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 April 2, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______to_______

Commission file number 1-183

THE HERSHEY COMPANY

(Exact name of registrant as specified in its charter)

Delaware	23-0691590
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Crystal A Drive, Hershey, PA
17033

(Address of principal executive offices)
(Zip Code)

717-534-4200

(Registrant's telephone number, including area code)

Not Applicable

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

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

Indicate 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 ☐

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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.
Common Stock, one dollar par value—152,166,921 shares, as of April 21, 2017.
Class B Common Stock, one dollar par value—60,619,777 shares, as of April 21, 2017.

THE HERSHEY COMPANY
Quarterly Report on Form 10-Q
For the Period Ended April 2, 2017

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	Three Months Ended	
	April 2, 2017	**April 3, 2016**
Net sales	$ 1,879,678	$ 1,828,812
Cost of sales	973,118	1,011,436
Gross profit	906,560	817,376
Selling, marketing and administrative expense	461,900	471,734
Long-lived asset impairment charges	208,712	—
Business realignment costs	44,017	6,133
Operating profit	191,931	339,509
Interest expense, net	23,741	21,005
Other (income) expense, net	(171)	(21,225)
Income before income taxes	168,361	339,729
Provision for income taxes	70,113	109,897
Net income including noncontrolling interest	98,248	229,832
Less: Net loss attributable to noncontrolling interest	(26,796)	—
Net income attributable to The Hershey Company	$ 125,044	$ 229,832
Net income per share—basic:		
Common stock	$ 0.60	$ 1.09
Class B common stock	$ 0.55	$ 0.99
Net income per share—diluted:		
Common stock	$ 0.58	$ 1.06
Class B common stock	$ 0.55	$ 0.99
Dividends paid per share:		
Common stock	$ 0.618	$ 0.583
Class B common stock	$ 0.562	$ 0.530

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended					
	April 2, 2017			April 3, 2016		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income including noncontrolling interest			$ 98,248			$ 229,832
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	$ 13,951	$ —	13,951	$ 12,166	$ —	12,166
Pension and post-retirement benefit plans:						
Net actuarial loss and prior service cost	(196)	74	(122)	—	—	—
Reclassification to earnings	7,153	(2,711)	4,442	8,680	(3,579)	5,101
Cash flow hedges:						
Losses on cash flow hedging derivatives	(1,499)	179	(1,320)	(33,909)	11,765	(22,144)
Reclassification to earnings	3,033	(1,166)	1,867	(7,909)	2,997	(4,912)
Total other comprehensive income (loss), net of tax	$ 22,442	$ (3,624)	18,818	$ (20,972)	$ 11,183	(9,789)
Total comprehensive income including noncontrolling interest			$ 117,066			$ 220,043
Comprehensive income (loss) attributable to noncontrolling interest			(26,456)			(1,076)
Comprehensive income attributable to The Hershey Company			$ 143,522			$ 221,119

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	April 2, 2017	December 31, 2016
ASSETS	**(unaudited)**	
Current assets:		
Cash and cash equivalents	$ 235,031	$ 296,967
Accounts receivable—trade, net	595,779	581,381
Inventories	795,404	745,678
Prepaid expenses and other	247,647	192,752
Total current assets	1,873,861	1,816,778
Property, plant and equipment, net	2,050,439	2,177,248
Goodwill	814,882	812,344
Other intangibles	381,716	492,737
Other assets	163,661	168,365
Deferred income taxes	57,826	56,861
Total assets	$ 5,342,385	$ 5,524,333
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 499,149	$ 522,536
Accrued liabilities	646,879	750,986
Accrued income taxes	77,244	3,207
Short-term debt	487,487	632,471
Current portion of long-term debt	158	243
Total current liabilities	1,710,917	1,909,443
Long-term debt	2,350,941	2,347,455
Other long-term liabilities	399,575	400,161
Deferred income taxes	35,499	39,587
Total liabilities	4,496,932	4,696,646
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none at April 2, 2017 and December 31, 2016	—	—
Common stock, shares issued: 299,281,967 at April 2, 2017 and December 31, 2016	299,281	299,281
Class B common stock, shares issued: 60,619,777 at April 2, 2017 and December 31, 2016	60,620	60,620
Additional paid-in capital	878,650	869,857
Retained earnings	6,112,471	6,115,961
Treasury—common stock shares, at cost: 147,150,754 at April 2, 2017 and 147,642,009 at December 31, 2016	(6,163,534)	(6,183,975)
Accumulated other comprehensive loss	(357,410)	(375,888)
Total—The Hershey Company stockholders' equity	830,078	785,856
Noncontrolling interests in subsidiaries	15,375	41,831
Total stockholders' equity	845,453	827,687
Total liabilities and stockholders' equity	$ 5,342,385	$ 5,524,333

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	April 2, 2017	April 3, 2016
Operating Activities		
Net income including noncontrolling interests	$ 98,248	$ 229,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,952	59,913
Stock-based compensation expense	12,122	11,678
Deferred income taxes	(14,780)	(3,409)
Impairment of long-lived assets (see Note 7)	208,712	—
Write-down of equity investments	—	5,593
Gain on settlement of SGM liability (see Note 2)	—	(26,650)
Other	11,512	3,059
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable—trade, net	(14,398)	55,046
Inventories	(49,726)	(19,412)
Prepaid expenses and other current assets	(31,232)	(24,303)
Accounts payable and accrued liabilities	(124,664)	(103,480)
Accrued income taxes	76,779	83,553
Contributions to pension and other benefits plans	(11,576)	(8,839)
Other assets and liabilities	8,513	6,888
Net cash provided by operating activities	234,462	269,469
Investing Activities		
Capital additions (including software)	(33,297)	(41,439)
Proceeds from sales of property, plant and equipment	561	1,934
Equity investments in tax credit qualifying partnerships	(7,948)	(9,672)
Net cash used in investing activities	(40,684)	(49,177)
Financing Activities		
Net (decrease) increase in short-term debt	(146,604)	153,863
Repayment of long-term debt	(94)	—
Payment of SGM liability (see Note 2)	—	(35,762)
Cash dividends paid	(128,017)	(122,367)
Repurchase of common stock	—	(303,950)
Exercise of stock options	17,841	24,627
Net cash used in financing activities	(256,874)	(283,589)
Effect of exchange rate changes on cash and cash equivalents	1,160	2,726
Decrease in cash and cash equivalents	(61,936)	(60,571)
Cash and cash equivalents, beginning of period	296,967	346,529
Cash and cash equivalents, end of period	$ 235,031	$ 285,958
Supplemental Disclosure		
Interest paid	$ 33,732	$ 27,786
Income taxes paid	7,532	29,574

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance, December 31, 2016	$ —	$ 299,281	$ 60,620	$ 869,857	$ 6,115,961	$ (6,183,975)	$ (375,888)	$ 41,831	$ 827,687
Net income (loss)					125,044			(26,796)	98,248
Other comprehensive income							18,478	340	18,818
Dividends (including dividend equivalents):									
Common Stock, $0.618 per share					(94,466)				(94,466)
Class B Common Stock, $0.562 per share					(34,068)				(34,068)
Stock-based compensation				11,393					11,393
Exercise of stock options and incentive-based transactions				(2,600)		20,441			17,841
Balance, April 2, 2017	$ —	$ 299,281	$ 60,620	$ 878,650	$ 6,112,471	$ (6,163,534)	$ (357,410)	$ 15,375	$ 845,453

See Notes to Unaudited Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of The Hershey Company (the "Company," "Hershey," "we" or "us") 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 shareholders do not have substantive participating rights, or we have significant control over an entity through contractual or economic interests in which we are the primary beneficiary.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. The financial statements reflect all adjustments which are, in our opinion, necessary for a fair presentation of the results of operations, financial position, and cash flows for the indicated periods.

Operating results for the quarter ended April 2, 2017 may not be indicative of the results that may be expected for the year ending December 31, 2017 because of seasonal effects on our business. These financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016 (our "2016 Annual Report on Form 10-K"), which provides a more complete understanding of our accounting policies, financial position, operating results and other matters.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation. Specifically, this includes amounts reclassified to conform to the current year presentation in the Consolidated Statements of Cash Flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. The new standard was originally effective for us on January 1, 2017; however, in July 2015 the FASB decided to defer the effective date by one year. Early application is not permitted, but reporting entities may choose to adopt the standard as of the original effective date. The standard permits the use of either the retrospective or cumulative effect transition method.

In 2017, we continued our assessment of the new standard with a focus on identifying the performance obligations included within our revenue arrangements with customers and evaluating our methods of estimating the amount and timing of variable consideration. Based on our assessment to date, we do not currently expect adoption of the new standard to have a material impact on our consolidated financial statements. We currently plan to adopt the requirements of the new standard in the first quarter of 2018 utilizing the cumulative effect transition method. We are continuing our assessment, which may identify other impacts.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU will require lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. This ASU also requires certain quantitative and qualitative disclosures. Accounting guidance for lessors is largely unchanged. The amendments should be applied on a modified retrospective basis. ASU 2016-02 is effective for us beginning January 1, 2019. We are in the process of developing an inventory of our lease arrangements in order to determine the impact that the adoption of ASU 2016-02 will have on our consolidated financial statements and related disclosures. Based on our

assessment to date, we expect adoption of this standard to result in a material increase in lease-related assets and liabilities on our Consolidated Balance Sheets; however, we do not expect it to have a significant impact on our Consolidated Statements of Income or Cash Flows.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. We adopted the provisions of this ASU in the first quarter of 2017. This update principally affects the recognition of excess tax benefits and deficiencies and the cash flow classification of share-based compensation-related transactions. The requirement to recognize excess tax benefits and deficiencies as income tax expense or benefit in the income statement was applied prospectively, with a benefit of $1,938 recognized during the three months ended April 2, 2017. Additionally, within the Consolidated Statement of Cash Flows, the impact of the adoption resulted in a $7,886 increase in net cash flow from operating activities and a corresponding decrease in net cash flow from financing activities for the three months ended April 2, 2017. These classification requirements were adopted retrospectively to the Consolidated Statement of Cash Flows for the three months ended April 3, 2016, resulting in a $12,354 increase in net cash flow from operating activities and a corresponding $12,354 decrease in net cash flow from financing activities.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our consolidated financial statements or disclosures.

2. BUSINESS ACQUISITIONS

Acquisitions of businesses are accounted for as purchases and, accordingly, the results of operations of the businesses acquired have been included in the consolidated financial statements since the respective dates of the acquisitions. The purchase price for each of the acquisitions is allocated to the assets acquired and liabilities assumed.

2016 Acquisition

Ripple Brand Collective, LLC

On April 26, 2016, we completed the acquisition of all of the outstanding shares of Ripple Brand Collective, LLC, a privately held company based in Congers, New York that owns the *barkTHINS* mass premium chocolate snacking brand. The *barkTHINS* brand is largely sold in the United States in take-home resealable packages and is available in the club channel, as well as select natural and conventional grocers. Our consolidated net sales for the year ended December 31, 2016 included approximately $35,600 attributed to *barkTHINS*.

The purchase consideration was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

Goodwill	$	128,110
Trademarks		91,200
Other intangible assets		60,900
Other assets, primarily current assets, net of cash acquired totaling $674		12,375
Current liabilities		(7,211)
Net assets acquired	$	285,374

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill resulting from the acquisition is attributable primarily to the value of leveraging our brand building expertise, consumer insights, supply chain capabilities and retail relationships to accelerate growth and access to *barkTHINS* products. Acquired trademarks were assigned estimated useful lives of 27 years, while other intangibles, including customer relationships and covenants not to compete, were assigned estimated useful lives ranging from 2 to 14 years. The recorded goodwill, trademarks and other intangibles are expected to be deductible for tax purposes.

Shanghai Golden Monkey (“SGM”)

On February 3, 2016, we completed the purchase of the remaining 20% of the outstanding shares of SGM for cash consideration totaling $35,762, pursuant to a new agreement entered into during the fourth quarter of 2015 with the SGM selling shareholders which revised the originally-agreed purchase price for these shares. For accounting purposes, we treated the acquisition as if we had acquired 100% at the initial acquisition date in 2014 and financed the

payment for the remaining 20% of the outstanding shares. Therefore, the cash settlement of the liability for the purchase of these remaining shares is reflected within the financing section of the Unaudited Consolidated Statements of Cash Flows.

The final settlement also resulted in an extinguishment gain of $26,650 representing the net carrying amount of the recorded liability in excess of the cash paid to settle the obligation for the remaining 20% of the outstanding shares. This gain is recorded within non-operating other (income) expense, net within the Unaudited Consolidated Statements of Income.

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the three months ended April 2, 2017 are as follows:

	North America	International and Other	Total
Balance at December 31, 2016	$ 792,190	$ 20,154	$ 812,344
Foreign currency translation	1,691	847	2,538
Balance at April 2, 2017	793,881	21,001	814,882

The following table provides the gross carrying amount and accumulated amortization for each major class of intangible asset:

	April 2, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Trademarks	$ 269,119	$ (27,580)	$ 317,023	$ (30,458)
Customer-related	126,219	(28,375)	200,409	(36,482)
Patents	16,520	(14,209)	16,426	(13,700)
Total	411,858	(70,164)	533,858	(80,640)
Intangible assets not subject to amortization:				
Trademarks	40,022		39,519	
Total other intangible assets	$ 381,716		$ 492,737	

As discussed in Note 7, in February 2017, we commenced the Margin for Growth Program which includes an initiative to optimize the manufacturing operations supporting our China business. We deemed this to be a triggering event requiring us to test our China long-lived asset group for impairment by first determining whether the carrying value of the asset group was recovered by our current estimates of future cash flows associated with the asset group. Because this assessment indicated that the carrying value was not recoverable, we calculated an impairment loss as the excess of the asset group's carrying value over its fair value. The resulting impairment loss was allocated to the asset group's long-lived assets. Therefore, as a result of this testing, during the three months ended April 2, 2017 we recorded an impairment charge totaling $105,992 representing the portion of the impairment loss that was allocated to the distributor relationship and trademark intangible assets that had been recognized in connection with the 2014 SGM acquisition.

Total amortization expense for the three months ended April 2, 2017 and April 3, 2016 was $7,151 and $5,180, respectively.

4. SHORT AND LONG-TERM DEBT

Short-term Debt

As a source of short-term financing, we utilize cash on hand and commercial paper or bank loans with an original maturity of three months or less. We maintain a $1.0 billion unsecured revolving credit facility, which currently expires in November 2020. This agreement also includes an option to increase borrowings by an additional $400 million with the consent of the lenders.

The credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. As of April 2, 2017, we were in compliance with all covenants pertaining to the credit agreement, and we had no significant compensating balance agreements that legally restricted these funds. For more information, refer to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. We had short-term foreign bank loans against these lines of credit for $140,065 at April 2, 2017 and $158,805 at December 31, 2016. Commitment fees relating to our revolving credit facility and lines of credit are not material.

At April 2, 2017, we had outstanding commercial paper totaling $347,422, at a weighted average interest rate of 0.8%. At December 31, 2016, we had outstanding commercial paper totaling $473,666, at a weighted average interest rate of 0.6%.

Long-term Debt

Long-term debt consisted of the following:

December 31,	April 2, 2017	December 31, 2016
1.60% Notes due 2018	300,000	300,000
4.125% Notes due 2020	350,000	350,000
8.8% Debentures due 2021	84,715	84,715
2.625% Notes due 2023	250,000	250,000
3.20% Notes due 2025	300,000	300,000
2.30% Notes due 2026	500,000	500,000
7.2% Debentures due 2027	193,639	193,639
3.375% Notes due 2046	300,000	300,000
Lease obligations	83,985	83,619
Net impact of interest rate swaps, debt issuance costs and unamortized debt discounts	(11,240)	(14,275)
Total long-term debt	2,351,099	2,347,698
Less—current portion	158	243
Long-term portion	$ 2,350,941	$ 2,347,455

Interest Expense

Net interest expense consisted of the following:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Interest expense	$ 24,954	$ 23,525
Capitalized interest	(984)	(2,175)
Interest expense	23,970	21,350
Interest income	(229)	(345)
Interest expense, net	$ 23,741	$ 21,005

5. DERIVATIVE INSTRUMENTS

We are exposed to market risks arising principally from changes in foreign currency exchange rates, interest rates and commodity prices. We use certain derivative instruments to manage these risks. These include interest rate swaps to manage interest rate risk, foreign currency forward exchange contracts and options to manage foreign currency exchange rate risk, and commodities futures and options contracts to manage commodity market price risk exposures.

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 entering into exchanged-traded contracts with collateral posting requirements and/or 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.

Commodity Price Risk

We enter into commodities futures and options contracts and other commodity derivative instruments to reduce the effect of future price fluctuations associated with the purchase of raw materials, energy requirements and transportation services. We generally hedge commodity price risks for 3- to 24-month periods. Our open commodity derivative contracts had a notional value of $609,221 as of April 2, 2017 and $739,374 as of December 31, 2016.

Derivatives used to manage commodity price risk are not designated for hedge accounting treatment. Therefore, the changes in fair value of these derivatives are recorded as incurred within cost of sales. As discussed in Note 11, we define our segment income to exclude gains and losses on commodity derivatives until the related inventory is sold, at which time the related gains and losses are reflected within segment income. This enables us to continue to align the derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income.

Foreign Exchange Price Risk

We are exposed to foreign currency exchange rate risk related to our international operations, including non-functional currency intercompany debt and other non-functional currency transactions of certain subsidiaries. Principal currencies hedged include the euro, Canadian dollar, Japanese yen, and Brazilian real. We typically utilize foreign currency forward exchange contracts and options to hedge these exposures for periods ranging from 3 to 12 months. The contracts are either designated as cash flow hedges or are undesignated. The net notional amount of foreign exchange contracts accounted for as cash flow hedges was $111,589 at April 2, 2017 and $68,263 at December 31, 2016. The effective portion of the changes in fair value on these contracts is recorded in other comprehensive income and reclassified into earnings in the same period in which the hedged transactions affect earnings. The net notional amount of foreign exchange contracts that are not designated as accounting hedges was $2,791 at April 2, 2017 and December 31, 2016. The change in fair value on these instruments is recorded directly in cost of sales or selling, marketing and administrative expense, depending on the nature of the underlying exposure.

Interest Rate Risk

We manage our targeted mix of fixed and floating rate debt with debt issuances and by entering into fixed-to-floating interest rate swaps in order to mitigate fluctuations in earnings and cash flows that may result from interest rate volatility. These swaps are designated as fair value hedges, for which the gain or loss on the derivative and the offsetting loss or gain on the hedged item are recognized in current earnings as interest expense (income), net. At April 2, 2017 and December 31, 2016, we had interest rate derivative instruments in fair value hedging relationships with a total notional amount of $350,000.

In order to manage interest rate exposure, in previous years we utilized interest rate swap agreements to protect against unfavorable interest rate changes relating to forecasted debt transactions. These swaps, which were settled upon issuance of the related debt, were designated as cash flow hedges and the gains and losses that were deferred in other comprehensive income are being recognized as an adjustment to interest expense over the same period that the hedged interest payments affect earnings.

Equity Price Risk

We are exposed to market price changes in certain broad market indices related to our deferred compensation obligations to our employees. To mitigate this risk, we use equity swap contracts to hedge the portion of the exposure that is linked to market-level equity returns. These contracts are not designated as hedges for accounting purposes and are entered into for periods of 3 to 12 months. The change in fair value of these derivatives is recorded in selling, marketing and administrative expense, together with the change in the related liabilities. The notional amount of the contracts outstanding at April 2, 2017 and December 31, 2016 was $22,099.

The following table presents the classification of derivative assets and liabilities within the Consolidated Balance Sheets as of April 2, 2017 and December 31, 2016:

December 31,	April 2, 2017		December 31, 2016	
	Assets (1)	Liabilities (1)	Assets (1)	Liabilities (1)
Derivatives designated as cash flow hedging instruments:				
Foreign exchange contracts	$ 1,199	$ 1,271	$ 2,229	$ 809
Derivatives designated as fair value hedging instruments:				
Interest rate swap agreements	4,432	—	1,768	—
Derivatives not designated as hedging instruments:				
Commodities futures and options (2)	562	3,887	2,348	10,000
Deferred compensation derivatives	1,277	—	717	—
Foreign exchange contracts	—	41	—	16
	1,839	3,928	3,065	10,016
Total	$ 7,470	$ 5,199	$ 7,062	$ 10,825

(1) Derivatives assets are classified on our balance sheet within prepaid expenses and other as well as other assets. Derivative liabilities are classified on our balance sheet within accrued liabilities and other long-term liabilities.

(2) As of April 2, 2017, assets and liabilities include the net of assets of $61,140 and liabilities of $60,946 associated with cash transfers receivable or payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. The comparable amounts reflected on a net basis in liabilities at December 31, 2016 were assets of $140,885 and liabilities of $150,872. At April 2, 2017 and December 31, 2016, the remaining amount reflected in assets and liabilities relates to the fair value of other non-exchange traded derivative instruments, respectively.

Income Statement Impact of Derivative Instruments

The effect of derivative instruments on the Consolidated Statements of Income for the three months ended April 2, 2017 and April 3, 2016 was as follows:

	Non-designated Hedges		Cash Flow Hedges			
	Gains (losses) recognized in income (a)		Losses recognized in other comprehensive income ("OCI") (effective portion)		Gains (losses) reclassified from accumulated OCI into income (effective portion) (b)	
	2017	2016	2017	2016	2017	2016
Commodities futures and options	$ (5,536)	$ (38,941)	$ —	$ —	$ (438)	$ 9,730
Foreign exchange contracts	(95)	(204)	(1,499)	(4,116)	(172)	(261)
Interest rate swap agreements	—	—	—	(29,793)	(2,423)	(1,560)
Deferred compensation derivatives	1,277	403	—	—	—	—
Total	$ (4,354)	$ (38,742)	$ (1,499)	$ (33,909)	$ (3,033)	$ 7,909

(a) Gains (losses) recognized in income for non-designated commodities futures and options contracts were included in cost of sales. Gains (losses) recognized in income for non-designated foreign currency forward exchange contracts and deferred compensation derivatives were included in selling, marketing and administrative expenses.

(b) Gains (losses) reclassified from AOCI into income were included in cost of sales for commodities futures and options contracts and for foreign currency forward exchange contracts designated as hedges of purchases of inventory or other productive assets. Other gains (losses) for foreign currency forward exchange contracts were included in selling, marketing and administrative expenses. Losses reclassified from AOCI into income for interest rate swap agreements were included in interest expense.

The amount of pretax net losses on derivative instruments, including interest rate swap agreements, foreign currency forward exchange contracts and options, commodities futures and options contracts, and other commodity derivative instruments expected to be reclassified from AOCI into earnings in the next 12 months was approximately $9,730 as of April 2, 2017. This amount is primarily associated with deferred losses relating to interest rate swap agreements.

Fair Value Hedges

For the three months ended April 2, 2017 and April 3, 2016, we recognized a net pretax benefit to interest expense of $898 and $1,317 relating to our fixed-to-floating interest swap arrangements.

6. FAIR VALUE MEASUREMENTS

Accounting guidance on fair value measurements requires that financial assets and liabilities be classified and disclosed in one of the following categories of the fair value hierarchy:

Level 1 – Based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Based on observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Based on unobservable inputs that reflect the entity's own assumptions about the assumptions that a market participant would use in pricing the asset or liability.

We did not have any level 3 financial assets or liabilities, nor were there any transfers between levels during the periods presented.

The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheets on a recurring basis as of April 2, 2017 and December 31, 2016:

	Assets (Liabilities)			
	Level 1	Level 2	Level 3	Total
April 2, 2017:				
Derivative Instruments:				
Assets:				
Foreign exchange contracts (1)	$ —	$ 1,199	$ —	$ 1,199
Interest rate swap agreements (2)	—	4,432	—	4,432
Deferred compensation derivatives (3)	—	1,277	—	1,277
Commodities futures and options (4)	562	—	—	562
Liabilities:				
Foreign exchange contracts (1)	—	1,312	—	1,312
Commodities futures and options (4)	3,887	—	—	3,887
December 31, 2016:				
Assets:				
Foreign exchange contracts (1)	$ —	$ 2,229	$ —	$ 2,229
Interest rate swap agreements (2)	—	1,768	—	1,768
Deferred compensation derivatives (3)	—	717	—	717
Commodities futures and options (4)	2,348	—	—	2,348
Liabilities:				
Foreign exchange contracts (1)	—	825	—	825
Commodities futures and options (4)	10,000	—	—	10,000

(1) The fair value of foreign currency forward exchange contracts is the difference between the contract and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign currency forward exchange contracts on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences.

(2) The fair value of interest rate swap agreements represents the difference in the present value 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.

(3) The fair value of deferred compensation derivatives is based on quoted prices for market interest rates and a broad market equity index.

(4) The fair value of commodities futures and options contracts is based on quoted market prices.

Other Financial Instruments

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and short-term debt approximated fair values as of April 2, 2017 and April 3, 2016 because of the relatively short maturity of these instruments.

The estimated fair value of our long-term debt is based on quoted market prices for similar debt issues and is, therefore, classified as Level 2 within the valuation hierarchy. The fair values and carrying values of long-term debt, including the current portion, were as follows:

	Fair Value		Carrying Value	
	April 2, 2017	December 31, 2016	April 2, 2017	December 31, 2016
Current portion of long-term debt	$ 158	$ 243	$ 158	$ 243
Long-term debt	2,385,100	2,379,054	2,350,941	2,347,455
Total	2,385,258	$ 2,379,297	2,351,099	$ 2,347,698

Other Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, GAAP requires that, under certain circumstances, we also record assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. During the three months ended April 2, 2017, as discussed in Note 7, we recorded impairment charges totaling $105,992 to write-down distributor relationship and trademark intangible assets that had been recognized in connection with the 2014 SGM acquisition and wrote-down property, plant and equipment by $102,720. These charges were determined by comparing the fair value of the assets to their carrying value. The fair value of the assets were derived using a combination of an estimated market liquidation approach and discounted cash flow analyses based on Level 3 inputs.

7. BUSINESS REALIGNMENT ACTIVITIES

We are currently pursuing several business realignment activities designed to increase our efficiency and focus our business behind our key growth strategies. Costs recorded during the three months ended April 2, 2017 and April 3, 2016 related to these activities are as follows:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Margin for Growth Program:		
Severance	$ 29,567	$ —
Other program costs	4,822	—
Operational Optimization Program:		
Severance	13,828	7,427
Other program costs	(1,229)	5,545
2015 Productivity Initiative:		
Severance	—	(1,294)
Other program costs	—	2,752
Total business realignment costs	$ 46,988	$ 14,430

The costs and related benefits to be derived from the Margin for Growth Program relate approximately 20% to the North America segment and 80% to the International and Other segment. The costs and related benefits to be derived from the Operational Optimization Program primarily relate to the North America segment in 2017 and to the International and Other segment in 2016. The costs and related benefits to be derived from the 2015 Productivity Initiative relate primarily to the North American segment. However, segment operating results do not include these business realignment expenses because we evaluate segment performance excluding such costs.

<u>Margin for Growth Program</u>

In February 2017, the Company's Board of Directors unanimously approved several initiatives under a single program designed to drive continued net sales, operating income and earnings per-share diluted growth over the next several years. This program will focus on improving global efficiency and effectiveness, optimizing the Company’s supply

chain, streamlining the Company’s operating model and reducing administrative expenses to generate long-term savings.

The Company estimates that the “Margin for Growth” program will result in total pre-tax charges of $375,000 to $425,000 over the next three years. This estimate includes plant and office closure expenses of $100,000 to $115,000, net intangible asset impairment charges of $100,000 to $110,000, employee separation costs of $80,000 to $100,000, contract termination costs of approximately $25,000, and other business realignment costs of $70,000 to $75,000. The cash portion of the total charge is estimated to be $175,000 to $200,000. At the conclusion of the program in 2019, ongoing annual savings are expected to be approximately $150,000 to $175,000. The Company expects that implementation of the program will reduce its global workforce by approximately 15%, with a majority of the reductions coming from hourly headcount positions outside of the United States.

The program includes an initiative to optimize the manufacturing operations supporting our China business. We deemed this to be a triggering event requiring us to test our China long-lived asset group for impairment by first determining whether the carrying value of the asset group was recovered by our current estimates of future cash flows associated with the asset group. Because this assessment indicated that the carrying value was not recoverable, we calculated an impairment loss as the excess of the asset group's carrying value over its fair value. The resulting impairment loss was allocated to the asset group's long-lived assets. Therefore, as a result of this testing, during the three months ended April 2, 2017 we recorded impairment charges totaling $208,712, with $105,992 representing the portion of the impairment loss that was allocated to the distributor relationship and trademark intangible assets that had been recognized in connection with the 2014 SGM acquisition and $102,720 representing the portion of the impairment loss that was allocated to property, plant and equipment. These impairment charges are recorded within the long-lived asset impairment charges caption within the Consolidated Statements of Operations.

During the three months ended April 2, 2017, we also recognized estimated employee severance and related charges totaling $29,567, relating largely to our initiative to improve the cost structure of our China business, as well as our initiative to further streamline our corporate operating model.

2016 Operational Optimization Program

In the second quarter of 2016, we commenced a program (the “Operational Optimization Program”) to optimize our production and supply chain network, which includes select facility consolidations. The program encompasses the continued transition of our China chocolate and SGM operations into a united *Golden Hershey* platform, including the integration of the China sales force, as well as workforce planning efforts and the consolidation of production within certain facilities in China and North America.

During the three months ended April 2, 2017, we recognized costs of $12,599 primarily related to employee severance associated with the workforce planning efforts within North America. We currently expect to incur additional cash costs of approximately $8,000 over the next two years to complete this program.

During the three months ended April 2, 2017, we reclassified property, plant and equipment and land use rights with a total book value of $20,303 to prepaid and other current assets within the Consolidated Balance Sheets. These represent select China facilities that were taken out of operation in connection with this program and are currently being marketed for sale.

2015 Productivity Initiative

In mid-2015, we initiated a productivity initiative (the “2015 Productivity Initiative”) intended to move decision making closer to the customer and the consumer, to enable a more enterprise-wide approach to innovation, to more swiftly advance our knowledge agenda, and to provide for a more efficient cost structure, while ensuring that we effectively allocate resources to future growth areas. Overall, the 2015 Productivity Initiative was undertaken to simplify the organizational structure to enhance the Company's ability to rapidly anticipate and respond to the changing demands of the global consumer.

The 2015 Productivity Initiative was executed throughout the third and fourth quarters of 2015, resulting in a net reduction of approximately 300 positions, with the majority of the departures taking place by the end of 2015. The 2015 Productivity Initiative was completed during the third quarter 2016. We incurred total costs of $125,031 relating

to this program, including pension settlement charges of $13,669 recorded in 2016 and $10,178 recorded in 2015 relating to lump sum withdrawals by employees retiring or leaving the Company as a result of this program.

Costs associated with business realignment activities are classified in our Consolidated Statements of Income for the three months ended April 2, 2017 and April 3, 2016 as follows:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Cost of sales	$ 490	$ (487)
Selling, marketing and administrative expense	2,481	8,784
Business realignment costs	44,017	6,133
Costs associated with business realignment activities	$ 46,988	$ 14,430

The following table presents the liability activity for employee-related costs qualifying as exit and disposal costs:

	Total
Liability balance at December 31, 2016	$ 3,725
2017 business realignment charges (1)	45,913
Cash payments	(3,287)
Other, net	(288)
Liability balance at April 2, 2017 (reported within accrued and other long-term liabilities)	$ 46,063

(1) The costs reflected in the liability roll-forward above do not include items charged directly to expense, such as accelerated depreciation and amortization and certain of the third-party charges associated with various programs, as those items are not reflected in the business realignment liability in our Consolidated Balance Sheets.

8. INCOME TAXES

The majority of our taxable income is generated in the U.S. and taxed at the U.S. statutory rate of 35%. The effective tax rates for the three months ended April 2, 2017 and April 3, 2016 were 41.6% and 32.3%, respectively. Relative to the statutory rate, the 2017 effective tax rate was impacted by non-benefited costs resulting from the Margin for Growth Program, partially offset by a favorable foreign rate differential relating to our cocoa procurement operations. The 2016 effective rate benefited from the impact of non-taxable income related to the settlement of the SGM liability.

Hershey and its subsidiaries file tax returns in the U.S., including various state and local returns, and in foreign jurisdictions. We believe adequate provision has been made for all income tax uncertainties. We are routinely audited by taxing authorities in our filing jurisdictions, and a number of these audits are currently underway. We reasonably expect reductions in the liability for unrecognized tax benefits of approximately $3,910 within the next 12 months because of the expiration of statutes of limitations and settlements of tax audits.

9. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The components of net periodic benefit cost for the three months ended April 2, 2017 were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	April 2, 2017	April 3, 2016	April 2, 2017	April 3, 2016
Service cost	$ 5,174	$ 5,884	$ 65	$ 74
Interest cost	10,299	10,835	2,208	2,436
Expected return on plan assets	(14,354)	(14,541)	—	—
Amortization of prior service (credit) cost	(1,456)	(262)	187	144
Amortization of net loss (gain)	8,422	8,807	—	(12)
Total net periodic benefit cost	$ 8,085	$ 10,723	$ 2,460	$ 2,642

We made contributions of $4,692 and $6,884 to the pension plans and other benefits plans, respectively, during the first quarter of 2017. In the first quarter of 2016, we made contributions of $1,175 and $7,664 to our pension plans and other benefits plans, respectively. The contributions in 2017 and 2016 also included benefit payments from our non-qualified pension plans and post-retirement benefit plans.

For 2017, there are no significant minimum funding requirements for our domestic pension plans and planned voluntary funding of our non-domestic pension plans in 2017 is not material.

10. STOCK COMPENSATION PLANS

We have various stock-based compensation programs under which awards, including stock options, performance stock units ("PSUs") and performance stock, stock appreciation rights, restricted stock units ("RSUs") and restricted stock may be granted to employees, non-employee directors and certain service providers upon whom the successful conduct of our business is dependent. These programs and the accounting treatment related thereto are described in Note 10 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K.

For the periods presented, compensation expense for all types of stock-based compensation programs and the related income tax benefit recognized were as follows:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Pre-tax compensation expense	$ 12,122	$ 11,678
Related income tax benefit	3,818	4,087

Compensation costs for stock compensation plans are primarily included in selling, marketing and administrative expense. As of April 2, 2017, total stock-based compensation cost related to non-vested awards not yet recognized was $95,521 and the weighted-average period over which this amount is expected to be recognized was approximately 2.4 years.

Stock Options

A summary of activity relating to grants of stock options for the period ended April 2, 2017 is as follows:

Stock Options	Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2016	6,192,008	$ 82.67	6.2 years	
Granted	1,047,725	$ 108.06		
Exercised	(367,721)	$ 66.68		
Forfeited	(112,089)	$ 106.25		
Outstanding as of April 2, 2017	6,759,923	$ 87.09	6.4 years	$ 145,967
Options exercisable as of April 2, 2017	4,383,186	$ 79.45	5.0 years	$ 128,066

The weighted-average fair value of options granted was $15.78 and $11.42 per share for the periods ended April 2, 2017 and April 3, 2016, respectively. The fair value was estimated on the date of grant using a Black-Scholes option-pricing model and the following weighted-average assumptions:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Dividend yields	2.4%	2.4%
Expected volatility	17.2%	16.8%
Risk-free interest rates	2.2%	1.5%
Expected term in years	6.8	6.8

The total intrinsic value of options exercised was $15,181 and $20,348 for the periods ended April 2, 2017 and April 3, 2016, respectively.

Performance Stock Units and Restricted Stock Units

A summary of activity relating to grants of PSUs and RSUs for the period ended April 2, 2017 is as follows:

Performance Stock Units and Restricted Stock Units	Number of units	Weighted-average grant date fair value for equity awards (per unit)
Outstanding as of December 31, 2016	828,228	$102.66
Granted	351,793	$111.28
Performance assumption change	59,846	$95.80
Vested	(175,088)	$115.05
Forfeited	(92,905)	$109.85
Outstanding as of April 2, 2017	971,874	$101.84

The table above includes 6,410 units of PSUs awarded in a prior period for which the measurement (grant) date has occurred for accounting purposes in 2017.

The following table sets forth information about the fair value of the PSUs and RSUs granted for potential future distribution to employees and non-employee directors. In addition, the table provides assumptions used to determine the fair value of the market-based total shareholder return component using the Monte Carlo simulation model on the date of grant.

	Three Months Ended	
	April 2, 2017	April 3, 2016
Units granted	351,793	483,678
Weighted-average fair value at date of grant	$ 111.28	$ 92.88
Monte Carlo simulation assumptions:		
Estimated values	$ 46.85	$ 38.02
Dividend yields	2.3%	2.5%
Expected volatility	20.4%	17.0%

The fair value of shares vested totaled $18,883 and $16,181 for the periods ended April 2, 2017 and April 3, 2016, respectively.

Deferred PSUs, deferred RSUs and deferred stock units representing directors' fees totaled 461,338 units as of April 2, 2017. Each unit is equivalent to one share of the Company's Common Stock.

11. SEGMENT INFORMATION

Our organizational structure is designed to ensure continued focus on North America, coupled with an emphasis on profitable growth in our focus international markets. Our business is organized around geographic regions, which enables us to build processes for repeatable success in our global markets. As a result, we have defined our operating segments on a geographic basis, as this aligns with how our Chief Operating Decision Maker ("CODM") manages our business, including resource allocation and performance assessment. Our North America business, which generates approximately 89% of our consolidated revenue, is our only reportable segment. None of our other operating segments meet the quantitative thresholds to qualify as reportable segments; therefore, these operating segments are combined and disclosed below as International and Other.

- ***North America -*** This segment is responsible for our traditional chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines.
- ***International and Other -*** International and Other is a combination of all other operating segments that are not individually material, including those geographic regions where we operate outside of North America. We currently have operations and manufacture product in China, Mexico, Brazil, India and Malaysia, primarily for consumers in these regions, and also distribute and sell confectionery products in export markets of Asia, Latin America, Middle East, Europe, Africa and other regions. This segment also includes our global retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania, New York City, Las Vegas, Shanghai, Niagara Falls (Ontario), Dubai, and Singapore, as well as operations associated with licensing the use of certain of the Company's trademarks and products to third parties around the world.

For segment reporting purposes, we use "segment income" to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, unallocated mark-to-market gains and losses on commodity derivatives, business realignment and impairment charges, acquisition integration costs, the non-service related portion of pension expense and other unusual gains or losses that are not part of our measurement of segment performance. These components of our operating income are managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the CODM as well the measure of segment performance used for incentive compensation purposes.

Accounting policies associated with our operating segments are generally the same as those described in Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K.

As discussed in Note 5, derivatives used to manage commodity price risk are not designated for hedge accounting treatment. These derivatives are recognized at fair market value with the resulting realized and unrealized losses recognized in unallocated derivative (gains) losses outside of the reporting segment results until the related inventory is sold, at which time the related gains and losses are reallocated to segment income. This enables us to align the

derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income.

Certain manufacturing, warehousing, distribution and other activities supporting our global operations are integrated to maximize efficiency and productivity. As a result, assets and capital expenditures are not managed on a segment basis and are not included in the information reported to the CODM for the purpose of evaluating performance or allocating resources. We disclose depreciation and amortization that is generated by segment-specific assets, since these amounts are included within the measure of segment income reported to the CODM.

Our segment net sales and earnings were as follows:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Net sales:		
North America	$ 1,677,146	$ 1,633,471
International and Other	202,532	195,341
Total	$ 1,879,678	$ 1,828,812
Segment income (loss):		
North America	$ 553,138	$ 529,390
International and Other	1,723	(13,233)
Total segment income	554,861	516,157
Unallocated corporate expense (1)	119,650	122,171
Unallocated mark-to-market (gains) losses on commodity derivatives	(17,088)	34,946
Long-lived asset impairment charges	208,712	—
Costs associated with business realignment activities	46,988	14,430
Non-service related pension expense	4,368	5,101
Acquisition and integration costs	300	—
Operating profit	191,931	339,509
Interest expense, net	23,741	21,005
Other (income) expense, net	(171)	(21,225)
Income before income taxes	$ 168,361	$ 339,729

(1) Includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance, and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense, and (d) other gains or losses that are not integral to segment performance.

Activity within the unallocated mark-to-market (gains) losses on commodity derivatives is as follows:

	Three Months Ended	
	April 2, 2017	**April 3, 2016**
Net losses on mark-to-market valuation of unallocated commodity derivative positions	$ 5,536	$ 38,941
Net losses on commodity derivative positions allocated to segment income	22,624	3,995
Net (gains) losses on mark-to-market valuation of commodity derivative positions remaining in unallocated derivative (gains) losses	$ (17,088)	$ 34,946

As of April 2, 2017, the cumulative amount of mark-to-market losses on commodity derivatives that had been recognized in our consolidated cost of sales and not yet allocated to reportable segments was $145,937. Based on our forecasts of the timing of the recognition of the underlying hedged items, we expect to reclassify net pre-tax losses on commodity derivatives of $88,675 to segment operating results in the next twelve months.

Depreciation and amortization expense included within segment income presented above is as follows:

	Three Months Ended	
	April 2, 2017	**April 3, 2016**
North America	$ 41,237	$ 38,942
International and Other	12,966	10,923
Corporate	10,749	10,048
Total	$ 64,952	$ 59,913

12. TREASURY STOCK ACTIVITY

A summary of our treasury stock activity is as follows:

	Three Months Ended April 2, 2017	
	Shares	**Dollars**
		In thousands
Shares issued for stock options and incentive compensation	491,255	$ 20,441

There were no purchases of our Common Stock during the three months ended April 2, 2017.

In January 2016, our Board of Directors approved a $500,000 authorization to repurchase shares of our Common Stock. As of April 2, 2017, $100,000 remained available for repurchases of our Common Stock under this program. We are authorized to purchase our outstanding shares in open market and privately negotiated transactions. The program has no expiration date and acquired shares of Common Stock will be held as treasury shares. Purchases under approved share repurchase authorizations are in addition to our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

13. NONCONTROLLING INTEREST

We currently own a 50% controlling interest in Lotte Shanghai Foods Co., Ltd. ("LSFC"), a joint venture established in 2007 in China for the purpose of manufacturing and selling product to the venture partners.

A roll-forward showing the 2017 activity relating to the noncontrolling interest follows:

	Noncontrolling Interests
Balance, December 31, 2016	$ 41,831
Net loss attributable to noncontrolling interests	(26,796)
Other comprehensive income - foreign currency translation adjustments	340
Balance, April 2, 2017	$ 15,375

The 2017 net loss attributable to the noncontrolling interest reflects the 50% allocation of LSFC-related business realignment and impairment costs (see Note 7). For the three months ended April 3, 2016, the net loss attributable to noncontrolling interests totaled $475, which was presented within selling, marketing and administrative expense in the Consolidated Statements of Income since the amount not considered significant.

14. CONTINGENCIES

We are subject to various pending or threatened legal proceedings and claims that arise in the ordinary course of our business. While it is not feasible to predict or determine the outcome of such proceedings and claims with certainty, in our opinion these matters, both individually and in the aggregate, are not expected to have a material effect on our financial condition, results of operations or cash flows.

15. EARNINGS PER SHARE

We compute basic earnings per share for Common Stock and Class B common stock using the two-class method. The Class B common stock is convertible into Common Stock on a share-for-share basis at any time. With respect to dividend rights, the Common Stock holders are entitled to cash dividends 10% higher than those declared and paid on the Class B common stock. The computation of diluted earnings per share for Common Stock assumes the conversion of Class B common stock using the if-converted method, while the diluted earnings per share of Class B common stock does not assume the conversion of those shares.

We compute basic and diluted earnings per share based on the weighted-average number of shares of Common Stock and Class B common stock outstanding as follows:

	Three Months Ended			
	April 2, 2017		April 3, 2016	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
Basic earnings per share:				
Numerator:				
Allocation of distributed earnings (cash dividends paid)	$ 93,949	$ 34,068	$ 90,238	$ 32,129
Allocation of undistributed (losses) earnings	(2,183)	(790)	79,376	28,089
Total earnings—basic	$ 91,766	$ 33,278	$ 169,614	$ 60,218
Denominator (shares in thousands):				
Total weighted-average shares—basic	152,313	60,620	155,675	60,620
Earnings Per Share—basic	$ 0.60	$ 0.55	$ 1.09	$ 0.99
Diluted earnings per share:				
Numerator:				
Allocation of total earnings used in basic computation	$ 91,766	$ 33,278	$ 169,614	$ 60,218
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	33,278	—	60,218	—
Reallocation of undistributed earnings	—	(25)	—	(158)
Total earnings—diluted	$ 125,044	$ 33,253	$ 229,832	$ 60,060
Denominator (shares in thousands):				
Number of shares used in basic computation	152,313	60,620	155,675	60,620
Weighted-average effect of dilutive securities:				
Conversion of Class B common stock to Common shares outstanding	60,620	—	60,620	—
Employee stock options	1,265	—	1,005	—
Performance and restricted stock options	324	—	187	—
Total weighted-average shares—diluted	214,522	60,620	217,487	60,620
Earnings Per Share—diluted	$ 0.58	$ 0.55	$ 1.06	$ 0.99

The earnings per share calculations for the three months ended April 2, 2017 and April 3, 2016 excluded 2,067 and 3,680, respectively, of stock options (in thousands) that would have been antidilutive.

16. OTHER (INCOME) EXPENSE, NET

Other (income) expense, net reports certain gains and losses associated with activities not directly related to our core operations. A summary of the components of other (income) expense, net is as follows:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Write-down of equity investments in partnerships qualifying for tax credits	$ —	$ 5,593
Settlement of SGM liability (see Note 2)	—	(26,650)
Other (income) expense, net	(171)	(168)
Total	$ (171)	$ (21,225)

17. SUPPLEMENTAL BALANCE SHEET INFORMATION

The components of certain Consolidated Balance Sheet accounts are as follows:

	April 2, 2017	December 31, 2016
Inventories:		
Raw materials	$ 299,484	$ 315,239
Goods in process	115,315	88,490
Finished goods	562,440	528,587
Inventories at FIFO	977,239	932,316
Adjustment to LIFO	(181,835)	(186,638)
Total inventories	$ 795,404	$ 745,678
Property, plant and equipment:		
Land	$ 104,400	$ 103,865
Buildings	1,180,501	1,238,634
Machinery and equipment	2,948,697	3,001,552
Construction in progress	206,391	230,987
Property, plant and equipment, gross	4,439,989	4,575,038
Accumulated depreciation	(2,389,550)	(2,397,790)
Property, plant and equipment, net	$ 2,050,439	$ 2,177,248
Other assets:		
Capitalized software, net	$ 95,737	$ 95,301
Income tax receivable	1,458	1,449
Other non-current assets	66,466	71,615
Total other assets	$ 163,661	$ 168,365
Accrued liabilities:		
Payroll, compensation and benefits	$ 176,704	$ 240,080
Advertising and promotion	320,999	358,573
Other	149,176	152,333
Total accrued liabilities	$ 646,879	$ 750,986
Other long-term liabilities:		
Post-retirement benefits liabilities	$ 218,517	$ 220,270
Pension benefits liabilities	61,346	65,687
Other	119,712	114,204
Total other long-term liabilities	$ 399,575	$ 400,161
Accumulated other comprehensive loss:		
Foreign currency translation adjustments	$ (97,002)	$ (110,613)
Pension and post-retirement benefit plans, net of tax	(202,849)	(207,169)
Cash flow hedges, net of tax	(57,559)	(58,106)
Total accumulated other comprehensive loss	$ (357,410)	$ (375,888)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management's Discussion and Analysis ("MD&A") is intended to provide an understanding of Hershey's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A should be read in conjunction with our Consolidated Financial Statements and accompanying notes. This discussion 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 the Risk Factors and other information contained in our 2016 Annual Report on Form 10-K for information concerning the key risks to achieving future performance goals.

The MD&A is organized in the following sections:

- Overview and Outlook
- Non-GAAP Information
- Consolidated Results of Operations
- Segment Results
- Liquidity and Capital Resources

The Overview and Outlook presented below is an executive-level summary highlighting the key trends and measures on which the Company's management focuses in evaluating its financial condition and operating performance. Certain earnings and performance measures within the Overview and Outlook include financial information determined on a non-GAAP basis, which aligns with how management internally evaluates the Company's results of operations, determines incentive compensation, and assesses the impact of known trends and uncertainties on the business. A detailed reconciliation of the non-GAAP financial measures referenced herein to their nearest comparable GAAP financial measures follows this summary. For a detailed analysis of the Company's operations prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), referred to as "reported" herein, refer to the discussion and analysis in the Consolidated Results of Operations.

OVERVIEW AND OUTLOOK

Our first quarter 2017 net sales totaled $1,879.7 million, an increase of 2.8%, versus $1,828.8 million in 2016. Excluding a 0.1% impact from favorable foreign exchange rates, our net sales increased 2.7%. The increase was primarily driven by favorable net price realization as trade promotional spending and returns, discounts and allowances in both our North America and International and Other segments were less than the prior year. Solid U.S. seasonal volume performance was largely offset by lower non-seasonal volumes. Revenue generated by *barkTHINS* brand, acquired in 2016, also benefited the quarter's performance.

Our reported gross margin was 48.2% in the first quarter of 2017, an increase of 350 basis points compared to the first quarter of 2016. Our non-GAAP gross margin increased 70 basis points in the first quarter of 2017, primarily due to lower levels of trade promotional spending, supply chain productivity and cost savings initiatives and lower commodity input costs, offset in part by increases in other supply chain costs.

In February 2017, the Company's Board of Directors unanimously approved several initiatives under a single program designed to drive continued net sales, operating income and earnings per-share diluted growth over the next several years. This program will focus on improving global efficiency and effectiveness, optimizing the Company's supply chain, streamlining the Company's operating model and reducing administrative expenses to generate long-term savings.

The Company estimates that this "Margin for Growth" program will result in total pre-tax charges of $375 million to $425 million over the next three years. This estimate includes plant and office closure expenses of $100 million to $115 million, net intangible asset impairment charges of $100 million to $110 million, employee separation costs of $80 million to $100 million, contract termination costs of approximately $25 million, and other business realignment costs of $70 million to $75 million. The cash portion of the total charge is estimated to be $175 million to $200 million. At the conclusion of the program in 2019, ongoing annual savings are expected to be approximately $150 million to $175 million. The Company expects that implementation of the program will reduce its global workforce by

approximately 15%, with a majority of the reductions coming from hourly headcount positions outside of the United States.

Our first quarter 2017 reported net income and earnings per share-diluted (EPS) totaled $125.0 million and $0.58, respectively, compared to the first quarter 2016 reported net income and EPS-diluted of $229.8 million and $1.06, respectively. From a non-GAAP perspective, first quarter 2017 adjusted net income was $282.1 million, an increase of 18.1% versus $238.9 million in 2016, primarily driven by the improvement in our non-GAAP gross margin, as well as a lower non-GAAP effective tax rate, due mainly to a favorable foreign tax rate differential. Our adjusted EPS-diluted for the first quarter of 2017 was $1.31 compared to $1.10 for the same period of 2016, with this 19.1% increase attributable to the same factors driving the increase in non-GAAP net income.

Over the remainder of the year, we remain focused on driving growth in our North America core brands and achieving trial and repeat targets related to the launch of of *Hershey's Cookie Layer Crunch*, *Reese's* and *Hershey's Crunchers* and *Reese's* Crunchy Cookie Cups. We anticipate that our innovation, as well as our consumer marketing plans, will enable us to build on our first quarter 2017 momentum.

We currently estimate that full-year 2017 net sales growth will be towards the low end of our 2% to 3% outlook, due primarily to trends within the non-seasonal U.S. CMG category and continued macroeconomic challenges in China. This outlook includes a 0.5% net benefit from acquisitions. The impact of foreign currency exchange rates is expected to be minimal. We currently expect full-year 2017 reported EPS-diluted to be in the $3.31 to $3.55 range. From a non-GAAP perspective, we expect 2017 adjusted EPS-diluted to be towards the high end of our outlook of $4.72 to $4.81, an increase of 7% to 9%, primarily due to gross margin expansion from strong productivity and cost savings initiatives, as well as a lower effective tax rate driven by a favorable foreign rate differential and benefit from tax credits. A reconciliation of reported to adjusted projections for 2017 are reflected in the non-GAAP reconciliations that follow.

NON-GAAP INFORMATION

The comparability of certain of our financial measures is impacted by unallocated mark-to-market (gains) losses on commodity derivatives, costs associated with business realignment activities, costs relating to the integration of acquisitions, non-service related components of our pension expense ("NSRPE"), impairment of long-lived assets, and settlement of the SGM liability in conjunction with the purchase of the remaining 20% of the outstanding shares of SGM.

To provide additional information to investors to facilitate the comparison of past and present performance, we use non-GAAP financial measures within MD&A that exclude the financial impact of these activities. These non-GAAP financial measures are used internally by management in evaluating results of operations and determining incentive compensation, and in assessing the impact of known trends and uncertainties on our business, but they are not intended to replace the presentation of financial results in accordance with GAAP. A reconciliation of the non-GAAP financial measures referenced in MD&A to their nearest comparable GAAP financial measures as presented in the Consolidated Statements of Income is provided below.

Reconciliation of Certain Non-GAAP Financial Measures

Consolidated results	**Three Months Ended**	
In thousands except per share data	**April 2, 2017**	**April 3, 2016**
Reported gross profit	$ 906,560	$ 817,376
Derivative mark-to-market (gains) losses	(17,088)	34,946
Business realignment activities	490	(487)
NSRPE	2,860	3,241
Non-GAAP gross profit	$ 892,822	$ 855,076
Reported operating profit	$ 191,931	$ 339,509
Derivative mark-to-market (gains) losses	(17,088)	34,946
Business realignment activities	46,988	14,430
Acquisition integration costs	300	—
NSRPE	4,368	5,101
Long-lived asset impairment charges	208,712	—
Non-GAAP operating profit	$ 435,211	$ 393,986
Reported provision for income taxes	$ 70,113	$ 109,897
Derivative mark-to-market (gains) losses*	1,199	13,245
Business realignment activities*	11,417	3,538
Acquisition integration costs*	114	—
NSRPE*	1,664	1,953
Long-lived asset impairment charges*	45,201	—
Non-GAAP provision for income taxes	$ 129,708	$ 128,633
Reported net income	$ 125,044	$ 229,832
Derivative mark-to-market (gains) losses	(18,287)	21,701
Business realignment activities	35,571	10,860
Acquisition integration costs	186	—
NSRPE	2,704	3,148
Long-lived asset impairment charges	163,511	—
Noncontrolling interest share of business realignment and impairment charges	(26,666)	—
Settlement of SGM liability	—	(26,650)
Non-GAAP net income	$ 282,063	$ 238,891
Reported EPS - Diluted	$ 0.58	$ 1.06
Derivative mark-to-market (gains) losses	(0.09)	0.10
Business realignment activities	0.17	0.05
NSRPE	0.01	0.01
Long-lived asset impairment charges	0.76	—
Noncontrolling interest share of business realignment and impairment charges	(0.12)	—
Settlement of SGM liability	—	(0.12)
Non-GAAP EPS - Diluted	$ 1.31	$ 1.10

* The tax effect for each adjustment is determined by calculating the tax impact of the adjustment on the Company's quarterly effective tax rate.

In the assessment of our results, we review and discuss the following financial metrics that are derived from the reported and non-GAAP financial measures presented above:

	Three Months Ended	
	April 2, 2017	April 3, 2016
As reported gross margin	48.2%	44.7%
Non-GAAP gross margin (1)	47.5%	46.8%
As reported operating profit margin	10.2%	18.6%
Non-GAAP operating profit margin (2)	23.2%	21.5%
As reported effective tax rate	41.6%	32.3%
Non-GAAP effective tax rate (3)	31.5%	35.0%

(1) Calculated as non-GAAP gross profit as a percentage of net sales for each period presented.
(2) Calculated as non-GAAP operating profit as a percentage of net sales for each period presented.
(3) Calculated as non-GAAP provision for income taxes as a percentage of non-GAAP income before taxes (calculated as non-GAAP operating profit minus non-GAAP interest expense, net plus or minus non-GAAP other (income) expense, net).

Details of the activities impacting comparability that are presented as reconciling items to derive the non-GAAP financial measures in the tables above are as follows:

Mark-to-market (gains) losses on commodity derivatives
Commensurate with our discontinuance of hedge accounting treatment for commodity derivatives, we are adjusting the mark-to-market (gains) losses on such commodity derivatives, until such time as the related inventory is sold. Since we often purchase commodity contracts to price inventory requirements in future years, we make this adjustment to facilitate the year-over-year comparison of cost of sales on a basis that matches the derivative gains and losses with the underlying economic exposure being hedged for the period. For the three months ended April 2, 2017 and April 3, 2016, unallocated mark-to-market adjustment on commodity derivatives totaled pre-tax gains of $17.1 million and losses of $34.9 million, respectively.

Business realignment activities
We periodically undertake restructuring and cost reduction activities as part of ongoing efforts to enhance long-term profitability. For the three months ended April 2, 2017 and April 3, 2016, we incurred $47.0 million and $14.4 million, respectively, of pre-tax costs related to business realignment activities. See Note 7 to the Consolidated Financial Statements for more information.

Acquisition integration costs
Costs incurred during the three months ended April 2, 2017 relate to the integration of the 2016 acquisition of Ripple Brand Collective, LLC as we incorporate this business into our operating practices and information systems.

Non-service related pension expense
NSRPE includes interest costs, the expected return on pension plan assets, the amortization of actuarial gains and losses, and certain curtailment and settlement losses or credits. NSRPE can fluctuate from year to year as a result of changes in market interest rates and market returns on pension plan assets. We believe that the service cost component of our total pension benefit costs closely reflects the operating costs of our business and provides for a better comparison of our operating results from year to year. Therefore, we exclude NSRPE from our internal performance measures. Our most significant defined benefit pension plans have been closed to new participants for a number of years, resulting in ongoing service costs that are stable and predictable. We recorded pre-tax NSRPE of $4.4 million and $5.1 million, respectively, for the three months ended April 2, 2017 and April 3, 2016, respectively.

Long-lived asset impairment charges
For the three months ended April 2, 2017, we incurred $208.7 million of pre-tax long-lived asset impairment charges related to certain business realignment activities. This includes a write-down of certain intangible assets that had been recognized in connection with the 2014 SGM acquisition and write-down of property, plant and equipment. See Note 7 to the Consolidated Financial Statements for more information.

Noncontrolling interest share of business realignment and impairment charges
Certain of the business realignment and impairment charges recorded in connection with the Margin for Growth Program related to Lotte Shanghai Foods Co., Ltd., a joint venture in which we own a 50% controlling interest. Therefore, we have also adjusted for the portion of these charges included within the loss attributed to the non-controlling interest.

Settlement of SGM liability
In the fourth quarter of 2015, we reached an agreement with the SGM selling shareholders to reduce the originally-agreed purchase price for the remaining 20% of SGM, and we completed the purchase on February 3, 2016. In the first quarter of 2016, we recorded a $26.7 million gain relating to the settlement of the SGM liability, representing the net carrying amount of the recorded liability in excess of the cash paid to settle the obligation for the remaining 20% of the outstanding shares.

Constant Currency Net Sales Growth

We present certain percentage changes in net sales on a constant currency basis, which excludes the impact of foreign currency exchange. This measure is used internally by management in evaluating results of operations and determining incentive compensation. We believe that this measure provides useful information to investors because it provides transparency to underlying performance in our net sales by excluding the effect that foreign currency exchange rate fluctuations have on the year-to-year comparability given volatility in foreign currency exchange markets.

To present this information for historical periods, current period net sales for entities reporting in other than the U.S. dollar are translated into U.S. dollars at the average monthly exchange rates in effect during the corresponding period of the prior fiscal year, rather than at the actual average monthly exchange rates in effect during the current period of the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

A reconciliation between reported and constant currency growth rates is provided below:

	Three Months Ended April 2, 2017		
	Percentage Change as Reported	**Impact of Foreign Currency Exchange**	**Percentage Change on Constant Currency Basis**
North America segment			
Canada	5.4 %	3.6 %	1.8%
Total North America segment	2.7 %	0.2 %	2.5%
International and Other segment			
Mexico	(0.2)%	(13.2)%	13.0%
Brazil	48.1 %	30.0 %	18.1%
India	16.6 %	0.9 %	15.7%
Greater China	4.1 %	(3.3)%	7.4%
Total International and Other segment	3.7 %	(0.5)%	4.2%
Total Company	2.8 %	0.1 %	2.7%

2017 Outlook

The following table provides a reconciliation of projected 2017 EPS-diluted, prepared in accordance with GAAP, to projected non-GAAP EPS-diluted for 2017, prepared on a non-GAAP basis, with adjustments consistent to those discussed previously. The reconciliation of 2016 EPS-diluted, prepared in accordance with GAAP, to 2016 non-GAAP EPS-diluted is provided below for comparison.

	2017 (Projected)	2016
Reported EPS – Diluted	$3.31 - $3.55	$3.34
Derivative mark-to-market losses	—	0.66
Business realignment costs (including Margin for Growth Program costs)	0.35 - 0.50	0.42
Acquisition and integration costs	—	0.02
Non-service related pension expense	0.06	0.08
Settlement of SGM liability	—	(0.12)
Long-lived asset impairment charges	0.85	0.01
Adjusted EPS – Diluted	$4.72 - $4.81	$4.41

Our 2017 projected EPS-diluted, as presented above, does not include the impact of mark-to-market gains and losses on our commodity derivative contracts that will be reflected within corporate unallocated expenses in our segment results until the related inventory is sold, since we are not able to forecast the impact of the market changes.

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended		Percent
In millions of dollars except per share amounts	April 2, 2017	April 3, 2016	Change
Net Sales	$ 1,879.7	$ 1,828.8	2.8 %
Cost of Sales	973.1	1,011.4	(3.8)%
Gross Profit	906.6	817.4	10.9 %
Gross Margin	*48.2%*	*44.7%*	
SM&A Expense	461.9	471.7	(2.1)%
SM&A Expense as a percent of net sales	*24.6%*	*25.8%*	
Long-lived Asset Impairment Charges	208.7	—	NM
Business Realignment Costs	44.0	6.1	NM
Operating Profit	191.9	339.5	(43.5)%
Operating Profit Margin	*10.2%*	*18.6%*	
Interest Expense, Net	23.7	21.0	13.0 %
Other (Income) Expense, Net	(0.2)	(21.2)	NM
Provision for Income Taxes	70.1	109.9	(36.2)%
Effective Income Tax Rate	*41.6%*	*32.3%*	
Net Income Including Noncontrolling Interest	98.2	229.8	(57.3)%
Less: Net Loss Attributable to Noncontrolling Interest	(26.8)	—	NM
Net Income Attributable to The Hershey Company	$ 125.0	$ 229.8	(45.6)%
Net Income Per Share—Diluted	$ 0.58	$ 1.06	(45.3)%

Note: Percentage changes may not compute directly as shown due to rounding of amounts presented above.

NM = not meaningful.

Results of Operations - First Quarter 2017 vs. First Quarter 2016

Net Sales

Net sales increased 2.8% in the first quarter of 2017 compared to the same period of 2016, reflecting favorable price realization of 2.0%, a 0.9% benefit from acquisitions and a favorable impact from foreign currency exchange rates of 0.1%, partially offset by volume decreases of 0.2%. Excluding foreign currency, our net sales increased 2.7% in 2017. The favorable net price realization was attributed to lower levels of trade promotional spending and returns, discounts and allowances in both the North America and International and Other segments versus the prior year. Although consolidated volumes declined slightly as a result of macroeconomic challenges in China, this was partially offset by volume improvements in the United States driven by a longer Easter season in 2017 versus 2016, as well as new chocolate products launched in the second half of 2016, including *Reese's Pieces* Peanut Butter Cups and *Hershey's Cookie Layer Crunch* bars.

Key U.S. CMG Marketplace Metrics

For the 12 week period ended	April 8, 2017	April 3, 2016
Hershey's Consumer Takeaway (Decrease) Increase	(8.4)%	8.2%
Hershey's Market Share Increase (Decrease)	0.4	(0.1)

The consumer takeaway and market share information provided for the twelve-week period above are for measured channels of distribution accounting for approximately 90% of our U.S. confectionery retail business. These channels of distribution primarily include food, drug, mass merchandisers, and convenience store channels, plus Wal-Mart Stores, Inc., partial dollar, club and military channels. These metrics are based on measured market scanned purchases as reported by Nielsen and provide a means to assess our retail takeaway and market position relative to the overall

category. In 2017, takeaway declined relative to the prior year mainly due to the timing of Easter, which shifted into mid-April, versus March in 2016. The amounts presented above are solely for the U.S. CMG category which does not include revenue from our snack mixes and grocery items.

Cost of Sales and Gross Margin

Cost of sales decreased 3.8% in the first quarter of 2017 compared to the same period of 2016. The improvement was driven by lower input costs, with a $52 million year-over-year favorable impact from marking-to-market our commodity derivative instruments, coupled with benefits from supply chain productivity. The benefits were offset in part by unfavorable manufacturing variances and higher freight and warehousing costs.

Gross margin increased by 350 basis points in the first quarter of 2017 compared to the same period of 2016. Lower commodity costs, including a favorable mark-to-market impact from commodity derivative instruments, drove a 340 basis point increase in gross margin. Lower trade promotional spending and supply chain productivity also contributed to the increased gross margin, but were partially offset by higher supply chain costs.

Selling, Marketing and Administrative

Selling, marketing and administrative ("SM&A") expenses decreased $9.8 million or 2.1% in the first quarter of 2017. Advertising and related consumer marketing expense decreased 0.5% during this period. Excluding these advertising and related consumer marketing costs, selling and administrative expenses for 2017 decreased by 3.0% as compared to 2016. SM&A benefited from lower business realignment costs as well as costs savings and efficiency initiatives, partially offset by higher investments in go-to-market capabilities and increased depreciation and amortization.

Long-lived Asset Impairment Charges

In the first quarter of 2017, we recorded long-lived asset impairment charges of $208.7 million. This includes a write-down of certain intangible assets that had been recognized in connection with the 2014 SGM acquisition and write-down of property, plant and equipment. See Note 7 to the Unaudited Consolidated Financial Statements.

Business Realignment Activities

In the first quarter of 2017 and 2016, we recorded business realignment costs of $44.0 million and $6.1 million, respectively. The 2017 costs related primarily to severance and other program costs attributed to the Margin for Growth Program that commenced in the first quarter of 2017. The 2016 costs related primarily to the Operational Optimization Program, as described in Note 7 to the Unaudited Consolidated Financial Statements.

Operating Profit and Operating Profit Margin

Operating profit decreased 43.5% in the first quarter of 2017 compared to the same period of 2016 due primarily to the long-lived asset impairment charges and higher business realignment costs, partially offset by lower cost of sales and SM&A expenses, as discussed above. Operating profit margin decreased to 10.2% in 2017 from 18.6% in 2016 driven by these same factors.

Interest Expense, Net

Net interest expense was $2.7 million higher in the first quarter of 2017 compared to the same period of 2016. The increase was due to higher levels of debt outstanding during the first quarter of 2017 as compared to the 2016 quarter.

Other (Income) Expense, Net

Other (income) expense, net included income of $0.2 million during first quarter of 2017 versus income, net of expenses of $21.2 million for the same period of 2016. The 2016 income, net of expense included an extinguishment gain of $26.7 million related to the settlement of the SGM liability. Additionally, in 2016, we recognized a $5.6 million write-down on equity investments qualifying for federal historic and energy tax credits, while there was no corresponding expense in the first quarter of 2017.

Income Taxes and Effective Tax Rate

Income taxes decreased $39.8 million in the first quarter of 2017 compared to the same period of 2016, primarily due to lower income before taxes. Our effective income tax rate was 41.6% for the first quarter of 2017 compared with 32.3% for the same period of 2016. Relative to the statutory rate, the 2017 effective tax rate was impacted by non-benefited costs resulting from the Margin for Growth Program, partially offset by a favorable foreign rate differential relating to our cocoa procurement operations. The 2016 effective rate benefited from the impact of non-taxable income related to the settlement of the SGM liability.

Net Income attributable to The Hershey Company and Earnings Per Share-diluted

Net income decreased $104.8 million, or 45.6%, while EPS-diluted decreased $0.48, or 45.3%, in the first quarter of 2017 compared to the same period of 2016. The decreases in both net income and EPS-diluted were driven by the long-lived asset impairment charges and higher business realignment costs, as noted above.

SEGMENT RESULTS

The summary that follows provides a discussion of the results of operations of our two reportable segments: North America and International and Other. The segments reflect our operations on a geographic basis. For segment reporting purposes, we use "segment income" to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, unallocated mark-to-market gains and losses on commodity derivatives, business realignment and impairment charges, acquisition integration costs and NSRPE that are not part of our measurement of segment performance. These items of our operating income are largely managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the CODM and used for resource allocation and internal management reporting and performance evaluation. Segment income and segment income margin, which are presented in the segment discussion that follows, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance. We believe that these measures are useful to investors and other users of our financial information in evaluating ongoing operating profitability as well as in evaluating operating performance in relation to our competitors, as they exclude the activities that are not integral to our ongoing operations. For further information, see the Non-GAAP Information section of this MD&A.

Our segment results, including a reconciliation to our consolidated results, were as follows:

	Three Months Ended	
	April 2, 2017	April 3, 2016
Net Sales:		
North America	$ 1,677,146	$ 1,633,471
International and Other	202,532	195,341
Total	$ 1,879,678	$ 1,828,812
Segment Income (Loss):		
North America	$ 553,138	$ 529,390
International and Other	1,723	(13,233)
Total segment income	554,861	516,157
Unallocated corporate expense (1)	119,650	122,171
Unallocated mark-to-market (gains) losses on commodity derivatives (2)	(17,088)	34,946
Long-lived asset impairment charges	208,712	—
Costs associated with business realignment activities	46,988	14,430
Non-service related pension expense	4,368	5,101
Acquisition and integration costs	300	—
Operating profit	191,931	339,509
Interest expense, net	23,741	21,005
Other (income) expense, net	(171)	(21,225)
Income before income taxes	$ 168,361	$ 339,729

(1) Includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense and (d) other gains or losses that are not integral to segment performance.

(2) Reflects gains and losses on commodity derivative instruments that are excluded from segment income until the related inventory is sold. See Note 11 to the Consolidated Financial Statements.

North America

The North America segment is responsible for our chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines. North America accounted for 89.2% and 89.3% of our net sales for the three months ended April 2, 2017 and April 3, 2016, respectively. North America results for the three months ended April 2, 2017 and April 3, 2016 were as follows:

	Three Months Ended		Percent
	April 2, 2017	April 3, 2016	Change
In millions of dollars			
Net sales	$ 1,677.1	$ 1,633.5	2.7%
Segment income	553.1	529.4	4.5%
Segment margin	*33.0%*	*32.4%*	

<u>Results of Operations - First Quarter 2017 vs. First Quarter 2016</u>

Net sales of our North America segment increased $43.6 million or 2.7% in 2017 compared to 2016, driven by favorable net price realization of 1.2% due to lower direct trade expense. Additionally, volume increased 0.3% driven by stronger Easter sales, partially offset by lower everyday product volume due in part to the challenging consumer packaged goods retail trends. In addition, the barkTHINS acquisition contributed 1% of net sales growth and a favorable impact from foreign currency exchange rates increased net sales by approximately 0.2%.

Our North America segment income increased $23.7 million or 4.5% in 2017 compared to 2016, driven by higher gross profit, partially offset by investments in greater levels of selling expense, go-to-market capabilities and increased depreciation and amortization resulting from the recent *barkTHINS* acquisition.

International and Other

The International and Other segment includes all other countries where we currently manufacture, import, market, sell or distribute chocolate and non-chocolate confectionery and other products. Currently, this includes our operations in China and other Asia markets, Latin America, Europe, Africa and the Middle East, along with exports to these regions. While a less significant component, this segment also includes our global retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania, New York City, Las Vegas, Shanghai, Niagara Falls (Ontario), Dubai and Singapore, as well as operations associated with licensing the use of certain trademarks and products to third parties around the world. International and Other accounted for 10.8% and 10.7% of our net sales for the three months ended April 2, 2017 and April 3, 2016, respectively. International and Other results for the three months ended April 2, 2017 and April 3, 2016 were as follows:

	Three Months Ended		Percent
	April 2, 2017	April 3, 2016	Change
In millions of dollars			
Net sales	$ 202.5	$ 195.3	3.7%
Segment income (loss)	1.7	(13.2)	NM
Segment margin	*0.9%*	*(6.8)%*	

Results of Operations - First Quarter 2017 vs. First Quarter 2016

Net sales of our International and Other segment increased $7.2 million or 3.7% in 2017 compared to 2016, reflecting favorable price realization of 8.7%, partially offset by volume declines of 4.5% and an unfavorable impact from foreign currency exchange rates of 0.5%. Excluding the unfavorable impact of foreign currency exchange rates, the net sales of our International and Other segment increased by approximately 4.2%.

The favorable net price realization was driven by lower direct trade expense as well as lower returns, discounts and allowances in China, which declined significantly compared to the prior year. The volume decrease primarily related to continued softness in the China chocolate category due to macroeconomic challenges, partially offset by net sales increases in Latin America and select export markets. Constant currency net sales in Mexico, Brazil and India increased by 13.0%, 18.1%, and 15.7%, respectively, driven by solid chocolate marketplace performance.

Our International and Other segment generated income of $1.7 million in 2017 compared to a loss of $13.2 million in 2016. Combined income in Latin America and export markets improved versus the prior year and performance in China benefited from significantly lower levels of direct trade and returns, discounts and allowances.

Unallocated Corporate Expense

Unallocated corporate expense includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense and (d) other gains or losses that are not integral to segment performance.

In the first quarter of 2017, unallocated corporate expense totaled $119.7 million, as compared to $122.2 million in the same period of 2016. Savings realized in 2017 from our productivity and cost savings initiatives were partially offset by higher employee-related costs and an increase in depreciation and amortization.

Liquidity and Capital Resources

Historically, our primary source of liquidity has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer months, are generally met by utilizing cash on hand, bank borrowings or the issuance of 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.

At April 2, 2017, our cash and cash equivalents totaled $235.0 million. At December 31, 2016, our cash and cash equivalents totaled $297.0 million. Our cash and cash equivalents during the first three months of 2017 declined $62.0 million compared to the 2016 year-end balance as a result of the net uses of cash outlined in the previous discussion.

Approximately 70% of the balance of our cash and cash equivalents at April 2, 2017 was held by subsidiaries domiciled outside of the United States. If these amounts held outside of the United States were to be repatriated, under current law they would be subject to U.S. federal income taxes, less applicable foreign tax credits. However, our intent is to permanently reinvest these funds outside of the United States. The cash that our foreign subsidiaries hold for indefinite reinvestment is expected to be used to finance foreign operations and investments. We believe we have sufficient liquidity to satisfy our cash needs, including our cash needs in the United States.

Cash Flow Summary

The following table is derived from our Consolidated Statement of Cash Flows:

	Three Months Ended	
In millions of dollars	**April 2, 2017**	**April 3, 2016**
Net cash provided by (used in):		
Operating activities	$ 234.5	$ 269.5
Investing activities	(40.7)	(49.2)
Financing activities	(256.9)	(283.6)
Effect of exchange rate changes on cash and cash equivalents	1.1	2.7
Decrease in cash and cash equivalents	$ (62.0)	$ (60.6)

Operating activities

We generated net cash from operating activities of $234.5 million in the first three months of 2017, a decrease of $35.0 million compared to $269.5 million in the same period of 2016. This decrease in net cash from operating activities was mainly driven by the following factors:

- Working capital (comprised of trade accounts receivable, inventory, accounts payable and accrued liabilities) used cash of $188.3 million in the 2017 period compared to $67.8 million during the same period of 2016. This $120.5 million fluctuation was mainly driven by:
    - $69.4 million decrease in cash generated by accounts receivable, primarily attributed to the timing of sales during the quarter. U.S. sales were measurably higher in the last 15 days of the first quarter of 2017 versus the first quarter of 2016 due to timing of shipments, which drove a higher investment in accounts receivable as of the 2017 quarter-end.
    - $30.4 million increase in cash used by inventories, due to a higher year-over-year build up of U.S. inventories for new product launches and summer volumes, coupled with a higher investment in inventory in Brazil, driven by volume and pricing growth in that market.
    - $20.7 million increase in cash used by accounts payable and accrued liabilities, mainly due to higher incentive payments in the 2017 period versus the prior year as well as the timing of payments for trade-related and other accounts payables.

- The net uses of cash noted above were offset in part by higher cash-based net income in the 2017 period. Net income adjusted for non-cash charges to operations (including depreciation, amortization, stock-based compensation, deferred income taxes, asset impairment charges, write-down of equity investments, the gain on settlement of the SGM liability and other charges) increased cash flow by $100.8 million in the 2017 period relative to the same period of 2016.

Investing activities

We used net cash from investing activities of $40.7 million in the first three months of 2017, a decrease of $8.5 million compared to $49.2 million in the same period of 2016. This decrease in net cash used in investing activities was mainly driven by the following factors:

- *Capital spending*. We spent approximately $8.1 million less in capital expenditures, including capitalized software, during the first three months of 2017 compared to the same period of 2016. For the full year 2017, we expect capital expenditures, including capitalized software, to approximate $270 million to $290 million.

- *Investments in partnerships qualifying for tax credits*. We make investments in partnership entities that in turn make equity investments in projects eligible to receive federal historic and energy tax credits. We invested approximately $1.7 million less in projects qualifying for tax credits during the first three months of 2017 compared to the same period of 2016.

Financing activities

We used net cash from financing activities of $256.9 million in the first three months of 2017, a decrease of $26.7 million compared to $283.6 million in the same period of 2016. This decrease in net cash used in financing activities was mainly driven by the following factors:

- *Short-term borrowings, net.* In addition to utilizing cash on hand, we use short-term borrowings (commercial paper and bank borrowings) to fund seasonal working capital requirements and ongoing business needs. During the first three months of 2017, we reduced commercial paper borrowings by $126 million and repaid $19 million of short-term foreign borrowings. During the first three months of 2016, we generated cash flow of $250 million from proceeds on short-term commercial paper issuances, partially offset by a $94 million reduction in short-term foreign borrowings.

- *Share repurchases*. We had no share repurchases during the first three months of 2017. We used cash for total share repurchases of $304 million during the first three months of 2016.

- *Dividend payments*. Total dividend payments to holders of our Common Stock and Class B Common Stock were $128.0 million during the first three months of 2017, an increase of $5.6 million compared to $122.4 million in the same period of 2016.

- *Proceeds from the exercise of stock options.* We received $17.8 million from employee exercises of stock options, net of payments of employee taxes withheld from share-based awards, during the first three months of 2017, a decrease of $6.8 million compared to $24.6 million in the same period of 2016.

- *Other*. In February 2016, we used $35.8 million to purchase the remaining 20% of the outstanding shares of SGM.

Recent Accounting Pronouncements

Information on recently adopted and recently issued accounting standards is included in Note 1 to the Unaudited Consolidated Financial Statements.

Safe Harbor Statement

We are subject to changing economic, competitive, regulatory and technological risks and uncertainties that could have a material impact on our business, financial condition or results of 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 along with the availability of adequate supplies of raw materials 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;
- Disruption to our manufacturing operations or supply chain could impair our ability to produce or deliver finished products, resulting in a negative impact on our operating results;
- Our financial results may be adversely impacted by the failure to successfully execute or integrate acquisitions, divestitures and joint ventures;
- 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 could negatively impact our financial results;
- Our international operations may not achieve projected growth objectives, which could adversely impact our overall business and results of operations;
- Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations;
- We might not be able to hire, engage and retain the talented global workforce we need to drive our growth strategies;
- We may not fully realize the expected costs savings and/or operating efficiencies associated with our strategic initiatives or restructuring programs, which may have an adverse impact on our business; and
- Such other matters as discussed in our 2016 Annual Report on Form 10-K.

We undertake no obligation to publicly update or revise any forward-looking statements to reflect actual results, changes in expectations or events or circumstances after the date this Quarterly Report on Form 10-Q is filed.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The total notional amount of interest rate swaps outstanding was $350 million at April 2, 2017 and December 31, 2016. The notional amount relates to fixed-to-floating interest rate swaps which convert a comparable amount of fixed-rate debt to variable rate debt at April 2, 2017 and December 31, 2016. A hypothetical 100 basis point increase in interest rates applied to this now variable rate debt as of April 2, 2017 would have increased interest expense by approximately $0.9 million for the first three months of 2017 and $3.6 million for the full year 2016.

We consider our current risk related to market fluctuations in interest rates on our remaining debt portfolio, excluding fixed-rate debt converted to variable with fixed-to-floating instruments, to be minimal since this debt is largely long-term and fixed-rate in nature. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A 100 basis point increase in market interest rates would decrease the fair value of our fixed-rate long-term debt at April 2, 2017 and December 31, 2016 by approximately $140 million and $142 million, respectively. However, since we currently have no plans to repurchase our outstanding fixed-rate instruments before their maturities, the impact of market interest rate fluctuations on our long-term debt does not affect our results of operations or financial position.

The potential decline in fair value of foreign currency forward exchange contracts resulting from a hypothetical near-term adverse change in market rates of 10% was $14.8 million as of April 2, 2017 and $9.6 million as of December 31, 2016. Our open commodity contracts had a notional value of $609.2 million as of April 2, 2017 and $739.4 million as of December 31, 2016. At the end of the first quarter of 2017, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses by $60.9 million, generally offset by a reduction in the cost of the underlying commodity purchases.

Other than as described above, market risks have not changed significantly from those described in our 2016 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of April 2, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of April 2, 2017.

There have been no changes in our internal control over financial reporting during the quarter ended April 2, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Information on legal proceedings is included in Note 14 to the Unaudited Consolidated Financial Statements.

Item 1A. Risk Factors.

Risk Factors as of April 2, 2017 have not changed materially from those described in Part 1, Item 1A, “Risk Factors,” of our 2016 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities

There were no purchases of our Common Stock during the three months ended April 2, 2017.

In January 2016, our Board of Directors approved an additional $500 million share repurchase authorization. As of April 2, 2017, approximately $100 million remained available for repurchases of our Common Stock under this program. The share repurchase program does not have an expiration date.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description
3.1	The Company's By-Laws, as amended and restated as of February 21, 2017, are incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed February 22, 2017
10.1	Form of Notice of Award of Restricted Stock Units (effective February 22, 2017)*+
10.2(a)	Form of Notice of Special Award of Restricted Stock Units (pro-rata vest, effective February 22, 2017)*+
10.2(b)	Form of Notice of Special Award of Restricted Stock Units (3-year cliff vest, effective February 22, 2017)*+
10.3	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan (effective February 22, 2017)*+
10.4	Form of Notice of Award of Performance Stock Units (effective February 22, 2017)*+
10.5	Executive Employment Agreement, effective as of March 1, 2017, by and between The Hershey Company and Michele G. Buck, is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 24, 2017+
10.6	Retirement Agreement, dated as of February 22, 2017, by and between The Hershey Company and John P. Bilbrey, is incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 24, 2017+
12.1	Computation of Ratio of Earnings to Fixed Charges.*
31.1	Certification of Michele G. Buck, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Patricia A. Little, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Michele G. Buck, Chief Executive Officer, and Patricia A. Little, 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.DEF	XBRL Taxonomy Extension Definition Linkbase

*	Filed herewith
**	Furnished herewith
+	Management contract, compensatory plan or arrangement

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: April 28, 2017	/s/ Patricia A. Little
	Patricia A. Little Senior Vice President, Chief Financial Officer (Principal Financial Officer)
Date: April 28, 2017	/s/ Javier H. Idrovo
	Javier H. Idrovo Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Award of Restricted Stock Units

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1. EFFECTIVE DATE AND LEVEL OF AWARD. Effective _____________ (the "Grant Date"), Grantee has been awarded Restricted Stock Units ("RSUs") representing ______ shares of Common Stock of The Hershey Company ("Hershey"). Each RSU represents the right to receive one share of Hershey's Common Stock, $1.00 par value, at a future date and time, subject to the terms of this Notice of Award of Restricted Stock Units (the "Notice of Award").

The Grantee will have forty-five (45) days to accept the terms of this Notice of Award. By accepting the award of RSUs under this Notice of Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan ("EICP"), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of RSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by Hershey shall result in the RSUs being cancelled, with no benefit to the Grantee.

The terms of this Notice of Award extend not only to the Grantee and Hershey, but also to Hershey's past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the "Company ").

2. DEFINITIONS. Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Award shall have the same meanings as set forth in the EICP.***

(A) "Business Relationships" means the Company's relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.

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

(C) "Competing Business" means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee's employment with Hershey, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the

termination of Grantee's employment with Hershey. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) "Confidential Information" means trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about Hershey's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to Hershey's legal strategies or legal advice rendered to Hershey; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) "Deferred Compensation Plan" means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) "Disabled" means Grantee is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(G) "Dividend Equivalent Right" means a right that entitles the Grantee to receive an amount equal to any cash dividends paid on a share of Common Stock, which dividends have a record date between the Grant Date and the date a Vested Unit is paid. Dividend Equivalent Rights will be paid in cash.

(H) "EICP" means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(I) "Material Contact" means contact for the purpose of furthering the Company's business.

(J) "Key Employee" means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined in 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.

(K) A Grantee is "Retirement Eligible" on and after the date the Grantee has attained both his or her 55th birthday and been continuously employed by the Company for at least five (5) years.

(L) "Separation from Service" or "Separate from Service" means a "separation from service" within the meaning of Code section 409A.

3. VESTING DATES. The Grantee shall vest in the number of RSUs corresponding with each date described in the next sentence (each a "Vesting Date") provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such Vesting Date and has accepted and agreed to all terms and conditions of this agreement. Of the total RSUs awarded to the Grantee on the Grant Date ("Total Award"), twenty-five percent (25%) of the Total Award will become vested thirteen months after the Grant Date; an additional twenty-five percent (25%) of the Total Award will become vested on the second anniversary of the Grant Date; an additional twenty-five percent (25%) of the Total Award will become vested on the third anniversary of the Grant Date; and an additional and final twenty-five percent (25%) of the Total Award will become vested on the fourth anniversary of the Grant Date, except in Canada where thirty-three and one-third percent (33 1/3%) of the Total Award will become vested thirteen months after the Grant Date; an additional thirty-three and one-third percent (33

1/3%) of the Total Award will become vested on the second anniversary of the Grant Date; and an additional and final thirty-three and one-third percent (33 1/3%) of the Total Award will become vested on the third anniversary of the Grant Date.

In the event of a Change in Control, accelerated vesting of the unvested RSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. In accordance with paragraph 15 of the EICP, if the unvested RSUs are assumed or replaced, or remain outstanding, such that the RSUs as assumed, replaced or continued qualify as a Replacement Award under paragraph 15 of the EICP, the occurrence of the Change in Control shall not affect the vesting or payment of the RSUs which shall then constitute a Replaced Award as defined in the EICP. However, if within two (2) years following the Change in Control, Grantee's employment is terminated by the Company for any reason other than for Cause (as defined in the EICP), by the Grantee for Good Reason, as a result of Grantee's death or as a result of Grantee becoming Disabled, the Grantee shall immediately vest in the Replacement Award upon such termination. Notwithstanding the foregoing, if the Committee determines that any remaining unvested RSUs are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Grantee shall immediately vest in such RSUs upon the occurrence of the Change in Control, and the date of such Change in Control shall be a Vesting Date under this paragraph 3.

If prior to a Vesting Date, the Grantee's employment with the Company terminates for any reason, then the unvested RSUs (and any related Dividend Equivalent Rights) subject to this Notice of Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to any accelerated vesting of the unvested RSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in this paragraph 3 relating to a Change in Control, paragraph 4 or paragraph 12(G) below, in which case such accelerated vesting of the unvested RSUs will be in accordance with the terms of this Notice of Award or the applicable plan, agreement or local law. Notwithstanding anything in the EICP or this Notice of Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 5, all of the RSUs will immediately and automatically without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. SPECIAL VESTING CONDITIONS. The Committee has determined that the following special vesting conditions shall apply to this award.

(A) If the Grantee's employment with the Company terminates (i) as a result of the Grantee's death or (ii) solely as a result of Grantee becoming Disabled, then any remaining unvested RSUs shall vest immediately on the date of such termination.

(B) If the Grantee's employment with the Company terminates (other than for Cause as defined in the EICP) when the Grantee is Retirement Eligible, then any remaining unvested RSUs shall vest immediately on the date of such termination, subject to adjustment as set forth in paragraph (C) below.

(C) During the calendar year of the date of grant (the "Year of Grant"), if a Grantee terminates employment from the Company for any reason (other than death, becoming Disabled as defined herein, or for Cause, as defined in the EICP) on or after becoming Retirement Eligible, the Total Award will be adjusted to reflect Grantee's period of employment during the Year of Grant. The number of RSUs the Grantee holds after adjustment is called the "Adjusted Award." The Adjusted Award equals the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during the Year of Grant preceding the month during which Grantee's termination 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. In the event of such adjustment, any RSUs (and related Dividend Equivalent Rights) subject to this Notice of Award in excess of the Adjusted Award shall

not vest pursuant to paragraph 4(B) but instead shall terminate and be completely forfeited on such date.

5. PAYMENT OF AWARD. Unless deferred under the Deferred Compensation Plan, an RSU that has vested ("Vested Unit") shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law, in which case the Vested Unit will be paid in the cash equivalent, as of the earliest to occur of the following: (A) the applicable Vesting Date set forth in paragraph 3 above, (B) the date of Grantee's death, (C) the date Grantee becomes Disabled; or (D) the date of Grantee's termination of employment which constitutes a Separation from Service. In the event the payment is made pursuant to clause (A) above, such payment shall be made as soon as practicable following the applicable Vesting Date, but in no event later than March 15 following the calendar year in which the applicable Vesting Date occurs. In the event payment is made pursuant to clause (B), (C) or (D) above, such payment shall be made on or before the sixtieth (60th) day following the date of the applicable event. In addition, the Grantee shall be entitled to receive a lump sum cash payment equal to the Dividend Equivalent Rights with respect to any Vested Units at the same time as the payment for such underlying Vested Units.

Notwithstanding the foregoing, distributions due to a Separation from Service may not be made to a Key Employee 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 as a result of the Grantee's Separation from Service shall be accumulated and paid within fifteen (15) days after the first day of the seventh month following the Grantee's Separation from Service (or, if earlier, on or before the first day of the third month after the Participant's death).

6. NON-COMPETITION. Grantee acknowledges that due to the nature of his/her employment with Hershey, he/she has and will have access to, contact with, and Confidential Information about the Company's business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with Hershey, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to Hershey, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for Hershey during the two years prior to his/her termination of employment. Grantee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee's responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at Hershey.

7. NON-SOLICITATION. Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i)

during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to Hershey, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by Hershey, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with Hershey. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

8. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with Hershey, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of Hershey, that it has been and will continue to be of critical importance to the business of Hershey, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with Hershey, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 8, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to Hershey and in accordance with Hershey policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of Hershey, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's General Counsel. Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against Hershey for reporting a suspected violation of law, Grantee may disclose Hershey's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

9. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that the Grantee does not vest in any RSUs, all interest in such units, the related shares of Common Stock, and any Dividend Equivalent Rights shall be forfeited. The Grantee shall have no right or interest in any RSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Award, a number of RSUs equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of RSUs will not be considered to be held by the Grantee for any purpose.

10. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units and Dividend Equivalent Rights shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee must pay to the Company any applicable withholding tax due as a result of such payment.

(B) The Company shall have the right to reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

11. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

12. MISCELLANEOUS.

(A) This Notice of Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Award. By accepting the RSUs awarded herewith, Grantee acknowledges and agrees that the RSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. 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 EICP or the RSUs 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. In the event of any conflict between this Notice of Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Award would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) Grantee acknowledges and agrees that in addition to the relief described in paragraph 12(A), if the Committee determines, in its sole judgment, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee

shall also immediately deliver to Hershey, the cash equivalent of any RSUs that have vested under this Notice of Award, inclusive of any dividends paid on any vested shares.

(C) Notwithstanding anything in the EICP or this Notice of Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Hershey policy to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee's termination of employment from Hershey, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information.

(E) If one or more of the provisions of this Notice of Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Award to be construed so as to foster the intent of this award and the EICP.

(F) The RSUs are intended to comply with Code section 409A and official guidance issued thereunder. Notwithstanding anything herein to the contrary, this Notice of Award shall be interpreted, operated and administered in a manner consistent with this intention.

(G) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a "Foreign National"), (ii) is not subject to the federal income tax laws of the United States ("U.S. Tax Law") for purposes of these RSUs, and (iii) has certain rights in the vesting and payment of the RSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested RSUs (and any related Dividend Equivalent Rights) will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any RSUs, granted to such Foreign National are subject to U.S. Tax Law, the payment of such RSUs shall be governed by the terms of this Notice of Award.

(H) The award of RSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

13. CONTACT INFORMATION. Copies of the EICP and the Information Statement (Prospectus) for the EICP are available upon request, from the myHR Support Center by calling
1-800-878-0440 or by email to myHR@hersheys.com.

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Special Award of Restricted Stock Units

«First_name» «Last_name»	**Plan:**	**EICP**
«Street_and_House_Number»	**ID:**	***«PersNo»***
«City», «Region_State_Province_Count» «Postal_Code»		
«Country_Key»		

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1. EFFECTIVE DATE AND LEVEL OF AWARD. Effective «Grant_Date» (the "Grant Date"), Grantee has been awarded Restricted Stock Units ("RSUs") representing «Number_of_RSUs_Awarded» shares of Common Stock of The Hershey Company ("Hershey"). Each RSU represents the right to receive a share of Hershey's Common Stock, $1.00 par value, at a future date and time, subject to the terms of this Notice of Special Award of Restricted Stock Units (the "Notice of Special Award").

The Grantee will have forty-five (45) days to accept the terms of this Notice of Special Award. By accepting the award of RSUs under this Notice of Special Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan ("EICP"), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of RSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by Hershey shall result in the RSUs being cancelled, with no benefit to the Grantee.

The terms of this Notice of Special Award extend not only to the Grantee and Hershey, but also to Hershey's past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the "Company ").

2. DEFINITIONS. Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Special Award shall have the same meanings as set forth in the EICP***.

(A) "Business Relationships" means the Company's relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.

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

(C) "Competing Business" means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or

performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee's employment with Hershey, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee's employment with Hershey. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) "Confidential Information" means trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about Hershey's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to Hershey's legal strategies or legal advice rendered to Hershey; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) "Deferred Compensation Plan" means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) "Dividend Equivalent Right" means a right that entitles the Grantee to receive an amount equal to any cash dividends paid on a share of Common Stock, which dividends have a record date between the Grant Date and the date a Vested Unit is paid. Dividend Equivalent Rights will be paid in cash.

(G) "EICP" means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(H) "Material Contact" means contact for the purpose of furthering the Company's business.

3. VESTING DATES. The Grantee shall vest in the number of RSUs corresponding with each date shown below (each a "Vesting Date"); provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such Vesting Date and has accepted and agreed to all terms and conditions in this agreement.

RSUs	Vesting Date
«Number_of_RSUs_Vested»	**«Vesting_Date»**
«Number_of_RSUs_Vested1»	**«Vesting_Date1»**
«Number_of_RSUs_Vested2»	**«Vesting_Date2»**
«Number_of_RSUs_Vested3»	**«Vesting_Date3»**

If prior to a Vesting Date, the Grantee's employment with the Company terminates for any reason, then the unvested RSUs (and any related Dividend Equivalent Rights) subject to this Notice of Special Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to any accelerated vesting of the unvested RSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in paragraph 11(F) below, in which case such accelerated vesting of the unvested RSUs will be in accordance with the terms of this Notice of Special

Award or the applicable plan, agreement or local law. Under the terms of the EICP, the Grantee or the Grantee's estate is entitled to accelerated vesting of the unvested RSUs upon the Grantee's termination due to total disability or death. In the event of a Change in Control, accelerated vesting of the unvested RSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 4, all of the RSUs will immediately and automatically, without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. PAYMENT OF AWARD. Unless deferred under the Deferred Compensation Plan, an RSU that has vested (“Vested Unit”) shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law, in which case the Vested Unit will be paid in the cash equivalent, as soon as practicable following each Vesting Date or, if earlier, any accelerated vesting event in accordance with the terms of the EICP or other Company-sponsored plan or agreement, but in no event later than March 15 following the calendar year in which such RSUs vest. In addition, the Grantee shall be entitled to receive a lump sum cash payment equal to the Dividend Equivalent Rights with respect to any Vested Units at the same time as the payment for such underlying Vested Units.

5. NON-COMPETITION. Grantee acknowledges that due to the nature of his/her employment with Hershey, he/she has and will have access to, contact with, and Confidential Information about the Company’s business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company’s business. Accordingly, both (i) during the term of his/her employment with Hershey, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to Hershey, shall not, without the prior written consent of Hershey’s Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for Hershey during the two years prior to his/her termination of Grantee’s employment. Grantee acknowledges: (i) that the Company’s business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee’s responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company’s business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at Hershey.

6. NON-SOLICITATION. Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company’s customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to Hershey, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by Hershey, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with Hershey. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

7. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with Hershey, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of Hershey, that it has been and will continue to be of critical importance to the business of Hershey, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with Hershey, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 7, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to Hershey and in accordance with Hershey policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of Hershey, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's General Counsel. Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against Hershey for reporting a suspected violation of law, Grantee may disclose Hershey's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that the Grantee does not vest in any RSUs, all interest in such units, the related shares of Common Stock, and any Dividend Equivalent Rights shall be forfeited. The Grantee shall have no right or interest in any RSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Special Award, a number of RSUs equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of RSUs will not be considered to be held by the Grantee for any purpose.

9. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units and Dividend Equivalent Rights shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee must pay to the Company any withholding tax due as a result of such payment.

(B) The Company shall have the right to reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

10. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Special Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

11. MISCELLANEOUS.

(A) This Notice of Special Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Special Award. By accepting the RSUs awarded herewith, Grantee acknowledges and agrees that the RSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. 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 EICP or the RSUs 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. In the event of any conflict between this Notice of Special Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Special Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Special Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Special Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Special Award would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Special Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) Grantee acknowledges and agrees that in addition to the relief described in paragraph 11(A), if the Committee determines, in its sole judgment, that Grantee has violated or threatened to violate the terms of this Notice of Special Award or the EICP, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any RSUs that have vested under this Notice of Special Award, inclusive of any dividends paid on any vested shares.

(C) Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Hershey policy, to

recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee's termination of employment from Hershey, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information.

(E) If one or more of the provisions of this Notice of Special Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Special Award to be construed so as to foster the intent of this award and the EICP.

(F) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a "Foreign National"), (ii) is not subject to the federal income tax laws of the United States ("U.S. Tax Law") for purposes of these RSUs, and (iii) has certain rights in the vesting and payment of the RSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested RSUs (and any related Dividend Equivalent Rights) will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any RSUs, granted to such Foreign National, are subject to U.S. Tax Law, the payment of such RSUs shall be governed by the terms of this Notice of Special Award.

(G) The award of RSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Special Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

12. CONTACT INFORMATION. Copies of the EICP and the Information Statement (Prospectus) for the EICP Plan are available upon request from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com.

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Special Award of Restricted Stock Units

«First_name» «Last_name»	**Plan:**	**EICP**
«Street_and_House_Number»	**ID:**	***«PersNo»***
«City», «Region_State_Province_Count» «Postal_Code»		
«Country_Key»		

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1. EFFECTIVE DATE AND LEVEL OF AWARD. Effective «Grant_Date» (the "Grant Date"), Grantee has been awarded Restricted Stock Units ("RSUs") representing «Number_of_RSUs_Awarded» shares of Common Stock of The Hershey Company ("Hershey"). Each RSU represents the right to receive a share of Hershey's Common Stock, $1.00 par value, at a future date and time, subject to the terms of this Notice of Special Award of Restricted Stock Units (the "Notice of Special Award").

The Grantee will have forty-five (45) days to accept the terms of this Notice of Special Award. By accepting the award of RSUs under this Notice of Special Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan ("EICP"), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of RSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by Hershey shall result in the RSUs being cancelled, with no benefit to the Grantee.

The terms of this Notice of Special Award extend not only to the Grantee and Hershey, but also to Hershey's past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the "Company ").

2. DEFINITIONS. Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Special Award shall have the same meanings as set forth in the EICP***.

(A) "Business Relationships" means the Company's relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.

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

(C) "Competing Business" means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or

performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee's employment with Hershey, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee's employment with Hershey. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) "Confidential Information" means trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about Hershey's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to Hershey's legal strategies or legal advice rendered to Hershey; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) "Deferred Compensation Plan" means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) "Dividend Equivalent Right" means a right that entitles the Grantee to receive an amount equal to any cash dividends paid on a share of Common Stock, which dividends have a record date between the Grant Date and the date a Vested Unit is paid. Dividend Equivalent Rights will be paid in cash.

(G) "EICP" means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(H) "Material Contact" means contact for the purpose of furthering the Company's business.

3. VESTING DATE. The Grantee shall become 100% vested in the RSUs on the third anniversary of the Grant Date (such third anniversary, the "Vesting Date"); provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such Vesting Date and has accepted and agreed to all terms and conditions in this agreement.

If prior to the Vesting Date, the Grantee's employment with the Company terminates for any reason, then all of the RSUs (and any related Dividend Equivalent Rights) subject to this Notice of Special Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to any accelerated vesting of the RSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in paragraph 11(F) below, in which case such accelerated vesting of the RSUs will be in accordance with the terms of this Notice of Special Award or the applicable plan, agreement or local law. Under the terms of the EICP, the Grantee or the Grantee's estate is entitled to accelerated vesting of the RSUs upon the Grantee's termination due to total disability or death. In the event of a Change in Control, accelerated vesting of the RSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 4, all of the RSUs will immediately and automatically, without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. PAYMENT OF AWARD. Unless deferred under the Deferred Compensation Plan, an RSU that has vested ("Vested Unit") shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law, in which case the Vested Unit will be paid in the cash equivalent, as soon as

practicable following the Vesting Date or, if earlier, any accelerated vesting event in accordance with the terms of the EICP or other Company-sponsored plan or agreement, but in no event later than March 15 following the calendar year in which such RSUs vest. In addition, the Grantee shall be entitled to receive a lump sum cash payment equal to the Dividend Equivalent Rights with respect to any Vested Units at the same time as the payment for such underlying Vested Units.

5. NON-COMPETITION. Grantee acknowledges that due to the nature of his/her employment with Hershey, he/she has and will have access to, contact with, and Confidential Information about the Company's business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with Hershey, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to Hershey, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for Hershey during the two years prior to his/her termination of Grantee's employment. Grantee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee's responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at Hershey.

6. NON-SOLICITATION. Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to Hershey, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by Hershey, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with Hershey. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved

in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

7. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with Hershey, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of Hershey, that it has been and will continue to be of critical importance to the business of Hershey, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with Hershey, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 7, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to Hershey and in accordance with Hershey policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of Hershey, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's General Counsel. Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against Hershey for reporting a suspected violation of law, Grantee may disclose Hershey's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that the Grantee does not vest in the RSUs, all interest in such units, the related shares of Common Stock, and any Dividend Equivalent Rights shall be forfeited. The Grantee shall have no right or interest in any RSU or related share of Common Stock that is forfeited.

(B) Upon the issuance or transfer of shares of Common Stock in accordance with this Notice of Special Award, a number of RSUs equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of RSUs will not be considered to be held by the Grantee for any purpose.

9. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units and Dividend Equivalent Rights shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee must pay to the Company any withholding tax due as a result of such payment.

(B) The Company shall have the right to reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

10. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Special Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

11. MISCELLANEOUS.

(A) This Notice of Special Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Special Award. By accepting the RSUs awarded herewith, Grantee acknowledges and agrees that the RSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. 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 EICP or the RSUs 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. In the event of any conflict between this Notice of Special Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Special Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Special Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Special Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Special Award would cause irreparable harm to the Company. The Company’s right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Special Award, Grantee agrees to reimburse the Company for all reasonable attorneys’ fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) Grantee acknowledges and agrees that in addition to the relief described in paragraph 11(A), if the Committee determines, in its sole judgment, that Grantee has violated or threatened to violate the terms of this Notice of Special Award or the EICP, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any RSUs that have vested under this Notice of Special Award, inclusive of any dividends paid on any vested shares.

(C) Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Hershey policy, to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee’s termination of employment from Hershey, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information.

(E) If one or more of the provisions of this Notice of Special Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Special Award to be construed so as to foster the intent of this award and the EICP.

(F) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a "Foreign National"), (ii) is not subject to the federal income tax laws of the United States ("U.S. Tax Law") for purposes of these RSUs, and (iii) has certain rights in the vesting and payment of the RSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested RSUs (and any related Dividend Equivalent Rights) will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any RSUs, granted to such Foreign National, are subject to U.S. Tax Law, the payment of such RSUs shall be governed by the terms of this Notice of Special Award.

(G) The award of RSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Special Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

12. CONTACT INFORMATION. Copies of the EICP and the Information Statement (Prospectus) for the EICP Plan are available upon request from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com.

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 Common Stock (the "Options") of The Hershey Company ("Hershey") awarded to him/her on _____________ (the "Award Date"), accepts and agrees to: (i) these terms and conditions and (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan (the "Plan"), which Plan is incorporated herein by reference. Receipt of the Options is expressly contingent upon Optionee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein within forty-five (45) days of receipt in the form presented by Hershey shall result in the Options being cancelled, with no benefit to Optionee.

These terms and conditions extend not only to the Optionee and Hershey, but also to Hershey's past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the Plan, and its and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the "Company").

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 Hershey 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, 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 Hershey-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 Hershey-sponsored severance benefits plan or such agreement; or (ii) Optionee is an employee of Hershey 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 Hershey and Optionee that complies with the laws of the country in which Optionee is employed.

In the event of a Change in Control (as that term is defined in the Plan), to the extent the Options are assumed or replaced, or remain outstanding, such that the award as assumed, replaced or continued is a Replacement Award (as that term is defined in the Plan), the occurrence of the Change in Control shall not affect the vesting or exercisability of the Options which shall constitute a Replaced Award as defined in the Plan. However, if within two (2) years following the Change in Control, Optionee's employment is terminated by Hershey for any reason other than for Cause (as that term is defined in the Plan), by the Optionee for Good Reason (as that term is defined in the Plan), or due to Optionee's death or total disability, the Replacement Award shall become fully vested and exercisable upon such termination.

Notwithstanding the foregoing, if the Committee (as that term is defined in paragraph 7 below) determines that the Options are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Options shall become fully vested and exercisable upon the occurrence of the Change in Control, notwithstanding the vesting schedule set forth in paragraph 2 above.

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 in which the Award Date occurs, the Total Award shall not be reduced as aforesaid.

5. In the event Optionee retires, or his or her employment terminates due to death or total disability, the Options shall become fully vested, subject to 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 three (3) years from the earliest date of death or total disability, or five (5) years from the date of retirement, to exercise his/her Options, provided such post-termination exercise period cannot extend beyond the last day of the Exercise Period set forth in paragraph 2 above, 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 the date the Optionee has both attained his or her 55th birthday and been continuously employed by Hershey for at least five (5) years.

6. The Options shall be exercisable through the broker on record selected by Hershey to provide services for stock options, or by such other method as shall be established by Hershey 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. Non-Competition.

a. Optionee acknowledges that due to the nature of his/her employment with Hershey, he/she has and will have access to, contact with, and Confidential Information (as defined in paragraph 11) about the Company's business and its relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage ("Business Relationships"). Optionee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with Hershey, and (ii) for a period of twelve (12) months following the termination of his/her employment, Optionee, except in the performance of his/her duties to Hershey, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of

a Competing Business, as defined below in paragraph 9(b). This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Optionee was employed or, directly or indirectly, performed services for Hershey during the two years prior to his/her termination of Optionee's employment. Optionee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Optionee's responsibilities, Optionee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships.

b. For the purposes of this agreement, a "Competing Business" shall mean any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Optionee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Optionee's employment with Hershey, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Optionee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Optionee's employment with Hershey. Optionee acknowledges that he/she will be deemed to have such knowledge if Optionee received, was in possession of or otherwise had access to Confidential Information, as defined below, regarding such business. Optionee further acknowledges and understands that if he/she has any question about whether any prior position which Optionee has held at the Company over the last two (2) years subjects Optionee to specific restrictions, and will be used to identify Competing Business(es), Optionee should contact his/her Human Resource representative at Hershey.

10. Non-Solicitation. Optionee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Optionee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Optionee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Optionee, except in the performance of his/her duties to Hershey, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

a. for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Optionee had contact while employed by Hershey, or about whom Optionee had access to Confidential Information as a result of Optionee's employment; or

b. recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Optionee had Material Contact during the last two (2) years of Optionee's employment with Hershey. For purposes of this provision, "Material Contact" means contact for the purpose of furthering the Company's business. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Optionee is associated if Optionee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

11. Non-Disclosure of Confidential Information. Optionee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with Hershey, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about Hershey's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to Hershey's legal strategies or legal advice rendered to Hershey; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture

strategies, plans and project activities (collectively, “Confidential Information”). Optionee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of Hershey, that it has been and will continue to be of critical importance to the business of Hershey, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Optionee will not, either during his/her employment or at any time after the termination of his/her employment with Hershey, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 11, Optionee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Optionee in the course of performing his/her duties to Hershey and in accordance with Hershey policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Optionee or the business of Hershey, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey’s General Counsel. Notwithstanding anything herein to the contrary, Optionee understands and agrees that his/her obligations under these terms and conditions shall be in addition to, rather than in lieu of, any obligations Optionee may have under any applicable statute or at common law.

Optionee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Optionee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Optionee files a lawsuit for retaliation against Hershey for reporting a suspected violation of law, Optionee may disclose Hershey’s trade secrets to Optionee’s attorney and use the trade secret information in the court proceeding, provided Optionee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

12. By accepting the Options awarded herewith, Optionee acknowledges and agrees that the Options are awarded under and governed by the terms and conditions set forth in this document and in the Plan. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the Plan or the Options awarded thereunder shall be determined in all cases and for all purposes by the Committee, or any successor committee, and any such determination shall be final, binding and conclusive for all purposes. Optionee acknowledges that a remedy at law for any breach or threatened breach of these terms and conditions would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Optionee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of these terms and conditions and that money damages would not be an adequate remedy. Optionee acknowledges and agrees that a violation of these terms and conditions would cause irreparable harm to the Company. The Company’s right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Optionee has breached or threatened to breach these terms and conditions, Optionee agrees to reimburse the Company for all reasonable attorneys’ fees and costs incurred in enforcing these terms and conditions. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

13. Optionee acknowledges and agrees that in addition to the relief described in paragraph 12, if the Committee determines, in its sole judgment, that Optionee has violated or threatened to violate these terms and conditions or the Plan, then:

a. Any portion of the Options that Optionee has not exercised may immediately be cancelled, in which case Optionee shall forfeit any rights with respect to the Options as of the date of the Committee’s determination, and

b. Upon the request or direction of the Committee, Optionee shall immediately deliver to Hershey, cash equal in value to the amount of any profit Optionee realized upon an exercise of the Options during the period beginning twelve (12) months prior to Optionee’s termination of employment and ending on the date of the Committee’s determination.

14. Notwithstanding anything in the Plan or these terms and conditions to the contrary, Optionee acknowledges that the Company may be entitled or required by law, Hershey policy or the requirements of an exchange on which the shares of Hershey Common Stock (the “Shares”) are listed for trading, to recoup compensation paid to Optionee pursuant to the Plan, and Optionee agrees to comply with any Company request or demand for recoupment.

15. In selling the "Shares" upon Optionee's exercise of his/her Options, Hershey is fulfilling in full its contractual obligation to Optionee by making such transfer, and Hershey 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.

16. 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.

17. The Optionee agrees that, at any time after his/her termination of employment from Hershey, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Optionee has relevant information.

18. 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. Optionee expressly consents that: (a) any action or proceeding relating to a breach or the enforceability of these terms and conditions will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (b) any such action or proceeding will be heard without a jury. Optionee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The Plan shall control in the event there is a conflict between the Plan and these terms and conditions.

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Award of Performance Stock Units

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1. EFFECTIVE DATE AND CONTINGENT TARGET AWARD. Effective _____________ (the "Grant Date"), Grantee will be awarded __________ contingent target Performance Stock Units ("PSUs") pursuant to the terms of this agreement. The actual number of PSUs earned may be equal to, exceed or be less than the contingent target award, and will be based upon the Company's attainment of the performance goals approved for the three-year performance cycle commencing in the year of the Grant Date (the "Performance Cycle"). Each earned PSU represents the right to receive one share of Hershey Common Stock, $1.00 par value, at a future date and time, subject to the terms of this Notice of Award of Performance Stock Units (the "Notice of Award").

The Grantee will have forty-five (45) days to accept the terms of this Notice of Award. By accepting the award of PSUs under this Notice of Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan ("EICP"), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of PSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by The Hershey Company ("Hershey") shall result in the PSUs being cancelled, with no benefit to Grantee.

The terms of this Notice of Award extend not only to the Grantee and Hershey, but also to Hershey's past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the "Company ").

2. DEFINITIONS. Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Award shall have the same meanings as set forth in the EICP.***

(A) "Business Relationships" means the Company's relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.

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

(C) "Competing Business" means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee's employment with Hershey, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more

products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee's employment with Hershey. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) "Confidential Information" means trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about Hershey's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to Hershey's legal strategies or legal advice rendered to Hershey; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) "Deferred Compensation Plan" means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) "Disabled" means Grantee is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(G) "Key Employee" means a "specified employee" under Internal Revenue Code ("Code") section 409A(a)(2)(B)(i) (i.e., a key employee (as defined in 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.

(H) Wherever reference is made to "performance metric," the reference is intended to refer to a Performance Goal and the performance period (the Performance Cycle or a calendar year within the Performance Cycle) over which attainment of the Performance Goal is measured.

(I) "EICP" means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(J) A Grantee is "Retirement Eligible" on and after the date the Grantee has both attained his or her 55th birthday and been continuously employed by Hershey for at least five (5) years.

(K) "Material Contact" means contact for the purpose of furthering the Company's business.

(L) "Separation from Service" or "Separate from Service" means a "separation from service" within the meaning of Code section 409A.

3. VESTING DATE. On December 31 of the final year of the Performance Cycle (the "Vesting Date"), the Grantee shall vest in the number of PSUs earned based on the Company's actual performance during the Performance Cycle relative to each performance metric, provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such date and has accepted and agreed to all terms and conditions in this agreement.

In the event of a Change in Control, vesting of PSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. In accordance with paragraph 15 of the EICP, if the PSUs are assumed or replaced, or remain outstanding, such that the PSUs as assumed, replaced or continued qualify as a Replacement Award under paragraph 15 of the EICP, the occurrence of the Change in Control shall not affect the vesting or payment of

the PSUs which shall then constitute a Replaced Award as defined in the EICP. However, if within two (2) years following the Change in Control and prior to the Vesting Date, Grantee's employment is terminated by the Company for any reason other than for Cause (as defined in the EICP), by the Grantee for Good Reason (as defined in the EICP), as a result of Grantee 's death or as a result of Grantee becoming Disabled, the Grantee shall immediately vest in the Replacement Award upon such termination based on the provisions of The Hershey Company Executive Benefits Protection Plan ("EBPP") applicable to Grantee. Notwithstanding the foregoing, if the Committee determines that the PSUs are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Grantee shall vest in the PSUs and receive payment in accordance with the provisions of the EBPP applicable to Grantee.

If prior to the Vesting Date, the Grantee's employment with the Company terminates for any reason, then the PSUs subject to this Notice of Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to vesting with respect to the PSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in this paragraph 3 relating to a Change in Control, paragraph 4 below relating to special vesting conditions or paragraph 13(G) below relating to Foreign Nationals, in which case such vesting of the PSUs will be in accordance with the terms of this Notice of Award or the applicable plan, agreement or local law. Notwithstanding anything in the EICP or this Notice of Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 6, all of the PSUs will immediately and automatically without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. <u>SPECIAL VESTING CONDITIONS</u>. The Committee has determined that the following special vesting conditions shall apply to this award.

(A) If the Grantee's employment with the Company terminates (i) as a result of the Grantee's death or (ii) solely as a result of Grantee becoming Disabled, then the Grantee will vest immediately on the date of such termination in a prorated portion of the PSUs allocated to each performance metric in effect as of the date of employment termination and the number of PSUs earned, if any, will be determined based on Hershey's financial statement accruals through the completed fiscal quarter immediately preceding termination of employment for each performance metric, provided, if such termination occurs during the first fiscal quarter, the number of earned PSUs will be based on the target number of PSUs allocated to each such performance metric.

(B) If the Grantee's employment with the Company terminates (other than for Cause (as defined in the EICP)) when the Grantee is Retirement Eligible, then the Grantee will vest upon the Vesting Date in a prorated portion of the PSUs allocated to each performance metric and the number of PSUs earned, if any, will be based on Hershey's actual performance during the Performance Cycle for each performance metric.

(C) The prorated portion of the earned PSUs allocated to each performance metric, determined as described in paragraphs 4(A) and 4(B) above, shall be equal to the number of PSUs allocated at the start of the Performance Cycle to such performance metric multiplied by a fraction, the numerator of which equals the number of full and partial calendar months during the performance period (the Performance Cycle or a calendar year within the Performance Cycle, as applicable) for such performance metric preceding the date of the Grantee's termination and the denominator of which equals the number of months in the performance period for such performance metric. Any fractional share resulting from such calculations shall be eliminated by rounding down to the nearest whole number for each performance metric. Any PSUs subject to this Notice of Award in excess of the prorated amounts shall not vest pursuant to paragraph 4(A) or 4(B) but instead shall terminate and be completely forfeited as of the date of termination.

5. DETERMINATION OF EARNED PSUs. The number of PSUs earned, if any, with respect to each performance metric shall be determined following the conclusion of the Performance Cycle (and, if applicable, any performance period ending in the Performance Cycle), based upon achievement against the applicable Performance Goals. Any fractional share resulting from such calculations shall be eliminated by rounding to the nearest whole number for each performance metric. The determination of earned PSUs and the prorated amounts under paragraph 4(A) and 4(C) in the event of Grantee's termination due to death or becoming Disabled will be made within 60 days following such termination. The final determination of the number of PSUs earned is subject to review, approval and modification by the Committee.

6. PAYMENT OF AWARD. Unless deferred under the Deferred Compensation Plan, earned PSUs that have vested ("Vested Units") shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law or as otherwise provided by the Committee or other applicable agreement or the EBPP, in which case the Vested Units will be paid in the cash equivalent, effective as of (A) the date the Committee approves the number of PSUs earned for the Performance Cycle (or, if earlier, the date the award vests in accordance with the provisions of paragraph 3 applicable upon a Change in Control), (B) the date of Grantee's death, or (C) the date Grantee becomes Disabled. In the event payment is made pursuant to clause (A) above, such payment shall be made as soon as practicable following the Vesting Date and the Committee's approval of the number of PSUs earned, but in no event later than March 15 following the calendar year in which the applicable date occurs. In the event payment is made pursuant to clause (B) or (C) above, such payment shall be made on or before the sixtieth (60th) day following the date of the applicable event.

Notwithstanding the foregoing, distributions due to a Separation from Service may not be made to a Key Employee 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 as a result of the Grantee's Separation from Service shall be accumulated and paid within fifteen (15) days after the first day of the seventh month following the Grantee's Separation from Service (or, if earlier, on or before the first day of the third month after the Participant's death).

7. NON-COMPETITION. Grantee acknowledges that due to the nature of his/her employment with Hershey, he/she has and will have access to, contact with, and Confidential Information about the Company's business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with Hershey, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to Hershey, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for Hershey during the two years prior to his/her termination of Grantee's employment. Grantee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee's responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at Hershey.

8. NON-SOLICITATION. Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to Hershey, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by Hershey, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with Hershey. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

9. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with Hershey, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of Hershey, that it has been and will continue to be of critical importance to the business of Hershey, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with Hershey, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 9, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to Hershey and in accordance with Hershey policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of Hershey, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's General Counsel. Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against Hershey for reporting a suspected violation of law, Grantee may disclose Hershey's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

10. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that no PSUs are earned or the Grantee does not vest in any PSUs, all interest in such units and any related shares of Common Stock shall be forfeited. The Grantee shall have no right or interest in any PSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Award, a number of Vested Units equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of Vested Units will not be considered to be held by the Grantee for any purpose.

11. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee may pay to the Company any applicable withholding tax due as a result of such payment.

(B) Unless the Grantee has otherwise paid the withholding tax due, the Company shall withhold from any cash which may be paid and/or reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

12. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

13. MISCELLANEOUS.

(A) This Notice of Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Award. By accepting the PSUs awarded herewith, Grantee acknowledges and agrees that the PSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. 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 EICP or the PSUs 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. In the event of any conflict between this Notice of Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Award would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) Grantee acknowledges and agrees that in addition to the relief described in paragraph 13(A), if the Committee determines, in its sole judgment, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, then Hershey may cancel any part of the award that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any PSUs that have vested and been distributed to Grantee under this Notice of Award, inclusive of any dividends paid on any vested shares.

(C) Notwithstanding anything in the EICP or this Notice of Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Hershey policy to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee's termination of employment from Hershey, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information

(E) If one or more of the provisions of this Notice of Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Award to be construed so as to foster the intent of this award and the EICP.

(F) The PSUs are intended to comply with Code section 409A and official guidance issued thereunder. Notwithstanding anything herein to the contrary, this Notice of Award shall be interpreted, operated and administered in a manner consistent with this intention.

(G) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a "Foreign National"), (ii) is not subject to the federal income tax laws of the United States ("U.S. Tax Law") for purposes of these PSUs, and (iii) has certain rights in the vesting and payment of the PSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested PSUs will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any PSUs, granted to such Foreign National, are subject to U.S. Tax Law, the payment of such PSUs shall be governed by the terms of this Notice of Award.

(H) The award of PSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

14. CONTACT INFORMATION. Copies of the EICP and Information Statement (Prospectus) for the EICP are available upon request from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com. Contact the VP, Global Total Rewards for information relating to the performance metrics.

Exhibit 12.1

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

	Three Months Ended	
	April 2, 2017	**April 3, 2016**
Earnings:		
Income before income taxes	$ 168,361	$ 339,729
Add (deduct):		
Fixed charges	27,702	26,322
Amortization of capitalized interest	233	611
Capitalized interest	(984)	(2,175)
Adjustment to exclude noncontrolling interests in subsidiaries and income from equity investee	—	(448)
Earnings as adjusted	$ 195,312	$ 364,039
Fixed Charges:		
Interest expensed and capitalized	$ 24,954	$ 23,525
Amortization of deferred debt issuance costs	398	409
Portion of rents representative of the interest factor (a)	2,350	2,388
Total fixed charges	$ 27,702	$ 26,322
Ratio of earnings to fixed charges	7.05	13.83

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

Exhibit 31.1

CERTIFICATION

I, Michele G. Buck, 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.

/s/ MICHELE G. BUCK

Michele G. Buck
Chief Executive Officer
April 28, 2017

Exhibit 31.2

CERTIFICATION

I, Patricia A. Little, certify that:

1. I have reviewed this Annual 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.

/s/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer
April 28, 2017

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, to the best of their knowledge, that the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2017 (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: April 28, 2017 /s/ MICHELE G. BUCK

Michele G. Buck
Chief Executive Officer

Date: April 28, 2017 /s/ PATRICIA A. LITTLE

Patricia A. Little
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.