

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

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

For the quarterly period ended March 31, 2019

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
(State or other jurisdiction of incorporation
or organization)

23-0691590
(I.R.S. Employer Identification No.)

19 East Chocolate Avenue, 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 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 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 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

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—148,185,733 shares, as of April 19, 2019.

Class B Common Stock, one dollar par value—60,613,777 shares, as of April 19, 2019.

THE HERSHEY COMPANY
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2019

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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	
	March 31, 2019	April 1, 2018
Net sales	\$ 2,016,488	\$ 1,971,959
Cost of sales	1,123,984	997,899
Gross profit	892,504	974,060
Selling, marketing and administrative expense	453,573	485,324
Business realignment costs	62	8,224
Operating profit	438,869	480,512
Interest expense, net	37,458	29,339
Other (income) expense, net	5,477	1,942
Income before income taxes	395,934	449,231
Provision for income taxes	92,053	98,512
Net income including noncontrolling interest	303,881	350,719
Less: Net (loss) income attributable to noncontrolling interest	(477)	516
Net income attributable to The Hershey Company	<u>\$ 304,358</u>	<u>\$ 350,203</u>
Net income per share—basic:		
Common stock	\$ 1.49	\$ 1.71
Class B common stock	\$ 1.36	\$ 1.55
Net income per share—diluted:		
Common stock	\$ 1.45	\$ 1.65
Class B common stock	\$ 1.36	\$ 1.55
Dividends paid per share:		
Common stock	\$ 0.722	\$ 0.656
Class B common stock	\$ 0.656	\$ 0.596

See Notes to Unaudited Consolidated Financial Statements.

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

	For the three months ended					
	March 31, 2019			April 1, 2018		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income including noncontrolling interest			\$303,881			\$350,719
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments:						
Foreign currency translation gains (losses) during period	\$ 3,428	\$ —	3,428	\$ (1,267)	\$ —	(1,267)
Pension and post-retirement benefit plans:						
Reclassification of tax effects relating to U.S. tax reform	—	—	—	—	(36,535)	(36,535)
Reclassification to earnings	6,718	(1,807)	4,911	5,097	(1,025)	4,072
Cash flow hedges:						
Gains (losses) on cash flow hedging derivatives	(789)	718	(71)	4,245	(990)	3,255
Reclassification of tax effects relating to U.S. tax reform	—	—	—	—	(11,121)	(11,121)
Reclassification to earnings	1,438	(891)	547	2,260	(609)	1,651
Total other comprehensive income (loss), net of tax	<u>\$ 10,795</u>	<u>\$ (1,980)</u>	<u>8,815</u>	<u>\$ 10,335</u>	<u>\$(50,280)</u>	<u>(39,945)</u>
Total comprehensive income including noncontrolling interest			<u>\$312,696</u>			<u>\$310,774</u>
Comprehensive income attributable to noncontrolling interest			78			1,300
Comprehensive income attributable to The Hershey Company			<u>\$312,618</u>			<u>\$309,474</u>

See Notes to Unaudited Consolidated Financial Statements.

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

	March 31, 2019	December 31, 2018
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 465,965	\$ 587,998
Accounts receivable—trade, net	694,136	594,145
Inventories	791,289	784,879
Prepaid expenses and other	265,539	272,159
Total current assets	2,216,929	2,239,181
Property, plant and equipment, net	2,108,075	2,130,294
Goodwill	1,803,601	1,801,103
Other intangibles	1,267,833	1,278,292
Other assets	459,754	252,984
Deferred income taxes	1,184	1,166
Total assets	\$ 7,857,376	\$ 7,703,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 500,633	\$ 502,314
Accrued liabilities	650,657	679,163
Accrued income taxes	74,562	33,773
Short-term debt	1,168,780	1,197,929
Current portion of long-term debt	3,553	5,387
Total current liabilities	2,398,185	2,418,566
Long-term debt	3,236,317	3,254,280
Other long-term liabilities	618,133	446,048
Deferred income taxes	181,381	176,860
Total liabilities	6,434,016	6,295,754
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2019 and 2018	—	—
Common stock, shares issued: 299,287,967 at March 31, 2019 and December 31, 2018	299,287	299,287
Class B common stock, shares issued: 60,613,777 at March 31, 2019 and December 31, 2018	60,614	60,614
Additional paid-in capital	996,181	982,205
Retained earnings	7,193,240	7,032,020
Treasury—common stock shares, at cost: 151,275,897 at March 31, 2019 and 150,172,840 at December 31, 2018	(6,786,065)	(6,618,625)
Accumulated other comprehensive loss	(348,520)	(356,780)
Total—The Hershey Company stockholders' equity	1,414,737	1,398,721
Noncontrolling interest in subsidiary	8,623	8,545
Total stockholders' equity	1,423,360	1,407,266
Total liabilities and stockholders' equity	\$ 7,857,376	\$ 7,703,020

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	March 31, 2019	April 1, 2018
Operating Activities		
Net income including noncontrolling interest	\$ 303,881	\$ 350,719
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,329	74,416
Stock-based compensation expense	10,556	10,458
Deferred income taxes	1,300	2,521
Write-down of equity investments	1,152	434
Other	8,497	9,055
Changes in assets and liabilities, net of business acquisitions and divestitures:		
Accounts receivable—trade, net	(99,991)	(9,882)
Inventories	(6,410)	(11,266)
Prepaid expenses and other current assets	(8,740)	7,309
Accounts payable and accrued liabilities	(2,798)	(146,623)
Accrued income taxes	56,282	82,231
Contributions to pension and other benefit plans	(4,661)	(7,449)
Other assets and liabilities	(1,437)	(9,866)
Net cash provided by operating activities	<u>329,960</u>	<u>352,057</u>
Investing Activities		
Capital additions (including software)	(92,814)	(60,133)
Proceeds from sales of property, plant and equipment and other long-lived assets	75	112
Equity investments in tax credit qualifying partnerships	(18,884)	(6,281)
Business acquisitions, net of cash and cash equivalents acquired	—	(915,457)
Net cash used in investing activities	<u>(111,623)</u>	<u>(981,759)</u>
Financing Activities		
Net (decrease) increase in short-term debt	(28,990)	1,686,816
Long-term borrowings	1,370	—
Repayment of long-term debt and finance leases	(3,135)	(607,922)
Repayment of tax receivable obligation	—	(42,500)
Cash dividends paid	(146,463)	(134,300)
Repurchase of common stock	(198,500)	(178,073)
Exercise of stock options	34,573	1,884
Net cash (used in) provided by financing activities	<u>(341,145)</u>	<u>725,905</u>
Effect of exchange rate changes on cash and cash equivalents	775	52
(Decrease) Increase in cash and cash equivalents	(122,033)	96,255
Cash and cash equivalents, beginning of period	587,998	380,179
Cash and cash equivalents, end of period	<u>\$ 465,965</u>	<u>\$ 476,434</u>
Supplemental Disclosure		
Interest paid	\$ 35,271	\$ 38,323
Income taxes paid	28,733	12,817

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS 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, 2018	—	299,287	60,614	982,205	7,032,020	(6,618,625)	(356,780)	8,545	1,407,266
Net income (loss)					304,358			(477)	303,881
Other comprehensive income							8,260	555	8,815
Dividends (including dividend equivalents):									
Common Stock, \$0.722 per share					(107,288)				(107,288)
Class B Common Stock, \$0.656 per share					(39,763)				(39,763)
Stock-based compensation				10,463					10,463
Exercise of stock options and incentive-based transactions				3,513		31,060			34,573
Repurchase of common stock						(198,500)			(198,500)
Impact of ASU 2016-02 related to leases					3,913				3,913
Balance, March 31, 2019	<u>\$ —</u>	<u>\$ 299,287</u>	<u>\$ 60,614</u>	<u>\$ 996,181</u>	<u>\$ 7,193,240</u>	<u>\$ (6,786,065)</u>	<u>\$ (348,520)</u>	<u>\$ 8,623</u>	<u>\$ 1,423,360</u>
	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, 2017	—	299,281	60,620	924,978	6,371,082	(6,426,877)	(313,746)	16,227	931,565
Net income					350,203			516	350,719
Other comprehensive income							6,927	784	7,711
Dividends (including dividend equivalents):									
Common Stock, \$0.656 per share					(98,495)				(98,495)
Class B Common Stock, \$0.596 per share					(36,130)				(36,130)
Stock-based compensation				10,474					10,474
Exercise of stock options and incentive-based transactions				(9,487)		11,371			1,884
Repurchase of common stock						(178,073)			(178,073)
Reclassification of tax effects relating to U.S. tax reform					47,656		(47,656)		—
Balance, April 1, 2018	<u>\$ —</u>	<u>\$ 299,281</u>	<u>\$ 60,620</u>	<u>\$ 925,965</u>	<u>\$ 6,634,316</u>	<u>\$ (6,593,579)</u>	<u>\$ (354,475)</u>	<u>\$ 17,527</u>	<u>\$ 989,655</u>

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

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 March 31, 2019 may not be indicative of the results that may be expected for the year ending December 31, 2019 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, 2018 (our “2018 Annual Report on Form 10-K”), which provides a more complete understanding of our accounting policies, financial position, operating results and other matters.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use (“ROU”) assets. The Company adopted the standard as of January 1, 2019, using a modified retrospective approach and applying the standard’s transition provisions at January 1, 2019, the effective date.

We elected the package of practical expedients permitted under the transition guidance, which among other things, allows us to carryforward the historical lease classification. In addition, we made accounting policy elections to combine the lease and non-lease components for asset categories that support selling, marketing and general administrative activities. These asset categories comprise the majority of our leases. Finally, we made elections to exclude from balance sheet reporting those leases with initial terms of 12 months or less.

Adoption of the new standard resulted in the recording of operating lease ROU assets and lease liabilities of \$227,258 and \$216,966, respectively, with the difference largely due to prepaid and deferred rent that were reclassified to the ROU asset value. In addition, we derecognized a build-to-suit arrangement in accordance with the transition requirements, which resulted in an adjustment to retained earnings of \$3,913. The standard did not materially affect our consolidated net income or cash flows. See Note 7 for further details.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which amends ASC 815. The purpose of this ASU is to better align accounting rules with a company’s risk management activities and financial reporting for hedging relationships, better reflect economic results of hedging in financial statements, simplify hedge accounting requirements and improve the disclosures of hedging arrangements. We adopted the provisions of this ASU in the first quarter of 2019 using a modified retrospective approach. Adoption of the new standard did not have a material impact on our consolidated financial statements.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with accounting for employee share-based compensation. We adopted the provisions of this ASU in the first quarter of 2019. Adoption of the new standard did not have a material impact on our consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU permits a company to reclassify the income tax effects of the 2017 Tax Cuts and Jobs Act (“U.S. tax reform”) on items within AOCI to retained earnings. We adopted the provisions of this ASU in the first quarter of 2018. We elected to reclassify the income tax effects of U.S. tax reform from items in AOCI as of January 1, 2018 so that the tax effects of items within AOCI are reflected at the appropriate tax rate. The impact of the reclassification resulted in a \$47,656 decrease to AOCI and a corresponding increase to retained earnings.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU modifies the measurement of expected credit losses of certain financial instruments. ASU 2016-13 is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. The amendments in this ASU should be applied on a modified retrospective basis to all periods presented. We are currently evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. ASU 2018-13 is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. We are currently evaluating the effect that ASU 2018-13 will have on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. ASU 2018-14 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. The amendments in this ASU should be applied on a retrospective basis to all periods presented. We are currently evaluating the effect that ASU 2018-14 will have on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently evaluating the effect that ASU 2018-15 will have on our consolidated financial statements and related disclosures.

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.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

2. BUSINESS ACQUISITIONS

2018 Activity

Pirate Brands

On October 17, 2018, we completed the acquisition of Pirate Brands, which includes the *Pirate's Booty*, *Smart Puffs* and *Original Tings* brands, from B&G Foods, Inc. Pirate Brands offers baked, trans fat free and gluten free snacks and is available in a wide range of food distribution channels in the United States. The purchase consideration for Pirate Brands totaled \$423,002 and consisted of short-term borrowings and cash on hand. Acquisition-related costs for the Pirate Brands acquisition were immaterial.

The acquisition has been accounted for as a purchase and, accordingly, Pirate Brands' results of operations have been included within the North America segment results in our consolidated financial statements since the date of acquisition. The purchase price allocation presented below has been finalized as of the end of the fourth quarter of 2018. The purchase consideration was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

Inventories	\$	4,663
Plant, property and equipment, net		48
Goodwill		129,991
Other intangible assets		289,300
Accrued liabilities		(1,000)
Net assets acquired	\$	<u>423,002</u>

Goodwill was determined as the excess of the purchase price over the fair value of the net assets acquired (including the identifiable intangible assets). The goodwill derived from this acquisition is expected to be deductible for tax purposes and reflects the value of leveraging the Company's resources to expand the distribution locations and customer base for the Pirate Brands' products.

Other intangible assets includes trademarks valued at \$272,000 and customer relationships valued at \$17,300. Trademarks were assigned estimated useful lives of 45 years and customer relationships were assigned estimated useful lives ranging from 16 to 18 years.

Amplify Snack Brands, Inc.

On January 31, 2018, we completed the acquisition of all of the outstanding shares of Amplify Snack Brands, Inc. ("Amplify"), previously a publicly traded company based in Austin, Texas that owns several popular better-for-you snack brands such as *SkinnyPop*, *Oatmega* and *Paqui*. Amplify's anchor brand, *SkinnyPop*, is a market-leading ready-to-eat popcorn brand and is available in a wide range of food distribution channels in the United States. Total consideration of \$968,781 included payment of \$12.00 per share for Amplify's outstanding common stock (for a total of \$907,766), as well as payment of Amplify's transaction related expenses, including accelerated equity compensation, consultant fees and other deal costs. The business enables us to capture more consumer snacking occasions by contributing a new portfolio of brands.

The acquisition has been accounted for as a purchase and, accordingly, Amplify's results of operations have been included within the North America segment results in our consolidated financial statements since the date of acquisition. The purchase price allocation presented below has been finalized as of the end of the fourth quarter of 2018. The purchase consideration, net of cash acquired totaling \$53,324, was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Accounts receivable	\$	40,763
Other current assets		34,593
Plant, property and equipment, net		67,989
Goodwill		966,389
Other intangible assets		682,000
Other non-current assets		1,049
Accounts payable		(32,394)
Accrued liabilities		(132,519)
Current debt		(610,844)
Other current liabilities		(2,931)
Non-current deferred income taxes		(93,489)
Non-current liabilities		(5,149)
Net assets acquired	\$	915,457

In connection with the acquisition, the Company agreed to pay in full all outstanding debt owed by Amplify under its existing credit agreement as of January 31, 2018, as well as the amount due under Amplify's existing tax receivable obligation. The Company funded the acquisition and repayment of the acquired debt utilizing proceeds from the issuance of commercial paper.

Goodwill was determined as the excess of the purchase price over the fair value of the net assets acquired (including the identifiable intangible assets) and is not expected to be deductible for tax purposes. The goodwill that resulted from the acquisition is attributable primarily to cost-reduction synergies as Amplify leverages Hershey's resources, expertise and capability-building.

Other intangible assets includes trademarks valued at \$648,000 and customer relationships valued at \$34,000. Trademarks were assigned estimated useful lives ranging from 28 to 38 years and customer relationships were assigned estimated useful lives ranging from 14 to 18 years.

The Company incurred acquisition-related costs of \$20,577 related to the acquisition of Amplify, the majority of which were incurred during the first quarter of 2018. Acquisition-related costs consisted primarily of legal fees, consultant fees, valuation fees and other deal costs and are recorded in the selling, marketing and administrative expense caption within the Consolidated Statements of Operations.

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the three months ended March 31, 2019 are as follows:

	North America	International and Other	Total
Balance at December 31, 2018	1,782,845	18,258	1,801,103
Foreign currency translation	2,286	212	2,498
Balance at March 31, 2019	\$ 1,785,131	\$ 18,470	\$ 1,803,601

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

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

	March 31, 2019		December 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Trademarks	\$ 1,174,817	\$ (70,271)	\$ 1,173,770	\$ (60,995)
Customer-related	164,606	(36,485)	163,860	(33,516)
Patents	16,478	(16,027)	16,306	(15,772)
Total	1,355,901	(122,783)	1,353,936	(110,283)
Intangible assets not subject to amortization:				
Trademarks	34,715		34,639	
Total other intangible assets	\$ 1,267,833		\$ 1,278,292	

Total amortization expense for the three months ended March 31, 2019 and April 1, 2018 was \$12,238 and \$8,451, 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 \$1.4 billion unsecured revolving credit facility, which currently expires in November 2020.

The credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. As of March 31, 2019, 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 2018 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 \$125,226 at March 31, 2019 and \$113,189 at December 31, 2018. Commitment fees relating to our revolving credit facility and lines of credit are not material.

At March 31, 2019, we had outstanding commercial paper totaling \$1,043,554, at a weighted average interest rate of 2.5%. At December 31, 2018, we had outstanding commercial paper totaling \$1,084,740, at a weighted average interest rate of 2.4%.

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Long-term Debt

Long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
2.90% Notes due 2020	\$ 350,000	\$ 350,000
4.125% Notes due 2020	350,000	350,000
3.10% Notes due 2021	350,000	350,000
8.8% Debentures due 2021	84,715	84,715
3.375% Notes due 2023	500,000	500,000
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
Finance lease liabilities	78,185	101,980
Net impact of interest rate swaps, debt issuance costs and unamortized debt discounts	(16,669)	(20,667)
Total long-term debt	3,239,870	3,259,667
Less—current portion	3,553	5,387
Long-term portion	\$ 3,236,317	\$ 3,254,280

Interest Expense

Net interest expense consists of the following:

	Three Months Ended	
	March 31, 2019	April 1, 2018
Interest expense	\$ 40,663	\$ 32,853
Capitalized interest	(1,257)	(1,299)
Interest expense	39,406	31,554
Interest income	(1,948)	(2,215)
Interest expense, net	\$ 37,458	\$ 29,339

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 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

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transportation services. We generally hedge commodity price risks for 3- to 24-month periods. Our open commodity derivative contracts had a notional value of \$1,166,051 as of March 31, 2019 and \$693,463 as of December 31, 2018.

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 13, 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, British pound, and Brazilian real. We typically utilize foreign currency forward exchange contracts 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 \$66,330 at March 31, 2019 and \$29,458 at December 31, 2018. 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 \$7,933 at March 31, 2019 and \$11,072 at December 31, 2018. 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. We had one interest rate derivative instrument in a fair value hedging relationship with a notional amount of \$350,000 at March 31, 2019 and December 31, 2018.

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 March 31, 2019 and December 31, 2018 was \$23,501 and \$33,168, respectively.

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The following table presents the classification of derivative assets and liabilities within the Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Assets (1)	Liabilities (1)	Assets (1)	Liabilities (1)
Derivatives designated as cash flow hedging instruments:				
Foreign exchange contracts	\$ 2,065	\$ 786	\$ 3,394	\$ 485
Derivatives designated as fair value hedging instruments:				
Interest rate swap agreements	504	—	—	4,832
Derivatives not designated as hedging instruments:				
Commodities futures and options (2)	5,862	552	7,230	262
Deferred compensation derivatives	3,043	—	—	4,736
Foreign exchange contracts	44	169	70	484
	8,949	721	7,300	5,482
Total	\$ 11,518	\$ 1,507	\$ 10,694	\$ 10,799

- (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 March 31, 2019, amounts reflected on a net basis in assets were assets of \$94,078 and liabilities of \$89,233, which are 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 assets at December 31, 2018 were assets of \$63,978 and liabilities of \$57,351. At March 31, 2019 and December 31, 2018, the remaining amount reflected in assets and liabilities related 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 March 31, 2019 and April 1, 2018 was as follows:

	Non-designated Hedges		Cash Flow Hedges			
	Gains (losses) recognized in income (a)		Gains (losses) recognized in other comprehensive income ("OCI")		Gains (losses) reclassified from accumulated OCI into income (b)	
	2019	2018	2019	2018	2019	2018
Commodities futures and options	\$ (26,641)	\$ 66,590	\$ —	\$ —	\$ —	\$ —
Foreign exchange contracts	215	(152)	(789)	4,245	931	136
Interest rate swap agreements	—	—	—	—	(2,369)	(2,396)
Deferred compensation derivatives	3,043	(393)	—	—	—	—
Total	\$ (23,383)	\$ 66,045	\$ (789)	\$ 4,245	\$ (1,438)	\$ (2,260)

- (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.

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(b) Gains (losses) reclassified from AOCI into income 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 and foreign currency forward exchange contracts expected to be reclassified into earnings in the next 12 months was approximately \$8,287 as of March 31, 2019. This amount is primarily associated with interest rate swap agreements.

Fair Value Hedging Relationships

The following table presents amounts that were recorded on the balance sheet related to cumulative basis adjustments for interest rate swap derivatives designated as fair value accounting hedges as of March 31, 2019 and December 31, 2018.

Line Item in the Consolidated Balance Sheet in Which the Hedged Item is Included	Carrying Amount of the Hedged Asset/(Liability)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount Assets/(Liabilities)	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Long-term debt	\$ (349,496)	\$ (354,832)	\$ 504	\$ (4,832)

For the three months ended March 31, 2019 and April 1, 2018, we recognized net incremental interest expense of \$630 and a net pretax benefit to interest expense of \$278 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.

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The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheet on a recurring basis as of March 31, 2019 and December 31, 2018:

	Assets (Liabilities)			
	Level 1	Level 2	Level 3	Total
March 31, 2019:				
Derivative Instruments:				
Assets:				
Foreign exchange contracts (1)	\$ —	\$ 2,109	\$ —	\$ 2,109
Interest rate swap agreements (2)	—	504	—	504
Deferred compensation derivatives (3)	—	3,043	—	3,043
Commodities futures and options (4)	5,862	—	—	5,862
Liabilities:				
Foreign exchange contracts (1)	—	955	—	955
Commodities futures and options (4)	552	—	—	552
December 31, 2018:				
Assets:				
Foreign exchange contracts (1)	\$ —	\$ 3,464	\$ —	\$ 3,464
Commodities futures and options (4)	7,230	—	—	7,230
Liabilities:				
Foreign exchange contracts (1)	—	969	—	969
Interest rate swap agreements (2)	—	4,832	—	4,832
Deferred compensation derivatives (3)	—	4,736	—	4,736
Commodities futures and options (4)	262	—	—	262

- (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, accounts receivable, accounts payable and short-term debt approximated fair values as of March 31, 2019 and December 31, 2018 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:

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	Fair Value		Carrying Value	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Current portion of long-term debt	\$ 3,553	\$ 5,387	\$ 3,553	\$ 5,387
Long-term debt	3,299,257	3,228,877	3,236,317	3,254,280
Total	\$ 3,302,810	\$ 3,234,264	\$ 3,239,870	\$ 3,259,667

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.

In connection with the acquisitions of Amplify in the first quarter of 2018 and Pirate Brands in the fourth quarter of 2018, as discussed in Note 2, we used various valuation techniques to determine fair value, with the primary techniques being discounted cash flow analysis, relief-from-royalty, and a form of the multi-period excess earnings valuation approaches, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy.

7. LEASES

We lease office and retail space, warehouse and distribution facilities, land, vehicles, and equipment. We determine if an agreement is or contains a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are based on the estimated present value of lease payments over the lease term and are recognized at the lease commencement date.

As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate in determining the present value of lease payments. The estimated incremental borrowing rate is derived from information available at the lease commencement date.

Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. A limited number of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements generally do not contain residual value guarantees or material restrictive covenants.

For real estate, equipment and vehicles that support selling, marketing and general administrative activities the Company accounts for the lease and non-lease components as a single lease component. These asset categories comprise the majority of our leases. The lease and non-lease components of real estate and equipment leases supporting production activities are not accounted for as a single lease component. Consideration for such contracts are allocated to the lease component and non-lease components based upon relative standalone prices either observable or estimated if observable prices are not readily available.

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The components of lease expense for the three months ended March 31, 2019 were as follows:

Lease expense	Classification	Three Months Ended March 31, 2019
Operating lease cost	Cost of sales or SM&A (1)	\$ 10,214
Finance lease cost:		
Amortization of ROU assets	Depreciation and amortization (1)	1,934
Interest on lease liabilities	Interest expense, net	1,101
Net lease cost (2)		<u>\$ 13,249</u>

(1) Supply chain-related amounts were included in cost of sales.

(2) Net lease cost does not include short-term leases, variable lease costs or sublease income, all of which are immaterial.

Information regarding our lease terms and discount rates as of March 31, 2019 were as follows:

	March 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	14.8
Finance leases	32.0
Weighted-average discount rate	
Operating leases	3.9%
Finance leases	6.0%

Supplemental balance sheet information related to leases as of March 31, 2019 was as follows:

Leases	Classification	March 31, 2019
Assets		
Operating lease ROU assets	Other assets (non-current)	\$ 219,138
Finance lease ROU assets, at cost	Property, plant and equipment, gross	99,551
Accumulated amortization	Accumulated depreciation	(1,364)
Finance lease ROU assets, net	Property, plant and equipment, net	\$ 98,187
Total leased assets		<u>\$ 317,325</u>
Liabilities		
Current		
Operating	Accrued liabilities	\$ 30,178
Finance	Current portion of long-term debt	3,688
Non-current		
Operating	Other long-term liabilities	179,636
Finance	Long-term debt	74,497
Total lease liabilities		<u>\$ 287,999</u>

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The maturity of our lease liabilities as of March 31, 2019 were as follows:

	Operating leases		Finance leases		Total
2019 (remaining of year)	\$ 28,698	\$	5,594	\$	34,292
2020	24,025		6,303		30,328
2021	16,876		4,996		21,872
2022	15,514		4,491		20,005
2023	13,507		4,595		18,102
Thereafter	185,621		169,941		355,562
Total lease payments	284,241		195,920		480,161
Less: Imputed interest	74,427		117,735		192,162
Total lease liabilities	\$ 209,814	\$	78,185	\$	287,999

Supplemental cash flow and other information related to leases for the three months ended March 31, 2019 was as follows:

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 9,524
Operating cash flows from finance leases	1,101
Financing cash flows from finance leases	994
ROU assets obtained in exchange for lease liabilities:	
Operating leases	717
Finance leases	3,172

8. ASSETS AND LIABILITIES HELD FOR SALE

As of March 31, 2019, the following disposal groups have been classified as held for sale, in each case stated at the lower of net book value or estimated sales value less costs to sell:

- The Lotte Shanghai Foods Co., Ltd. joint venture, which was taken out of operation and classified as held for sale during the second quarter of 2018. We sold a portion of the joint venture's equipment in the third and fourth quarters of 2018, and expect the sale of the remaining business to be completed by mid-2019.
- Other assets, which are predominantly comprised of select Pennsylvania facilities and land that met the held for sale criteria in the third quarter of 2018. We expect these long-lived assets to be sold during 2019.

The amounts classified as assets and liabilities held for sale at March 31, 2019 include the following:

Assets held for sale, included in prepaid expenses and other assets	
Property, plant and equipment, net	\$ 20,905
Other assets	2,516
	\$ 23,421
Liabilities held for sale, included in accrued liabilities	
Accounts payable and accrued liabilities	\$ 596
	\$ 596

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9. BUSINESS REALIGNMENT ACTIVITIES

We periodically undertake business realignment activities designed to increase our efficiency and focus our business in support of our key growth strategies. Costs recorded during the three months ended March 31, 2019 and April 1, 2018 related to these activities were as follows:

	Three Months Ended	
	March 31, 2019	April 1, 2018
Margin for Growth Program:		
Severance	\$ —	\$ 4,048
Accelerated depreciation	—	717
Other program costs	484	10,088
Operational Optimization Program:		
Other program costs	—	1,098
Total	\$ 484	\$ 15,951

Margin for Growth Program

In the first quarter 2017, the Company's Board of Directors ("Board") 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 is focused 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.

We originally estimated that the Margin for Growth Program would result in total pre-tax charges of \$375,000 to \$425,000, to be incurred from 2017 to 2019. The majority of the initiatives relating to the program have been executed, with the final initiatives to be completed over approximately the next nine months. To date, we have incurred pre-tax charges to execute the program totaling \$336,779. This includes long-lived asset impairment charges of \$208,712 related to the operations supporting our China business in 2017, as well as the \$16,300 incremental impairment charge resulting from the sale of Shanghai Golden Monkey Food Joint Stock Co., Ltd. ("SGM"). In addition to the impairment charges, we have incurred employee separation costs of \$47,932 and other business realignment costs of \$63,835. We expect the remaining spending on this program to be minimal in 2019, bringing total estimated project costs to approximately \$340,000 to \$355,000. The cash portion of the total program charges is estimated to be \$97,000 to \$110,000. The Company reduced its global workforce by approximately 15% as a result of this program, with a majority of the reductions coming from hourly headcount positions outside of the United States.

During 2019, we recognized total costs associated with the Margin for Growth Program of \$484. During 2018, we recognized total costs associated with the Margin for Growth Program of \$14,853. These charges include employee severance, largely relating to initiatives to improve the cost structure of our China business and to further streamline our corporate operating model, as well as non-cash, asset-related incremental depreciation expense as part of optimizing the global supply chain. In addition, we incurred other program costs, which relate primarily to third-party charges in support of our initiative to improve global efficiency and effectiveness.

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 included select facility consolidations. The program encompassed the 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 first quarter of 2018, we incurred pre-tax costs totaling \$1,098, relating primarily to third-party charges in support of our initiative to optimize our production and supply chain network. This program was completed in 2018.

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Costs associated with business realignment activities are classified in our Consolidated Statements of Income as follows:

	Three Months Ended	
	March 31, 2019	April 1, 2018
Cost of sales	\$ —	\$ 2,214
Selling, marketing and administrative expense	422	5,513
Business realignment costs	62	8,224
Costs associated with business realignment activities	<u>\$ 484</u>	<u>\$ 15,951</u>

The costs and related benefits of the Margin for Growth Program relate approximately 60% to the North America segment and 40% to the International and Other segment. However, segment operating results do not include these business realignment expenses because we evaluate segment performance excluding such costs.

The following table presents the liability activity for costs qualifying as exit and disposal costs for the three months ended March 31, 2019:

	Total
Liability balance at December 31, 2018	\$ 14,605
2019 business realignment charges (1)	186
Cash payments	(5,655)
Liability balance at March 31, 2019 (reported within accrued liabilities)	<u>\$ 9,136</u>

- (1) The costs reflected in the liability roll-forward represent employee-related and certain third-party service provider charges. These costs 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.

10. INCOME TAXES

The majority of our taxable income is generated in the U.S. and taxed at the U.S. statutory rate of 21%. The effective tax rates for the three months ended March 31, 2019 and April 1, 2018 were 23.2% and 21.9%, respectively. Relative to the statutory rate, the 2019 effective tax rate was impacted by state taxes and an unfavorable foreign rate differential, which were partially offset by the benefit of ASU 2016-09 for the accounting of employee share-based payments.

Hershey and its subsidiaries file tax returns in the U.S., including various state and local returns, and in other 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 \$9,807 within the next 12 months because of the expiration of statutes of limitations and settlements of tax audits.

U.S. Tax Cuts and Jobs Act of 2017

The U.S. Tax Cuts and Jobs Act, enacted in December 2017 (“U.S. tax reform”), significantly changed U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate to 21% starting in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. Under GAAP (specifically, ASC Topic 740), the effects of changes in tax rates and laws on deferred tax balances are recognized in the period in which the new legislation is enacted.

During the fourth quarter of 2017, we recorded a net provisional charge of \$32.5 million, which included the estimated impact of the one-time mandatory tax on previously deferred earnings of non-U.S. subsidiaries offset in part by the benefit from revaluation of net deferred tax liabilities based on the new lower corporate income tax rate. During 2018, we recorded net benefits totaling \$19.5 million as measurement period adjustments to the net provisional charge. The

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accounting for income tax effects of U.S. tax reform is complete based on additional tax regulations available as of December 31, 2018.

11. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Net Periodic Benefit Cost

The components of net periodic benefit cost for the three months ended March 31, 2019 and April 1, 2018 were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	March 31, 2019	April 1, 2018	March 31, 2019	April 1, 2018
Service cost	\$ 5,207	\$ 5,335	\$ 38	\$ 58
Interest cost	9,156	7,839	1,959	1,732
Expected return on plan assets	(13,496)	(14,766)	—	—
Amortization of prior service (credit) cost	(1,809)	(1,799)	203	209
Amortization of net loss (gain)	8,420	6,687	(96)	—
Total net periodic benefit cost	<u>\$ 7,478</u>	<u>\$ 3,296</u>	<u>\$ 2,104</u>	<u>\$ 1,999</u>

We made contributions of \$898 and \$3,763 to the pension plans and other benefits plans, respectively, during the first quarter of 2019. In the first quarter of 2018, we made contributions of \$1,005 and \$6,444 to our pension plans and other benefit plans, respectively. The contributions in 2019 and 2018 also included benefit payments from our non-qualified pension plans and post-retirement benefit plans.

12. 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 2018 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	
	March 31, 2019	April 1, 2018
Pre-tax compensation expense	\$ 10,556	\$ 10,458
Related income tax benefit	2,322	2,604

Compensation costs for stock compensation plans are primarily included in selling, marketing and administrative expense. As of March 31, 2019, total stock-based compensation cost related to non-vested awards not yet recognized was \$92,298 and the weighted-average period over which this amount is expected to be recognized was approximately 2.3 years.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Stock Options

A summary of activity relating to grants of stock options for the period ended March 31, 2019 is as follows:

Stock Options	Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	5,394,382	\$94.28	5.6 years	
Granted	1,640	\$109.74		
Exercised	(603,525)	\$81.10		
Forfeited	(16,263)	\$104.90		
Outstanding as of March 31, 2019	<u>4,776,234</u>	\$95.91	5.6 years	\$ 90,361
Options exercisable as of March 31, 2019	<u>3,589,392</u>	\$94.22	4.7 years	\$ 73,967

The weighted-average fair value of options granted was \$15.25 and \$15.58 per share for the periods ended March 31, 2019 and April 1, 2018, 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	
	March 31, 2019	April 1, 2018
Dividend yields	2.7%	2.3%
Expected volatility	17.0%	16.6%
Risk-free interest rates	2.5%	2.8%
Expected term in years	6.5	6.6

The total intrinsic value of options exercised was \$17,598 and \$9,145 for the periods ended March 31, 2019 and April 1, 2018, respectively.

Performance Stock Units and Restricted Stock Units

A summary of activity relating to grants of PSUs and RSUs for the period ended March 31, 2019 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 at beginning of year	999,018	\$101.57
Granted	433,109	\$113.65
Performance assumption change (1)	(71,694)	\$137.34
Vested	(328,136)	\$98.05
Forfeited	(9,198)	\$101.00
Outstanding as of March 31, 2019	<u>1,023,099</u>	\$105.65

(1) Reflects the net number of PSUs above and below target levels based on the performance metrics.

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.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

	Three Months Ended	
	March 31, 2019	April 1, 2018
Units granted	433,109	302,947
Weighted-average fair value at date of grant	\$ 113.65	\$ 98.27
Monte Carlo simulation assumptions:		
Estimated values	\$ 48.40	\$ 29.17
Dividend yields	2.6%	2.6%
Expected volatility	20.3%	20.4%

The fair value of shares vested totaled \$36,003 and \$15,605 for the periods ended March 31, 2019 and April 1, 2018, respectively.

Deferred PSUs, deferred RSUs and deferred stock units representing directors' fees totaled 347,073 units as of March 31, 2019. Each unit is equivalent to one share of the Company's Common Stock.

13. 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 90% 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, Niagara Falls (Ontario) 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-related costs and other unusual gains or losses that are not part of our measurement of segment performance. These items 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.

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 (gains) 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.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

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	
	March 31, 2019	April 1, 2018
Net sales:		
North America	\$ 1,806,958	\$ 1,751,688
International and Other	209,530	220,271
Total	<u>\$ 2,016,488</u>	<u>\$ 1,971,959</u>
Segment income:		
North America	\$ 564,761	\$ 534,426
International and Other	20,243	17,680
Total segment income	585,004	552,106
Unallocated corporate expense (1)	114,504	123,967
Unallocated mark-to-market losses (gains) on commodity derivatives	27,967	(96,250)
Costs associated with business realignment activities	484	15,951
Acquisition-related costs	3,180	27,926
Operating profit	438,869	480,512
Interest expense, net	37,458	29,339
Other (income) expense, net	5,477	1,942
Income before income taxes	<u>\$ 395,934</u>	<u>\$ 449,231</u>

(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 losses (gains) on commodity derivatives is as follows:

	Three Months Ended	
	March 31, 2019	April 1, 2018
Net losses (gains) on mark-to-market valuation of commodity derivative positions recognized in income	\$ 26,641	\$ (66,590)
Net gains (losses) on commodity derivative positions reclassified from unallocated to segment income	1,326	(29,660)
Net losses (gains) on mark-to-market valuation of commodity derivative positions recognized in unallocated derivative (gains) losses	<u>\$ 27,967</u>	<u>\$ (96,250)</u>

As of March 31, 2019, the cumulative amount of mark-to-market gains on commodity derivatives that have been recognized in our consolidated cost of sales and not yet allocated to reportable segments was \$12,351. Based on our forecasts of the timing of the recognition of the underlying hedged items, we expect to reclassify net pretax gains on commodity derivatives of \$4,265 to segment operating results in the next twelve months.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

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

	Three Months Ended	
	March 31, 2019	April 1, 2018
North America	\$ 53,945	\$ 47,985
International and Other	7,350	14,288
Corporate (1)	11,034	12,143
Total	<u>\$ 72,329</u>	<u>\$ 74,416</u>

(1) Corporate includes non-cash asset-related accelerated depreciation and amortization related to business realignment activities, as discussed in Note 9. Such amounts are not included within our measure of segment income.

14. TREASURY STOCK ACTIVITY

A summary of our treasury stock activity is as follows:

	Three Months Ended March 31, 2019	
	Shares	Dollars
	In thousands	
Shares repurchased in the open market under pre-approved share repurchase programs	1,386,193	\$ 150,000
Shares repurchased to replace Treasury Stock issued for stock options and incentive compensation	463,305	48,500
Total share repurchases	1,849,498	198,500
Shares issued for stock options and incentive compensation	(746,441)	(31,060)
Net change	<u>1,103,057</u>	<u>\$ 167,440</u>

The \$100,000 share repurchase program approved by our Board of Directors in October 2017 was completed in the first quarter of 2019. In July 2018, our Board of Directors approved an additional \$500,000 share repurchase authorization, to commence after the existing 2017 authorization was completed. As of March 31, 2019, \$410,000 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.

15. NONCONTROLLING INTEREST

Noncontrolling Interest in Subsidiary

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 joint venture partners.

A roll-forward showing the 2019 activity relating to the noncontrolling interest follows:

	Noncontrolling Interest
Balance, December 31, 2018	\$ 8,545
Net loss attributable to noncontrolling interest	(477)
Other comprehensive income - foreign currency translation adjustments	555
Balance, March 31, 2019	<u>\$ 8,623</u>

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

16. 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.

17. 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. 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			
	March 31, 2019		April 1, 2018	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
Basic earnings per share:				
Numerator:				
Allocation of distributed earnings (cash dividends paid)	\$ 106,700	\$ 39,763	\$ 98,170	\$ 36,130
Allocation of undistributed earnings	115,223	42,672	157,952	57,951
Total earnings—basic	<u>\$ 221,923</u>	<u>\$ 82,435</u>	<u>\$ 256,122</u>	<u>\$ 94,081</u>
Denominator (shares in thousands):				
Total weighted-average shares—basic	148,709	60,614	150,114	60,620
Earnings Per Share—basic	<u>\$ 1.49</u>	<u>\$ 1.36</u>	<u>\$ 1.71</u>	<u>\$ 1.55</u>
Diluted earnings per share:				
Numerator:				
Allocation of total earnings used in basic computation	\$ 221,923	\$ 82,435	\$ 256,122	\$ 94,081
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	82,435	—	94,081	—
Reallocation of undistributed earnings	—	(209)	—	(343)
Total earnings—diluted	<u>\$ 304,358</u>	<u>\$ 82,226</u>	<u>\$ 350,203</u>	<u>\$ 93,738</u>
Denominator (shares in thousands):				
Number of shares used in basic computation	148,709	60,614	150,114	60,620
Weighted-average effect of dilutive securities:				
Conversion of Class B common stock to Common shares outstanding	60,614	—	60,620	—
Employee stock options	582	—	844	—
Performance and restricted stock units	422	—	377	—
Total weighted-average shares—diluted	<u>210,327</u>	<u>60,614</u>	<u>211,955</u>	<u>60,620</u>
Earnings Per Share—diluted	<u>\$ 1.45</u>	<u>\$ 1.36</u>	<u>\$ 1.65</u>	<u>\$ 1.55</u>

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The earnings per share calculations for the three months ended March 31, 2019 and April 1, 2018 excluded 1,476 and 3,689 stock options (in thousands), respectively, that would have been antidilutive.

18. 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	
	March 31, 2019	April 1, 2018
Write-down of equity investments in partnerships qualifying for tax credits	\$ 1,152	\$ 434
Non-service cost components of net periodic benefit cost relating to pension and other post-retirement benefit plans	4,337	(98)
Other (income) expense, net	(12)	1,606
Total	\$ 5,477	\$ 1,942

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

19. SUPPLEMENTAL BALANCE SHEET INFORMATION

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

	March 31, 2019	December 31, 2018
Inventories:		
Raw materials	\$ 245,848	\$ 237,086
Goods in process	147,881	107,139
Finished goods	569,486	618,798
Inventories at FIFO	963,215	963,023
Adjustment to LIFO	(171,926)	(178,144)
Total inventories	<u>\$ 791,289</u>	<u>\$ 784,879</u>
Prepaid expenses and other:		
Prepaid expenses	\$ 47,735	\$ 68,490
Assets held for sale	23,421	23,421
Other current assets	194,383	180,248
Total prepaid expenses and other	<u>\$ 265,539</u>	<u>\$ 272,159</u>
Property, plant and equipment:		
Land	\$ 103,116	\$ 102,074
Buildings	1,219,652	1,211,011
Machinery and equipment	2,981,331	2,988,027
Construction in progress	268,202	280,559
Property, plant and equipment, gross	4,572,301	4,581,671
Accumulated depreciation	(2,464,226)	(2,451,377)
Property, plant and equipment, net	<u>\$ 2,108,075</u>	<u>\$ 2,130,294</u>
Other assets:		
Capitalized software, net	\$ 133,328	\$ 126,379
Operating lease ROU assets	219,138	—
Other non-current assets	107,288	126,605
Total other assets	<u>\$ 459,754</u>	<u>\$ 252,984</u>
Accrued liabilities:		
Payroll, compensation and benefits	\$ 124,116	\$ 180,546
Advertising, promotion and product allowances	345,642	293,642
Operating lease liabilities	30,178	—
Liabilities held for sale	596	596
Other	150,125	204,379
Total accrued liabilities	<u>\$ 650,657</u>	<u>\$ 679,163</u>
Other long-term liabilities:		
Post-retirement benefits liabilities	\$ 193,648	\$ 195,166
Pension benefits liabilities	65,751	66,379
Operating lease liabilities	179,636	—
Other	179,098	184,503
Total other long-term liabilities	<u>\$ 618,133</u>	<u>\$ 446,048</u>
Accumulated other comprehensive loss:		
Foreign currency translation adjustments	\$ (93,803)	\$ (96,678)
Pension and post-retirement benefit plans, net of tax	(200,319)	(205,230)
Cash flow hedges, net of tax	(54,398)	(54,872)
Total accumulated other comprehensive loss	<u>\$ (348,520)</u>	<u>\$ (356,780)</u>

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 Unaudited 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 2018 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
- Non-GAAP Information
- Consolidated Results of Operations
- Segment Results
- Liquidity and Capital Resources

OVERVIEW

The Overview 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 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 Unaudited Consolidated Results of Operations.

Our first quarter 2019 net sales totaled \$2,016.5 million, an increase of 2.3%, versus \$1,972.0 million for the first quarter 2018, reflecting a volume increase of 1.7%, a benefit from the prior year Amplify and Pirate Brands acquisitions of 0.9%, and a favorable price realization of 0.2%, partially offset by unfavorable impact from foreign currency exchange rates of 0.5%. Excluding foreign currency, our first quarter 2019 net sales increased 2.8%. Consolidated volumes increased due to improvements in the United States driven by a longer Easter season in 2019 versus 2018, as well as new product launches.

Our reported gross margin was 44.3% for the first quarter 2019, a decrease of 510 basis points compared to the first quarter 2018. Our first quarter 2019 non-GAAP gross margin was 45.7%, an increase of 80 basis points compared the first quarter 2018 due to favorable raw material costs, volume and savings from our productivity and cost savings initiatives.

Our first quarter 2019 reported operating profit and reported operating profit margin totaled \$438.9 million and 21.8%, respectively, compared to the first quarter 2018 reported operating profit and reported operating profit margin of \$480.5 million and 24.4%, respectively. From a non-GAAP perspective, first quarter 2019 adjusted operating profit and adjusted operating profit margin totaled \$470.5 million and 23.3%, respectively, compared to the first quarter 2018 adjusted operating profit and adjusted operating profit margin of \$428.1 million and 21.7%, respectively. The increase in our adjusted operating profit margin was primarily due to higher non-GAAP gross margin and SM&A efficiencies.

Our first quarter 2019 reported net income and reported EPS-diluted totaled \$304.4 million and \$1.45, respectively, compared to the first quarter 2018 reported net income and reported EPS-diluted of \$350.2 million and \$1.65, respectively. From a non-GAAP perspective, first quarter 2019 adjusted net income was \$333.5 million, an increase of 11.9% versus adjusted net income of \$298.0 million in the first quarter 2018. Our adjusted EPS-diluted for the first quarter 2019 was \$1.59 compared to \$1.41 for the same period of 2018, an increase of 12.8%. The increases in our adjusted net income and adjusted EPS-diluted in 2019 compared to 2018 were primarily due to favorable operating profit, lower income taxes and fewer weighted-average shares outstanding.

NON-GAAP INFORMATION

Comparability of Certain Financial Measures

The comparability of certain of our financial measures is impacted by unallocated mark-to-market losses (gains) on commodity derivatives, costs associated with business realignment activities and costs relating to the integration of acquisitions.

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 In thousands except per share data	Three Months Ended	
	March 31, 2019	April 1, 2018
Reported gross profit	\$ 892,504	\$ 974,060
Derivative mark-to-market losses (gains)	27,967	(96,250)
Business realignment activities	—	2,214
Acquisition-related costs	56	4,962
Non-GAAP gross profit	\$ 920,527	\$ 884,986
Reported operating profit	\$ 438,869	\$ 480,512
Derivative mark-to-market losses (gains)	27,967	(96,250)
Business realignment activities	484	15,951
Acquisition-related costs	3,180	27,926
Non-GAAP operating profit	\$ 470,500	\$ 428,139
Reported provision for income taxes	\$ 92,053	\$ 98,512
Derivative mark-to-market losses (gains)*	1,367	(8,941)
Business realignment activities*	(105)	3,827
Acquisition-related costs*	759	5,403
Non-GAAP provision for income taxes	\$ 94,074	\$ 98,801
Reported net income	\$ 304,358	\$ 350,203
Derivative mark-to-market losses (gains)	26,600	(87,309)
Business realignment activities	589	12,124
Acquisition-related costs	2,421	22,523
Noncontrolling interest share of business realignment and impairment charges	(433)	456
Non-GAAP net income	\$ 333,535	\$ 297,997
Reported EPS - Diluted	\$ 1.45	\$ 1.65
Derivative mark-to-market losses (gains)	0.13	(0.41)
Business realignment activities	—	0.06
Acquisition-related costs	0.01	0.11
Non-GAAP EPS - Diluted	\$ 1.59	\$ 1.41

* 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	
	March 31, 2019	April 1, 2018
As reported gross margin	44.3%	49.4%
Non-GAAP gross margin (1)	45.7%	44.9%
As reported operating profit margin	21.8%	24.4%
Non-GAAP operating profit margin (2)	23.3%	21.7%
As reported effective tax rate	23.2%	21.9%
Non-GAAP effective tax rate (3)	22.0%	24.9%

(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 losses (gains) on commodity derivatives

The mark-to-market losses (gains) on commodity derivatives are recorded as unallocated and excluded from adjusted results until such time as the related inventory is sold, at which time the corresponding losses (gains) are reclassified from unallocated to segment income. 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 March 31, 2019 and April 1, 2018, the net adjustment recognized within unallocated was a loss of \$28.0 million and a gain of \$96.3 million, respectively. See Note 13 to the Unaudited Consolidated Financial Statements for more information.

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 March 31, 2019 and April 1, 2018, we incurred \$0.5 million and \$16.0 million, respectively, of pre-tax costs related to business realignment activities. See Note 9 to the Unaudited Consolidated Financial Statements for more information.

Acquisition-related costs

For the three months ended March 31, 2019 and April 1, 2018, we incurred expenses totaling \$3.2 million and \$27.9 million, respectively, related to the acquisitions of Amplify in January 2018 and Pirate Brands in October 2018. This primarily includes legal and consultant fees, as well as severance and other costs relating to the integration of the businesses. See Note 2 to the Unaudited 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 (income) loss attributed to the non-controlling interest.

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 comparable 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 comparable period of the prior fiscal year.

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

	Three Months Ended March 31, 2019		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
North America segment			
Canada	(6.6)%	(4.6)%	(2.0)%
Total North America segment	3.2 %	(0.2)%	3.4 %
International and Other segment			
Mexico	4.6 %	(2.5)%	7.1 %
Brazil	(17.9)%	(13.4)%	(4.5)%
India	(6.8)%	(8.3)%	1.5 %
China	(31.4)%	(4.5)%	(26.9)%
Total International and Other segment	(4.9)%	(3.5)%	(1.4)%
Total Company	2.3 %	(0.5)%	2.8 %

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended		Percent Change
	March 31, 2019	April 1, 2018	
In millions of dollars except per share amounts			
Net Sales	\$ 2,016.5	\$ 1,972.0	2.3 %
Cost of Sales	1,124.0	997.9	12.6 %
Gross Profit	892.5	974.1	(8.4)%
<i>Gross Margin</i>	44.3%	49.4%	
SM&A Expense	453.5	485.3	(6.5)%
<i>SM&A Expense as a percent of net sales</i>	22.5%	24.6%	
Business Realignment Costs	0.1	8.2	(99.2)%
Operating Profit	438.9	480.5	(8.7)%
<i>Operating Profit Margin</i>	21.8%	24.4%	
Interest Expense, Net	37.5	29.3	27.7 %
Other (Income) Expense, Net	5.5	1.9	182.0 %
Provision for Income Taxes	92.0	98.5	(6.6)%
<i>Effective Income Tax Rate</i>	23.2%	21.9%	
Net Income Including Noncontrolling Interest	303.9	350.7	(13.4)%
Less: Net (Loss) Income Attributable to Noncontrolling Interest	(0.5)	0.5	NM
Net Income Attributable to The Hershey Company	\$ 304.4	\$ 350.2	(13.1)%
Net Income Per Share—Diluted	\$ 1.45	\$ 1.65	(12.1)%

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

NM = not meaningful.

Results of Operations - First Quarter 2019 vs. First Quarter 2018

Net Sales

Net sales increased 2.3% in the first quarter of 2019 compared to the same period of 2018, reflecting a volume increase of 1.7%, a benefit from the prior year Amplify and Pirate Brands acquisitions of 0.9%, and a favorable price realization of 0.2%, partially offset by unfavorable impact from foreign currency exchange rates of 0.5%. Excluding foreign currency, our first quarter 2019 net sales increased 2.8%. Consolidated volumes increased due to improvements in the United States driven by a longer Easter season in 2019 versus 2018, as well as new product launches.

Key U.S. Marketplace Metrics

For the first quarter of 2019, our total U.S. retail takeaway, including Amplify, decreased 8.7% in the expanded multi-outlet combined plus convenience store channels (IRI MULO + C-Stores), which includes candy, mint, gum, salty snacks, snack bars, meat snacks and grocery items. Our U.S. candy, mint and gum ("CMG") consumer takeaway decreased 9.7%, resulting in a CMG market share loss of approximately 47 basis points due to the timing of Easter, which shifted into the second half of April, versus April 1, 2018.

The CMG consumer takeaway and market share information reflect 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 Information Resources, Incorporated ("IRI"), the Company's market insights and analytics provider, and provide a means to assess our retail takeaway and market position relative to the overall category.

Cost of Sales and Gross Margin

Cost of sales increased 12.6% in the first quarter of 2019 compared to the same period of 2018. The increase was driven by an incremental \$93.2 million unfavorable impact from mark-to-market adjustments on our commodity derivative instruments intended to economically hedge future years' commodity purchases, higher sales volume, higher freight and logistics costs and higher plant costs. These drivers were partially offset by supply chain productivity.

Gross margin decreased by 510 basis points in the first quarter of 2019 compared to the same period of 2018. The decrease was primarily due to unfavorable year-over-year mark-to-market impact from commodity derivative instruments and higher freight and logistics costs. These factors were partially offset by favorable supply chain productivity and favorable product mix.

Selling, Marketing and Administrative

Selling, marketing and administrative ("SM&A") expenses decreased \$31.8 million or 6.5% in the first quarter of 2019. Total advertising and related consumer marketing expenses declined 0.8% due mainly to spend optimization and shifts relating to our emerging brands. Selling, marketing and administrative expenses, excluding advertising and related consumer marketing, decreased approximately 9.7% in the first quarter due to less spending from the Margin for Growth Program and lower acquisition-related costs.

Business Realignment Activities

In the first quarter of 2019 and 2018, we recorded business realignment costs of \$0.1 million and \$8.2 million, respectively. The costs related primarily to the Margin for Growth Program, which is discussed in more detail in Note 9 to the Unaudited Consolidated Financial Statements.

Operating Profit and Operating Profit Margin

Operating profit decreased 8.7% in the first quarter of 2019 compared to the same period of 2018 due to lower gross profit, partially offset by lower SM&A and lower business realignment costs in the 2019 period, as noted above. Operating profit margin decreased to 21.8% in 2019 from 24.4% in 2018 driven by these same factors.

Interest Expense, Net

Net interest expense was \$8.1 million higher in the first quarter of 2019 compared to the same period of 2018. The increase was due to \$1.2 billion of notes issued in May 2018, as well as higher interest rates on our short-term debt.

Other (Income) Expense, Net

Other (income) expense, net totaled expense of \$5.5 million in the first quarter of 2019 versus expense of \$1.9 million in the first quarter of 2018. The increase in the net expense was primarily due to higher non-service cost components of net periodic benefit cost relating to pension and other post-retirement benefit plans during 2019, as well as higher write-downs on equity investments qualifying for federal historic and energy tax credits.

Income Taxes and Effective Tax Rate

Our effective income tax rate was 23.2% for the first quarter of 2019 compared with 21.9% for the first quarter of 2018. Relative to the 21% statutory rate, the 2019 effective tax rate was impacted by state taxes and an unfavorable foreign rate differential, which were partially offset by the benefit of ASU 2016-09 for the accounting of employee share-based payments.

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

Net income decreased \$45.8 million, or 13.1%, while EPS-diluted decreased \$0.20, or 12.1%, in the first quarter of 2019 compared to the same period of 2018. The decrease in both net income and EPS-diluted was driven primarily by lower operating profit and higher interest expense in 2019, which were partly offset by lower income taxes, 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-related costs and other unusual gains or losses 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 directly attributable to our ongoing segment 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	
	March 31, 2019	April 1, 2018
Net Sales:		
North America	\$ 1,806,958	\$ 1,751,688
International and Other	209,530	220,271
Total	\$ 2,016,488	\$ 1,971,959
Segment Income:		
North America	\$ 564,761	\$ 534,426
International and Other	20,243	17,680
Total segment income	585,004	552,106
Unallocated corporate expense (1)	114,504	123,967
Unallocated mark-to-market losses (gains) on commodity derivatives (2)	27,967	(96,250)
Costs associated with business realignment activities	484	15,951
Acquisition-related costs	3,180	27,926
Operating profit	438,869	480,512
Interest expense, net	37,458	29,339
Other (income) expense, net	5,477	1,942
Income before income taxes	\$ 395,934	\$ 449,231

(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) Net losses (gains) on mark-to-market valuation of commodity derivative positions recognized in unallocated derivative losses (gains). See Note 13 to the Unaudited 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 89.6% and 88.8% of our net sales for the three months ended March 31, 2019 and April 1, 2018, respectively. North America results for the three months ended March 31, 2019 and April 1, 2018 were as follows:

	Three Months Ended		Percent Change
	March 31, 2019	April 1, 2018	
In millions of dollars			
Net sales	\$ 1,807.0	\$ 1,751.7	3.2%
Segment income	564.8	534.4	5.7%
Segment margin	31.3%	30.5%	

Results of Operations - First Quarter 2019 vs. First Quarter 2018

Net sales of our North America segment increased \$55.3 million or 3.2% in 2019 compared to 2018, which includes a 1.6% benefit from the prior year Amplify and Pirate Brands acquisitions. Excluding the Amplify and Pirate Brands acquisitions, our North America segment net sales increased 1.6%. Volume increased 1.4% driven by stronger Easter sales and new product launches. Net price realization increased 0.4% attributed to higher prices on certain products. Foreign currency exchange rates resulted in an unfavorable impact of 0.2%.

Our North America segment income increased \$30.4 million or 5.7% in 2019 compared to 2018, primarily due to higher sales volume, favorable price realization, and lower supply chain costs, partially offset by higher freight and logistics costs and higher other plant costs.

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, Niagara Falls (Ontario) 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 10.4% and 11.2% of our net sales for the three months ended March 31, 2019 and April 1, 2018, respectively. International and Other results for the three months ended March 31, 2019 and April 1, 2018 were as follows:

	Three Months Ended		Percent Change
	March 31, 2019	April 1, 2018	
In millions of dollars			
Net sales	\$ 209.5	\$ 220.3	(4.9)%
Segment income	20.2	17.7	14.5 %
Segment margin	9.7%	8.0%	

Results of Operations - First Quarter 2019 vs. First Quarter 2018

Net sales of our International and Other segment decreased \$10.8 million or 4.9% in 2019 compared to 2018, reflecting a 4.6% reduction in net sales primarily from the divestiture of Shanghai Golden Monkey Food Joint Stock Co., Ltd. ("SGM"), an unfavorable impact from foreign currency exchange rates of 3.5%, and unfavorable price realization of 0.8%, partially offset by volume increases of 4.0%. Excluding the divestiture of SGM and unfavorable foreign currency exchange rates, our International and Other segment net sales increased 3.2%. The volume increase was primarily attributed to solid marketplace growth in Mexico, India and Regional Markets where constant currency net sales increased by 7.1%, 1.5% and 4.8%, respectively. The unfavorable net price realization was driven by increased levels of trade promotional spending compared to the prior year.

Our International and Other segment generated income of \$20.2 million in 2019 compared to \$17.7 million in 2018, with the improvement primarily resulting from our efforts to drive sustainable gross margin improvements as we executed our Margin for Growth program and optimized the product portfolio across various international markets. Additionally, segment income benefited from continued growth across Mexico, India and Regional Markets.

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 2019, unallocated corporate expense totaled \$114.5 million, as compared to \$124.0 million in 2018 primarily driven by savings from our productivity and cost savings initiatives.

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 March 31, 2019, our cash and cash equivalents totaled \$466.0 million. At December 31, 2018, our cash and cash equivalents totaled \$588.0 million. Our cash and cash equivalents during the first three months of 2019 decreased \$122.0 million compared to the 2018 year-end balance as a result of the net uses of cash outlined in the following discussion.

Approximately 90% of the balance of our cash and cash equivalents at March 31, 2019 was held by subsidiaries domiciled outside of the United States. The Company recognized the one-time U.S. repatriation tax due under U.S. tax reform and, as a result, repatriation of these amounts would not be subject to additional U.S. federal income tax but would be subject to applicable withholding taxes in the relevant jurisdiction. Our intent is to reinvest funds earned outside of the United States to finance foreign operations and investments, and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations. 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:

In millions of dollars	Three Months Ended	
	March 31, 2019	April 1, 2018
Net cash provided by (used in):		
Operating activities	\$ 329.9	\$ 352.1
Investing activities	(111.6)	(981.8)
Financing activities	(341.1)	725.9
Effect of exchange rate changes on cash and cash equivalents	0.8	—
Increase (decrease) in cash and cash equivalents	(122.0)	96.2

Operating activities

We generated cash of \$329.9 million for operating activities in the first three months of 2019, a decrease of \$22.2 million compared to \$352.1 million in the same period of 2018. This decrease in net cash from operating activities was mainly driven by the following factors:

- Net income adjusted for non-cash charges to operations (including depreciation, amortization, stock-based compensation, deferred income taxes, write-down of equity investments and other charges) resulted in \$49 million of lower cash flow in 2019 relative to 2018.
- Incomes taxes generated cash of \$56 million in 2019, compared to \$82 million in 2018. This \$26 million fluctuation was mainly due to the variance in actual tax expense for 2019 relative to the timing of quarterly estimated tax payments.
- The above cash results were partially offset by our working capital (comprised of trade accounts receivable, inventory, accounts payable and accrued liabilities), which consumed cash of \$109 million in 2019 and \$168 million in 2018. This \$59 million fluctuation was mainly driven by:
 - \$143.8 million decrease in cash used by accounts payable and accrued liabilities, due to the timing of payments for trade-related and other accounts payables, as well as prior year spending necessary to settle certain accrued liabilities acquired in conjunction with the Amplify acquisition, specifically Amplify's acquisition-related costs and accelerated equity compensation.
 - \$90.1 million increase in cash used 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 2019 versus the first quarter of 2018, which drove a higher investment in accounts receivable as of the 2019 quarter-end.

Investing activities

We used cash of \$111.6 million for investing activities in the first three months of 2019, a decrease of \$870.2 million compared to \$981.8 million in the same period of 2018. This decrease in net cash used in investing activities was mainly driven by the following factors:

- *Capital spending.* Capital expenditures, including capitalized software, primarily to support capacity expansion, innovation and cost savings, were \$92.8 million in the first three months of 2019 compared to \$60.1 million in the same period of 2018. For full year 2019, we expect capital expenditures, including capitalized software, to approximate \$330 million to \$350 million.
- *Business Acquisition.* We had no acquisition or divestiture activity in 2019. In January 2018, we acquired Amplify for \$915.5 million, net of cash acquired. Further details regarding our business acquisition activity are provided in Note 2 to the Unaudited Consolidated Financial Statements.
- *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 \$18.9 million in the first three months of 2019, compared to \$6.3 million in the same period of 2018.

Financing activities

We used cash of \$341.1 million for financing activities in the first three months of 2019, an increase of \$1,067.0 million compared to cash generated of \$725.9 million in the same period of 2018. This increase 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 2019, we had a net reduction in short-term borrowings of \$29.0 million primarily due to repayments on commercial paper, partially offset by increases in short-term foreign borrowings. During the first three months of 2018, we generated cash flow of \$1.7 billion through the issuance of short-term commercial paper, partially offset by payments in short-term foreign borrowings. We utilized the proceeds from the issuance of commercial paper to fund the Amplify acquisition and repayment of Amplify's outstanding debt owed under its existing credit agreement.
- *Long-term debt borrowings and repayments.* During the first three months of 2019, our long-term debt borrowings and repayments activity was minimal. During the first three months of 2018, we repaid \$607.9 million of debt assumed in connection with the Amplify acquisition, including all of the outstanding debt owed by Amplify under its existing credit agreement.
- *Tax receivable obligation.* In connection with the Amplify acquisition in 2018, the Company agreed to make a payment to the counterparty of a tax receivable agreement. During the first three months of 2018, we paid \$42.5 million of the tax receivable obligation.
- *Share repurchases.* We used cash for total share repurchases of \$198.5 million and \$178.1 million during the first three months of 2019 and 2018, respectively, pursuant to our practice of replenishing shares issued for stock options and incentive compensation, as well as shares repurchased in the open market under pre-approved share repurchase programs.
- *Dividend payments.* Total dividend payments to holders of our Common Stock and Class B Common Stock were \$146.5 million during the first three months of 2019, an increase of \$12.2 million compared to \$134.3 million in the same period of 2018.
- *Proceeds from the exercise of stock options.* We received \$34.6 million from employee exercises of stock options, net of employee taxes withheld from share-based awards, during the first three months of 2019, an increase of \$32.7 million compared to \$1.9 million in the same period of 2018.

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;
- Complications with the design or implementation of our new enterprise resource planning system could adversely impact our business and operations; and
- Such other matters as discussed in our 2018 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 at March 31, 2019 and December 31, 2018 was \$350 million. 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 March 31, 2019 and December 31, 2018. A hypothetical 100 basis point increase in interest rates applied to this now variable-rate debt as of March 31, 2019 would have increased interest expense by approximately \$0.9 million for the first three months of 2019 and \$3.5 million for the full year 2018.

In addition, the total amount of short-term debt, net of cash, amounted to \$703 million and \$610 million, respectively, at March 31, 2019 and December 31, 2018. A hypothetical 100 basis point increase in interest rates applied to this variable-rate short-term debt as of March 31, 2019 would have increased interest expense by approximately \$1.8 million for the first three months of 2019 and \$9.0 million for the full year 2018.

We consider our current risk related to market fluctuations in interest rates on our remaining debt portfolio, excluding fixed-rate debt converted to variable rates 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 March 31, 2019 and December 31, 2018 by approximately \$149 million and \$121 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 \$15.1 million as of March 31, 2019 and \$4.5 million as of December 31, 2018, generally offset by a reduction in foreign exchange associated with our transactional activities.

Our open commodity derivative contracts had a notional value of \$1,166.1 million as of March 31, 2019 and \$693.5 million as of December 31, 2018. At the end of the first quarter 2019, 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 \$125.3 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 2018 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 March 31, 2019. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2019.

We rely extensively on information systems and technology to manage our business and summarize operating results. We are in the process of a multi-year implementation of a new global enterprise resource planning (“ERP”) system, which will replace our existing operating and financial systems. The ERP system is designed to accurately maintain the Company’s financial records, enhance operational functionality and provide timely information to the Company’s management team related to the operation of the business. The implementation is expected to occur in phases over the next several years. We have completed the implementation of certain processes, including our consolidated financial reporting platform in the second quarter of 2018, as well as our trade promotions and direct marketing systems in the first quarter of 2019. These transitions did not result in significant changes in our internal control over financial reporting. However, as the next phases of the updated processes are rolled out in connection with the ERP implementation, we will give appropriate consideration to whether these process changes necessitate changes in the design of and testing for effectiveness of internal controls over financial reporting.

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2019 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 16 to the Unaudited Consolidated Financial Statements.

Item 1A. Risk Factors.

When evaluating an investment in our Common Stock, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A, “Risk Factors,” of our 2018 Annual Report on Form 10-K and the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements filed with the SEC. There have been no material changes in our risk factors since the filing of our 2018 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities

The following table shows the purchases of shares of Common Stock made by or on behalf of Hershey, or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Hershey, for each fiscal month in the three months ended March 31, 2019:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
				(in thousands of dollars)
January 1 through January 27	34,455	\$ 104.96	—	\$ 560,000
January 28 through February 24	1,728,850	\$ 107.50	1,300,000	\$ 419,549
February 25 through March 31	86,193	\$ 110.79	86,193	\$ 410,000
Total	<u>1,849,498</u>	\$ 107.33	<u>1,386,193</u>	

(1) During the three months ended March 31, 2019, 463,305 shares of Common Stock were purchased in open market transactions in connection with our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

(2) In October 2017, our Board of Directors approved a \$100 million share repurchase authorization. This program was completed in the first quarter of 2019. In July 2018, our Board of Directors approved an additional \$500 million share repurchase authorization. As of March 31, 2019, approximately \$410 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
10.1	Form of Notice of Award of Restricted Stock Units (effective February 26, 2019). *
10.2	Form of Notice of Special Award of Restricted Stock Units (pro-rata vest, effective February 26, 2019). *
10.3	Form of Notice of Special Award of Restricted Stock Units (3-year cliff vest, effective February 26, 2019). *
10.4	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan (effective February 26, 2019). *
10.5	Form of Notice of Award of Performance Stock Units (effective February 26, 2019). *
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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

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 25, 2019

/s/ Patricia A. Little

Patricia A. Little
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: April 25, 2019

/s/ Javier H. Idrovo

Javier H. Idrovo
Chief Accounting Officer
(Principal Accounting Officer)

The Hershey Company
19 East Chocolate Avenue
Hershey, Pennsylvania 17033

Notice of Award of Restricted Stock Units

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 the Company, 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 the Company. 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 the Company'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 the Company's legal strategies or legal advice rendered to the Company; 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”), 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 the Company, 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 the Company, 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 the Company, 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 the Company 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 the Company.

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 the Company, 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 the Company, 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 the Company. 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 the Company, 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 the Company, that it has been and will continue to be of critical importance to the business of the Company, 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 the Company, 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 the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's'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 the Company for reporting a suspected violation of law, Grantee may disclose the Company'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 Company 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 the Company, 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
19 East Chocolate Avenue
Hershey, Pennsylvania 17033**

Notice of Special Award of Restricted Stock Units

<p>«<i>First_name</i>» «<i>Last_name</i>» «<i>Street_and_House_Number</i>» «<i>City</i>», «<i>Region_State_Province_Count</i>» «<i>Postal_Code</i>» «<i>Country_Key</i>»</p>	<p>Plan: ID:</p>	<p>EICP «PersNo»</p>
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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 the Company, 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 the Company. 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 the Company’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 the Company’s legal strategies or legal advice rendered to the Company; 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.

<u>RSUs</u>	<u>Vesting Date</u>
«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 the Company, 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 the Company, 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 the Company, 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 the Company 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 the Company.

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 the Company, 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 the Company, 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 the Company. 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 the Company, 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 the Company, that it has been and will continue to be of critical importance to the business of the Company, 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 the Company, 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 the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, 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 the Company for reporting a suspected violation of law, Grantee may disclose the Company'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 Company 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 the Company, 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
19 East Chocolate Avenue
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»		

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 the Company, 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 the Company. 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 the Company’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 the Company’s legal strategies or legal advice rendered to the Company; 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 the Company, 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 the Company, 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 the Company, 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 the Company 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 the Company.

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 the Company, 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 the Company, 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 the Company. 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 the Company, 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 the Company, that it has been and will continue to be of critical importance to the business of the Company, 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 the Company, 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 the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, 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 the Company for reporting a suspected violation of law, Grantee may disclose the Company'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 the Company, 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
19 East Chocolate Avenue
Hershey, PA 17033

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 the Company is terminated for any reason other than the occurrence of an event described in paragraph 5 below, or a "Change in Control" as described in this paragraph 3, Options shall terminate immediately upon termination of Optionee's employment and may not be exercised after such termination of employment unless: (i) Optionee is eligible to receive severance benefits pursuant to a Company-sponsored severance benefits plan or an employment or severance or similar agreement to which Optionee is a party upon termination of employment, in which case vesting, exercise, and payment of the Options will be in accordance with the terms of such Company-sponsored severance benefits plan or such agreement; or (ii) Optionee is an employee of the Company in a country other than the United States and has certain rights in the vesting, exercise and payment of Options upon termination of employment under the laws of the country in which Optionee is employed, in which case vesting, exercise and payment of the Options will be in accordance with the terms of a severance agreement entered into between the Company and Optionee that complies with the laws of the country in which Optionee is employed.

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 the Company 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 the Company 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 the Company, 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 the Company, 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 the Company, 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 the Company 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 the Company, 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 the Company. 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 the Company.

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 the Company, 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 the Company, 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 the Company. 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 the Company, 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 the Company'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 the Company's legal strategies or legal advice rendered to the Company; 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 the Company, that it has been and will continue to be of critical importance to the business of the Company, 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 the Company, 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 the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Optionee or the business of the Company, 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 the Company for reporting a suspected violation of law, Optionee may disclose the Company'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, Company 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, the Company is fulfilling in full its contractual obligation to Optionee by making such transfer, and the Company shall have no further obligations or duties with respect thereto and is discharged and released from the same. The Company makes no representations to Optionee regarding the market price of the Shares or the information which is available to Optionee regarding the Shares.

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 the Company, 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
19 East Chocolate Avenue
Hershey, Pennsylvania 17033

Notice of Award of Performance Stock Units

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 the Company , 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 the Company. 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 the Company’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 the Company’s legal strategies or legal advice rendered to the Company; 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 the Company 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; provided, however, that if Grantee is not a participant in any EBPP, then the Grantee shall immediately vest in the Replacement Award upon such termination based on the provisions of EBPP (Group 3). 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; provided, however, that if Grantee is not a participant in any EBPP, then the Grantee shall vest in the PSUs and receive payment in accordance with the provisions of EBPP (Group 3). This section is intended to only set forth PSU vesting provisions in the circumstances identified. This section does not change or modify which employees are eligible to participate in the EBPP.

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. 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 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 (or an applicable subsidiary, division or similar unit of the Company) 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 (or an applicable subsidiary, division or similar unit of the Company) 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 (if applicable), 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 the Company, 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 the Company, 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 the Company, 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 the Company 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 the Company.

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 the Company,

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 the Company, 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 the Company. 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 the Company, 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 the Company, that it has been and will continue to be of critical importance to the business of the Company, 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 the Company, 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 the Company and in accordance with the Company's policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, 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 the Company for reporting a suspected violation of law, Grantee may disclose the Company'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 Company 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 the Company, 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.

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 25, 2019

CERTIFICATION

I, Patricia A. Little, 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/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer
April 25, 2019

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 March 31, 2019 (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 25, 2019

/s/ MICHELE G. BUCK

Michele G. Buck
Chief Executive Officer

Date: April 25, 2019

/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.