

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

July 21, 2005

Date of Report (Date of earliest event reported)

The Hershey Company

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-183

(Commission File Number)

23-0691590

(IRS Employer Identification No.)

100 Crystal A Drive, Hershey, Pennsylvania 17033

(Address of Principal Executive Offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Page 1 of 5 Pages  
Exhibit Index - Page 5

INFORMATION TO BE INCLUDED IN REPORT

**Item 1.01 Entry into a Material Definitive Agreement**

On July 21, 2005, The Hershey Company (the "Company") announced that its Board of Directors, on July 20, 2005, approved a program intended to advance the Company's successful value-enhancing strategy. One element of the program is a voluntary workforce reduction program. The voluntary workforce reduction program will be offered to certain eligible employees primarily in the United States and Canada. The program includes an early retirement program that provides enhanced pension and post-retirement benefits and accelerated vesting of awards under certain non-qualified benefit plans, and an enhanced mutual separation program that provides paid leaves of absence during which eligible participants will continue to accrue pension benefits and participate in certain of the Company's health and welfare and non-qualified benefit programs. To be eligible, participants must sign a separation agreement and general release with the

Company. Senior leaders of the Company, excluding the Chief Executive Officer but including the Company's other named executive officers, ("E-Grade Employees"), who meet applicable eligibility requirements may participate in the program.

Copies of plan documents applicable to E-Grade Employees, namely the Company's 2005 Early Retirement Plan for E-Grade Employees; 2005 Early Retirement Plan for E-Grade Employees Separation Agreement and General Release; 2005 Enhanced Mutual Separation Plan for E-Grade Employees; 2005 Enhanced Mutual Separation Plan for E-Grade Employees Separation Agreement and General Release; and First Amendment to the Hershey Foods Corporation Amended and Restated (2003) Supplemental Executive Retirement Plan are attached hereto as Exhibits 10.1, 10.2, 10.3, 10.4 and 10.5, respectively, and incorporated herein by reference.

A copy of the Company's press release announcing the program and other matters described in this Current Report on Form 8-K (the "Press Release") is attached hereto as Exhibit 99.1.

## **Item 2.02 Results of Operations and Financial Condition**

The Company also announced in the Press Release its sales and earnings for the second quarter and first six months of 2005.

The information in this Item 2.02, including applicable portions of the Press Release, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Page 2 of 5 Pages  
Exhibit Index – Page 5

---

## **Item 2.05 Costs Associated with Exit or Disposal Activities**

In connection with the Company's program to advance its value-enhancing strategy as announced in the Press Release, the Company estimates that it will record a pre-tax charge of approximately \$140 million to \$150 million, or \$.41 to \$.44 per share-diluted. Of the total pre-tax charge, approximately \$80 million will be incurred in connection with the United States voluntary workforce reduction program described in Item 1.01 above, approximately \$41 million will be incurred in connection with facility rationalization and approximately \$24 million will be incurred in connection with streamlining and restructuring the Company's international operations, including the Canadian voluntary workforce reduction program. The Company projects that approximately \$85 million to \$95 million of the total pre-tax charge will involve future cash expenditures. It is expected that approximately 80 percent of the total charge will be recorded during the remainder of 2005 (primarily in the third quarter), and the final 20 percent will be recorded in the first half of 2006.

The Company projects that the program will be fully completed by 12/31/2006. The program is expected to generate ongoing annual savings of approximately \$45 to \$50 million when fully implemented. The savings will be reinvested in activities which will further the growth of the business, improve cash flows and enhance shareholder returns.

## **Item 2.06 Material Impairments**

As announced in the Press Release, the manufacturing facility to be closed in connection with the Company's program to advance its value-enhancing strategy is the Las Piedras (Puerto Rico) plant. The Company will continue to operate the facility through October 2005 and, accordingly, will adjust the depreciable lives of the assets resulting in increased depreciation expense during the period of approximately \$23 million which is included in the estimated pre-tax charge of \$41 million for facility rationalization described in Item 2.05 above.

## **Item 9.01 Financial Statements and Exhibits**

### (c) Exhibits

- 10.1 2005 Early Retirement Plan for E-Grade Employees
- 10.2 2005 Early Retirement Plan for E-Grade Employees Separation Agreement and General Release
- 10.3 2005 Enhanced Mutual Separation Plan for E-Grade Employees
- 10.4 2005 Enhanced Mutual Separation Plan for E-Grade Employees Separation Agreement and General Release
- 10.5 First Amendment to the Hershey Foods Corporation Amended and Restated (2003) Supplemental Executive Retirement Plan
- 99.1 Press Release dated July 21, 2005

Page 3 of 5 Pages  
Exhibit Index – Page 5

---

## **Safe Harbor Statement**

This filing contains statements that are forward looking. These statements are made based upon current expectations that are subject to risk and uncertainty. Actual results may differ materially from those contained in the forward-looking statements. Factors which could cause results to differ materially include, but are not limited to: the Company's ability to implement and generate expected ongoing annual savings from the program to advance its value-enhancing strategy,

announced today; changes in the Company's business environment, including actions of competitors and changes in consumer preferences; customer and consumer response to selling price increases; changes in governmental laws and regulations, including taxes; market demand for new and existing products; changes in raw material and other costs; pension cost factors such as actuarial assumptions, market performance, and employee retirement decisions; the Company's ability to implement improvements to reduce costs associated with its supply chain; and such other matters as discussed in the Company's Annual Report on Form 10-K for 2004.

SIGNATURE

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

Date: July 21, 2005

THE HERSHEY COMPANY

By: /s/David J. West  
David J. West  
Senior Vice President,  
Chief Financial Officer

Page 4 of 5 Pages  
Exhibit Index - Page 5

---

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	2005 Early Retirement Plan for E-Grade Employees
10.2	2005 Early Retirement Plan for E-Grade Employees Separation Agreement and General Release
10.3	2005 Enhanced Mutual Separation Plan for E-Grade Employees
10.4	2005 Enhanced Mutual Separation Plan for E-Grade Employees Separation Agreement and General Release
10.5	First Amendment to the Hershey Foods Corporation Amended and Restated (2003) Supplemental Executive Retirement Plan
99.1	Press Release dated July 21, 2005

Page 5 of 5 Pages  
Exhibit Index - Page 5

---

**The Hershey Company**

**2005 Early Retirement Plan for E-Grade Employees  
(Effective as of July 21, 2005)**

**2005 Early Retirement Plan for E-Grade Employees Plan Document  
And  
Summary Plan Description**

**A. PURPOSE OF THE PLAN**

The purpose of The Hershey Company 2005 Early Retirement Plan for E-Grade Employees is to provide additional benefits in accordance with the terms set forth herein to certain employees of the Company, as defined below, who voluntarily elect to terminate their employment under the terms and conditions described below. Specifically, this Plan is intended to (1) consolidate the benefit enhancements to be provided to Participants under various separate Company plans, and (2) satisfy any applicable disclosure requirements (e.g., summary plan description or summary of material modification) of the underlying plans with respect to these benefit enhancements.

**B. DEFINITIONS**

Whenever used in the Plan, the following words and phrases will have the meanings set forth below, unless a different meaning is plainly required by the context:

“Accrued Benefit” with respect to the Retirement Plan, has the meaning set forth in Article I of the Retirement Plan without any of the increases set forth herein.

“AIP” means the Annual Incentive Program of the KEIP.

“Base Pay” means the regular annual rate of salary payable to an Eligible Employee as of such Employee’s Retirement Date, without reduction for any elective deferrals made on an Eligible Employee’s behalf to any plan of the Company under Section 125, 401(k), or 132(f)(4) of the Code.

“Cause” means the neglecting of one’s duties, poor job performance, excessive absenteeism, absence without leave, theft, dishonesty, insubordination, intentional destruction of Company property or a violation of Company policies, including but not limited to violation of any code of ethics or business conduct guidelines, policies regarding disclosure of trade secrets or other confidential information, expense reimbursement policies or anti-harassment policies, all as determined by the Plan Administrator in its sole and absolute discretion.

“CEO” means the Chief Executive Officer of the Company.

“COBRA” means Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA or any similar state law.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” means The Hershey Company, a Delaware corporation, and its subsidiaries.

“CPO” means the Senior Vice President, Chief People Officer of the Company.

“Deferred Compensation Plan” means the Hershey Foods Corporation Deferred Compensation Plan, as amended and any successor thereto.

“E-grade Employee” means an Employee who is designated on the Company’s records as such, which may include, among others, Vice Presidents, Senior Vice Presidents, HET members, former Company officers, and the CEO.

“Eligible Employee” means any Employee who meets the conditions set forth in Section C. and is not excluded from coverage under Section D.

“Employee” means any employee of the Company who is classified on its U.S. payroll as a salaried full-time employee, including employees on short-term (but not long-term) disability or paid or unpaid leave of absence. Notwithstanding the foregoing, an Employee will not include any individual: (i) classified on the books of the Company as an independent contractor and not as an employee, during the period the individual is so paid or classified, (ii) being paid by or through an employee leasing company or other third party agency, (iii) classified on the books of the Company as a freelance worker and not as an employee, during the period the individual is so paid or classified, (iv) classified by the Company as a seasonal, occasional or temporary employee, during the period the individual is so paid or classified, or (v) classified by the Company as a leased employee, during the period the individual is so paid or classified. Any individual included in (i) through (v) will not be an Employee even if he or she is later retroactively reclassified as a common-law employee of the Company during all or any part of such period pursuant to applicable law or otherwise.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ESSIOP” means the Hershey Foods Corporation Employee Savings Stock Investment and Ownership Plan as Amended and Restated effective as of January 1, 1997, as amended and any successor thereto.

“HET” means the Hershey Executive Team, which consists of certain executives as designated by the Company.

“KEIP” means the Hershey Foods Corporation Key Employee Incentive Plan, as amended and any successor thereto.

“Options” has the meaning set forth in Section F.1.(i).

“Participant” means an Eligible Employee who has satisfied the conditions for participation set forth in Section E. and who is entitled to receive benefits under the Plan.

“Plan” means The Hershey Company 2005 Early Retirement Plan for E-Grade Employees, as amended and any successor thereto.

“Plan Administrator” means the Employee Benefits Committee of the Company or such other person or committee appointed from time to time by the Company to administer the Plan, or the delegate of such committee or person.

“PSU Program” means performance stock units issued under KEIP.

“Retiree Medical Plan” means the Hershey Foods Corporation Retiree Medical and Life Insurance Plan (Amended and Restated Effective as of January 1, 2002), as amended and any successor thereto.

“Retirement Date” means the last active day worked for the Company as mutually agreed to by the Eligible Employee and the Company. An Eligible Employee and the HET member responsible for the Eligible Employee’s business sector (or, if the Eligible Employee is a member of the HET, the CEO) will choose a mutually acceptable date for the Eligible Employee’s separation from employment with the Company that is within the Retirement Window. In addition, the Eligible Employee’s “Retirement Date” may not be after December 31, 2005, unless the CPO and the CEO approve such Retirement Date. In the event that the Eligible Employee and the Company cannot mutually agree in writing upon a Retirement Date, then such Eligible Employee shall be deemed to not have elected a Retirement Date and such Eligible Employee shall not become a Participant in the Plan.

Notwithstanding the foregoing, in the event that the Eligible Employee and the Plan Administrator mutually agree in writing, the Retirement Date originally agreed upon may be changed to a different date within the Retirement Window, in their sole discretion, subject, however, to the approval of the CPO and CEO if the revised Retirement Date is after December 31, 2005.

An Eligible Employee under Section C.(2) or C.(3) will be deemed to have a Retirement Date of September 8, 2005 for all purposes of this Plan.

“Retirement Plan” means the Hershey Foods Corporation Retirement Plan as Amended and Restated effective as of December 31, 2004, as amended and any successor thereto.

“Retirement Window” means the period beginning on August 12, 2005 and ending on December 31, 2006.

“Separation Agreement” has the meaning set forth in Section E.1.

“SERP” means the Hershey Foods Corporation Amended and Restated (2003) Supplemental Executive Retirement Plan, as amended.

“Unpaid Leave of Absence” means a period of unpaid leave of absence with the Company not to exceed 30 days, as determined in accordance with Section F.1(b).

“Years of Service” means the Participant’s Years of Service as determined under the Retirement Plan.

## C. ELIGIBLE EMPLOYEES

Except as provided in Section D. below, each Employee who meets any of the following requirements will be eligible to participate in the Plan. The Employee:

- (1) is an E-grade Employee as of July 21, 2005, was age 50 or older as of January 1, 2005, and was hired as an Employee prior to January 1, 2004;
- (2) (i) was an E-grade Employee as of March 7, 2005, (ii) terminated employment with the Company on a voluntary basis during the period beginning March 8, 2005 and ending July 21, 2005, (iii) was age 50 or older as of January 1, 2005 and (iv) was hired as an Employee prior to January 1, 2004; or
- (3) (i) was an E-grade Employee as of March 7, 2005, (ii) signed a separation agreement and general release with the Company during the period beginning March 7, 2005 and ending July 21, 2005, (iii) was entitled to severance benefits from the Company; (iv) was age 50 or older as of January 1, 2005, and (v) was hired as an Employee prior to January 1, 2004.

## D. EXCLUSIONARY PROVISIONS

1. Notwithstanding anything herein to the contrary, the following Employees are not Eligible Employees and cannot participate in the Plan:

(a) An Employee who was a participant in (i) the Hershey Foods Corporation 1996 Early Retirement Plan, the Hershey Foods Corporation 2001 Early Retirement Plan, or the Hershey Foods Corporation 2003 Sales Early Retirement Plan, (ii) any other mutual or job elimination severance plan or agreement, except as provided in Section C.(3), or (iii) a plant closing severance plan;

(b) An Employee who elected to participate in The Hershey Company 2005 Enhanced Mutual Separation Plan for E-Grade Employees rather than this Plan;

(c) An Employee terminated for Cause or terminated for failure to satisfy minimum job performance requirements during any probationary employment period;

(d) An Employee hired as a result of the Company's acquisition of Mauna Loa Macadamia Nut Holdings, Inc. on December 16, 2004;

(e) An employee of the Company who is classified on the payroll records of the Company as any type of employee other than an E-grade Employee;

(f) the CEO; or

4

---

(g) An Employee on paid or unpaid leave of absence as of July 21, 2005 who signed a separation agreement and general release with the Company prior to March 7, 2005.

2. Notwithstanding anything herein to the contrary, the Company retains the right to deny participation in the Plan to any former highly compensated employee of the Company whose employment by the Company terminated prior to July 21, 2005. Such a determination will be made by the Plan Administrator in its sole discretion.

## **E. CONDITIONS FOR PARTICIPATION**

In order to receive the benefits provided by the Plan (i.e., to become a Participant), an Eligible Employee must satisfy all of the following conditions:

### **1. Execution of Releases or Other Agreements**

An Eligible Employee will not become a Participant unless he or she elects to retire under this Plan by signing, dating, and delivering the following forms, which are provided in the official Plan notification package for each Eligible Employee, to the person designated by the Plan Administrator, on or before 4:30 p.m. (EDT) on **September 8, 2005**, and such person is in actual receipt of the forms by such time and date:

(a) a Separation Agreement and General Release ("Separation Agreement"),

(b) the Acceptance Form (the form must contain both the Eligible Employee's and applicable HET member's (or CEO's, if the Eligible Employee is an HET member) (and CPO's and CEO's, if Retirement Date is beyond December 31, 2005) approval of the Retirement Date, otherwise the form is not effective), and

(c) such other instruments as the Plan Administrator or Company may require.

An Eligible Employee will not become a Participant if he or she revokes the Separation Agreement (in the manner specified therein) within 7 days after signing and dating it.

### **2. No Termination of Employment Prior to Retirement Date**

An Eligible Employee will not become a Participant and will not be eligible for benefits under the Plan if his or her employment is terminated for any of the following reasons on or before his or her Retirement Date:

(a) resignation or voluntarily quit after July 21, 2005; or

(b) discharge by the Company for Cause or terminated for failure to satisfy minimum job performance requirements during any probationary employment period.

5

---

### **3. Effective Termination**

(a) An Eligible Employee must actually cease performing services with the Company as of his or her Retirement Date or such other date during the Retirement Window as the Eligible Employee and the Plan Administrator shall mutually agree in writing.

(b) Notwithstanding the foregoing, the requirement set forth in Section E.3.(a) above will not apply to an otherwise Eligible Employee who has made a valid election to retire under this Plan and whose employment subsequently is terminated before his or her Retirement Date by reason of his or her death, provided that he or she satisfies the requirements of Sections E.1. and E.2. at the time of his or her death.

## **F. ENHANCED SEPARATION BENEFITS**

### **1. Plan Benefits**

A Participant will be entitled to the benefits described below. Benefits described below that are provided under other plans – Retirement Plan, ESSIOP, SERP, KEIP, Retiree Medical Plan and other health and welfare plans – shall be administered in accordance with the applicable terms and conditions of such other plans.

An Eligible Employee who elects to terminate his or her employment with the Company under the Plan will receive the enhanced benefits provided under the Plan, and will not be eligible to participate in or receive benefits from any other severance plan or severance-type arrangement sponsored by the Company. Moreover, for Eligible Employees under Section C.(2) or C.(3) above who have elected to become Participants under this Plan, any benefits from any other severance plan or severance-type arrangement sponsored by the Company will cease as of September 8, 2005, and, to the extent necessary to avoid duplication of benefits, benefits provided by such other plans will offset the benefits to be provided under this Plan.

(a) **Enhanced Pension Benefit (Retirement Plan)**

A Participant's Accrued Benefit under the Retirement Plan, as increased for the enhanced pension benefit described below, will be fully vested as of his or her Retirement Date. For purposes of calculating the Participant's benefit payable under the Retirement Plan, a credit will be added to each Participant's "Account" (as set forth in the Retirement Plan) as of his or her Retirement Date in an amount equal to the total credit such Participant would have received had the Participant remained an active participant in the Retirement Plan, and satisfied all requirements thereunder, until the 5th anniversary of his or her Retirement Date. This enhanced benefit will be calculated based on the Retirement Plan provisions in effect as of the Participant's Retirement Date, and the following assumptions will apply:

(1) the compensation used to calculate such Participant's credit for the additional period after the Retirement Date will be such Participant's "Earnings" (as set forth in the Retirement Plan) for the calendar year that ended coincident with or immediately prior to his or her Retirement Date;

6

---

(2) the "Social Security Wage Base" (as defined in the Retirement Plan) will be the Social Security Wage Base in effect for the year in which the Retirement Date occurs; and

(3) the "Periodic Adjustment Credit" (as defined in the Retirement Plan), i.e., basic interest rate under the Retirement Plan, will be 6.00%.

Payment of a Participant's Accrued Benefit under the Retirement Plan, as increased for the enhanced pension benefit described in this Plan, will remain subject to those restrictions on timing and form as set forth in the Retirement Plan. A Participant may elect to have his or her Accrued Benefit distributed immediately in a single cash lump sum payment provided such Participant obtains the appropriate spousal consent (if applicable) as described in the Retirement Plan.

An Eligible Employee under Section C.(2) or C.(3) above who has elected to become a Participant under this Plan will have his or her benefits under the Retirement Plan recalculated so as to include the enhanced pension benefit as set forth in this Section F.1.(a). In the event such Participant receives or has received any or all of his or her benefit under the Retirement Plan on or prior to September 8, 2005, such Participant's applicable benefit under the Retirement Plan will be increased for the enhancements set forth in the Plan, less any amounts distributed to such Participant on or prior to September 8, 2005.

In the event that a Participant's dynamic grandfathered Retirement Plan benefit is greater than his Account (as determined before application of the enhanced pension benefit described in this Section F.1.(a)), the enhanced pension benefit will be added to such benefit.

The enhanced pension benefit described in this Section F.1.(a) will be provided, funded and paid solely through the Retirement Plan, except that the portion of the enhanced pension benefit that cannot be paid from the Retirement Plan due to limitations of sections 415 and 401(a)(4) of the Code, or any other limitations of the Code or ERISA, will be paid from the Hershey Foods Corporation Compensation Limit Replacement Plan.

**(b) Unpaid Leave of Absence**

A Participant may be considered for a period of Unpaid Leave of Absence following his or her Retirement Date based on the Plan Administrator's sole discretion.

**(c) Vacation Pay**

Participants will be entitled to receive payment of their earned and unused vacation following their Retirement Date based on Base Pay, including any unused vacation days that the Participant had previously purchased. For purposes of this Plan, a Participant whose Retirement Date is on or prior to December 31, 2005, will be entitled to payment of any unused vacation for 2005, plus payment for vacation days earned for 2006 determined as of his or her Retirement Date. Otherwise, the Participant will be entitled to payment of any unused vacation for 2006, plus payment for vacation days earned for 2007 determined as of his or her Retirement Date. Payment of vacation pay will be in a lump sum within 30 days following the Participant's Retirement Date.

7

---

**(d) Severance Pay**

No severance pay is available under this Plan.

**(e) Enhanced 401(k) Benefit (ESSIOP)**

A Participant's Account balance under the ESSIOP will become fully vested as of his or her Retirement Date. A Participant eligible for the post-employment medical coverage described in Section F.1.(f)(ii) will receive additional "Supplemental Retirement Contributions" ("SRC") (as defined under the ESSIOP) to be credited to the Participant's ESSIOP Account as of the Retirement Date in an amount equal to the SRC credits such Participant would have received had the Participant remained an active participant in ESSIOP, and satisfied all requirements thereunder, until the 5th anniversary of his or her Retirement Date. This enhanced benefit shall be calculated based on the ESSIOP provisions in effect as of the Participant's Retirement Date, and the following assumptions will apply:

(1) The Participant's marital status is determined as of his or her Retirement Date; and

(2) The Participant shall be treated as employed on the last day of the applicable plan year.

For more information about the SRC credit, see the ESSIOP's Summary Plan Description.

The enhanced benefit described in this Section F.1.(e) will be provided, funded, and paid solely through the ESSIOP, and shall be subject to limitations of section 415 and 401(a)(4) of the Code, and any other limitations of the Code or ERISA.

**(f) Retiree Medical Benefits Coverage**

Each Participant may elect to begin participation in the Retiree Medical Plan after his or her Retirement Date. The coverage available under the Retiree Medical Plan depends on when the Participant was born and when he or she was hired by the Company.

**(i) Participants Born Before January 1, 1954 and Hired Before January 1, 1999**

A Participant who was born before January 1, 1954 and hired by the Company before January 1, 1999, can elect to receive retiree medical benefits to begin after his or her Retirement Date. Such a Participant will be deemed to have an additional five years of age and service for purposes of determining eligibility to participate in, and the level of subsidization under, the Retiree Medical Plan as set forth in the Retiree Medical Plan's Pre-Medicare Cost Sharing Matrix and Post-65 Cost Sharing Matrix as in effect on the Participant's Retirement Date. Benefits under the Pre-Medicare Cost Sharing Matrix will be available to a Participant from his or her Retirement Date until the last day of the month preceding the month such Participant attains age 65, while benefits under the Post-65 Cost Sharing Matrix will be available to a Participant on and after the first day of the month during which such Participant attains age 65.

8

---

A Participant's medical coverage under the pre-Medicare retiree medical program and Post-65 retiree medical program will be as set forth in the Retiree Medical Plan, as currently offered and subject to modification by the Company. Company premium costs and the actual Participant premium payments (i.e., after applying his or her applicable percentage set forth in the applicable matrix and applying any overage amounts over the Retiree Medical caps) may be increased at any time at the sole discretion of the Company (i.e., the Participant's cost-sharing payments are not subject to any "freeze" in contribution amounts). Moreover, in the event the costs of medical benefits to a Participant under the Pre-Medicare Cost Sharing Matrix are less than the cost of the same medical benefits for an active employee, the Participant's cost will increase under the Retiree Medical Plan to equal the amount of the contribution made by such active employee.

**(ii) All Other Participants**

A Participant who does not meet the requirements under (i) above (i.e., was either (i) born on or after January 1, 1954, or (ii) hired on or after January 1, 1999) will be eligible to participate in the Retiree Medical Plan; however, the Participant must pay the full cost (without Company subsidy) of the coverage; the cost sharing matrix described in (i) above does not apply.

\* \* \*

A Participant has the right, upon the Participant's Retirement Date, to elect either (i) retiree medical coverage (as outlined above); or (ii) COBRA continuation coverage for such benefits under the Company's health and welfare plan. If the Participant elects retiree medical coverage, the Participant will not have the right to elect COBRA continuation coverage when this retiree medical coverage ceases. If the Participant elects COBRA continuation coverage, this coverage will be effective as of the Participant's Retirement Date and will continue only for the applicable COBRA coverage period. Also, any notice requirements under COBRA will run from the Participant's Retirement Date.

**(g) Retiree Dental and Vision Benefits**

A Participant has the right, upon the Participant's Retirement Date, to elect either (i) retiree dental and vision coverage (or dental only coverage), but he or she must pay the full cost (without Company subsidy) of the coverage; or (ii) COBRA continuation coverage for such benefits under the Company's health and welfare plan. If the Participant elects retiree dental and vision coverage, the Participant will not have the right to elect COBRA continuation coverage when this retiree dental and vision coverage ceases. If the Participant elects COBRA continuation coverage, this coverage will be effective as of the Participant's Retirement Date and will continue only for the applicable COBRA coverage period. Also, any notice requirements under COBRA will run from the Participant's Retirement Date.

**(h) Life Insurance Benefits**

Following the Participant's Retirement Date, he or she will be eligible for retiree life insurance coverage (as offered, and subject to modification by the Company) under and pursuant to the Retiree Medical Plan, the cost of which, if any, will be determined by the Company.

9

---

**(i) Stock Options**

Options granted to a Participant by the Company under the KEIP ("Options") will become fully vested on the Participant's Retirement Date, notwithstanding the vesting schedule or schedules applicable to such Options. Options granted to a Participant will not be prorated, even if they were granted within twelve months of the Participant's Retirement Date. The Participant will have up to 5 years from his or her Retirement Date to exercise the Options, but not to exceed the end of the option term. The Company will not grant Options to any Participant after July 21, 2005, except at the sole discretion of the CEO or Compensation and Executive Organization Committee of the Company's board of directors.

**(j) Restricted Stock Units**

Restricted Stock Units ("RSUs") that are unvested as of the Participant's Retirement Date (or the end of any Unpaid Leave of Absence) will become fully vested as of such date, not to exceed 1,000 RSUs. The previous sentence notwithstanding, any RSUs that are unvested as of the Participant's Retirement Date will be forfeited if they were granted to the Participant on or after July 21, 2005.

**(k) Financial Counseling**

All Participants are eligible to receive financial counseling services as provided by the Company, including a financial plan and reimbursement of tax return preparation costs. The Company, in its sole discretion, has the right to select the scope and duration of these services and the manner in which these services will be provided.

**(l) AIP**

Each Participant who is a participant in the AIP as of July 21, 2005 is eligible to receive payment of an AIP bonus award in accordance with the terms and conditions of the AIP, except that in determining the amount of any such award to be paid to such Participant for the year in which the Retirement Date occurs, the Participant's total award will be based upon the Participant's year-to-date earnings, his or her actual individual performance factor, and actual Company results with respect to financial goals during such year.

All AIP payments will be made by March 15 of the year following the plan year for which such awards are earned, unless deferred in accordance with the KEIP or Deferred Compensation Plan. For more information about the AIP payments, see the plan's written summary.

**(m) PSU Program**

(i) No New Grants: The Company will not grant any performance stock units under the PSU Program to any Participant after July 21, 2005;

(ii) Participation Ends: Participation in the PSU Program ends on the Participant's Retirement Date;

10

(iii) PSU Awards: PSU awards for performance cycles that have not been completed as of the Participant's Retirement Date shall be paid as soon as administratively practicable following the end of the applicable performance cycle, in accordance with the terms and conditions of KEIP, except that a cash equivalent of all PSU Awards that are forfeited under KEIP due to the Participant's Retirement Date preceding the completion of two-thirds of an applicable performance cycle, will be paid to the Participant in an amount equal to the award prorated based on his or her Retirement Date, rounding up to whole months for any partial month. The prorated amounts will be based on the lesser of target or actual Company financial results and will be paid under this Plan to the Participant by March 15 of the calendar year following the end of the applicable performance cycle, unless deferred in accordance with the KEIP or Deferred Compensation Plan; and

(iv) 2003-2005 Grant: A Participant is deemed to be fully vested in his or her 2003-2005 grant as of the earlier of such Participant's Retirement Date and December 31, 2005. The 2003-2005 grant will be paid to the Participant by March 15, 2006, unless deferred in accordance with the KEIP or Deferred Compensation Plan.

**(n) SERP Benefits**

Each Participant who is a participant in the SERP will be eligible to receive payment of his or her SERP benefit in accordance with the terms and conditions of the SERP, except for the following:

(i) Immediate Eligibility: A Participant is eligible to receive his or her benefit under the SERP as of his or her Retirement Date, regardless of whether he or she satisfies the age and service requirements for a benefit. For example, a participant generally must be age 55 and have 10 years of service to receive benefits under the SERP. But a Participant who selects the Plan will be deemed to have met these requirements; and

(ii) Early Retirement Benefit: The Participant's SERP benefit, calculated based on his or her actual Years of Service, will be actuarially reduced in accordance with the early retirement factors in the SERP to reflect his or her actual age plus an additional five years as of his or her Retirement Date (i.e., reduced 5/12% per month that his or her age plus 5 precedes 60).

**2. Special Rules Relating to Plan Benefits After Death**

**(a) Death of Participant Before Retirement Date**

If a Participant dies before attaining his or her Retirement Date:

(i) Coverage under the Retiree Medical Plan and retiree dental and vision benefits (described in Section F.1.(g)) will be made available to the spouse or eligible dependent(s) of the Participant;

(ii) Any unpaid AIP payment will be paid to the Participant's estate in the same manner as would have been paid to the Participant under this Plan and otherwise in

11

accordance with the terms of the KEIP by March 15 of the year following the plan year for which the award is earned;

(iii) Any other benefits payable under the Retirement Plan by virtue of the Participant's death will be paid to his or her surviving spouse or designated beneficiary (as such parties are defined in the Retirement Plan) in accordance with the provisions of the Retirement Plan and calculated based upon the enhanced pension benefit (as described in Section F.1.(a) above) that the Participant would have received if he or she had retired under the Plan; and

(iv) Any other benefits payable under the ESSIOp by virtue of the Participant's death will be paid to his or her surviving spouse or designated beneficiary (as such parties are defined in the ESSIOp) in accordance with the provisions of the ESSIOp and calculated based upon the enhanced SRC credits (as described in Section F.1.(e) above) that the Participant would have received if he or she had retired under the Plan.

**(b) Death of Participant After Retirement Date**

If a Participant dies on or after attaining his or her Retirement Date:

(i) Coverage under the Retiree Medical Plan and retiree dental and vision benefits (described in Section F.1.(g)) will be made available to the spouse or eligible dependent(s) of the Participant;

(ii) Any unpaid AIP payment will be paid to the Participant's estate in the same manner as would have been paid to the Participant under this Plan and otherwise in accordance with the terms of the KEIP by March 15 of the year following the plan year for which the award is earned;

(iii) Any other benefits payable under the Retirement Plan by virtue of the Participant's death will be paid to his or her surviving spouse or designated beneficiary (as such parties are defined in the Retirement Plan) in accordance with the provisions of the Retirement Plan and calculated based upon the enhanced pension benefit (as described in Section F.1.(a) above); and

(iv) Any other benefits payable under the ESSIOIP by virtue of the Participant's death will be paid to his or her surviving spouse or designated beneficiary (as such parties are defined in the ESSIOIP) in accordance with the provisions of the ESSIOIP and calculated based upon the enhanced SRC credits (as described in Section F.1.(e) above).

## **G. GENERAL RULES**

### **1. No Right to Continued Employment**

Neither the Plan nor any action taken with respect to it will confer upon any person the right to continue in the employ of the Company.

12

---

### **2. Rehiring of Participants**

A Participant who receives any benefits under Section F. of the Plan is not eligible for rehire by the Company, unless such rehire is approved by the Senior Vice President, Chief People Officer of the Company.

### **3. Benefits Non-Assignable**

Benefits under the Plan may not be anticipated, assigned or alienated.

### **4. Unfunded Plan**

Except as provided in Sections F.1.(a) and F.1.(e), the Company will pay the benefits described above from its general assets. Nothing contained in this Plan will give any Employee any right, title or interest in any property of the Company.

### **5. Usage of Terms and Headings**

Words used in the singular include the plural, and vice versa, unless qualified by the context. Headings are included for ease of reference only and are not to be construed to alter the terms of the Plan.

### **6. Governing Laws**

The provisions of the Plan will be construed, administered and enforced according to applicable federal law and, where appropriate, the laws of the Commonwealth of Pennsylvania without reference to its conflict of laws rules and without regard to any rule of any jurisdiction that would result in the application of the law of another jurisdiction except with respect to the residents of California in which case the provisions of the Separation Agreement specifically applicable to California residents will also apply. The Company and each Participant (the "parties") expressly consent that: (a) any action or proceeding relating to this Plan or any release or other agreement entered into with respect to this Plan will only be brought in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (b) any such action or proceeding will be heard without a jury. The parties expressly waive the right to bring any such action in any other jurisdiction and to have such action heard before a jury. No action relating to this Plan or any release or other agreement entered into with respect to this Plan will be brought by a Participant in court more than two years and 90 days after such Participant has exhausted his or her administrative remedies hereunder. Any provision in this section to the contrary notwithstanding, a Participant who is also a participant in the Company's SERP will continue to be bound by and will comply with the procedures regarding arbitration set forth in the Long Term Incentive Program Participation Agreement, the terms of which relating to such arbitration procedures are incorporated herein by reference.

### **7. Severability**

The provisions of the Plan are severable. If any provision of the Plan is deemed legally or factually invalid or unenforceable to any extent or in any application, then the remainder of the provisions and the Plan, except to such extent or in such application, will not be affected, and

13

---

each and every provision of the Plan will be valid and enforceable to the fullest extent and in the broadest application permitted by law.

### **8. Right to Withhold Taxes**

The Company may cause such amounts to be withheld from entitlements or payments under this Plan as it determines necessary to fulfill any federal, state or local income or employment tax requirements.

### **9. Plan Document to Serve as Summary Plan Description**

This Plan document will serve as the summary plan description for the Plan and will be distributed to all Eligible Employees in this form. In addition, as indicated in Section A, the Plan is intended to satisfy any applicable disclosure requirements (e.g., summary plan description or summary of material modification) for the underlying plans with respect to the benefit enhancements described in this document.

### **10. Plan Document will Control the Terms of the Plan**

No verbal or written communications that are contrary to the terms of the Plan shall be binding upon the Plan, the Plan Administrator, or the Company. In the event of any conflict between this Plan document and any other written or verbal communication regarding this Plan, this document will control.

## **H. AMENDMENT AND TERMINATION**

The Plan Administrator, in its sole discretion, reserves the right to amend (in whole or in part) or terminate this Plan and any benefit under it, for any reason, at any time and from time to time. However, no amendment or termination of the Plan shall be effective to reduce the accrued benefit of any participant under the Retirement Plan or ESSIOP, except as permitted by law. This reservation of the right to amend or terminate benefits applies to benefits for current employees and their dependents and also to retired or terminated employees and their survivors or dependents. Nothing in this document or any other communication from the Company shall be deemed to create or imply a continuing obligation by the Company to provide benefits to current employees or their dependents or survivors, or retired or terminated employees or their dependents or survivors.

## **I. ADMINISTRATION OF THE PLAN**

The Plan Administrator will have exclusive authority and sole and absolute discretion to interpret the Plan, make any determinations, resolve disputes and decide all matters in connection with the interpretation, administration and operation of the Plan or the determination of eligibility of any person to participate in the Plan. It will also have the power to appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan. The Plan Administrator may delegate any of its duties and authority to other persons.

14

---

No other person or group has any authority to interpret or construe the terms of the Plan (or official Plan documents) or to make any promises about them. Except as otherwise noted herein, all decisions of the Plan Administrator will be final and binding upon all similarly situated individuals.

## **J. STATEMENT OF ERISA RIGHTS**

As a Participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan Participants will be entitled to:

### **Receive Information About Your Plan and Benefits**

Examine, without charge, at the Plan Administrator's office and at other specified locations such as worksites, all documents governing the Plan, including a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this Summary Annual Report.

### **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way just to prevent you from obtaining a benefit or exercising your rights under ERISA.

### **Enforce Your Rights**

If your claim for a benefit is denied in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time frames.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of the Plan document or the latest annual report and do not receive them within thirty (30) days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan Administrator's

15

---

decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in a federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees; for example, if it finds your claim is frivolous.

### **Assistance with Your Questions**

If you have any questions about the Plan, you should contact your WorkLife Center at 1-800-878-0440 (outside Hershey), (717) 534-8170 (Hershey area), 7:30 a.m. — 5:00 p.m. (EST), excluding holidays. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest area office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## **K. CLAIMS UNDER THE PLAN**

The Plan Administrator reviews and authorizes eligibility for and compliance with the provisions of the Plan. Questions regarding eligibility to participate in the Plan should be directed to your WorkLife Center at 1-800-878-0440 (outside Hershey), (717) 534-8170 (Hershey area), 7:30 a.m. — 5:00 p.m. (EST), excluding holidays. With respect to any pension, medical, life, dental and vision benefits provided under the Company's plans or programs, any questions regarding such benefits should be directed to the plan administrator or claims administrator of the applicable plan, and should comply with that plan's claims procedures. A Participant should consult the summary plan description for that plan for additional information regarding its claims procedure.

### **1. Submission of Claim**

Any claim for specific benefits under the Plan, if applicable, that are provided with reference to an underlying plan or program (e.g., Retirement Plan, ESSIOP, Retiree Medical Plan, KEIP) will be made in accordance with the applicable plan or program and its claims procedures. For example, for medical benefits that are covered by an insurance policy, the claim may be filed directly with the insurer providing coverage or services pursuant thereto, in accordance with the applicable service contract, agreement or other similar document between the Company and such service provider. Otherwise, claims for benefits under this Plan are to be submitted to the Plan Administrator and are subject to the rules set forth in Section K.2 and 3.

16

---

### **2. Claims Procedures**

Benefits will be paid to Participants and their beneficiaries without the necessity of formal claims. Participants or their beneficiaries (hereinafter, the "Participant"), however, may make a request for any Plan benefits to which he or she may be entitled. Any such request must be made in writing, and it should be made to the Plan Administrator at the address listed below.

A request for Plan benefits is considered to be a claim for Plan benefits, and is subject to a full and fair review. If the claim is wholly or partially denied, the Plan Administrator will provide the Participant with a written notice of this denial within 90 days after the receipt of the claim. The 90-day period may be extended for another 90 days if special circumstances warrant. If an extension is required, the Participant will be notified in advance of the circumstances requiring the extension and the date by which the Plan expects to render a decision.

The written notice of denial must contain the following information:

- The specific reason or reasons for the denial,
- Specific reference to those Plan provisions on which the denial is based,
- A description of any additional information or material necessary to correct the claim and an explanation of why such material or information is necessary, and
- An explanation of the Plan's review procedures, including the right to bring a civil action under the Employee Retirement Income Security Act of 1974 (ERISA) section 502(a) following an adverse benefit determination or review.

### **3. Appeal of Denial of Claim**

If the Participant wishes to appeal a denied claim, he or she must send a written request to the Plan Administrator (see address below) for a full and fair review of the denied claim. As part of the appeal, the Participant may submit written issues and comments, documents, records and other information relating to the claim. Upon request and free of charge, the Participant will be provided reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits. The review will take into account all comments, documents, records and any other information submitted by the Participant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. A request for review of a claim must be submitted within 60 days of the Participant's receipt of written notice of the adverse benefit determination.

If the Participant does not file a request for review within 60 days of the adverse benefit determination notification, the claim will be deemed abandoned, and the Participant will be precluded from reasserting it under these procedures or in a court or any other venue. If the Participant files a request for review, the request must include a description of the issues and evidence he or she deems relevant. Failure to raise issues or present evidence on review may preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

17

---

The Plan Administrator will make a decision no later than 60 days after receipt of the request for review of a denied claim. This period may be extended for an additional 60 days if the Plan Administrator determines that special circumstances require such extension. If an extension of time is required, written notice of the expected decision date and the reasons for the extension will be provided to the Participant before the end of the initial 60-day period. The final decision will be provided in writing and, if adverse, will include:

- a. The specific reason or reasons for the adverse determination,
- b. A reference to specific Plan provisions on which the adverse determination was made,

c. A statement that the Participant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his or her claim for benefits, and

d. A statement describing any voluntary appeal procedures offered by the Plan and the Participant's right to obtain the information about such procedures and a statement of his or her right to bring an action under ERISA section 502(a).

In reviewing the adverse benefit determination of a benefit claim, the Plan Administrator will have full authority to interpret and apply in its discretion the provisions of the Plan. The decision of the Plan Administrator will be final and binding. The Participant must follow and fully exhaust these claims procedures before he or she may commence a civil action in court for any claim. Additionally, any legal action must be commenced within 2 years and 90 days following the date on which administrative remedies have been exhausted hereunder.

**L. ADDITIONAL INFORMATION**

Plan Sponsor: The Hershey Company  
100 Crystal A Drive  
P.O. Box 810  
Hershey, PA 17033

Employer Identification Number (EIN): 23-0691590

Plan Name: The Hershey Company  
2005 Early Retirement Plan of E-Grade  
Employees

Type of Plan: Welfare

Type of Administration: Contract or Insurer, based on the  
underlying welfare or pension plan

Plan Year: Calendar Year

Plan Number: 521

18

---

Agent for Service: General Counsel  
The Hershey Company  
100 Crystal A Drive  
P.O. Box 810  
Hershey, PA 17033-0810

Service of legal process may also be made on the Plan Administrator

Source of Contributions: Employer or Employee, based on  
the underlying welfare or pension  
plan

Plan Administrator: Employee Benefits Committee  
The Hershey Company  
100 Crystal A Drive  
P.O. Box 810  
Hershey, PA 17033-0810  
1-800-878-0440 (outside Hershey)  
(717) 534-8170 (Hershey area)

WorkLife Center 1-800-878-0440 (outside Hershey)  
(717) 534-8170 (Hershey area)

Please call the WorkLife Center if you have any questions regarding the Plan.

\* \* \* \*

IN WITNESS WHEREOF, the Company has caused this 2005 Early Retirement Plan for E-Grade Employees to be adopted as of this 21st day of July, 2005.

THE HERSHEY COMPANY

By: /s/ Marcella K. Arline

Its: Senior Vice President, Chief People Officer

19

**THE HERSHEY COMPANY**  
**2005 EARLY RETIREMENT PLAN FOR E-GRADE EMPLOYEES (ERP EGRADE)**  
**SEPARATION AGREEMENT AND GENERAL RELEASE**

This is a Confidential Separation Agreement and General Release (hereinafter “Agreement”) between The Hershey Company (hereinafter “the Company”) and the employee electing to participate in the Company’s 2005 Early Retirement Plan for E-Grade Employees (hereinafter “you”). *You should talk to an attorney before you sign this Agreement because it affects your legal rights.*

**1. Purpose of this Agreement.**

You and the Company have mutually decided to terminate your employment relationship with the Company. You and the Company are entering this Agreement because you wish to receive benefits under the Company’s 2005 Early Retirement Plan for E-Grade Employees (“ERP EGRADE”), receipt of which is conditioned upon the execution of a waiver and release acceptable to the Company.

**2. Scope of this Agreement.**

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

**3. Termination of Employment.**

Your employment with the Company will terminate on the date specified in the ERP EGRADE Acceptance Form that has been executed by you and an HET member, and, if applicable, approved by the Company (your “Retirement Date”). Until that date, however, you shall perform such job duties as directed by your immediate supervisor and assist the Company in transferring your responsibilities to others within the Company. In exchange for the benefits described in paragraph 4, you promise that you will not seek to be employed, reinstated or re-employed by the Company. If you resign from your position prior to your Retirement Date without the Company’s approval or are otherwise terminated for “Cause” (as defined in the ERP EGRADE) or for failure to satisfy minimum job performance requirements during any probationary period, you will forfeit your rights to all benefits under the ERP EGRADE.

**4. What You Are Receiving.**

You shall receive the early retirement benefits as set forth in the Summary Plan Description for the ERP EGRADE (“ERP Benefits”). By signing this Agreement, you acknowledge that the ERP Benefits are additional to and above any benefits or other money to which you are entitled under Company policies or by law. You shall receive only the ERP Benefits provided under the ERP EGRADE, and you shall not be eligible to participate in or receive benefits from any severance plan or severance-type arrangement sponsored by the Company. You agree that you are not permitted to assign, or extend any rights over, your ERP Benefits to any individual or other party. You also agree that all ERP Benefits provided under this Agreement and the ERP EGRADE are subject to applicable plan provisions, laws and regulations.

**5. General Release.**

In exchange for the ERP Benefits, you agree to release and hereby do release the Company Releasees from all claims, demands, actions or liabilities you may have against the Company Releasees of whatever kind including, but not limited to, those that are related to your employment by the Company, the termination of that employment, and claims for attorneys’ fees.

You agree that the release under this paragraph 5 (“General Release”) covers, but is not limited to, claims arising under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Americans with Disabilities Act, the Rehabilitation Act of 1973 and any other federal, state or local law

---

dealing with discrimination in employment including, but not limited to, discrimination based on sex, sexual orientation, race, national origin, religion, disability, veteran status or age. You also agree that this General Release covers claims arising under the Family and Medical Leave Act of 1993 and any state or local law dealing with leave time or wages and hours of work. You also agree that this General Release covers claims existing before the date of this Agreement, whether known or unknown to you or to the Company Releasees, arising under the Employee Retirement Income Security Act of 1974, except for claims for benefits provided under this Agreement.

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

This paragraph applies to you if you are a California resident. You acknowledge that California Civil Code Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

Being fully informed of this provision of the Civil Code, you agree to waive any rights under that section and acknowledge that this General Release extends to all claims that have or might have against the Company Releasees.

You agree and acknowledge that you are not entitled to receive, and the Company would not have granted you, the ERP Benefits without release of each and every claim covered by the General Release.

You also agree never to sue the Company for any claim that you have waived or released in this Agreement, except that you are not waiving a good-faith challenge to the validity of this Agreement under the Age Discrimination in Employment Act. You agree to pay all costs, damages, expenses and attorneys' fees incurred by any Company Releasees in successfully defending against any lawsuit or administrative proceeding you bring to contest the validity of this Agreement under the Age Discrimination in Employment Act.

You agree that, if you file a lawsuit asserting any of the claims covered by the General Release, the Company will be entitled to reduce your ERP Benefits by the value of any judgment you obtain against any Company Releasees. You also agree that the appropriate amount of any such reduction in a lawsuit or administrative proceeding asserting any one or more of the claims covered by the General Release is the entire amount of ERP Benefits.

If any government agency pursues a claim on your behalf against the Company, or on behalf of a group of individuals of which you are a part, you promise not to seek or accept any damages arising from or related to your employment by the Company or the termination of that employment.

## **6. Confidentiality.**

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

In exchange for the ERP Benefits, you agree not to disclose, use to your benefit or use to the benefit of any other person or entity any confidential information, proprietary information and/or trade secrets to which you had access during your employment by the Company. This includes, but is not limited to, formulas, trade secrets, manufacturing processes, customer lists, marketing strategies, financial information and business data not generally known to the public. You agree that disclosure of such information by you in violation of this paragraph 6(a) would cause so much injury to the Company that money alone could not fully compensate the Company. You also agree that the Company would be entitled to recover money from you if you violate this paragraph 6(a).

2

---

### **(b) Confidentiality of the Terms of this Agreement.**

The terms and conditions of this Agreement are confidential. You agree not to disclose the terms of this Agreement to anyone except immediate family members, your attorney and your financial advisor. You further agree to inform these people that the Agreement is confidential and must not be disclosed to anyone else. You may disclose the terms of this Agreement if compelled to do so by a court. However, you agree to notify the Company immediately at the address listed in paragraph 14 if anyone seeks to compel production of this Agreement or your testimony about this Agreement, and you agree to cooperate with the Company if the Company decides to oppose such effort.

## **7. Creative Property.**

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

## **8. Non-disparagement.**

In exchange for the ERP Benefits, you agree that you will not make any statement that disparages or tends to disparage the Company, any aspect of its operations or any Company Releasees. You also agree that you will not make any public statements to the media concerning the Company, its business objectives, management practices or Company Releasees. You agree that you will take no action that would cause the Company or Company Releasees embarrassment, humiliation or to be held in disrepute by the general public or the Company's employees, suppliers or customers.

## **9. Return of Company Property.**

You agree to return to the Company all documents, business records in any form, manuals, handbooks, identification cards, keys, credit cards, computer disks or any other property of the Company, both tangible and intangible, that are in your possession, custody or control. If you do not return all Company property, in addition to any other rights it may have under this Agreement or otherwise, the Company may withhold ERP Benefits equal to the value of such Company property as determined in the sole judgment of the Company.

## **10. Non-Solicitation of Employees.**

In exchange for the ERP Benefits, you agree that for a period of twelve (12) months after termination of your employment with the Company: (a) you will not participate in recruiting or soliciting any Company employees; and (b) you will not communicate to any person or entity regarding the nature,

quality of work, special knowledge or personal characteristics of any person employed by the Company without the prior written consent of the Company's Senior Vice President – Chief People Officer.

## **11. No Admission of Liability.**

The Company makes this Agreement to avoid the expense and disruption of litigation. By making this Agreement, the Company does not admit that it has done anything wrong.

## **12. No Modification.**

---

**13. Forty-Five (45) Days To Consider This Agreement.**

You have forty-five (45) calendar days, or, if later, until September 8, 2005, to decide whether or not to sign this Agreement. You agree, if you decide not to take all that time, that your reasons for doing so are entirely personal and not due to any pressure by the Company.

**14. Agreement Must Be Received By 4:30 p.m. EDT September 8, 2005**

You must complete and return this Agreement with an executed ERP EGRADE Acceptance Form by 4:30 p.m. EDT September 8, 2005, to The WorkLife Center (Attention: ERP EGRADE Acceptance), The Hershey Company, 100 Crystal A Drive, Hershey, PA 17033-0810, fax number 717-534-7464. If the original or a facsimile copy of this Agreement is not received by the WorkLife Center by 4:30 p.m. EDT September 8, 2005, you will have permanently waived your ability to participate in the ERP.

**15. Seven (7) Days To Revoke This Agreement.**

You also may revoke this Agreement and revoke your acceptance of participation in the Company's ERP EGRADE up to seven (7) calendar days after signing and dating this Agreement. The Agreement will not be effective or enforceable until after this revocation period has expired.

To revoke this Agreement and to revoke your acceptance of participation in the Company's ERP EGRADE, you must deliver written notice of your revocation to the Company by 4:30 p.m. on the seventh calendar day after you signed and dated this Agreement. Your written notice of revocation should be sent to: The WorkLife Center (Attention: ERP EGRADE Revocation), The Hershey Company, 100 Crystal A Drive, Hershey, PA 17033-0810. You agree that, if within this seven-day period, you revoke this Agreement or otherwise revoke your election to participate in the Company's ERP EGRADE, the Agreement will not be effective or enforceable and you will not receive the ERP Benefits under the ERP EGRADE.

**16. Prior Release.**

This Agreement will revoke any prior agreement or release in connection with your prior termination of employment with the Company. However, if you revoke this Agreement within the 7 day period described above, the prior agreement/release will remain in full force and effect.

**17. Advice of Counsel.**

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

**18. Severability and Interpretation.**

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

**19. Integration.**

Except for any restrictive covenant or confidentiality agreements or the terms of the Long Term Incentive Program Participation Agreement that you entered on or before September 15, 2005 (which remain in full force and effect), you agree that the Company's ERP EGRADE supersedes any and all prior plans, programs, arrangements, agreements, and representations, written or oral, that relate to any subject matter covered by the Company's ERP EGRADE.

---

**20. Rehiring of Participants.**

Once you have received any ERP Benefits, you are not eligible for rehire by the Company, unless your rehire is approved by the Senior Vice President, Chief People Officer of the Company.

**21. Governing Laws.**

Pennsylvania law applies to the ERP EGRADE and this Agreement except to the extent preempted by federal law. You agree that: (a) any action or proceeding relating to the ERP EGRADE, this Agreement, your employment, or the termination of your employment will only be brought in the federal or state courts, as appropriate, located in the State of Pennsylvania; and (b) any such action or proceeding will be heard without jury. No action relating to the ERP EGRADE or this Agreement shall be brought in court more than two years and 90 days after you have exhausted your administrative remedies under the ERP EGRADE (described in the ERP EGRADE Summary Plan Description). Notwithstanding any provision in this section to the contrary, if you are also a participant in the Company Supplemental Executive Retirement Plan, you shall continue to be bound by and shall comply with the procedures regarding arbitration set forth in the Long Term Incentive Program Participation Agreement, the terms of which are incorporated herein by reference.

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

EMPLOYEE

THE HERSHEY COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**The Hershey Company**

**2005 Enhanced Mutual Separation Plan for E-Grade Employees  
(Effective as of July 21, 2005)**

**2005 Enhanced Mutual Separation Plan for E-Grade Employees Plan Document  
And  
Summary Plan Description**

**A. PURPOSE OF THE PLAN**

The purpose of The Hershey Company 2005 Enhanced Mutual Separation Plan is to provide additional benefits and compensation in accordance with the terms set forth herein to certain employees of the Company, as defined below, who voluntarily elect to terminate their employment under the terms and conditions described below. Specifically, this Plan is intended to (1) consolidate the benefit enhancements to be provided to Participants under various separate Company plans, and (2) satisfy any applicable disclosure requirements (e.g., summary plan description or summary of material modification) of the underlying plans with respect to these benefit enhancements.

This Plan is an ERISA welfare plan and is intended to comply with the applicable rules for severance plans in Labor Regulation section 2510.3-2(b). The fact that this Plan document includes provisions relating to non-ERISA covered benefits (Section F.1.(b), (c), (j), (k), (l), (m), (n)) will not cause such benefits to be covered by ERISA. This Plan will be interpreted, operated and administered in a manner consistent with this intention.

**B. DEFINITIONS**

Whenever used in the Plan, the following words and phrases will have the meanings set forth below, unless a different meaning is plainly required by the context:

“AIP” means the Annual Incentive Program of the KEIP.

“Base Pay” means the regular annual rate of salary payable to an Eligible Employee as of such Employee’s Separation Date, without reduction for any elective deferrals made on an Eligible Employee’s behalf to any plan of the Company under Section 125, 401(k), or 132(f)(4) of the Code.

“Cause” means the neglecting of one’s duties, poor job performance, excessive absenteeism, absence without leave, theft, dishonesty, insubordination, intentional destruction of Company property or a violation of Company policies, including but not limited to violation of any code of ethics or business conduct guidelines, policies regarding disclosure of trade secrets or other confidential information, expense reimbursement policies or anti-harassment policies, all as determined by the Plan Administrator in its sole and absolute discretion.

“CEO” means the Chief Executive Officer of the Company.

“COBRA” means Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA or any similar state law.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” means The Hershey Company, a Delaware corporation, and its subsidiaries.

“CPO” means the Senior Vice President, Chief People Officer of the Company.

“Deferred Compensation Plan” means the Hershey Foods Corporation Deferred Compensation Plan, as amended and any successor thereto.

“E-grade Employee” means an Employee who is designated on the Company’s records as such, which may include, among others, Vice Presidents, Senior Vice Presidents, HET members, former Company officers, and the CEO.

“Eligible Employee” means any Employee who meets the conditions set forth in Section C. and is not excluded from coverage under Section D.

“Employee” means any employee of the Company who is classified on its U.S. payroll as a salaried full-time employee, including employees on short-term (but not long-term) disability or paid or unpaid leave of absence. Notwithstanding the foregoing, an Employee will not include any individual: (i) classified on the books of the Company as an independent contractor and not as an employee, during the period the individual is so paid or classified, (ii) being paid by or through an employee leasing company or other third party agency, (iii) classified on the books of the Company as a freelance worker and not as an employee, during the period the individual is so paid or classified, (iv) classified by the Company as a seasonal, occasional or temporary employee, during the period the individual is so paid or classified, or (v) classified by the Company as a leased employee, during the period the individual is so paid or classified. Any individual included in (i) through (v) will not be an Employee even if he or she is later retroactively reclassified as a common-law employee of the Company during all or any part of such period pursuant to applicable law or otherwise.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ESSIOP” means the Hershey Foods Corporation Employee Savings Stock Investment and Ownership Plan as Amended and Restated effective as of January 1, 1997, as amended and any successor thereto.

“HET” means the Hershey Executive Team, which consists of certain executives as designated by the Company.

“KEIP” means the Hershey Foods Corporation Key Employee Incentive Plan, as amended and any successor thereto.

“Options” has the meaning set forth in Section F.1.(j).

2

“Participant” means an Eligible Employee who has satisfied the conditions for participation set forth in Section E. and who is entitled to receive benefits under the Plan.

“Plan” means The Hershey Company 2005 Enhanced Mutual Separation Plan for E-Grade Employees, as amended and any successor thereto.

“Plan Administrator” means the Employee Benefits Committee of the Company or such other person or committee appointed from time to time by the Company to administer the Plan, or the delegate of such committee or person.

“PSU Program” means performance stock units issued under KEIP.

“Retiree Medical Plan” means the Hershey Foods Corporation Retiree Medical and Life Insurance Plan (Amended and Restated Effective as of January 1, 2002), as amended and any successor thereto.

“Retirement Plan” means the Hershey Foods Corporation Retirement Plan as Amended and Restated effective as of December 31, 2004, as amended and any successor thereto.

“Separation Agreement” has the meaning set forth in Section E.1.

“Separation Date” means the first date of the Separation Period which will be a date within the Separation Window that is mutually agreed to by the Eligible Employee and the Company. An Eligible Employee and the HET member responsible for the Eligible Employee’s business sector (or, if the Eligible Employee is a member of the HET, the CEO) will choose a mutually acceptable Separation Date. The HET (or, if the Eligible Employee is a member of the HET, the CEO) will either (i) approve of such date, (ii) assign a different date within the Separation Window to an Eligible Employee who performs a critical business function (as determined in the HET’s (or CEO’s) sole discretion on a non-discriminatory basis), or (iii) reject the Participant’s request to participate in the Plan in accordance with Section D.2. The date assigned under the preceding sentence will be deemed such Eligible Employee’s “Separation Date” for all purposes of this Plan. In addition, the Eligible Employee’s “Separation Date” may not be after December 31, 2005, unless the CPO and the CEO approve such Separation Date. In the event that the Eligible Employee and the Company cannot mutually agree in writing upon a Separation Date, then such Eligible Employee will be deemed to not have elected a Separation Date and such Eligible Employee will not become a Participant in the Plan.

Notwithstanding the foregoing, in the event that the Eligible Employee and the Plan Administrator mutually agree in writing, the Separation Date originally agreed upon may be changed to a different date within the Separation Window, in their sole discretion, subject, however, to the approval of the CPO and CEO if the revised Separation Date is after December 31, 2005.

An Eligible Employee under Section C.(2) or C.(3) will be deemed to have a Separation Date of September 8, 2005 for all purposes of this Plan.

“Separation Pay” has the meaning set forth in Section F.1.(a).

3

“Separation Period” has the meaning set forth in Section F.1.(a).

“Separation Window” means the period beginning on September 30, 2005 and ending on December 31, 2006. However, for an Eligible Employee under Section C.(2) or C.(3), the Separation Window is limited to September 8, 2005.

“Service Date” means the latest date on which an Employee was hired or re-hired by the Company.

“Termination Date” means the last day of the Employee’s Separation Period and will be the date on which the Employee is terminated as an Employee on paid leave of absence for purposes of receiving benefits under the terms of this Plan.

“Unpaid Leave of Absence” means a period of unpaid leave of absence with the Company not to exceed 30 days, as determined in accordance with Section F.1(b).

“Weekly Base Pay” means Base Pay divided by 52.

“Years of Service” means the number of years from the Employee’s Service Date to his or her Separation Date. Payments will be based on full years of service achieved, with fractional years (i) rounded up to the next whole year if such fractional year equals .5 of a year or greater, or (ii) rounded down to the prior whole year if such fractional year equals .49 of a year or less.

## C. ELIGIBLE EMPLOYEES

Except as provided in Section D. below, each Employee who meets any of the following requirements will be eligible to participate in the Plan. The Employee:

(1) is an E-grade Employee as of July 21, 2005, and was hired as an Employee prior to January 1, 2004;

(2) (i) was an E-grade Employee as of March 7, 2005, (ii) terminated employment with the Company on a voluntary basis during the period beginning March 8, 2005 and ending July 21, 2005, (iii) was age 50 or older as of January 1, 2005, and (iv) was hired as an Employee prior to January 1, 2004; or

(3) (i) was an E-grade Employee as of March 7, 2005, (ii) signed a separation agreement and general release with the Company during the period beginning March 7, 2005 and ending July 21, 2005, (iii) was entitled to severance benefits from the Company, and (iv) was hired as an Employee prior to

#### D. EXCLUSIONARY PROVISIONS

1. Notwithstanding anything herein to the contrary, the following Employees are not Eligible Employees and cannot participate in the Plan:

(a) An Employee who was a participant in (i) the Hershey Foods Corporation 1996 Early Retirement Plan, the Hershey Foods Corporation 2001 Early Retirement Plan, or the

4

---

Hershey Foods Corporation 2003 Sales Early Retirement Plan, (ii) any other mutual or job elimination severance plan or agreement, except as provided in Section C.(3), or (iii) a plant closing severance plan;

(b) An Employee who elected to participate in The Hershey Company 2005 Early Retirement Plan for E-Grade Employees rather than this Plan, if applicable;

(c) An Employee terminated for Cause or terminated for failure to satisfy minimum job performance requirements during any probationary employment period;

(d) An Employee hired as a result of the Company's acquisition of Mauna Loa Macadamia Nut Holdings, Inc. on December 16, 2004;

(e) An employee of the Company who is classified on the payroll records of the Company as any type of employee other than an E-grade Employee;

(f) An Employee on paid or unpaid leave of absence as of July 21, 2005 who signed a separation agreement and general release with the Company prior to March 7, 2005; or

(g) The CEO.

2. Notwithstanding anything herein to the contrary, the Company retains the right to deny participation in the Plan to: (i) any otherwise Eligible Employee if the HET (or, if the Eligible Employee is a member of the HET, the CEO) determines that the termination of employment of such employee will have an adverse affect on the Company's ongoing business operations, or (ii) any former highly compensated employee of the Company as determined by the Plan Administrator. Such a determination will be made in the sole discretion of the HET, CEO or Plan Administrator, as applicable.

#### E. CONDITIONS FOR PARTICIPATION

In order to receive the benefits provided by the Plan (i.e., to become a Participant), an Eligible Employee must satisfy all of the following conditions:

##### 1. Execution of Releases or Other Agreements

An Eligible Employee will not become a Participant unless he or she elects to terminate his or her employment with the Company under the Plan by signing, dating, and delivering the following forms, which are provided in the official Plan notification package for each Eligible Employee, to the person designated by the Plan Administrator, on or before 4:30 p.m. (EDT) on **September 8, 2005**, and such person is in actual receipt of the forms by such time and date:

(a) a Separation Agreement and General Release ("Separation Agreement"),

(b) the Acceptance Form (the form must contain both the Eligible Employee's and HET member's (or CEO's, if the Eligible Employee is an HET member) approval of the Separation Date, otherwise the form is not effective), and

5

---

(c) such other instruments as the Plan Administrator or Company may require.

If the Eligible Employee's Separation Date is modified by the HET (or, if the Eligible Employee is a member of the HET, the CEO), or the CPO and CEO reject a proposed 2006 Separation Date, the Plan Administrator will return the Acceptance Form and Separation Agreement to the Eligible Employee by September 19, 2005. The Eligible Employee must re-sign and re-date the Acceptance Form and Separation Agreement in accordance with the instructions on those documents and deliver the re-signed and re-dated Acceptance Form and Separation Agreement to the person designated by the Plan Administrator, on or before 4:30 p.m. (EDT) on the seventh (7<sup>th</sup>) calendar day following receipt of approval and date change, and such person must be in actual receipt of the re-signed and re-dated Acceptance Form and Separation Agreement by such time and date. Otherwise, the Eligible Employee will not become a Participant.

Notwithstanding the foregoing, an Eligible Employee will not become a Participant if he or she revokes the Separation Agreement (in the manner specified therein) within 7 days after signing and dating it. If the Eligible Employee's Separation Date is modified by the HET (or, if the Eligible

Employee is a member of the HET, the CEO), or the CPO and CEO reject a proposed 2006 Separation Date, he or she will have an additional 7 days from the date he or she re-signs and re-dates the Acceptance Form and Separation Agreement to revoke the Separation Agreement.

##### 2. No Termination of Employment Prior to Separation Date

An Eligible Employee will not become a Participant and will not be eligible for benefits under the Plan if his or her employment is terminated for any of the following reasons on or before his or her Separation Date:

(a) resignation or voluntarily quit after July 21, 2005; or

(b) discharge by the Company for Cause or terminated for failure to satisfy minimum job performance requirements during any probationary employment period.

### **3. Effective Termination**

(a) An Eligible Employee must actually cease performing services with the Company as of his or her Separation Date, or such other date during the Separation Window as the Eligible Employee and the Plan Administrator shall mutually agree in writing.

(b) Notwithstanding the foregoing, the requirement set forth in Section E.3.(a) above will not apply to an otherwise Eligible Employee who has made a valid election to terminate his or her employment under the Plan and whose employment subsequently is terminated before his or her Separation Date by reason of his or her death, provided that he or she satisfies the requirements of Sections E.1. and E.2. at the time of his or her death.

6

---

## **F. ENHANCED SEPARATION BENEFITS**

### **1. Plan Benefits**

A Participant will be entitled to the benefits described below. Benefits described below that are provided under other plans – Retirement Plan, ESSIOP, KEIP, Retiree Medical Plan and other health and welfare plans – shall be administered in accordance with the applicable terms and conditions of such other plans.

An Eligible Employee who elects to terminate his or her employment with the Company under the Plan will receive the enhanced benefits provided under the Plan, and will not be eligible to participate in or receive benefits from any other severance plan or severance-type arrangement sponsored by the Company. Moreover, for Eligible Employees under Section C.(2) or C.(3) above who have elected to become Participants under this Plan, any benefits from any other severance plan or severance-type arrangement sponsored by the Company will cease as of September 8, 2005, and, to the extent necessary to avoid duplication of benefits, benefits provided by such other plans will offset the benefits to be provided under this Plan.

#### **(a) Separation Pay**

A Participant's "Separation Period" will begin on the Participant's Separation Date and end 52 weeks following such date. During this Separation Period, a Participant will not be required to report to work and, to the extent specifically provided herein, will be considered a Company employee on a paid leave of absence for purposes of receiving certain Company provided benefits.

During the Separation Period, a Participant will receive "Separation Pay" for each week of his or her Separation Period in an amount equal to his or her Weekly Base Pay. Separation Pay under this Plan will be paid in accordance with the Company's then current payroll schedule and will commence on the Company's first payroll date following the Participant's Separation Date, to the extent permitted under applicable law. All payments will be treated as wages for employment tax purposes.

Any severance payments received in 2005 by an Eligible Employee under Section C.(3) will offset the Separation Pay otherwise payable under this Plan.

For example, if Sam earned \$2,500 a week as of his Separation Date, he will receive 52 weeks of severance pay — \$5,000 every 2 weeks for 52 weeks (for a total of \$130,000).

#### **(b) Unpaid Leave of Absence**

After the Separation Period, a Participant may be considered for a period of Unpaid Leave of Absence, based on the Plan Administrator's sole discretion.

#### **(c) Vacation Pay**

Participants will be entitled to receive payment of their earned and unused vacation following their Separation Date based on Base Pay, including any unused vacation days that the

7

---

Participant had previously purchased. For purposes of this Plan, a Participant whose Separation Date is on or prior to December 31, 2005, will be entitled to payment of any unused vacation for 2005, plus payment for vacation days earned for 2006 determined as of his or her Separation Date. Otherwise, the Participant will be entitled to payment of any unused vacation for 2006, plus payment for vacation days earned for 2007 determined as of his or her Separation Date. Participants will not receive any additional vacation accrual during their Separation Period. Payment of vacation pay will be in a lump sum within 30 days following the Participant's Separation Date.

#### **(d) Retirement Plan**

Participants are entitled to benefits under the Retirement Plan in accordance with the terms of the Retirement Plan. A Participant will continue to participate in the Retirement Plan during the Separation Period as an active employee for all purposes (including, without limitation, vesting and benefit accrual), to the extent permitted under applicable law and the terms of the Retirement Plan.

#### **(e) ESSIOP**

Participants are entitled to benefits under the ESSIOP in accordance with the terms of the ESSIOP. A Participant will continue to participate in the ESSIOP during the Separation Period as an active employee for all purposes (including, without limitation, vesting, deferral of compensation, Company matching

and supplemental retirement contributions to the ESSIOP, coverage testing under Code section 410(b), and contribution limits under Code section 415), to the extent permitted under applicable law and the terms of the ESSIOP.

**(f) Medical Benefits During Separation Period**

During the Separation Period, a Participant will continue the same level and type of medical coverage, as provided under the health and welfare plans of the Company, as such Participant received (including any withholding or required payments with respect to applicable employee contributions thereon) as of his or her Separation Date, or as otherwise selected by the Participant during any subsequent open enrollment period. However, no Participant will be eligible for any short-term or long-term disability benefits under any plan, program or arrangement maintained by the Company with respect to any disabling illness or event that occurred on or after his or her Separation Date. Payment of the Participant's portion of any applicable premiums (based on active employee coverage) will be withheld from such Participant's Separation Pay.

Each Participant will be given an opportunity to elect COBRA continuation coverage on his or her Termination Date. COBRA medical coverage will be effective as of the date that the Separation Period expires and will continue only for the applicable COBRA coverage period. Any notice requirements under COBRA will run from the Participant's Termination Date.

**(g) Retiree Medical Benefits Coverage**

Each Participant who is at least age 50 as of January 1, 2005 may elect to begin participation in the Retiree Medical Plan after his or her Termination Date. The coverage

8

---

available under the Retiree Medical Plan depends on when the Participant was born and when he or she was hired by the Company.

**(i) Participants Born Before January 1, 1954 and Hired Before January 1, 1999**

A Participant who was born before January 1, 1954 and hired by the Company before January 1, 1999, can elect to receive retiree medical benefits to begin after his or her Termination Date. If such a Participant has not yet reached age 55 as of his or her Termination Date, the Participant will be deemed to be age 55 for purposes of determining eligibility to participate in, and the level of subsidization under, the Retiree Medical Plan as set forth in the Retiree Medical Plan's Pre-Medicare Cost Sharing Matrix and Post-65 Cost Sharing Matrix as in effect on the Participant's Separation Date. Benefits under the Pre-Medicare Cost Sharing Matrix will be available to a Participant from his or her Termination Date until the last day of the month preceding the month such Participant attains age 65, while benefits under the Post-65 Cost Sharing Matrix will be available to a Participant on and after the first day of the month during which such Participant attains age 65.

A Participant's medical coverage under the pre-Medicare retiree medical program and Post-65 retiree medical program will be as set forth in the Retiree Medical Plan, as currently offered and subject to modification by the Company. Company premium costs and the actual Participant premium payments (i.e., after applying his or her applicable percentage set forth in the applicable matrix and applying any overage amounts over the Retiree Medical caps) may be increased at any time at the sole discretion of the Company (i.e., the Participant's cost-sharing payments are not subject to any "freeze" in contribution amounts). Moreover, in the event the costs of medical benefits to a Participant under the Pre-Medicare Cost Sharing Matrix are less than the cost of the same medical benefits for an active employee, the Participant's cost will increase under the Retiree Medical Plan to equal the amount of the contribution made by such active employee.

**(ii) All Other Participants Who Have Reached Age 50**

A Participant who does not meet the requirements under (i) above (i.e., was either (i) born on or after January 1, 1954, or (ii) hired on or after January 1, 1999), but was at least age 50 as of January 1, 2005, will be eligible to participate in the Retiree Medical Plan; however, the Participant must pay the full cost (without Company subsidy) of the coverage; the cost sharing matrix described in (i) above does not apply.

**(iii) Participants Who Have Not Reached Age 50**

A Participant who does not meet the requirements under (i) above (i.e., was either (A) born on or after January 1, 1954, or (B) hired on or after January 1, 1999) and had not attained age 50 as of January 1, 2005 is not eligible for any retiree medical benefits provided by the Company (other than COBRA continuation coverage).

\* \* \*

9

---

A Participant who is at least age 50 as of January 1, 2005 has the right, upon the Participant's Termination Date, to elect either (i) retiree medical coverage (as outlined above); or (ii) COBRA continuation coverage for such benefits under the Company's health and welfare plan. If the Participant elects retiree medical coverage, the Participant will not have the right to elect COBRA continuation coverage when this retiree medical coverage ceases. If the Participant elects COBRA continuation coverage, this coverage will be effective as of the date that the Separation Period expires and will continue only for the applicable COBRA coverage period. Also, any notice requirements under COBRA will run from the Participant's Termination Date.

**(h) Dental and Vision Benefits**

During the Separation Period, a Participant in the Plan will be entitled to continue the same level and type of dental and vision coverages as provided under the health and welfare plans of the Company, as such Participant received (including any withholding or required payments with respect to applicable employee contributions thereon) as of his or her Separation Date, or as otherwise selected by the Participant during any subsequent open enrollment period. Payment of the Participant's portion of the applicable premium will be withheld from such Participant's Separation Pay.

A Participant who is at least age 50 as of January 1, 2005 has the right, upon the Participant's Termination Date, to elect either (i) retiree dental and vision coverage (or dental only coverage); or (ii) COBRA continuation coverage for such benefits under the Company's health and welfare plan. If the Participant elects retiree dental and vision coverage, the Participant must pay the full cost (without Company subsidy) of the coverage, and the Participant will not have the right to

elect COBRA continuation coverage when this retiree dental and vision coverage ceases. If the Participant elects COBRA continuation coverage, this coverage will be effective as of the date that the Separation Period expires and will continue only for the applicable COBRA coverage period. Also, any notice requirements under COBRA will run from the Participant's Termination Date.

A Participant who has not yet reached age 50 as of January 1, 2005 has the right to COBRA continuation coverage for such benefits under the Company's health and welfare plan. If the Participant elects COBRA dental or vision coverage, this coverage will be effective as of the date that the Separation Period expires and will continue only for the applicable COBRA coverage period. Also, any notice requirements under COBRA will run from the Participant's Termination Date.

**(i) Life Insurance Benefits**

During a Participant's Separation Period, the Company will continue to provide life insurance to such Participant through the Company-paid life insurance program in the amount of one times the Participant's Base Pay determined as of his or her Separation Date. The Participant can also continue to participate at the current elected life insurance amount by continuing to pay the employee contribution portion.

10

---

Following the Separation Period, a Participant who is at least age 50 as of January 1, 2005 will be eligible for retiree life insurance coverage (as offered, and subject to modification by the Company) under and pursuant to the Retiree Medical Plan, the cost of which, if any, will be determined by the Company.

**(j) Stock Options**

Options granted to a Participant by the Company under the KEIP ("Options") will become fully vested on the Participant's Separation Date, notwithstanding the vesting schedule or schedules applicable to such Options. To avoid forfeiture of the Options, a Participant who has not attained age 50 on or before January 1, 2005 must exercise all unexercised Options by the earlier of (i) the 90<sup>th</sup> day following his or her Termination Date, or (ii) the end of the option term. Options granted to a Participant who has attained age 50 on or before January 1, 2005 will not be prorated, even if they were granted within twelve months of the Participant's Separation Date, and such Participant will have up to 5 years from his or her Termination Date to exercise the Options, but not to exceed the end of the option term. The Company will not grant Options to any Participant after July 21, 2005, except at the sole discretion of the CEO or Compensation and Executive Organization Committee of the Company's board of directors.

**(k) Restricted Stock Units**

Restricted Stock Units ("RSUs") granted to the Participant will continue to vest during the Separation Period and any Unpaid Leave of Absence. Any RSU that is unvested as of the Participant's Termination Date (or the end of any Unpaid Leave of Absence) will become fully vested as of such date, not to exceed 1,000 RSUs. The previous sentence notwithstanding, any RSUs that are unvested as of the Participant's Termination Date will be forfeited if they were granted to the Participant on or after July 21, 2005.

**(l) Outplacement and Financial Counseling**

All Participants are eligible to receive outplacement and financial counseling services as provided by the Company, including a financial plan and reimbursement of tax return preparation costs. The Company, in its sole discretion, has the right to select the scope and duration of these services and the manner in which these services will be provided.

**(m) AIP**

Each Participant who is a participant in the AIP as of July 21, 2005 is eligible to receive payment of an AIP bonus award in accordance with the terms and conditions of the AIP, except that:

(i) In the case of a Participant whose Separation Date occurs in 2005, in determining the amount of any award to be paid to such Participant for the year in which the Separation Date occurs, the Participant's total award will be based upon the Participant's year-to-date earnings (including Separation Pay), his or her actual individual performance factor, and actual Company results with respect to financial goals during such year. For any subsequent awards during his or her Separation Period, the award will be based upon his or her Separation Pay for the year, an individual performance factor of 100%, and the lesser of

11

---

(x) 100% of the applicable corporate or business unit target or (y) actual Company results with respect to financial goals during such year.

(ii) In the case of a Participant whose Separation Date occurs after December 31, 2005 and before October 1, 2006, in determining the amount of any award to be paid to such Participant for the year in which the Separation Date occurs and any subsequent awards during his or her Separation Period, the Participant's total award will be based upon the Participant's year-to-date earnings (including Separation Pay), an individual performance factor of 100%, and the lesser of (x) 100% of the applicable corporate or business unit target or (y) actual Company results with respect to financial goals during such year.

(iii) In the case of a Participant whose Separation Date occurs on or after October 1, 2006, the Participant's award for 2006 will be based upon the Participant's year-to-date earnings (including Separation Pay), his or her actual individual performance factor, and actual Company results with respect to financial goals during such year. For any subsequent awards during his or her Separation Period, the award will be based upon his or her Separation Pay for the year, an individual performance factor of 100%, and the lesser of (x) 100% of the applicable corporate or business unit target or (y) actual Company results with respect to financial goals during such year.

All AIP payments will be made by March 15 of the year following the plan year for which such awards are earned, unless deferred in accordance with the KEIP or Deferred Compensation Plan. For more information about the AIP payments, see the plan's written summary.

**(n) PSU Program**

(i) **No New Grants:** The Company will not grant any performance stock units under the PSU Program to any Participant after July 21, 2005;

(ii) **Participation Ends:** Participation in the PSU Program ends on the Participant's Separation Date;

(iii) **PSU Awards:** PSU awards for performance cycles that have not been completed as of the Participant's Separation Date shall be paid as soon as administratively practicable following the end of the applicable performance cycle, in accordance with the terms and conditions of KEIP, except that for Participants who had attained age 50 on or before January 1, 2005, a cash equivalent of all PSU Awards that are forfeited under KEIP due to the Participant's Separation Date preceding the completion of two-thirds of an applicable performance cycle, will be paid to the Participant in an amount equal to the award prorated based on his or her Separation Date, rounding up to whole months for any partial month. The prorated amounts will be based on the lesser of target or actual Company financial results and will be paid under this Plan to the Participant by March 15 of the calendar year following the end of the applicable performance cycle, unless deferred in accordance with the KEIP or Deferred Compensation Plan; and

(iv) **2003-2005 Grant:** A Participant is deemed to be fully vested in his or her 2003-2005 grant as of the earlier of such Participant's Separation Date and December

12

---

31, 2005. The 2003-2005 grant will be paid to the Participant by March 15, 2006, unless deferred in accordance with the KEIP or Deferred Compensation Plan.

## 2. Special Rules Relating to Plan Benefits After Death

### (a) Death of Participant Before Termination Date

If a Participant dies on or before attaining his or her Termination Date:

(i) Medical, dental, vision, and life insurance coverage under the Company's health and welfare plans will continue during the remainder of the Separation Period for the Participant's surviving spouse and eligible dependent(s). Following the Separation Period, the Participant's spouse and eligible dependent(s) will be eligible for (A) continuation of coverage benefits as set forth under and in compliance with the provisions of COBRA, or (B) coverage under the Company's health and welfare programs, to the same extent available for a surviving spouse and eligible dependent(s) of an employee who dies while still employed;

(ii) Any unpaid Separation Pay will be paid to the Participant's estate in a lump sum as soon as administratively practicable following the Participant's death;

(iii) Any unpaid AIP payment will be paid to the Participant's estate in the same manner as would have been paid to the Participant under this Plan and otherwise in accordance with the terms of the KEIP by March 15 of the year following the plan year for which the award is earned; and

(iv) Any benefits payable under the Retirement Plan or ESSIOIP by virtue of the Participant's death will be paid to his or her surviving spouse or designated beneficiary (as such parties are defined in the Retirement Plan and ESSIOIP, respectively) in accordance with the provisions of such plans.

### (b) Death of Participant After Termination Date

If a Participant dies after attaining his or her Termination Date:

(i) Coverage under the Retiree Medical Plan will not be made available to the spouse or eligible dependent(s) under the Plan after the Participant's death, unless the Participant was covered under the Retiree Medical Plan at the time of his or her death. In any event, the Participant's spouse and eligible dependent(s) will be eligible for continuation of coverage benefits as set forth under and in compliance with the provisions of COBRA;

(ii) Any unpaid AIP payment will be paid to the Participant's estate in the same manner as would have been paid to the Participant under this Plan and otherwise in accordance with the terms of the KEIP by March 15 of the year following the plan year for which the award is earned; and

(iii) Any benefits payable under the Retirement Plan or ESSIOIP by virtue of the Participant's death will be paid to his or her surviving spouse or designated

13

---

beneficiary (as such parties are defined in the Retirement Plan and ESSIOIP, respectively) in accordance with the provisions of such plans.

## G. GENERAL RULES

### 1. No Right to Continued Employment

Neither the Plan nor any action taken with respect to it will confer upon any person the right to continue in the employ of the Company.

### 2. Rehiring of Participants

A Participant who receives any benefits under Section F. of the Plan is not eligible for rehire by the Company, unless such rehire is approved by the Senior Vice President, Chief People Officer of the Company.

### 3. Benefits Non-Assignable

Benefits under the Plan may not be anticipated, assigned or alienated.

#### **4. Unfunded Plan**

The Company will pay any non-pension benefits described above from its general assets. The pension benefits described in Section F.1.(d) and F.1.(e) will be provided, funded, and paid solely through the Retirement Plan or ESSIO, respectively. Nothing contained in this Plan will give any Employee any right, title or interest in any property of the Company.

#### **5. Usage of Terms and Headings**

Words used in the singular include the plural, and vice versa, unless qualified by the context. Headings are included for ease of reference only and are not to be construed to alter the terms of the Plan.

#### **6. Governing Laws**

The provisions of the Plan will be construed, administered and enforced according to applicable federal law and, where appropriate, the laws of the Commonwealth of Pennsylvania without reference to its conflict of laws rules and without regard to any rule of any jurisdiction that would result in the application of the law of another jurisdiction except with respect to the residents of California in which case the provisions of the Separation Agreement specifically applicable to California residents will also apply. The Company and each Participant (the "parties") expressly consent that: (a) any action or proceeding relating to this Plan or any release or other agreement entered into with respect to this Plan will only be brought in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (b) any such action or proceeding will be heard without a jury. The parties expressly waive the right to bring any such action in any other jurisdiction and to have such action heard before a jury. No action relating to this Plan or any release or other agreement entered into with respect to this Plan will be brought by a Participant in court more than two years and 90 days after such Participant has

14

---

exhausted his or her administrative remedies hereunder. Any provision in this section to the contrary notwithstanding, a Participant who is also a participant in the Company's Supplemental Executive Retirement Plan will continue to be bound by and will comply with the procedures regarding arbitration set forth in the Long Term Incentive Program Participation Agreement, the terms of which relating to such arbitration procedures are incorporated herein by reference.

#### **7. Severability**

The provisions of the Plan are severable. If any provision of the Plan is deemed legally or factually invalid or unenforceable to any extent or in any application, then the remainder of the provisions and the Plan, except to such extent or in such application, will not be affected, and each and every provision of the Plan will be valid and enforceable to the fullest extent and in the broadest application permitted by law.

#### **8. Right to Withhold Taxes**

The Company may cause such amounts to be withheld from entitlements or payments under this Plan as it determines necessary to fulfill any federal, state or local income or employment tax requirements.

#### **9. Plan Document to Serve as Summary Plan Description**

This Plan document will serve as the summary plan description for the Plan and will be distributed to all Eligible Employees in this form. In addition, as indicated in Section A, the Plan is intended to satisfy any applicable disclosure requirements (e.g., summary plan description or summary of material modification) for the underlying plans with respect to the benefit enhancements described in this document.

#### **10. Plan Document will Control the Terms of the Plan**

No verbal or written communications that are contrary to the terms of the Plan shall be binding upon the Plan, the Plan Administrator, or the Company. In the event of any conflict between this Plan document and any other written or verbal communication regarding this Plan, this document will control.

### **H. AMENDMENT AND TERMINATION**

The Plan Administrator, in its sole discretion, reserves the right to amend (in whole or in part) or terminate this Plan and any benefit under it, for any reason, at any time and from time to time. However, no amendment or termination of the Plan shall be effective to reduce the accrued benefit of any participant under the Retirement Plan or ESSIO, except as permitted by law. This reservation of the right to amend or terminate benefits applies to benefits for current employees and their dependents and also to retired or terminated employees and their survivors or dependents. Nothing in this document or any other communication from the Company shall be deemed to create or imply a continuing obligation by the Company to provide benefits to current employees or their dependents or survivors, or retired or terminated employees or their dependents or survivors.

15

---

### **I. ADMINISTRATION OF THE PLAN**

The Plan Administrator will have exclusive authority and sole and absolute discretion to interpret the Plan, make any determinations, resolve disputes and decide all matters in connection with the interpretation, administration and operation of the Plan or the determination of eligibility of any person to participate in the Plan. It will also have the power to appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan. The Plan Administrator may delegate any of its duties and authority to other persons.

No other person or group has any authority to interpret or construe the terms of the Plan (or official Plan documents) or to make any promises about them. Except as otherwise noted herein, all decisions of the Plan Administrator will be final and binding upon all similarly situated individuals.

### **J. STATEMENT OF ERISA RIGHTS**

As a Participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan Participants will be entitled to:

### **Receive Information About Your Plan and Benefits**

Examine, without charge, at the Plan Administrator's office and at other specified locations such as worksites, all documents governing the Plan, including a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this Summary Annual Report.

### **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way just to prevent you from obtaining a benefit or exercising your rights under ERISA.

### **Enforce Your Rights**

If your claim for a benefit is denied in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time frames.

16

---

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of the Plan document or the latest annual report and do not receive them within thirty (30) days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan Administrator's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in a federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees; for example, if it finds your claim is frivolous.

### **Assistance with Your Questions**

If you have any questions about the Plan, you should contact your *WorkLife* Center at 1-800-878-0440 (outside Hershey), (717) 534-8170 (Hershey area), 7:30 a.m. — 5:00 p.m. (EST), excluding holidays. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest area office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## **K. CLAIMS UNDER THE PLAN**

The Plan Administrator reviews and authorizes eligibility for and compliance with the provisions of the Plan. Questions regarding eligibility to participate in the Plan should be directed to your *WorkLife* Center at 1-800-878-0440 (outside Hershey), (717) 534-8170 (Hershey area), 7:30 a.m. — 5:00 p.m. (EST), excluding holidays. With respect to any pension, medical, life, dental and vision benefits provided under the Company's plans or programs, any questions regarding such benefits should be directed to the plan administrator or claims administrator of the applicable plan, and should comply with that plan's claims procedures. A Participant should consult the summary plan description for that plan for additional information regarding its claims procedure.

### **1. Submission of Claim**

Any claim for specific benefits under the Plan, if applicable, that are provided with reference to an underlying plan or program (e.g., Retirement Plan, ESSIOP, Retiree Medical Plan, KEIP) will be made in accordance with the applicable plan or program and its claims

17

---

procedures. For example, for medical benefits that are covered by an insurance policy, the claim may be filed directly with the insurer providing coverage or services pursuant thereto, in accordance with the applicable service contract, agreement or other similar document between the Company and such service provider. Otherwise, claims for benefits under this Plan are to be submitted to the Plan Administrator and are subject to the rules set forth in Section K.2 and 3.

### **2. Claims Procedures**

Benefits will be paid to Participants and their beneficiaries without the necessity of formal claims. Participants or their beneficiaries (hereinafter, the "Participant"), however, may make a request for any Plan benefits to which he or she may be entitled. Any such request must be made in writing, and it should be

made to the Plan Administrator at the address listed below.

A request for Plan benefits is considered to be a claim for Plan benefits, and is subject to a full and fair review. If the claim is wholly or partially denied, the Plan Administrator will provide the Participant with a written notice of this denial within 90 days after the receipt of the claim. The 90-day period may be extended for another 90 days if special circumstances warrant. If an extension is required, the Participant will be notified in advance of the circumstances requiring the extension and the date by which the Plan expects to render a decision.

The written notice of denial must contain the following information:

- The specific reason or reasons for the denial,
- Specific reference to those Plan provisions on which the denial is based,
- A description of any additional information or material necessary to correct the claim and an explanation of why such material or information is necessary, and
- An explanation of the Plan's review procedures, including the right to bring a civil action under the Employee Retirement Income Security Act of 1974 (ERISA) section 502(a) following an adverse benefit determination or review.

### 3. Appeal of Denial of Claim

If the Participant wishes to appeal a denied claim, he or she must send a written request to the Plan Administrator (see address below) for a full and fair review of the denied claim. As part of the appeal, the Participant may submit written issues and comments, documents, records and other information relating to the claim. Upon request and free of charge, the Participant will be provided reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits. The review will take into account all comments, documents, records and any other information submitted by the Participant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. A request for review of a claim must be submitted within 60 days of the Participant's receipt of written notice of the adverse benefit determination.

18

---

If the Participant does not file a request for review within 60 days of the adverse benefit determination notification, the claim will be deemed abandoned, and the Participant will be precluded from reasserting it under these procedures or in a court or any other venue. If the Participant files a request for review, the request must include a description of the issues and evidence he or she deems relevant. Failure to raise issues or present evidence on review may preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

The Plan Administrator will make a decision no later than 60 days after receipt of the request for review of a denied claim. This period may be extended for an additional 60 days if the Plan Administrator determines that special circumstances require such extension. If an extension of time is required, written notice of the expected decision date and the reasons for the extension will be provided to the Participant before the end of the initial 60-day period. The final decision will be provided in writing and, if adverse, will include:

- a. The specific reason or reasons for the adverse determination,
- b. A reference to specific Plan provisions on which the adverse determination was made,
- c. A statement that the Participant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his or her claim for benefits, and
- d. A statement describing any voluntary appeal procedures offered by the Plan and the Participant's right to obtain the information about such procedures and a statement of his or her right to bring an action under ERISA section 502(a).

In reviewing the adverse benefit determination of a benefit claim, the Plan Administrator will have full authority to interpret and apply in its discretion the provisions of the Plan. The decision of the Plan Administrator will be final and binding. The Participant must follow and fully exhaust these claims procedures before he or she may commence a civil action in court for any claim. Additionally, any legal action must be commenced within 2 years and 90 days following the date on which administrative remedies have been exhausted hereunder.

### L. ADDITIONAL INFORMATION

Plan Sponsor:

The Hershey Company  
100 Crystal A Drive,  
P.O. Box 810  
Hershey, PA 17033

Employer Identification Number (EIN):

23-0691590

Plan Name:

The Hershey Company  
2005 Enhanced Mutual Separation  
Plan for E-Grade Employees

19

---

Type of Plan:

Welfare

Type of Administration:

Contract or Insurer, based on the underlying welfare or pension plan

Plan Year:

Calendar Year

Plan Number:

523

Agent for Service:

General Counsel  
The Hershey Company  
100 Crystal A Drive  
P.O. Box 810  
Hershey, PA 17033-0810

Service of legal process may also be made on the Plan Administrator.

Source of Contributions:

Employer or Employee, based on the underlying welfare or pension plan

Plan Administrator:

Employee Benefits Committee  
The Hershey Company  
100 Crystal A Drive  
P.O. Box 810  
Hershey, PA 17033-0810  
1-800-878-0440 (outside Hershey)  
(717) 534-8170 (Hershey area)

WorkLife Center

1-800-878-0440 (outside Hershey)  
(717) 534-8170 (Hershey area)

Please call the WorkLife Center if you have any questions regarding the Plan.

\* \* \*

IN WITNESS WHEREOF, the Company has caused this 2005 Enhanced Mutual Separation Plan for E-Grade Employees to be adopted as of this 21st day of July, 2005.

THE HERSHEY COMPANY

By:       /s/ Marcella K. Arline

Its: Senior Vice President, Chief People Officer

**THE HERSHEY COMPANY**  
**2005 ENHANCED MUTUAL SEPARATION PLAN FOR E-GRADE EMPLOYEES (EMSP EGRADE)**  
**SEPARATION AGREEMENT AND GENERAL RELEASE**

This is a Confidential Separation Agreement and General Release (hereinafter "Agreement") between The Hershey Company (hereinafter "the Company") and the employee electing to participate in the Company's 2005 Enhanced Mutual Separation Plan for E-Grade Employees (hereinafter "you"). *You should talk to an attorney before you sign this Agreement because it affects your legal rights.*

**1. Purpose of this Agreement.**

You and the Company have mutually decided to terminate your employment relationship with the Company. You and the Company are entering this Agreement because you wish to receive benefits under the Company's 2005 Enhanced Mutual Separation Plan for E-Grade Employees ("EMSP EGRADE"), receipt of which is conditioned upon the execution of a waiver and release acceptable to the Company.

**2. Scope of this Agreement.**

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

**3. Termination of Employment.**

Your employment with the Company will terminate on the date specified in the EMSP EGRADE Acceptance Form that has been executed by you and the HET member (or CEO, if you are an HET member), and approved by the Company (your "Separation Date"). You must indicate your desired Separation Date, as mutually agreed upon by you and your HET member (or CEO, if you are an HET member), on the EMSP EGRADE Acceptance Form. The Company retains the discretion to reject the desired Separation Date you initially agreed upon with the HET member (or CEO, if applicable) and designate a different Separation Date. If the Company designates a different Separation Date, the Company will indicate the new date on your EMSP EGRADE Acceptance Form and return the form and this Agreement to you for your approval. Your participation in EMSP EGRADE will be effective only if you accept the new Separation Date and return the form and this Agreement (with a new signature and date) to the Company in accordance with the procedures described in paragraph 14, below. If you and the Company cannot mutually agree in writing to the Separation Date, you will not become a participant in EMSP EGRADE. Until your Separation Date, you shall perform such job duties as directed by your immediate supervisor and assist the Company in transferring your responsibilities to others within the Company. In exchange for the benefits described in paragraph 4, you promise that you will not seek to be employed, reinstated or re-employed by the Company. If you resign from your position prior to your Separation Date without the Company's approval or are otherwise terminated for "Cause" (as defined in the EMSP EGRADE) or for failure to satisfy minimum job performance requirements during any probationary period, you will forfeit your rights to all benefits under EMSP EGRADE.

**4. What You Are Receiving.**

You shall receive the separation benefits as set forth in the Summary Plan Description for the EMSP EGRADE ("EMSP Benefits"). By signing this Agreement, you acknowledge that the EMSP Benefits are additional to and above any benefits or other money to which you are entitled under Company policies or by law. You shall receive only the EMSP Benefits provided under the EMSP EGRADE, and you shall not be eligible to participate in or receive benefits from any severance plan or severance-type arrangement sponsored by the Company. You agree that you are not permitted to assign, or extend any rights over, your EMSP Benefits to any individual or other party. You also agree that all EMSP Benefits provided under this Agreement and the EMSP EGRADE are subject to applicable plan provisions, laws and regulations.

**5. General Release.**

In exchange for the EMSP Benefits, you agree to release and hereby do release the Company Releasees from all claims, demands, actions or liabilities you may have against the Company Releasees of whatever kind including, but not limited to, those that are related to your employment by the Company, the termination of that employment, and claims for attorneys' fees.

You agree that the release under this paragraph 5 ("General Release") covers, but is not limited to, claims arising under Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Rehabilitation Act of 1973 and any other federal, state or local law dealing with discrimination in employment including, but not limited to, discrimination based on age, sex, sexual orientation, race, national origin, religion, disability or veteran status. You also agree that this General Release covers claims arising under the Family and Medical Leave Act of 1993 and any state or local law dealing with leave time or wages and hours of work. You also agree that this General Release covers claims existing before the date of this Agreement, whether known or unknown to you or to the Company Releasees, arising under the Employee Retirement Income Security Act of 1974, except for claims for benefits provided under this Agreement.

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

This paragraph applies to you if you are a California resident. You acknowledge that California Civil Code Section 1542 provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Being fully informed of this provision of the Civil Code, you agree to waive any rights under that section and acknowledge that this General Release extends to all claims that you have or might have against the Company Releasees.

You agree and acknowledge that you are not entitled to receive, and the Company would not have granted you, the EMSP Benefits without release of each and every claim covered by the General Release.

You also agree never to sue the Company for any claim that you have waived or released in this Agreement, except that you are not waiving a good-faith challenge to the validity of this Agreement under the Age Discrimination in Employment Act. You agree to pay all costs, damages, expenses and attorneys' fees incurred by any Company Releasees in successfully defending against any lawsuit or administrative proceeding you bring to contest the validity of this Agreement under the Age Discrimination in Employment Act.

You agree that, if you file a lawsuit asserting any of the claims covered by the General Release, the Company will be entitled to reduce your EMSP Benefits by the value of any judgment you obtain against any Company Releasees. You also agree that the appropriate amount of any such reduction in a lawsuit or administrative proceeding asserting any one or more of the claims covered by the General Release is the entire amount of EMSP Benefits.

If any government agency pursues a claim on your behalf against the Company, or on behalf of a group of individuals of which you are a part, you promise not to seek or accept any damages arising from or related to your employment by the Company or the termination of that employment.

## **6. Confidentiality.**

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

In exchange for the EMSP Benefits, you agree not to disclose, use to your benefit or use to the benefit of any other person or entity any confidential information, proprietary information and/or trade secrets to which you had access during your employment by the Company. This includes, but is not limited to, formulas, trade secrets, manufacturing processes, customer lists, marketing strategies, financial information and business data not

2

---

generally known to the public. You agree that disclosure of such information by you in violation of this paragraph 6(a) would cause so much injury to the Company that money alone could not fully compensate the Company. You also agree that the Company would be entitled to recover money from you if you violate this paragraph 6(a).

### **(b) Confidentiality of the Terms of this Agreement.**

The terms and conditions of this Agreement are confidential. You agree not to disclose the terms of this Agreement to anyone except immediate family members, your attorney and your financial advisor. You further agree to inform these people that the Agreement is confidential and must not be disclosed to anyone else. You may disclose the terms of this Agreement if compelled to do so by a court. However, you agree to notify the Company immediately at the address listed in paragraph 14 if anyone seeks to compel production of this Agreement or your testimony about this Agreement, and you agree to cooperate with the Company if the Company decides to oppose such effort.

## **7. Creative Property.**

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

## **8. Non-disparagement.**

In exchange for the EMSP Benefits, you agree that you will not make any statement that disparages or tends to disparage the Company, any aspect of its operations or any Company Releasees. You also agree that you will not make any public statements to the media concerning the Company, its business objectives, management practices or Company Releasees. You agree that you will take no action that would cause the Company or Company Releasees embarrassment, humiliation or to be held in disrepute by the general public or the Company's employees, suppliers or customers.

## **9. Return of Company Property.**

You agree to return to the Company all documents, business records in any form, manuals, handbooks, identification cards, keys, credit cards, computer disks or any other property of the Company, both tangible and intangible, that are in your possession, custody or control. If you do not return all Company property, in addition to any other rights it may have under this Agreement or otherwise, the Company may withhold EMSP Benefits equal to the value of such Company property as determined in the sole judgment of the Company.

## **10. Non-Solicitation of Employees.**

In exchange for the EMSP Benefits, you agree that for a period of twelve (12) months after termination of your employment with the Company: (a) you will not participate in recruiting or soliciting any Company employees; and (b) you will not communicate to any person or entity regarding the nature, quality of work, special knowledge or personal characteristics of any person employed by the Company without the prior written consent of the Company's Senior Vice President, Chief People Officer.

## **11. No Admission of Liability.**

The Company makes this Agreement to avoid the expense and disruption of litigation. By making this Agreement, the Company does not admit that it has done anything wrong.

## **12. No Modification.**

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

3

---

## **13. Forty-Five (45) Days To Consider This Agreement.**

You have forty-five (45) calendar days, or, if later, until September 8, 2005, to decide whether or not to sign this Agreement. You agree, if you decide not to take all that time, that your reasons for doing so are entirely personal and not due to any pressure by the Company.

## **14. Agreement Must Be Received By 4:30 p.m. EDT September 8, 2005**

You must complete and return this Agreement with an executed EMSP EGRADE Acceptance Form by 4:30 p.m. EDT September 8, 2005, to The *WorkLife* Center (Attention: EMSP EGRADE Request), The Hershey Company, 100 Crystal A Drive, Hershey, PA 17033-0810, fax number 717-534-7464. If the original or a facsimile copy of this Agreement is not received by the *WorkLife* Center by 4:30 p.m. EDT September 8, 2005, you will have permanently waived your ability to participate in the EMSP EGRADE.

If the Company changes your Separation Date, you must complete and return the re-signed and re-dated Agreement with the EMSP EGRADE Acceptance Form by 4:30 p.m. (EST) on the seventh (7<sup>th</sup>) calendar day following receipt of approval and date change to The *WorkLife* Center (Attention: EMSP EGRADE Request), The Hershey Company, 100 Crystal A Drive, Hershey, PA 17033-0810, fax number 717-534-7464. If the original or a facsimile copy of the re-signed and re-dated Agreement and EMSP EGRADE Acceptance Form is not received by the *WorkLife* Center by such time and date, you will have permanently waived your ability to participate in the EMSP EGRADE.

## **15. Seven (7) Days To Revoke This Agreement.**

You also may revoke this Agreement and your acceptance of participation in the Company's EMSP EGRADE up to seven (7) calendar days after signing and dating this Agreement. If your Separation Date is modified by the Company, you will have an additional seven (7) calendar days from the date you re-sign and re-date the Acceptance Form and Agreement to revoke this Agreement and your acceptance of participation in the EMSP EGRADE. The Agreement will not be effective or enforceable until after the revocation period(s) has expired.

To revoke this Agreement and your acceptance of participation in the EMSP EGRADE, you must deliver written notice of your revocation to the Company by 4:30 p.m. on the seventh calendar day after you signed and dated the Agreement (or, if applicable, the re-signed and re-dated Agreement and Acceptance Form). Your written notice of revocation should be sent to: The *WorkLife* Center — EMSP EGRADE Revocation, The Hershey Company, 100 Crystal A Drive, Hershey, PA 17033-0810. You agree that, if within this seven-day period, you revoke this Agreement or otherwise revoke your election to participate in the Company's EMSP EGRADE, the Agreement will not be effective or enforceable and you will not receive the EMSP Benefits under the EMSP EGRADE.

## **16. Prior Release.**

This Agreement will revoke any prior agreement or release in connection with your prior termination of employment with the Company. However, if you revoke this Agreement within the 7 day period(s) described above, the prior agreement/release will remain in full force and effect.

## **17. Advice of Counsel.**

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

## **18. Severability and Interpretation.**

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

4

---

## **19. Integration.**

Except for any restrictive covenant or confidentiality agreements or the terms of the Long Term Incentive Program Participation Agreement that you entered on or before October 3, 2005 (which remain in full force and effect), you agree that the Company's EMSP EGRADE supersedes any and all prior plans, programs, arrangements, agreements, representations or warranties, whether express or implied, written or oral, that relate to any subject matter covered by the Company's EMSP EGRADE.

## **20. Rehiring of Participants.**

Once you have received any EMSP Benefits, you are not eligible for rehire by the Company, unless your rehire is approved by the Senior Vice President, Chief People Officer of the Company.

**21. Governing Laws.**

Pennsylvania law applies to the EMSP EGRADE and this Agreement except to the extent preempted by federal law. You agree that: (a) any action or proceeding relating to the EMSP EGRADE, this Agreement, your employment, or the termination of your employment will only be brought in the federal or state courts, as appropriate, located in the State of Pennsylvania; and (b) any such action or proceeding will be heard without jury. No action relating to the EMSP EGRADE or this Agreement shall be brought in court more than two years and 90 days after you have exhausted your administrative remedies under the EMSP EGRADE (described in the EMSP EGRADE Summary Plan Description). Notwithstanding any provision in this section to the contrary, if you are also a participant in the Company Supplemental Executive Retirement Plan, you shall continue to be bound by and shall comply with the procedures regarding arbitration set forth in the Long Term Incentive Program Participation Agreement, the terms of which are incorporated herein by reference.

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

\_\_\_\_\_  
*Employee Name (Please print)*

THE HERSHEY COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**IN THE EVENT THAT THE COMPANY CHANGES YOUR SEPARATION DATE AND YOU ARE REQUIRED TO RESIGN THIS AGREEMENT IN ACCORDANCE WITH SECTION 14 ABOVE, YOU CERTIFY THAT YOU HAVE READ THIS AGREEMENT, THAT YOU KNOW AND UNDERSTAND THE MEANING AND INTENT OF THIS AGREEMENT, AND THAT YOU ARE ENTERING THIS AGREEMENT KNOWINGLY AND VOLUNTARILY.**

\_\_\_\_\_  
*Employee Name (Please print)*

THE HERSHEY COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**FIRST AMENDMENT TO THE HERSHEY FOODS CORPORATION  
AMENDED AND RESTATED (2003) SUPPLEMENTAL EXECUTIVE  
RETIREMENT PLAN**

(Effective as of October 6, 2003)

WHEREAS, The Hershey Company (the "Company") currently maintains the Hershey Foods Corporation Amended and Restated (2003) Supplemental Executive Retirement Plan, effective as of October 6, 2003 (the "Plan"); and

WHEREAS, the Company now considers it desirable to amend the Plan to reflect the enhanced Plan benefit for certain employees provided under The Hershey Company 2005 Early Retirement Plan for E-Grade Employees; and

WHEREAS, the Company understands that the benefits provided under this amendment are subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, this amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment; and

WHEREAS, the Board of Directors of the Company (the "Board") has delegated to the officers of the Company the power and authority to make such changes to the Plan as may be deemed necessary and desirable to reflect the enhanced benefit provided under The Hershey Company 2005 Early Retirement Plan for E-Grade Employees.

NOW, THEREFORE, BE IT RESOLVED that, by virtue and in exercise of the power reserved to the Board by Section 10 of the Plan, and pursuant to the authority delegated to the officers of the Company by the Board, the Plan is hereby amended, effective July 21, 2005, as follows:

1. Section 3 of the Plan is amended by adding the following paragraph to the end thereof:

Notwithstanding the foregoing, a participant in The Hershey Company 2005 Early Retirement Plan for E-Grade Employees ("ERP") who is not otherwise eligible to receive a benefit solely because he has not satisfied the age and service requirements set forth above shall be deemed eligible to receive a benefit pursuant to Section 4 of the Plan as of his "Retirement Date" (as such term is defined under the ERP), and such benefits shall be subject to the requirements of Code Section 409A.

2. Section 4(b)(4) of the Plan is amended by adding the following sentence to the end thereof:

Notwithstanding the foregoing, for a participant in the ERP, the calendar months calculated in (C) is reduced by 60 months (but not reduced below zero), and the additional benefit resulting from this sentence, if any, is subject to the requirements of Code Section 409A.

IN WITNESS WHEREOF, the Company has caused this amendment to be executed this 21<sup>st</sup> day of July, 2005.

THE HERSHEY COMPANY

By:                   /s/ Marcella K. Arline                  

Its: Senior Vice President, Chief People Officer

**THE HERSHEY COMPANY ANNOUNCES RECORD SECOND QUARTER AND  
FIRST HALF RESULTS FROM OPERATIONS, RAISES 2005 AND 2006  
OUTLOOK, AND LAUNCHES NEW PROGRAM TO ADVANCE ITS  
VALUE-ENHANCING STRATEGY**

**HERSHEY, Pa., July 21, 2005** — The Hershey Company (NYSE:HSY) today reported record sales and earnings from operations for the second quarter and first half ended July 3, 2005. Consolidated net sales for the second quarter were \$988,447,000, compared with \$893,688,000 for the second quarter of 2004, an increase of 10.6 percent. Net income for the second quarter of 2005 was \$97,361,000, or \$.39 per share-diluted, compared with \$147,217,000, or \$.56 per share-diluted, for the comparable period of 2004. Results for the second quarter of 2004 include the benefit of a \$61.1 million, or \$.23 per share-diluted, non-cash reduction of income tax expense resulting from adjustments to income tax contingency reserves following the completion of prior years' tax audits. Excluding this item, net income for the second quarter of 2004 was \$86,136,000, or \$.33 per share-diluted; second quarter 2005 earnings per share-diluted rose 18.2 percent over this number.

---

“Hershey’s strong second quarter results clearly show the continued momentum behind our value-enhancing strategy. A combination of solid sales growth and improved leverage across the business system delivered record profitability, with earnings per share-diluted from operations increasing by 18.2 percent compared with the same period a year ago,” said Richard H. Lenny, Chairman, President and Chief Executive Officer, The Hershey Company. “Organic sales growth of 7.6 percent represented a good balance between higher net price realization and continued new product innovation both within core confectionery and our snack platforms. The recently acquired Mauna Loa and Grupo Lorena businesses contributed three percent to the quarter’s 10.6 percent sales growth.”

For the first six months of 2005, consolidated net sales were \$2,114,861,000, compared with \$1,906,777,000 for the first half of 2004, an increase of 10.9 percent. Net income for the first six months of 2005 was \$215,582,000, or \$.86 per share-diluted, compared with \$254,364,000, or \$.97 per share-diluted, for the first half of 2004. Excluding the one-time income tax contingency reserve adjustment mentioned above, net income for the first half of 2004 was \$193,283,000, or \$.74 per share-diluted.

“Hershey’s performance has been very healthy through the first half of 2005,” Lenny said. “We’ve delivered above-trend organic sales growth of 8.0 percent, strengthened our marketplace leadership, and delivered earnings per share-diluted growth from operations of 16.2 percent compared with the first half of last year. These results have been driven by broad-based innovation, superior retail execution and solid cost control.

“Looking ahead, our second-half seasonal programs are off to a good start. We’ve recently announced several exciting new products that further extend Hershey’s iconic brands. For the year as a whole, we expect 2005 net sales to increase at a rate somewhat above our long-term goal of 3 to 4 percent, with diluted earnings per share from operations increasing slightly above our long-term range of 9 to 11 percent.”

---

**Program To Further Enhance Value**

The Hershey Company also announced a new program to further advance its value-enhancing strategy. This program includes three components: (1) voluntary workforce reduction through an Early Retirement Program and an Enhanced Mutual Separation Program; (2) streamlining and creating new capabilities in Hershey’s North American operations; and (3) closure of the Company’s under-utilized Las Piedras, Puerto Rico manufacturing facility. Employees at this facility will receive severance support as well as assistance with career decisions and transition leading up to the plant closing in late 2005.

Hershey estimates that the cost to implement the program will result in a pre-tax charge of approximately \$140 million to \$150 million, or \$.41 to \$.44 per share-diluted on an after-tax basis. The cash portion of the charge is \$85 million to \$90 million. About 80 percent of the charge will be recorded in the second half of 2005, and the final 20 percent in the first half of 2006. The program, when fully implemented, is expected to generate ongoing annual savings of approximately \$45 million to \$50 million. A substantial portion of these savings will be invested in key growth efforts in the US snack market as well as in selected international markets principally through global customer alliances.

“The changes announced today are necessary for Hershey to remain competitive in the years ahead,” Lenny said. “They will enable us to streamline our business, increase the investment in our consumer and customer initiatives, and build new organization capabilities. Our value-enhancing strategy implemented in late 2001 has served Hershey shareholders well. This strategy has accelerated profitable organic growth, strengthened Hershey’s leadership position, and delivered record profitability. We anticipate similar benefits into the future. Based on our 2005 expected performance and the impact of today’s announcement, we believe that, in 2006, net sales will increase at a rate somewhat above our 3 to 4 percent expectations, and diluted earnings per share, excluding the charge related to our new value-enhancing program, will be slightly above the 9 to 11 percent long-term range.”

---

**Note:** In this sales and earnings release, Hershey has provided income measures excluding certain items described above, in addition to income determined in accordance with GAAP. These non-GAAP financial measures, as shown in the attached pro forma income statements, are used in evaluating results of operations for internal purposes. These non-GAAP measures are not intended to replace the presentation of financial results in accordance with GAAP. Rather, the Company believes exclusion of such items provides additional information to investors to facilitate the comparison of past and present operations.

**Live Web Cast**

As previously announced, the Company will hold a conference call with analysts today at 8:00 a.m. Eastern Time. The conference call, with slides, will be broadcast live via Hershey’s corporate Web site [www.hersheys.com](http://www.hersheys.com). Please go to the Investor Relations Section of the Web site for further details.

**Safe Harbor Statement**

This release contains statements which are forward-looking. These statements are made based upon current expectations which are subject to risk and uncertainty. Actual results may differ materially from those contained in the forward-looking statements. Factors which could cause results to differ materially include, but are not limited to: the Company’s ability to implement and generate expected ongoing annual savings from the program to advance its value-enhancing strategy, announced today; changes in the Company’s business environment, including actions of competitors and changes in consumer preferences; customer and

consumer response to selling price increases; changes in governmental laws and regulations, including taxes; market demand for new and existing products; changes in raw material and other costs; pension cost factors such as actuarial assumptions, market performance, and employee retirement decisions; and the Company's ability to implement improvements to and reduce costs associated with its supply chain, as discussed in the Company's Annual Report on Form 10-K for 2004.

### About The Hershey Company

The Hershey Company (NYSE: HSY) is a leading snack food company and the largest North American manufacturer of quality chocolate and non-chocolate confectionery products. With revenues of over \$4 billion and more than 13,000 employees worldwide, The Hershey Company markets such well-known brands as *Hershey's*, *Reese's*, *Hershey's Kisses*, *Kit Kat*, *Almond Joy*, *Mounds*, *Jolly Rancher*, *Twizzlers*, *Ice Breakers*, and *Mauna Loa*, as well as innovative new products such as *Take 5* candy bar and *Hershey's* cookies. In addition to its traditional confectionery products, Hershey offers a range of products specifically developed to address the nutritional interests of today's health-conscious consumer. These products include sugar-free *Hershey's*, *Reese's* and *York* candies, as well as *Hershey's SmartZone* bars for people seeking balanced nutrition. It also markets *Hershey's* cocoa, *Hershey's* syrup and other branded baking ingredients, toppings and beverages. Visit us at [www.hersheynewsroom.com](http://www.hersheynewsroom.com).

# # #

Media Contact: Stephanie L. Moritz 717-534-7641

Financial Contact: James A. Edris 717-534-7556

**The Hershey Company**  
**Summary of Consolidated Statements of Income**  
**for the periods ended July 3, 2005 and July 4, 2004**  
*(in thousands except per share amounts)*

	Second Quarter		Six Months	
	2005	2004	2005	2004
Net Sales	\$ 988,447	\$ 893,688	\$2,114,861	\$1,906,777
Costs and Expenses:				
Cost of Sales	594,699	533,204	1,289,830	1,158,836
Selling, Marketing and Administrative	220,626	209,561	446,036	413,694
Total Costs and Expenses	815,325	742,765	1,735,866	1,572,530
Income Before Interest and Income Taxes (EBIT)	173,122	150,923	378,995	334,247
Interest Expense, net	20,625	15,488	40,029	30,342
Income Before Income Taxes	152,497	135,435	338,966	303,905
Income Tax Provision (Benefit)	55,136	(11,782)	123,384	49,541
Net Income	\$ 97,361	\$ 147,217	\$ 215,582	\$ 254,364
Net Income Per Share - Basic - Common	\$ 0.41	\$ 0.58	\$ .90	\$ 1.00
- Basic - Class B	\$ 0.37	\$ 0.53	\$ .82	\$ .91
- Diluted	\$ 0.39	\$ 0.56	\$ .86	\$ .97
Shares Outstanding - Basic - Common	184,362	198,068	185,047	198,482
- Basic - Class B	60,818	60,844	60,824	60,844
- Diluted	248,927	261,707	249,625	261,871
Key Margins:				
Gross Margin	39.8%	40.3%	39.0%	39.2%
EBIT Margin	17.5%	16.9%	17.9%	17.5%
Net Margin	9.8%	16.5%	10.2%	13.3%

**The Hershey Company**  
**Pro Forma Summary of Consolidated Statements of Income**  
**for the periods ended July 3, 2005 and July 4, 2004**  
*(in thousands except per share amounts)*

	Second Quarter		Six Months	
	2005	2004	2005	2004

Net Sales	\$ 988,447	\$ 893,688	\$2,114,861	\$1,906,777
Costs and Expenses:				
Cost of Sales	594,699	533,204	1,289,830	1,158,836
Selling, Marketing and Administrative	220,626	209,561	446,036	413,694
Total Costs and Expenses	815,325	742,765	1,735,866	1,572,530
Income Before Interest and Income Taxes (EBIT)	173,122	150,923	378,995	334,247
Interest Expense, net	20,625	15,488	40,029	30,342
Income Before Income Taxes	152,497	135,435	338,966	303,905
Provision for Income Taxes	55,136	49,299(a)	123,384	110,622(a)
Net Income	\$ 97,361	\$ 86,136	\$ 215,582	\$ 193,283
Net Income Per Share - Basic - Common	\$ 0.41	\$ 0.34	\$ .90	\$ .76
- Basic - Class B	\$ 0.37	\$ 0.31	\$ .82	\$ .69
- Diluted	\$ 0.39	\$ 0.33	\$ .86	\$ .74
Shares Outstanding - Basic - Common	184,362	198,068	185,047	198,482
- Basic - Class B	60,818	60,844	60,824	60,844
- Diluted	248,927	261,707	249,625	261,871
Key Margins:				
Gross Margin	39.8%	40.3%	39.0%	39.2%
EBIT Margin	17.5%	16.9%	17.9%	17.5%
Adjusted Net Margin	9.8%	9.6%	10.2%	10.1%

(a) Excludes adjustment to income tax contingency reserves of (\$61.1) million for the second quarter and the six months.

**The Hershey Company**  
**Consolidated Balance Sheets**  
**as of July 3, 2005 and December 31, 2004**  
*(in thousands of dollars)*

<b>Assets</b>	<b>2005</b>	<b>2004</b>
Cash and Cash Equivalents	\$ 24,712	\$ 54,837
Accounts Receivable - Trade (Net)	296,980	408,930
Deferred Income Taxes	46,703	46,503
Inventories	834,586	557,180
Prepaid Expenses and Other	130,803	114,991
Total Current Assets	1,333,784	1,182,441
Net Plant and Property	1,681,390	1,682,698
Goodwill	455,165	463,947
Other Intangibles	136,123	125,233
Other Assets	425,271	343,212
Total Assets	\$ 4,031,733	\$ 3,797,531
<b>Liabilities and Stockholders' Equity</b>		
Loans Payable	\$ 959,499	\$ 622,320
Accounts Payable	173,636	148,686
Accrued Liabilities	404,047	472,096
Taxes Payable	14,564	42,280
Total Current Liabilities	1,551,746	1,285,382
Long-Term Debt	690,060	690,602
Other Long-Term Liabilities	429,312	403,356
Deferred Income Taxes	332,650	328,889
Total Liabilities	3,003,768	2,708,229
Total Stockholders' Equity	1,027,965	1,089,302
Total Liabilities and Stockholders' Equity	\$ 4,031,733	\$ 3,797,531

\_\_\_\_\_

\_\_\_\_\_

---