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 amounts determined 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, that become payable pursuant to this Section 8.1, in a lump sum within sixty (60) days following the date of the Change in Control Event.

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 For the calendar year in which the Change in Status Event occurs, Executive shall remain entitled to participate in the Incentive Pay programs. During this calendar year, 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 based on the then current formula for the Executive using, as applicable, (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. Except to the extent that the Executive's Incentive Pay award for this period would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, 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 based on the then current formula for the Executive using, as applicable, (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, 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 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. Except to the extent that the Executive's Incentive Pay award for this period would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, 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 January 1 following the date in which a Change in Status Event occurs until the second anniversary of such Change in Status Event, Executive shall be entitled to receive as additional severance the amount which he or she would have been eligible to receive under the applicable Incentive Pay programs. For purposes of this calculation, 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:

9.1.4.1 For the calendar year period beginning on January 1 after the Change in Status Event, the additional severance amount will be equal to the amount that would have been payable to the Executive under such Incentive Pay award calculated based on the then current formula for the group of executives who are generally covered by the Plan using, as applicable, (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.

9.1.4.2 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 additional severance amount 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 based on the then current formula for the group of executives who are generally covered by the Plan using, as applicable, (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.

9.1.5 Following the date of the Change in Status Event (the "Severance Date"), except as otherwise provided in Sections 9.1.5.1 and 9.1.5.2: (a) the 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, and (b) the exercise of stock options and lapse of restrictions on any restricted stock units held by an Executive shall be in accordance with the terms and conditions, administrative policies and procedures governing such stock options and restricted stock units, respectively.

9.1.5.1 If an Executive was awarded stock options prior to July 1, 2009 and he or she is under age fifty-five (55) on the Severance Date, he or she will be eligible for the exercise and vesting provisions below if they would provide a greater benefit to the Executive than what the Executive would have received under the original terms and conditions for the applicable stock option grant.

In addition to options held by such Executive that have vested by their terms on or before the Severance Date, the Executive shall be entitled to exercise a portion of his or her unvested options held on the Severance Date, such options to vest on the Severance Date in accordance with the following formula: the number of stock options for each vesting period of each grant is multiplied by a fraction, the numerator of which equals the number of days from the original grant date to the Severance Date and the denominator of which equals the number of days from the original grant date to the last day of each vesting period. Notwithstanding the above, vesting of stock options on Executive's Severance Date pursuant to the formula in the preceding sentence is contingent upon Executive executing 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. An Executive who is not eligible for retirement on or before the Severance Date shall have one hundred twenty (120) days after the Severance Date to exercise any vested option not to exceed the expiration date of the option.

An Executive who is eligible for retirement (age 55 or older) on or before the Severance Date will be entitled to exercise (provided any vesting requirement has been satisfied as of the date of exercise) any outstanding stock option until the earlier of five (5) years from the Severance Date or the expiration of the option.

9.1.5.2 In addition to any restricted stock units that have vested by their terms on or before the Severance Date, all unvested restricted stock units awarded to the Executive who is not eligible for retirement on or before the Severance Date shall vest in accordance with the following formula: the number of restricted stock units for each vesting period of each grant is multiplied by a fraction, the numerator of which equals the number of days from the original grant date to the Severance Date and the denominator of which equals the number of days from the original grant date to the last day of each vesting period. Notwithstanding the above, vesting of restricted stock units on Executive's Severance Date pursuant to the formula in the preceding sentence is contingent upon Executive executing 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.

Any restricted stock units awarded pursuant to (i) an annual grant award issued in 2009 or later that vest pursuant to the formula above or (ii) a special award issued in 2009 or later that vest pursuant to the formula above, shall be paid based on the payment terms provided under the award when granted.

Unvested restricted stock units awarded to an Executive pursuant to an annual grant in 2009 or later who is eligible for retirement on or before the Severance Date will vest and be paid based on the original vesting and payment terms provided under the award when granted. All other unvested restricted stock units awarded to an Executive who is eligible for retirement on or before the Severance Date shall vest in accordance with the formula described in this Section 9.1.5.2.

9.1.6 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 July 1, 2009, to be executed this 7th day of August, 2009.

THE HERSHEY COMPANY

By: *<u>/s/ Charlene H. Binder</u>*
Charlene H. Binder
Senior Vice President, Chief People Officer

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

	For the Six Months Ended July 5, 2009	For the Six Months Ended June 29, 2008
Earnings:		
Income before income taxes	$ 222,980	$ 168,535
Add (deduct):		
Interest on indebtedness	48,466	51,943
Portion of rents representative of the interest factor (a)	4,454	4,458
Amortization of debt expense	498	426
Amortization of capitalized interest	726	830
Adjustment to exclude noncontrolling interests in subsidiaries and income from equity investee	(3,316)	(1,895)
Earnings as adjusted	$ 273,808	$ 224,297
Fixed Charges:		
Interest on indebtedness	$ 48,466	$ 51,943
Portion of rents representative of the interest factor (a)	4,454	4,458
Amortization of debt expense	498	426
Capitalized interest	1,291	2,900
Total fixed charges	$ 54,709	$ 59,727
Ratio of earnings to fixed charges	5.00	3.76

NOTE:

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

Exhibit 31.1

CERTIFICATION

I, David J. West, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

Date: August 13, 2009 /s/ David J. West

David J. West
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Humberto P. Alfonso, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

Date: August 13, 2009 /s/ Humberto P. Alfonso
Humberto P. Alfonso
Chief Financial Officer

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 Quarterly Report on Form 10-Q for the quarter ended July 5, 2009 (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: August 13, 2009 /s/ David J. West
David J. West
Chief Executive Officer

Date: August 13, 2009 /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.