UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2015
OR
☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to
Commission File Number 1-183

THE HERSHEY COMPANY
(Exact name of registrant as specified in its charter)

Delaware	23-0691590
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Crystal A Drive, Hershey, PA	17033
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (717) 534-4200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, one dollar par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of class

Class B Common Stock, one dollar par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

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

As of July 2, 2015 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting and non-voting common equity held by non-affiliates was $13,110,173,681. Class B Common Stock is not listed for public trading on any exchange or market system. However, Class B shares are convertible into shares of Common Stock at any time on a share-for-share basis. Determination of aggregate market value assumes all outstanding shares of Class B Common Stock were converted to Common Stock as of July 2, 2015. The market value indicated is calculated based on the closing price of the Common Stock on the New York Stock Exchange on July 2, 2015 ($90.04 per share).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.
Common Stock, one dollar par value—155,899,924 shares, as of February 5, 2016.
Class B Common Stock, one dollar par value—60,619,777 shares, as of February 5, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

PART I

Item 1. *BUSINESS*

The Hershey Company was incorporated under the laws of the State of Delaware on October 24, 1927 as a successor to a business founded in 1894 by Milton S. Hershey. In this report, the terms “Hershey,” “Company,” “we,” “us” or “our” mean The Hershey Company and its wholly-owned subsidiaries and entities in which it has a controlling financial interest, unless the context indicates otherwise.

We are the largest producer of quality chocolate in North America and a global leader in chocolate and non-chocolate confectionery. We market, sell and distribute our products under more than 80 brand names in approximately 70 countries worldwide.

Reportable Segments

Our organizational structure is designed to ensure continued focus on North America, coupled with an emphasis on accelerating growth in our focus international markets, as we continue to transform into a more global company. Our business is organized around geographic regions, which enables us to build processes for repeatable success in our global markets. The Presidents of our geographic regions, along with the Senior Vice President responsible for our Global Retail and Licensing business, are accountable for delivering our annual financial plans and report into our CEO, who serves as our Chief Operating Decision Maker (“CODM”), so we have defined our operating segments on a geographic basis. Our North America business currently generates over 87% of our consolidated revenue and none of our other geographic regions is individually significant. Therefore, we currently define our reportable segments as follows:

- ***North America*** - This segment is responsible for our traditional chocolate and sugar confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, refreshment, pantry, food service and other snacking product lines.
- ***International and Other*** - This segment includes all other countries where we currently manufacture, import, market, sell or distribute chocolate and non-chocolate confectionery and other products. Currently, this includes our operations in China and other Asia markets, Latin America, Europe, Africa and the Middle East, along with exports to these regions. While a less significant component, this segment also includes our global retail operations, including Hershey’s Chocolate World stores in Hershey, Pennsylvania, New York City, Chicago, Las Vegas, Shanghai, Niagara Falls (Ontario), Dubai and Singapore, as well as operations associated with licensing the use of certain trademarks and products to third parties around the world.

Financial and other information regarding our reportable segments is provided in our Management’s Discussion and Analysis and Note 11 to the Consolidated Financial Statements.

Business Acquisitions and Divestitures

In March 2015, we completed the acquisition of all of the outstanding shares of KRAVE Pure Foods, Inc. (“Krave”), manufacturer of KRAVE jerky, a leading all-natural snack brand of premium jerky products. The transaction was undertaken to enable us to tap into the rapidly growing meat snacks category and further expand into the broader snacks space.

In September 2015, we acquired the non-controlling 49% interest in Hershey do Brasil, giving us 100% ownership of this business.

In September 2014, we completed the acquisition of 80% of the outstanding shares of Shanghai Golden Monkey Food Joint Stock Co., Ltd. (“SGM”), a confectionery company based in Shanghai, China, whose product line is primarily sold through traditional trade channels. The acquisition was undertaken in order to leverage these traditional trade channels, which complement our traditional China chocolate business which is primarily distributed through Tier 1 or hypermarket channels. As discussed throughout 2015, SGM’s declining performance levels and the results of our assessment of the quality of SGM’s accounts receivables and existing distributor networks indicated the need to test the goodwill arising from the SGM acquisition for impairment and ultimately resulted in the recording of a $280.8

million impairment charge as of the end of the third quarter 2015. We are directing our efforts currently on developing an integration plan that is focused on the optimal structure for top-line growth. In the fourth quarter of 2015, we entered into an agreement redefining the terms of acquisition for the remaining 20% of SGM, which remained subject to regulatory approval as of year-end. We completed the purchase of the remaining 20% on February 3, 2016.

In 2014, we also acquired all of the outstanding shares of The Allan Candy Company Limited ("Allan") headquartered in Ontario, Canada and a controlling interest in Lotte Shanghai Food Company, a joint venture established in 2007 in China for the purpose of manufacturing and selling product to the joint venture partners. These acquisitions provide us with additional manufacturing and distribution capacity to serve primarily the North America and Asia markets, respectively.

In March 2015, we completed the sale of Mauna Loa Macadamia Nut Corporation ("Mauna Loa").

Products

Our principal confectionery offerings include chocolate and non-chocolate confectionery products; gum and mint refreshment products; pantry items, such as baking ingredients, toppings and beverages; and snack items such as spreads, meat snacks, bars and snack bites and mixes.

- Within our North America markets, our product portfolio includes a wide variety of chocolate offerings marketed and sold under the renowned brands of *Hershey's*, *Reese's*, and *Kisses*, along with other popular chocolate and non-chocolate confectionery brands such as *Jolly Rancher*, *Almond Joy*, *Brookside*, *Cadbury*, *Good & Plenty*, *Heath*, *Kit Kat*, *Lancaster*, *Payday*, *Rolo*, *Twizzlers*, *Whoppers* and *York*. We also offer premium chocolate products, primarily in the U.S., through the *Scharffen Berger* and *Dagoba* brands. Our gum and mint products include *Ice Breakers* mints and chewing gum, *Breathsavers* mints, and *Bubble Yum* bubble gum. Our pantry and snack items that are principally sold in North America include baking products and toppings and sundae syrups sold under the *Hershey's*, *Reese's* and *Heath* brands, as well as *Hershey's* and *Reese's* chocolate spreads and snack bites and mixes, *Krave* meat jerky products and *Brookside* fruit and nut bars.

- Within our International and Other markets, we manufacture, market and sell many of these same brands, as well as other brands that are marketed regionally, such as *Golden Monkey* confectionery and snack products in China, *Pelon Pelo Rico* confectionery products in Mexico, *IO-IO* snack products in Brazil, and *Nutrine* and *Maha Lacto* confectionery products and *Jumpin* and *Sofit* beverage products in India.

Principal Customers and Marketing Strategy

Our customers are mainly wholesale distributors, chain grocery stores, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, dollar stores, concessionaires and department stores. The majority of our customers, with the exception of wholesale distributors, resell our products to end-consumers in retail outlets in North America and other locations worldwide.

In 2015, approximately 26% of our consolidated net sales were made to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers and the primary distributor of our products to Wal-Mart Stores, Inc.

The foundation of our marketing strategy is our strong brand equities, product innovation and the consistently superior quality of our products. We devote considerable resources to the identification, development, testing, manufacturing and marketing of new products. We utilize a variety of promotional programs directed towards our customers, as well as advertising and promotional programs for consumers of our products, to stimulate sales of certain products at various times throughout the year.

In conjunction with our sales and marketing efforts, our efficient product distribution network helps us maintain sales growth and provide superior customer service by facilitating the shipment of our products from our manufacturing plants to strategically located distribution centers. We primarily use common carriers to deliver our products from these distribution points to our customers.

Raw Materials and Pricing

Cocoa products, including cocoa liquor, cocoa butter and cocoa powder processed from cocoa beans, are the most significant raw materials we use to produce our chocolate products. These cocoa products are purchased directly from third-party suppliers, who source cocoa beans that are grown principally in Far Eastern, West African, Central and South American regions. West Africa accounts for approximately 70% of the world's supply of cocoa beans.

Adverse weather, crop disease, political unrest and other problems in cocoa-producing countries have caused price fluctuations in the past, but have never resulted in the total loss of a particular producing country's cocoa crop and/or exports. In the event that a significant disruption occurs in any given country, we believe cocoa from other producing countries and from current physical cocoa stocks in consuming countries would provide a significant supply buffer.

We also use substantial quantities of sugar, Class II fluid dairy milk, peanuts, almonds and energy in our production process. Most of these inputs for our domestic and Canadian operations are purchased from suppliers in the United States. For our international operations, inputs not locally available may be imported from other countries.

We change prices and weights of our products when necessary to accommodate changes in input costs, the competitive environment and profit objectives, while at the same time maintaining consumer value. Price increases and weight changes help to offset increases in our input costs, including raw and packaging materials, fuel, utilities, transportation costs and employee benefits. When we implement price increases, there is usually a time lag between the effective date of the list price increases and the impact of the price increases on net sales, in part because we typically honor previous commitments to planned consumer and customer promotions and merchandising events subsequent to the effective date of the price increases. In addition, promotional allowances may be increased subsequent to the effective date, delaying or partially offsetting the impact of price increases on net sales.

Competition

Many of our brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace in North America and certain markets in Latin America. We sell our brands in highly competitive markets with many other global multinational, national, regional and local firms. Some of our competitors are large companies with significant resources and substantial international operations. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing and promotional activity, the ability to identify and satisfy consumer preferences, as well as convenience and service.

Seasonality and Backlog

Our sales are typically higher during the third and fourth quarters of the year, representing seasonal and holiday-related sales patterns. We manufacture primarily for stock and typically fill customer orders within a few days of receipt. Therefore, the backlog of any unfilled orders is not material to our total annual sales.

Trademarks, Service Marks and License Agreements

We own various registered and unregistered trademarks and service marks. The trademarks covering our key product brands are of material importance to our business. We follow a practice of seeking trademark protection in the U.S. and other key international markets where our products are sold. We also grant trademark licenses to third parties to produce and sell pantry items, flavored milks and various other products primarily under the *Hershey's* and *Reese's* brand names.

Furthermore, we have rights under license agreements with several companies to manufacture and/or sell and distribute certain products. Our rights under these agreements are extendible on a long-term basis at our option. Our most significant licensing agreements are as follows:

Company	Brand	Location	Requirements
Kraft Foods Ireland Intellectual Property Limited	*York* *Peter Paul Almond Joy* *Peter Paul Mounds*	Worldwide	None
Cadbury UK Limited	*Cadbury* *Caramello*	United States	Minimum sales requirement exceeded in 2015
Société des Produits Nestlé SA	*Kit Kat* *Rolo*	United States	Minimum unit volume sales exceeded in 2015
Huhtamäki Oy affiliate	*Good & Plenty* *Heath* *Jolly Rancher* *Milk Duds* *Payday* *Whoppers*	Worldwide	None

Research and Development

We engage in a variety of research and development activities in a number of countries, including the United States, Mexico, Brazil, India and China. We develop new products, improve the quality of existing products, improve and modernize production processes, and develop and implement new technologies to enhance the quality and value of both current and proposed product lines. Information concerning our research and development expense is contained in Note 1 to the Consolidated Financial Statements.

Food Quality and Safety Regulation

The manufacture and sale of consumer food products is highly regulated. In the United States, our activities are subject to regulation by various government agencies, including the Food and Drug Administration, the Department of Agriculture, the Federal Trade Commission, the Department of Commerce and the Environmental Protection Agency, as well as various state and local agencies. Similar agencies also regulate our businesses outside of the United States.

We believe our Product Excellence Program provides us with an effective product quality and safety program. This program is integral to our global supply chain platform and is intended to ensure that all products we purchase, manufacture and distribute are safe, are of high quality and comply with applicable laws and regulations.

Through our Product Excellence Program, we evaluate the supply chain including ingredients, packaging, processes, products, distribution and the environment to determine where product quality and safety controls are necessary. We identify risks and establish controls intended to ensure product quality and safety. Various government agencies and third-party firms as well as our quality assurance staff conduct audits of all facilities that manufacture our products to assure effectiveness and compliance with our program and applicable laws and regulations.

Environmental Considerations

We make routine operating and capital expenditures to comply with environmental laws and regulations. These annual expenditures are not material with respect to our results of operations, capital expenditures or competitive position.

Employees

As of December 31, 2015, we employed approximately 19,060 full-time and 1,650 part-time employees worldwide. Collective bargaining agreements covered approximately 5,930 employees. During 2016, agreements will be negotiated for certain employees at four facilities outside of the United States, comprising approximately 73% of total employees under collective bargaining agreements. We believe that our employee relations are generally good.

Financial Information by Geographic Area

Our principal operations and markets are located in the United States. The percentage of total consolidated net sales for our businesses outside of the United States was 17.2% for 2015, 19.2% for 2014 and 18.4% for 2013. The percentage of total long-lived assets outside of the United States was 31.8% as of December 31, 2015 and 31.3% as of December 31, 2014.

Corporate Social Responsibility

Our founder, Milton S. Hershey, established an enduring model of responsible citizenship while creating a successful business. Driving sustainable business practices, making a difference in our communities, and operating with the highest integrity are vital parts of our heritage. We continue this legacy today by providing high quality products while conducting our business in a socially responsible and environmentally sustainable manner. Each year we publish a full corporate social responsibility ("CSR") report which provides an update on the progress we have made in advancing our CSR priorities such as food safety, responsible sourcing of ingredients, corporate transparency, our new focus on improving basic nutrition to help children learn and grow and our continued investment in the communities where we live and work.

In 2015, Hershey efforts were again recognized for its environmental, social, and governance performance by being named to both the Dow Jones Sustainability World Index and the North America Index. The company was also honored as one of *Corporate Responsibility* magazine's 100 Best Corporate Citizens, and as a 2015 World's Most Ethical Company® by the Ethisphere Institute. To learn more about our goals, progress and initiatives, you can access our full CSR report at www.thehersheycompany.com/social-responsibility.aspx.

Available Information

The Company's website address is www.thehersheycompany.com. We file or furnish annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission ("SEC"). You may obtain a copy of any of these reports, free of charge, from the Investors section of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains an Internet site that also contains these reports at: www.sec.gov. In addition, copies of the Company's annual report will be made available, free of charge, on written request to the Company.

We have a Code of Ethical Business Conduct that applies to our Board of Directors ("Board") and all Company officers and employees, including, without limitation, our Chief Executive Officer and "senior financial officers" (including the Chief Financial Officer, Chief Accounting Officer and persons performing similar functions). You can obtain a copy of our Code of Ethical Business Conduct, as well as our Corporate Governance Guidelines and charters for each of the Board's standing committees, from the Investors section of our website. If we change or waive any portion of the Code of Ethical Business Conduct that applies to any of our directors, executive officers or senior financial officers, we will post that information on our website.

Item 1A. *RISK FACTORS*

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including the exhibits hereto and the information incorporated by reference herein, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to risks and uncertainties. Other than statements of historical fact, information regarding activities, events and developments that we expect or anticipate will or may occur in the future, including, but not limited to, information relating to our future growth and profitability targets and strategies designed to increase total shareholder value, are forward-looking statements based on management’s estimates, assumptions and projections. Forward-looking statements also include, but are not limited to, statements regarding our future economic and financial condition and results of operations, the plans and objectives of management and our assumptions regarding our performance and such plans and objectives. Many of the forward-looking statements contained in this document may be identified by the use of words such as “intend,” “believe,” “expect,” “anticipate,” “should,” “planned,” “projected,” “estimated” and “potential,” among others. Forward-looking statements contained in this Annual Report on Form 10-K are predictions only and actual results could differ materially from management’s expectations due to a variety of factors, including those described below. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by such risk factors. The forward-looking statements that we make in this Annual Report on Form 10-K are based on management’s current views and assumptions regarding future events and speak only as of their dates. We assume no obligation to update developments of these risk factors or to announce publicly any revisions to any of the forward-looking statements that we make, or to make corrections to reflect future events or developments, except as required by the federal securities laws.

Issues or concerns related to the quality and safety of our products, ingredients or packaging could cause a product recall and/or result in harm to the Company’s reputation, negatively impacting our operating results.

In order to sell our iconic, branded products, we need to maintain a good reputation with our customers and consumers. Issues related to the quality and safety of our products, ingredients or packaging could jeopardize our Company’s image and reputation. Negative publicity related to these types of concerns, or related to product contamination or product tampering, whether valid or not, could decrease demand for our products or cause production and delivery disruptions. We may need to recall products if any of our products become unfit for consumption. In addition, we could potentially be subject to litigation or government actions, which could result in payments of fines or damages. Costs associated with these potential actions could negatively affect our operating results.

Increases in raw material and energy costs along with the availability of adequate supplies of raw materials could affect future financial results.

We use many different commodities for our business, including cocoa products, sugar, dairy products, peanuts, almonds, corn sweeteners, natural gas and fuel oil.

Commodities are subject to price volatility and changes in supply caused by numerous factors, including:

- Commodity market fluctuations;
- Currency exchange rates;
- Imbalances between supply and demand;
- The effect of weather on crop yield;
- Speculative influences;
- Trade agreements among producing and consuming nations;
- Supplier compliance with commitments;
- Political unrest in producing countries; and
- Changes in governmental agricultural programs and energy policies.

Although we use forward contracts and commodity futures and options contracts where possible to hedge commodity prices, commodity price increases ultimately result in corresponding increases in our raw material and energy costs. If

we are unable to offset cost increases for major raw materials and energy, there could be a negative impact on our financial condition and results of operations.

Price increases may not be sufficient to offset cost increases and maintain profitability or may result in sales volume declines associated with pricing elasticity.

We may be able to pass some or all raw material, energy and other input cost increases to customers by increasing the selling prices of our products or decreasing the size of our products; however, higher product prices or decreased product sizes may also result in a reduction in sales volume and/or consumption. If we are not able to increase our selling prices or reduce product sizes sufficiently, or in a timely manner, to offset increased raw material, energy or other input costs, including packaging, direct labor, overhead and employee benefits, or if our sales volume decreases significantly, there could be a negative impact on our financial condition and results of operations.

Market demand for new and existing products could decline.

We operate in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Our continued success is impacted by many factors, including the following:

- Effective retail execution;
- Appropriate advertising campaigns and marketing programs;
- Our ability to secure adequate shelf space at retail locations;
- Our ability to drive innovation and maintain a strong pipeline of new products in the confectionery and broader snacking categories;
- Changes in product category consumption;
- Our response to consumer demographics and trends, including trends relating to store trips and the impact of the growing e-commerce channel; and
- Consumer health concerns, including obesity and the consumption of certain ingredients.

There continues to be competitive product and pricing pressures in the markets where we operate, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key customers, including retailers and distributors, to compete effectively. Our largest customer, McLane Company, Inc., accounted for approximately 26% of our total net sales in 2015. McLane Company, Inc. is one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, including Wal-Mart Stores, Inc.

Increased marketplace competition could hurt our business.

The global confectionery packaged goods industry is intensely competitive and consolidation in this industry continues. Some of our competitors are large companies that have significant resources and substantial international operations. We continue to experience increased levels of in-store activity for other snack items, which pressured confectionery category growth. In order to protect our existing market share or capture increased market share in this highly competitive retail environment, we may be required to increase expenditures for promotions and advertising, and must continue to introduce and establish new products. Due to inherent risks in the marketplace associated with advertising and new product introductions, including uncertainties about trade and consumer acceptance, increased expenditures may not prove successful in maintaining or enhancing our market share and could result in lower sales and profits. In addition, we may incur increased credit and other business risks because we operate in a highly competitive retail environment.

Disruption to our manufacturing operations or supply chain could impair our ability to produce or deliver finished products, resulting in a negative impact on our operating results.

Approximately two-thirds of our manufacturing capacity is located in the United States. Disruption to our global manufacturing operations or our supply chain could result from, among other factors, the following:

- Natural disaster;
- Pandemic outbreak of disease;
- Weather;
- Fire or explosion;
- Terrorism or other acts of violence;
- Labor strikes or other labor activities;
- Unavailability of raw or packaging materials; and
- Operational and/or financial instability of key suppliers, and other vendors or service providers.

We believe that we take adequate precautions to mitigate the impact of possible disruptions. We have strategies and plans in place to manage disruptive events if they were to occur, including our global supply chain strategies and our principle-based global labor relations strategy. If we are unable, or find that it is not financially feasible, to effectively plan for or mitigate the potential impacts of such disruptive events on our manufacturing operations or supply chain, our financial condition and results of operations could be negatively impacted if such events were to occur.

Our financial results may be adversely impacted by the failure to successfully execute or integrate acquisitions, divestitures and joint ventures.

From time to time, we may evaluate potential acquisitions, divestitures or joint ventures that align with our strategic objectives. The success of such activity depends, in part, upon our ability to identify suitable buyers, sellers or business partners; perform effective assessments prior to contract execution; negotiate contract terms; and, if applicable, obtain government approval. These activities may present certain financial, managerial, staffing and talent, and operational risks, including diversion of management’s attention from existing core businesses; difficulties integrating or separating businesses from existing operations; and challenges presented by acquisitions or joint ventures which may not achieve sales levels and profitability that justify the investments made. If the acquisitions, divestitures or joint ventures are not successfully implemented or completed, there could be a negative impact on our financial condition, results of operations and cash flows.

During 2015, we faced a number of challenges in connection with the ongoing integration of SGM. Since its acquisition in 2014, the SGM business has performed below expectations, with net sales and earnings well below pre-acquisition levels. In addition, issues with the quality of SGM’s accounts receivables and existing distributor networks have affected our ability to fully realize many of the acquisition benefits that we believe will help accelerate our growth in China and enhance our ability to serve Chinese consumers. As a result of SGM's poor performance and these other contributing factors, in the second and third quarters of 2015 we recorded a goodwill write-down of approximately $266 million, representing all of the goodwill relating to the SGM reporting unit. While we believe we have appropriate strategies in place that will allow us to accelerate the SGM integration in 2016, additional challenges that impede further integration could jeopardize our growth strategy in China and could have a negative impact on the results of operations and cash flows of our International and Other reportable segment.

Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products.

Changes in laws and regulations and the manner in which they are interpreted or applied may alter our business environment. These negative impacts could result from changes in food and drug laws, laws related to advertising and marketing practices, accounting standards, taxation requirements, competition laws, employment laws and environmental laws, among others. It is possible that we could become subject to additional liabilities in the future resulting from changes in laws and regulations that could result in an adverse effect on our financial condition and results of operations.

Political, economic and/or financial market conditions could negatively impact our financial results.

Our operations are impacted by consumer spending levels and impulse purchases which are affected by general macroeconomic conditions, consumer confidence, employment levels, the availability of consumer credit and interest rates on that credit, consumer debt levels, energy costs and other factors. Volatility in food and energy costs, sustained

global recessions, rising unemployment and declines in personal spending could adversely impact our revenues, profitability and financial condition.

Changes in financial market conditions may make it difficult to access credit markets on commercially acceptable terms, which may reduce liquidity or increase borrowing costs for our Company, our customers and our suppliers. A significant reduction in liquidity could increase counterparty risk associated with certain suppliers and service providers, resulting in disruption to our supply chain and/or higher costs, and could impact our customers, resulting in a reduction in our revenue, or a possible increase in bad debt expense.

Our expanding international operations may not achieve projected growth objectives, which could adversely impact our overall business and results of operations.

In 2015, we derived approximately 17% of our net sales from customers located outside of the United States, versus 19% in 2014 and 18% in 2013. Additionally, approximately 32% of our total long-lived assets were located outside of the United States as of December 31, 2015. As part of our global growth strategy, we have made investments outside of the United States, particularly China and Asia, Mexico and Brazil. As a result, we are subject to risks and uncertainties relating to international sales and operations, including:

- Unforeseen global economic and environmental changes resulting in business interruption, supply constraints, inflation, deflation or decreased demand;
- Inability to establish, develop and achieve market acceptance of our global brands in international markets;
- Difficulties and costs associated with compliance and enforcement of remedies under a wide variety of complex laws, treaties and regulations;
- Unexpected changes in regulatory environments;
- Political and economic instability, including the possibility of civil unrest, terrorism, mass violence or armed conflict;
- Nationalization of our properties by foreign governments;
- Tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;
- Potentially negative consequences from changes in tax laws;
- The imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements;
- Increased costs, disruptions in shipping or reduced availability of freight transportation;
- The impact of currency exchange rate fluctuations between the U.S. dollar and foreign currencies;
- Failure to gain sufficient profitable scale in certain international markets resulting in an inability to cover manufacturing fixed costs or resulting in losses from impairment or sale of assets; and
- Failure to recruit, retain and build a talented and engaged global workforce.

If we are not able to achieve our projected international growth objectives and mitigate the numerous risks and uncertainties associated with our international operations, there could be a negative impact on our financial condition and results of operations.

Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations.

Information technology is critically important to our business operations. We use information technology to manage all business processes including manufacturing, financial, logistics, sales, marketing and administrative functions. These processes collect, interpret and distribute business data and communicate internally and externally with employees, suppliers, customers and others.

We invest in industry standard security technology to protect the Company’s data and business processes against risk of data security breach and cyber attack. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry accepted methods and remediate significant findings. Additionally, we certify our major technology suppliers and any outsourced services through accepted security certification standards.

We maintain and routinely test backup systems and disaster recovery, along with external network security penetration testing by an independent third party as part of our business continuity preparedness. We also have processes in place to prevent disruptions resulting from the implementation of new software and systems of the latest technology.

While we believe that our security technology and processes provide adequate measures of protection against security breaches and in reducing cybersecurity risks, disruptions in or failures of information technology systems are possible and could have a negative impact on our operations or business reputation. Failure of our systems, including failures due to cyber attacks that would prevent the ability of systems to function as intended, could cause transaction errors, loss of customers and sales, and could have negative consequences to our Company, our employees, and those with whom we do business.

We might not be able to hire, engage and retain the talented global workforce we need to drive our growth strategies.

Our people continue to be our most important asset, and our future success depends upon our ability to identify, hire, develop, engage and retain talented personnel across the globe. Competition for global talent is intense, and we might not be able to identify and hire the personnel we need to continue to evolve and grow our business. In particular, if we are unable to hire the right individuals to fill the new senior management positions created as a result of the productivity initiative we announced in June 2015, our business performance may be impacted.

Activities related to identifying, recruiting, hiring and integrating qualified individuals require significant time and attention. We may also need to invest significant amounts of cash and equity to attract talented new employees, and we may never realize returns on these investments.

In addition to hiring new employees, we must continue to focus on retaining and engaging the talented individuals we need to sustain our core business and lead our developing businesses into new markets, channels and categories. This may require significant investments in training, coaching and other career development and retention activities. If we are not able to effectively retain and grow our talent, our ability to achieve our strategic objectives will be adversely affected, which may impact our financial condition and results of operations.

Item 1B. ***UNRESOLVED STAFF COMMENTS***

None.

Item 2. ***PROPERTIES***

Our principal properties include the following:

Country	Location	Type	Status (Own/Lease)
United States	Hershey, Pennsylvania (2 principal plants)	Manufacturing—confectionery products and pantry items	Own
	Lancaster, Pennsylvania	Manufacturing—confectionery products	Own
	Robinson, Illinois	Manufacturing—confectionery products, and pantry items	Own
	Stuarts Draft, Virginia	Manufacturing—confectionery products and pantry items	Own
	Edwardsville, Illinois	Distribution	Own
	Palmyra, Pennsylvania	Distribution	Own
	Ogden, Utah	Distribution	Own
Canada	Brantford, Ontario	Distribution	Own [(1)]
Mexico	Monterrey, Mexico	Manufacturing—confectionery products	Own
China	Shanghai, China	Manufacturing—confectionery products	Own
Malaysia	Johor, Malaysia	Manufacturing—confectionery products	Own [(2)]

(1) We have an agreement with the Ferrero Group for the use of a warehouse and distribution facility of which the Company has been deemed to be the owner for accounting purposes.
(2) Construction of the the Malaysia plant will be finalized in early 2016, with initial production and distribution expected to commence in mid-2016.

In addition to the locations indicated above, we also own or lease several other properties and buildings worldwide which we use for manufacturing, sales, distribution and administrative functions. Our facilities are well maintained and generally have adequate capacity to accommodate seasonal demands, changing product mixes and certain additional growth. We continually improve our facilities to incorporate the latest technologies. The largest facilities are located in Hershey and Lancaster, Pennsylvania; Monterrey, Mexico; and Stuarts Draft, Virginia. The U.S., Canada and Mexico facilities in the table above primarily support our North America segment, while the China and Malaysia facilities primarily serve our International and Other segment. As discussed in Note 11 to the Consolidated Financial Statements, we do not manage our assets on a segment basis given the integration of certain manufacturing, warehousing, distribution and other activities in support of our global operations.

Item 3. ***LEGAL PROCEEDINGS***

The Company is subject to certain legal proceedings and claims arising out of the ordinary course of our business, which cover a wide range of matters including antitrust and trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax. See Note 13 to the Consolidated Financial Statements for information on certain legal proceedings for which there are contingencies.

Item 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company, their positions and, as of February 5, 2016, their ages are set forth below.

Name	Age	Positions Held During the Last Five Years
John P. Bilbrey	59	Chairman of the Board, President and Chief Executive Officer (April 2015); President and Chief Executive Officer (June 2011); Executive Vice President, Chief Operating Officer (November 2010); Senior Vice President, President Hershey North America (December 2007)
Michele G. Buck	54	President, North America (May 2013); Senior Vice President, Chief Growth Officer (September 2011); Senior Vice President, Global Chief Marketing Officer (December 2007)
Javier H. Idrovo	48	Chief Accounting Officer (August 2015); Senior Vice President, Finance and Planning (September 2011); Senior Vice President, Strategy and Business Development (November 2008)
Patricia A. Little [(1)]	55	Senior Vice President, Chief Financial Officer (March 2015)
Terence L. O'Day	66	Senior Vice President, Chief Supply Chain Officer (May 2013); Senior Vice President, Global Operations (December 2008)
Leslie M. Turner [(2)]	58	Senior Vice President, General Counsel and Secretary (July 2012)
Kevin R. Walling [(3)]	50	Senior Vice President, Chief Human Resources Officer (November 2011); Senior Vice President, Chief People Officer (June 2011)
D. Michael Wege	53	Senior Vice President, Chief Administrative Officer (July 2015); Senior Vice President, Chief Growth and Marketing Officer (May 2013); Senior Vice President, Chief Commercial Officer (September 2011); Senior Vice President, Chocolate Strategic Business Unit (December 2010);Vice President, U.S. Chocolate (April 2008)
Waheed Zaman [(4)]	55	Senior Vice President, Chief Knowledge, Strategy and Technology Officer (July 2015); Senior Vice President, Chief Corporate Strategy and Administrative Officer (August 2013); Senior Vice President, Chief Administrative Officer (April 2013)

There are no family relationships among any of the above-named officers of our Company.

(1) Ms. Little was elected Senior Vice President, Chief Financial Officer effective March 16, 2015. Prior to joining our company she was Executive Vice President and Chief Financial Officer of Kelly Services, Inc. (July 2008).

(2) Ms. Turner was elected Senior Vice President, General Counsel and Secretary effective July 9, 2012. Prior to joining our Company she was Chief Legal Officer of Coca-Cola North America (June 2008).

(3) Mr. Walling was elected Senior Vice President, Chief People Officer effective June 1, 2011. Prior to joining our Company he was Vice President and Chief Human Resource Officer of Kennametal Inc. (November 2005).

(4) Mr. Zaman was elected Senior Vice President, Chief Corporate Strategy and Administrative Officer effective August 6, 2013. Prior to joining our Company he was President and Chief Executive Officer of W&A Consulting (May 2012); Senior Vice President, Special Assignments of Chiquita Brands International (February 2012); Senior Vice President, Global Product Supply of Chiquita Brands International (October 2007).

Our Executive Officers are generally elected each year at the organization meeting of the Board in April.

PART II

Item 5. ***MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Our Common Stock is listed and traded principally on the New York Stock Exchange under the ticker symbol "HSY." The Class B Common Stock ("Class B Stock") is not publicly traded.

The closing price of our Common Stock on December 31, 2015, was $89.27. There were 30,262 stockholders of record of our Common Stock and 6 stockholders of record of our Class B Stock as of December 31, 2015.

We paid $476.1 million in cash dividends on our Common Stock and Class B Stock in 2015 and $440.4 million in 2014. The annual dividend rate on our Common Stock in 2015 was $2.236 per share.

Information regarding dividends paid and the quarterly high and low market prices for our Common Stock and dividends paid for our Class B Stock for the two most recent fiscal years is disclosed in Note 16 to the Consolidated Financial Statements.

On January 28, 2016, our Board declared a quarterly dividend of $0.583 per share of Common Stock payable on March 15, 2016, to stockholders of record as of February 25, 2016. It is the Company's 342nd consecutive quarterly Common Stock dividend. A quarterly dividend of $0.53 per share of Class B Stock also was declared.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

The following table shows the purchases of shares of Common Stock made by or on behalf of Hershey, or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Hershey, for each fiscal month in the three months ended December 31, 2015:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
				(in thousands of dollars)
October 5 through November 1	—	$ —	—	$ 20,249
November 2 through November 29	135,000	$ 87.75	—	$ 20,249
November 30 through December 31	38,000	$ 86.76	—	$ 20,249
Total	173,000	$ 87.53	—	

(1) All of the shares of Common Stock purchased during the three months ended December 31, 2015 were purchased in open market transactions. We purchased 173,000 shares of Common Stock during the three months ended December 31, 2015 in connection with our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

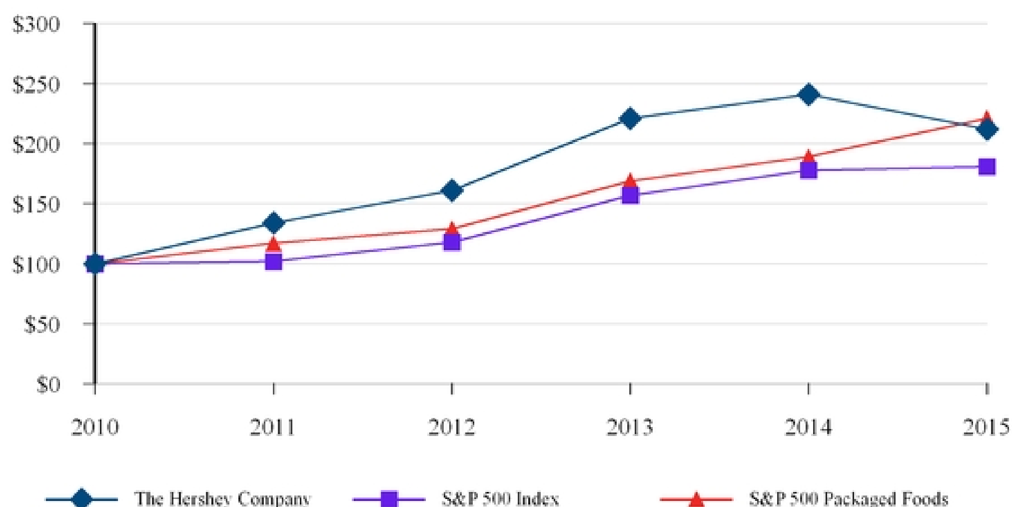
(2) In February 2014, our Board of Directors approved a $250 million share repurchase authorization. This program was completed in the first quarter of 2015. In February 2015, our Board of Directors approved an additional $250 million share repurchase authorization. As of December 31, 2015, approximately $20 million remained available for repurchases of our Common Stock under this program. In January 2016, our Board of Directors approved an additional $500 million share repurchase authorization (excluded from the table above), to

commence after the existing 2015 authorization is completed. Neither the 2015 or 2016 share repurchase authorizations has an expiration date.

Stockholder Return Performance Graph

The following graph compares our cumulative total stockholder return (Common Stock price appreciation plus dividends, on a reinvested basis) over the last five fiscal years with the Standard & Poor's 500 Index and the Standard & Poor's Packaged Foods Index.

Comparison of 5 Year Cumulative Total Return*
Among The Hershey Company, the S&P 500 Index,
and the S&P Packaged Foods Index



*$100 invested on December 31, 2010 in stock or index, including reinvestment of dividends.

	December 31,					
Company/Index	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
The Hershey Company	$ 100	$ 134	$ 161	$ 221	$ 241	$ 212
S&P 500 Index	$ 100	$ 102	$ 118	$ 157	$ 178	$ 181
S&P 500 Packaged Foods Index	$ 100	$ 117	$ 129	$ 169	$ 189	$ 221

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. ***SELECTED FINANCIAL DATA***

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(All dollar and share amounts in thousands except market price and per share statistics)

	2015	2014	2013	2012	2011
Summary of Operations					
Net Sales	$ 7,386,626	$ 7,421,768	$ 7,146,079	$ 6,644,252	$ 6,080,788
Cost of Sales	$ 4,003,951	4,085,602	3,865,231	3,784,370	3,548,896
Selling, Marketing and Administrative	$ 1,969,308	1,900,970	1,922,508	1,703,796	1,477,750
Goodwill and Other Intangible Asset Impairment Charges	$ 280,802	15,900	—	7,457	—
Business Realignment Charges	$ 94,806	29,721	18,665	37,481	(886)
Interest Expense, Net	$ 105,773	83,532	88,356	95,569	92,183
Provision for Income Taxes	$ 388,896	459,131	430,849	354,648	333,883
Net Income	$ 512,951	846,912	820,470	660,931	628,962
Net Income Per Share:					
—Basic—Common Stock	$ 2.40	3.91	3.76	3.01	2.85
—Diluted—Common Stock	$ 2.32	3.77	3.61	2.89	2.74
—Basic—Class B Stock	$ 2.19	3.54	3.39	2.73	2.58
—Diluted—Class B Stock	$ 2.19	3.52	3.37	2.71	2.56
Weighted-Average Shares Outstanding:					
—Basic—Common Stock	158,471	161,935	163,549	164,406	165,929
—Basic—Class B Stock	60,620	60,620	60,627	60,630	60,645
—Diluted	220,651	224,837	227,203	228,337	229,919
Dividends Paid on Common Stock	$ 352,953	328,752	294,979	255,596	228,269
Per Share	$ 2.24	2.04	1.81	1.56	1.38
Dividends Paid on Class B Stock	$ 123,179	111,662	98,822	85,610	75,814
Per Share	$ 2.032	1.842	1.63	1.41	1.25
Depreciation	$ 197,054	176,312	166,544	174,788	188,491
Amortization	$ 47,874	35,220	34,489	35,249	27,272
Advertising	$ 561,644	570,223	582,354	480,016	414,171
Year-End Position and Statistics					
Capital Additions	$ 329,707	345,947	323,551	258,727	323,961
Total Assets [(1)]	$ 5,344,371	5,622,870	5,349,724	4,747,614	4,398,625
Short-term Debt and Current Portion of Long-term Debt	$ 863,436	635,501	166,875	375,898	139,673
Long-term Portion of Debt [(1)]	$ 1,557,091	1,542,317	1,787,378	1,523,742	1,740,031
Stockholders' Equity	$ 1,047,462	1,519,530	1,616,052	1,048,373	880,943
Full-time Employees	19,060	20,800	12,600	12,100	11,800
Stockholders' Data					
Outstanding Shares of Common Stock and Class B Stock at Year-end	216,777	221,045	223,895	223,786	225,206
Market Price of Common Stock at Year-end	$ 89.27	103.93	97.23	72.22	61.78
Price Range During Year (high)	$ 110.78	108.07	100.90	74.64	62.26
Price Range During Year (low)	$ 83.58	88.15	73.51	59.49	46.24

(1) The Company adopted ASU 2015-03 as of December 31, 2015, requiring classification of debt issuance costs as a reduction of the carrying value of the debt. Total asset and long-term debt balances presented herein for periods prior to 2015 have been restated to conform to this presentation.

Item 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

This Management's Discussion and Analysis ("MD&A") is intended to provide an understanding of Hershey's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A should be read in conjunction with our Consolidated Financial Statements and accompanying Notes included in Item 8 of this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed elsewhere in this Annual Report on Form 10-K, particularly in Item 1A. "Risk Factors."

The MD&A is organized in the following sections:

- Overview and Outlook
- Non-GAAP Information
- Consolidated Results of Operations
- Segment Results
- Financial Condition
- Critical Accounting Policies and Estimates

OVERVIEW AND OUTLOOK

We are the largest producer of quality chocolate in North America and a global leader in chocolate and non-chocolate confectionery. We market, sell and distribute our products under more than 80 brand names in approximately 70 countries worldwide. We report our operations through two segments: North America and International and Other.

We continued to make progress against our strategic initiatives in 2015, including margin expansion in our North America segment which fuels our earnings per share and enables us to make investments in other parts of the business, a demonstrated commitment to transparency and simple ingredients to satisfy evolving consumer preferences, additional investments in our snacks business, and a continued focus on insights and knowledge to identify and respond to changing consumer and retail trends and practices.

Our 2015 financial performance was impacted by a continued slow-down in U.S. retail take-away, an increase in competitive activity and poor performance in China. For the full year 2015, our U.S. CMG retail takeaway increased 2.4%, which was largely in line with the category growth rate but continues to be down from long-term historical average of 3-4%. We believe the category is being impacted by changing consumer shopping habits like channel shifting and e-commerce, increased competitive activity and higher levels of merchandising and display, and a proliferation of broader snacking options in the marketplace, which appears to be adversely impacting purchases of non-seasonal candy products.

Our Shanghai Golden Monkey ("SGM") business has performed below expectations since its initial acquisition in 2014, with net sales and earnings levels well below pre-acquisition levels. In addition, as part of our ongoing integration process, we assessed the quality of SGM's accounts receivable and existing distributor networks. Based on the declining performance levels and the results of our integration assessments, we performed an interim goodwill impairment test as of July 5, 2015, which resulted in a preliminary $249.8 million non-cash goodwill impairment charge, representing a write-down of all of the goodwill related to the SGM reporting unit as of July 5, 2015. During the third quarter, we updated our estimates of the acquisition-date fair values of the net assets acquired, which increased the value of acquired goodwill by $16.6 million. We also finalized the impairment test of the goodwill relating to the SGM reporting unit, which resulted in a write-off of this additional goodwill, for a total impairment of $266.4 million. In the fourth quarter of 2015, we reached an agreement with the selling SGM shareholders to reduce the originally-agreed purchase price for the remaining 20% of SGM, and we completed the purchase on February 3, 2016. We are directing our efforts currently on developing an integration plan that is focused on the optimal structure for top-line growth.

Macroeconomic challenges and changing consumer shopping behavior adversely impacted our China chocolate business during 2015. The China chocolate category performance continues to be below the historical compound annual growth rate of 11-12% as marketplace trends continue to slow across all channels. As a result of the declining

performance in our China chocolate business, during the third quarter we also wrote-off $14.4 million of goodwill that resulted from the SGM acquisition and was assigned to our existing China chocolate business, as this reporting unit was expected to benefit from acquisition synergies relating to the sale of Golden Monkey-branded product through its Tier 1 and hypermarket distributor networks. In light of the declining results in our China business and challenges impacting the overall retail landscape in Asia, we will continue to assess the impact of potential excess capacity on the carrying value of our long-lived assets in the Asia region.

In June, we announced a new productivity initiative intended to simplify the organizational structure to enhance our ability to rapidly anticipate and respond to the changing demands of the global consumer. In 2015, we incurred charges totaling $105.8 million, representing employee severance and related separation benefits, pension settlement charges, and incremental third-party costs related to the design and implementation of the new organizational structure. Excluding pension settlement charges, we currently estimate total pre-tax charges and costs for the program to be approximately $120 million, the majority of which are cash. The remaining costs for this program are expected to be incurred within the first three quarters of 2016.

Giving consideration to the aforementioned impacts, our 2015 net sales decreased 0.5%, to $7,386.6 million in 2015 from $7,421.8 million in 2014, while our net income and earnings per share-diluted declined by 39.4% and 38.5%, respectively. Excluding a 1.6% impact from unfavorable foreign exchange rates, our net sales increased 1.1%. On a non-GAAP basis, our net income increased by 1.5%, driven by positive U.S. gross margin expansion, while our non-GAAP EPS also benefited from recent share buybacks, increasing a total of 3.5%.

Entering 2016, we expect changing shopping habits in the U.S. and volatile international markets to remain a headwind. Despite these issues, we will continue to invest in our core brands in the U.S. and key international markets and build on the strategies we have established as they will benefit the company over the long term. We also plan to make incremental investments in our existing snacks platform to drive additional growth. These initiatives should enable us to achieve net sales and earnings growth. We expect to achieve long-term net sales growth of 3-5%, excluding the impact of foreign currency exchange rates, and, given the scale advantages of our North America business and a balanced approach to international investments, we expect to generate long-term non-GAAP earnings per share-diluted growth of 6-8%.

For 2016, we expect net sales growth of approximately 3%, excluding the impact of foreign currency exchange rates which is estimated to be approximately 1.0% unfavorable. North America net sales are expected to be driven by confectionery and snacks growth, including *Krave* meat snacks distribution gains. We have many exciting new products that will bring variety, news and excitement to the category, including *Reese's* Snack Mix and *Hershey's* Snack Bites canisters, *Cadbury* chocolates in a stand-up pouch targeting the mass premium market and the introduction of Allan Candy sugar confectionery peg bag items and some other yet to be announced new candy and snacking products. We expect gross margin to approximate the 2015 level and are focused on managing non-essential selling, marketing and administrative as we continue to leverage existing resources. Additionally, implementation of the business productivity initiative announced in June is on track, and we will continue to invest in advertising and related consumer marketing, including a greater shift to digital and mobile communication. As a result, we expect 2016 full-year reported earnings per share-diluted to improve significantly, on the basis of lower unusual charges, and adjusted earnings per share-diluted to increase approximately 6%, as reflected in the reconciliation of reported to adjusted projections for 2016 that follows.

Our 2016 outlook reflects information currently available to us; however, it is subject to risks and uncertainties, particularly pertaining to the macroeconomic uncertainties and evolving consumer dynamics in China. While further volatility could evolve in that market, we do not expect it to have a material impact on our consolidated cash flows or financial position.

NON-GAAP INFORMATION

The comparability of certain of our financial measures is impacted by business realignment charges, including the 2015 productivity initiative; asset impairment charges; costs relating to business and asset acquisitions and disposals; loss on early extinguishment of debt; and non-service related components of our pension expense (income).

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

Reconciliation of Certain Non-GAAP Financial Measures

In thousands except per share data	For the years ended December 31, 2015	2014	2013
Reported gross profit	$ 3,382,675	$ 3,336,166	$ 3,280,848
Other business realignment charges	8,801	1,622	402
Acquisition and integration costs	7,308	—	310
NSRPE(I)	2,516	(2,685)	5,374
Non-GAAP gross profit	$ 3,401,300	$ 3,335,103	$ 3,286,934
Reported operating profit	$ 1,037,759	$ 1,392,261	$ 1,338,051
2015 productivity initiative	105,753	—	—
Other business realignment charges	12,555	12,034	19,085
Acquisition and integration costs	20,899	12,360	4,072
NSRPE(I)	18,079	(1,834)	10,885
Goodwill / intangible asset impairment	280,802	15,900	—
Loss on Mauna Loa divestiture	2,667	22,256	—
Non-GAAP operating profit	$ 1,478,514	$ 1,452,977	$ 1,372,093
Reported interest expense, net	$ 105,773	$ 83,532	$ 88,356
Acquisition and integration costs (benefits)	1,562	(1,603)	—
Loss on early extinguishment of debt	28,326	—	—
Non-GAAP interest expense, net	$ 75,885	$ 85,135	$ 88,356
Reported other (income) expense, net	$ 30,139	$ 2,686	$ (1,624)
Acquisition and integration costs	—	2,513	—
Gain on sale of trademark	(9,950)	—	—
Non-GAAP other (income) expense, net	$ 40,089	$ 173	$ (1,624)
Reported provision for income taxes	$ 388,896	$ 459,131	$ 430,849
2015 productivity initiative	35,423	—	—
Other business realignment charges	3,605	3,697	7,259
Acquisition and integration costs	8,264	3,021	(1,295)
NSRPE(I)	6,955	(544)	4,228
Goodwill / intangible asset impairment	—	1,565	—
Loss on early extinguishment of debt	10,736	—	—
Loss on Mauna Loa divestiture	2,620	4,896	—
Gain on sale of trademark	(3,652)	—	—
Non-GAAP provision for income taxes	$ 452,847	$ 471,766	$ 441,041
Reported net income	$ 512,951	$ 846,912	$ 820,470
2015 productivity initiative	70,330	—	—
Other business realignment charges	8,950	8,337	11,826
Acquisition and integration costs	14,196	10,249	5,367
NSRPE(I)	11,124	(1,290)	6,657
Goodwill / intangible asset impairment	280,802	14,335	—
Loss on early extinguishment of debt	17,591	—	—
Loss on Mauna Loa divestiture	47	17,360	—
Gain on sale of trademark	(6,298)	—	—
Non-GAAP net income	$ 909,693	$ 895,903	$ 844,320
Reported EPS - Diluted	$ 2.32	$ 3.77	$ 3.61
2015 productivity initiative	0.32	—	—
Other business realignment charges	0.04	0.03	0.05
Acquisition and integration costs	0.05	0.05	0.03
NSRPE(I)	0.05	(0.01)	0.03
Goodwill / intangible asset impairment	1.28	0.06	—
Loss on early extinguishment of debt	0.09	—	—
Loss on Mauna Loa divestiture	—	0.08	—
Gain on sale of trademark	(0.03)	—	—
Non-GAAP EPS - Diluted	$ 4.12	$ 3.98	$ 3.72

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

	For the years ended December 31,		
	2015	2014	2013
As reported gross margin	45.8%	45.0%	45.9%
Non-GAAP gross margin (1)	46.0%	44.9%	46.0%
As reported operating profit margin	14.0%	18.8%	18.7%
Non-GAAP operating profit margin (2)	20.0%	19.6%	19.2%
As reported effective tax rate	43.1%	35.2%	34.4%
Non-GAAP effective tax rate (3)	33.2%	34.5%	34.3%

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

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

2015 productivity initiative
In June 2015, we announced a new productivity initiative, which is intended to move decision making closer to the customer and the consumer, to enable a more enterprise-wide approach to innovation, to more swiftly advance our knowledge agenda, and to provide for a more efficient cost structure, while ensuring that we effectively allocate resources to future growth areas. The project is intended to simplify the organizational structure to enhance the Company's ability to rapidly anticipate and respond to the changing demands of the global consumer. We recorded pre-tax charges related to this program of $105.7 million for the year ended December 31, 2015. See Note 8 to the Consolidated Financial Statements for more information.

Other business realignment activities
We periodically undertake restructuring and cost reduction activities as part of ongoing efforts to enhance long-term profitability. For the year ended December 31, 2015, we recorded pre-tax charges of $12.6 million relating to programs commenced in 2014 to rationalize certain non-U.S. manufacturing and distribution activities and to establish our own sales and distribution teams in Brazil in connection with our purchase of the non-controlling interest from our joint venture partner. For the years ended December 31, 2014 and 2013, we incurred pre-tax charges of $12.0 million and $19.1 million, respectively, primarily relating to the demolition of the Company's former manufacturing facility, representing the final phase of the Project Next Century Program. This program was substantially complete as of December 31, 2014.

Acquisition and integration costs
For the year ended December 31, 2015, we incurred costs related to integration of the 2014 acquisitions of SGM and Allan Candy and the 2015 acquisition of Krave totaling $22.5 million as we incorporate these businesses into our operating practices and information systems. This includes charges incurred to write-down approximately $6.4 million of expired or near-expiration work-in-process inventory at SGM, in connection with the implementation of our global quality standards and practices. In addition, integration costs for the year were benefited by a $6.8 million reduction in the fair value of contingent consideration paid to the Krave shareholders. For the years ended December 31, 2014 and 2013, we incurred pre-tax acquisition and integration costs of $13.3 million and charges of $4.1 million, respectively. The 2014 and 2013 charges were largely related to SGM acquisition and integration costs. The 2014 charges were also offset by a $4.6 million gain relating to the acquisition of a controlling interest in Lotte Shanghai Food Company.

Non-service related pension expense (income)

Non-service-related pension expense (income) includes interest costs, the expected return on pension plan assets, the amortization of actuarial gains and losses, and certain curtailment and settlement losses or credits. The non-service-related pension expense (income) can fluctuate from year-to-year as a result of changes in market interest rates and market returns on pension plan assets. We believe that the service cost component of our total pension benefit costs closely reflects the operating costs of our business and provides for a better comparison of our operating results from year-to-year. Therefore, we exclude the non-service-related pension expense (income) from our internal performance measures. Our most significant defined benefit pension plans were closed to most new participants in 2007, resulting in ongoing service costs that are stable and predictable. We recorded pre-tax non-service related pension expense (income) of $18.1 million, $(1.8) million and $10.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. The 2015 expense adjustment includes approximately $9.6 million in settlement charges relating to lump-sum distributions to participants that did not separate in connection with the 2015 productivity initiative; settlement charges relating to individuals separating in connection with the 2015 Productivity Initiative are included within the “2015 Productivity Initiative” costs noted above.

Goodwill and other intangible asset impairment

As discussed in Note 2 to the Consolidated Financial Statements, in the second and third quarters of 2015, we recorded a total $280.8 million non-cash goodwill impairment charge, representing a write-down of all of the goodwill resulting from the SGM acquisition, including $14.4 million relating to the portion of goodwill that had been allocated to our China chocolate reporting unit, based on synergies to be realized by this business. For the year ended December 31, 2014, we recorded non-cash goodwill and other intangible asset impairment charges totaling $15.9 million associated with our business in India.

Loss on early extinguishment of debt

In 2015, we recorded within interest expense a pre-tax loss on early extinguishment of debt of $28.3 million relating to a cash tender offer. See Note 4 to the Consolidated Financial Statements for further information.

Loss on Mauna Loa divestiture

In December 2014, we entered into an agreement to sell Mauna Loa, at which time the entity was recorded as held for sale and we recorded an estimated loss of $22.3 million to reflect the disposal entity at its fair value, less an estimate of the selling costs. The transaction closed in the first quarter of 2015, resulting in the recording of an additional loss on sale of $2.7 million, based on updates to the selling expenses and tax benefits.

Gain on sale of trademark

In 2015, we recorded a $9.9 million gain relating to the sale of a non-core trademark.

2016 Outlook

The following table provides a reconciliation of projected 2016 earnings per share-diluted, prepared in accordance with GAAP, to projected non-GAAP earnings per share-diluted for 2016, prepared on a non-GAAP basis, with adjustments consistent to those discussed previously. The reconciliation of 2015 and 2014 earnings per share-diluted, prepared in accordance with GAAP, to 2015 and 2015 non-GAAP earnings per share-diluted is provided below for comparison.

	2016 (Projected)	2015	2014
Reported EPS – Diluted	$4.18 - $4.23	$2.32	$3.77
Business realignment charges			
2015 Productivity Initiative	0.07 - 0.08	0.32	—
Other international programs	—	0.04	0.03
Acquisition and integration costs	0.02 - 0.03	0.05	0.05
Non-service related pension expense (income)	0.06 - 0.07	0.05	(0.01)
Goodwill / intangible asset impairment	—	1.28	0.06
Loss on early extinguishment of debt	—	0.09	—
Loss on sale of Mauna Loa	—	—	0.08
Gain on sale of trademark	—	(0.03)	—
Adjusted EPS – Diluted	$4.36 - $4.38	$4.12	$3.98

Our 2016 projected earnings per share-diluted, as presented above, does not include the impact of mark-to-market gains and losses on our commodity derivative contracts that will be reflected within corporate unallocated expenses in our segment results until the related inventory is sold, pursuant to our revised accounting policy for commodity derivatives as discussed in Note 5 to the Consolidated Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

For the years ended December 31,	2015	2014	2013	Percent Change 2015 vs 2014	Percent Change 2014 vs 2013
In millions of dollars except per share amounts					
Net Sales	$ 7,386.6	$ 7,421.8	$ 7,146.1	(0.5)%	3.9 %
Cost of Sales	4,003.9	4,085.6	3,865.2	(2.0)%	5.7 %
Gross Profit	3,382.7	3,336.2	3,280.9	1.4 %	1.7 %
Gross Margin	*45.8%*	*45.0%*	*45.9%*		
SM&A Expense	1,969.3	1,898.4	1,924.1	3.7 %	(1.3)%
SM&A Expense as a percent of net sales	*26.7%*	*25.6%*	*26.9%*		
Goodwill and Other Intangible Asset Impairment Charges	280.8	15.9	—	NM	NM
Business Realignment Charges	94.8	29.7	18.7	219.0 %	59.2 %
Operating Profit	1,037.8	1,392.2	1,338.1	(25.5)%	4.1 %
Operating Profit Margin	*14.0%*	*18.8%*	*18.7%*		
Interest Expense, Net	105.8	83.5	88.4	26.6 %	(5.5)%
Other (Income) Expense, Net	30.1	2.7	(1.6)	NM	265.4 %
Provision for Income Taxes	388.9	459.1	430.8	(15.3)%	6.6 %
Effective Income Tax Rate	*43.1%*	*35.2%*	*34.4%*		
Net Income	$ 513.0	$ 846.9	$ 820.5	(39.4)%	3.2 %
Net Income Per Share—Diluted	$ 2.32	$ 3.77	$ 3.61	(38.5)%	4.4 %

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

NM = not meaningful.

Net Sales

2015 compared with 2014

Net sales decreased 0.5% in 2015 compared with 2014, reflecting volume declines of 3.4% and the unfavorable impact from foreign currency exchange rates of 1.6%, substantially offset by favorable net price realization of 3.5% as well as a 1.0% benefit from net acquisitions and divestitures. The favorable net price realization, primarily in the U.S., was attributed to the price increase announced in mid-2014. The volume declines were attributed to volume elasticity relating to the pricing action in the U.S. as well as lower everyday product sales given the challenging shopper environment in North America, coupled with lower sales in China. Excluding foreign currency, our net sales increased 1.1% in 2015.

2014 compared with 2013

Net sales increased 3.9% in 2014 compared with 2013, reflecting volume growth of 4.4% and favorable net price realization of 0.2%, offset in part by an unfavorable impact from foreign currency exchange rates which reduced net sales by approximately 0.7%. The volume growth was driven by incremental sales of new products in our North America and International and Other segments, coupled with almost 1% of growth from the recent SGM acquisition. The pricing benefit from the 2014 mid-year price increase was largely offset by higher trade promotions and lower core volumes associated with near-term volume elasticity related to the price increase.

Key U.S. Marketplace Metrics

For the 52 weeks ended December 31,	2015	2014	2013
Hershey's Consumer Takeaway Increase	2.4%	2.7%	6.3%
Hershey's Market Share (Decrease) Increase	(0.1)	0.3	1.1

Consumer takeaway and the change in market share are provided for measured channels of distribution accounting for approximately 90% of our U.S. confectionery retail business. These channels of distribution primarily include food, drug, mass merchandisers, and convenience store channels, plus Wal-Mart Stores, Inc., partial dollar, club and military channels.

These metrics are based on measured market scanned purchases as reported by Nielsen and provide a means to assess our retail takeaway and market position relative to the overall category. In 2015, the category and Hershey growth rates continue to be impacted by changing consumer shopping habits and increased levels of distribution and in-store activity of items such as salty, bakery and meat snacks, by both mainstream and newer contemporary niche manufacturers, which has been driving broader snacking category growth in 2014 and 2015. Despite these market dynamics, for the full year 2015, our U.S. CMG retail takeaway increased 2.4%, which was in line with category growth. Our market share decreased by 10 basis points; however, we maintained an industry leading 31.3% U.S. market share.

Cost of Sales and Gross Margin

2015 compared with 2014

Cost of sales decreased 2.0% in 2015 compared with 2014. Supply chain productivity and volume declines reduced cost of sales by approximately 6.6%. These declines were substantially offset by higher supply chain and commodity costs, and unfavorable sales mix, which together increased total cost of sales by approximately 4.1%. In addition, cost of sales was impacted by acquisition and integration costs of $7.3 million, business realignment charges of $8.8 million and non-service related pension expense of $2.5 million, which collectively increased cost of sales by approximately 0.5%. In comparison, cost of sales benefited by $1.1 million in 2014, primarily due to non-service related pension income.

Gross margin increased by 80 basis points in 2015 compared with 2014. Favorable net price realization as well as supply chain productivity and other cost savings initiatives collectively improved gross margin by 330 basis points. However, these benefits were substantially offset by higher supply chain and commodity costs as well as unfavorable sales mix, which collectively reduced gross margin by approximately 250 basis points. On a non-GAAP basis, excluding the business realignment and acquisition and integration charges, 2015 gross margin increased by 110 basis points.

2014 compared with 2013

Cost of sales increased 5.7% in 2014 compared with 2013. Higher costs associated with sales volume increases, higher commodity and other incremental supply chain costs and unfavorable sales mix increased total cost of sales by approximately 7.8%. The higher commodity costs were largely driven by higher dairy ingredient costs, which cannot be effectively hedged, while the unfavorable sales mix resulted from a greater proportion of seasonal sales volumes, which are typically at lower margins than non-seasonal products. These cost increases were offset in part by supply chain productivity improvements and lower pension costs, which together reduced cost of sales by approximately 2.1%.

Gross margin decreased by 90 basis points in 2014 compared with 2013. Supply chain productivity and other cost savings initiatives, favorable net price realization, and operating leverage from the higher sales volumes collectively improved gross margin by 150 basis points. The impact of lower pension expenses in 2014 in comparison with 2013 benefited 2014 gross margin by 20 basis points. However, these benefits were more than offset by higher commodity and other input costs and unfavorable sales mix which together reduced gross profit margin by approximately 260 basis points.

Selling, Marketing and Administrative

2015 compared with 2014

Selling, marketing and administrative ("SM&A") expenses increased $70.9 million or 3.7% in 2015. Advertising and related consumer marketing expense increased 1.0% during this period. Excluding these advertising and related consumer marketing costs, selling and administrative expenses for 2015 increased by 6.7% as compared to 2014, driven by incremental increases from acquired businesses. Excluding the impact of acquisition costs, SM&A expenses for 2015 declined as a result of our continued focus on non-essential spending. SM&A expenses in 2015 were also

impacted by charges of $13.6 million attributed to the 2015 productivity initiative, acquisition and integration costs of $13.6 million, non-service related pension expense of $15.6 million and other business realignment charges of $3.7 million. In 2014, SM&A expenses included acquisition and integration costs of $12.4 million, other business realignment charges of $2.9 million and non-service related pension expense of $0.9 million.

2014 compared with 2013

SM&A expenses decreased $25.7 million or 1.3% in 2014. This includes a 3.1% reduction in advertising and related consumer marketing expenses due to the timing of new product launches, a reduction in media production costs and a decision to shift resources to other more productive areas. Excluding advertising and related consumer marketing expenses, selling and administrative expenses were relatively flat compared to 2013 due to lower incentive compensation costs and discretionary cost containment efforts, offset in part by higher employee-related costs, including additional headcount in our China business and additional focused selling resources, as well as transaction costs associated with the acquisition of SGM. Selling and administrative expenses in 2014 also benefited from the $5.6 million in foreign currency gains realized on forward contracts related to the manufacturing facility under construction in Johor, Malaysia.

Goodwill and Other Intangible Asset Impairment Charges

As discussed in the Overview and Outlook section as well as Note 2 to the Consolidated Financial Statements, the SGM business performed below expectations throughout 2015, with net sales and earnings levels well below pre-acquisition levels. As of result of this declining performance, in the second quarter we recorded an estimated goodwill impairment charge of $249.8 million relating to the SGM reporting unit. During the third quarter, we updated our estimates of the acquisition-date fair values of the net assets acquired, which increased the value of acquired goodwill by $16.6 million. We also finalized the impairment test of the goodwill relating to the SGM reporting unit, which resulted in an additional $16.6 million write-off of this increase to goodwill. During the third quarter, we also wrote off $14.4 million of goodwill that resulted from the SGM acquisition and was assigned to our existing China chocolate business, as this reporting unit was expected to benefit from acquisition synergies relating to the sale of Golden Monkey-branded product through its Tier 1 and hypermarket distributor networks. This goodwill impairment was driven by the continued declining performance in our China chocolate business through the third quarter, as a result of macroeconomic challenges and changing consumer shopping behavior mentioned previously.

In 2014, the annual impairment testing of our India reporting unit resulted in a $11.4 million goodwill impairment charge and a $4.5 million pre-tax write-down of a trademark associated with the India business. These impairment charges were largely a result of our decision to exit the oils portion of the India business and realign our approach to regional marketing and distribution in India.

The assessment of the valuation of goodwill and other long-lived assets is based on management estimates and assumptions, as discussed in our critical accounting policies included in Item 7 of this Annual Report on Form 10-K. These estimates and assumptions are subject to change due to changing economic and competitive conditions.

Business Realignment Charges

Expenses recorded for business realignment activities during 2015, 2014 and 2013 and their classification within the Statements of Income are as follows:

For the years ended December 31,	2015	2014	2013
In millions of dollars			
Cost of sales:			
Other international restructuring programs	$ 8.8	$ —	$ —
Next Century program	—	1.6	0.4
Total cost of sales	8.8	1.6	0.4
Selling, marketing and administrative:			
2015 productivity initiative	13.6	—	—
Other international restructuring programs	3.8	2.9	—
Total selling, marketing and administrative	17.4	2.9	—
Business realignment charges:			
2015 productivity initiative	92.1	—	—
Next Century program - plant closure expenses	—	7.5	16.4
Divestiture of Mauna Loa	2.7	22.3	—
India voluntary retirement program	—	—	2.3
Total business realignment charges	94.8	29.7	18.7
Total charges associated with business realignment activities	$ 121.0	$ 34.3	$ 19.1

2015 Productivity Initiative

On June 19, 2015, we announced a new productivity initiative (the “2015 Productivity Initiative”) intended to move decision making closer to the customer and the consumer, to enable a more enterprise-wide approach to innovation, to more swiftly advance our knowledge agenda, and to provide for a more efficient cost structure, while ensuring that we effectively allocate resources to future growth areas. Overall, the 2015 Initiative is intended to simplify the organizational structure to enhance the Company's ability to rapidly anticipate and respond to the changing demands of the global consumer.

The 2015 Productivity Initiative was executed throughout the third and fourth quarters, resulting in a net reduction of approximately 300 positions, with the majority of the departures taking place by the end of 2015. For the year ended December 31, 2015, we incurred charges totaling $105.7 million, representing employee severance and related separation benefits as well as incremental third-party costs related to the design and implementation of the new organizational structure. This also includes a pension settlement cost of $10.2 million relating to lump sum withdrawals by employees retiring or leaving the Company as a result of the 2015 Productivity Initiative.

Total pre-tax charges and costs for this program are expected to be approximately $120 million, the majority of which are cash. This excludes the 2015 pension settlement costs and any additional pension settlement costs that could be triggered by additional lump sum withdrawals in 2016. The remaining costs are expected to be incurred within the first three quarters of 2016.

Other international restructuring programs

Other 2015 charges for business realignment activities relate principally to accelerated depreciation and amortization and employee severance costs for programs commenced in 2014 to rationalize certain non-U.S. manufacturing and distribution activities and to establish our own sales and distribution teams in Brazil in connection with our purchase of the non-controlling interest from our joint venture partner. Remaining costs relating to these programs are not expected to be significant.

Divestiture of Mauna Loa

In December 2014, we entered into an agreement to sell the Mauna Loa Macadamia Nut Corporation (“Mauna Loa”).

As a result of the expected sale, in 2014 we recorded an estimated loss on the anticipated sale of $22.3 million to reflect the disposal entity at fair value, less an estimate of the selling costs. The sale was completed in the first quarter of 2015, resulted in an additional loss on sale of $2.7 million based on updates to the selling expenses and tax benefits.

Next Century program

The 2014 and 2013 charges shown above relate primarily to the demolition of the Company's former manufacturing facility, representing the final phase of the Project Next Century program (“Next Century program”). This program was substantially complete as of December 31, 2014.

The restructuring charges discussed above for the years ended December 31, 2015, 2014 and 2013 relate predominantly to initiatives undertaken by the North America segment, with the exception of the international programs, which relate to the International and Other segment. Segment operating results do not include business realignment and related charges as these initiatives are generally centrally managed and are not included within our internal measures of segment performance.

Operating Profit and Operating Profit Margin

2015 compared with 2014

Operating profit decreased 25.5% in 2015 compared with 2014 due primarily to the goodwill impairment charges, higher selling, marketing and administrative costs related to acquisitions as well as higher business realignment charges, offset in part by the higher gross profit.

Operating profit margin decreased to 14.0% in 2015 from 18.8% in 2014 due to the goodwill impairment charges, higher selling, marketing and administrative expenses as a percent of sales, and higher business realignment charges.

On a non-GAAP basis, 2015 operating profit and operating profit margin increased 1.8% and 40 basis points, respectively.

2014 compared with 2013

Operating profit increased 4.1% in 2014 compared with 2013 due primarily to the higher level of gross profit and lower overall selling, marketing and administrative costs, offset in part by higher business realignment and impairment charges in 2014.

Operating profit margin increased to 18.8% in 2014 from 18.7% in 2013 due to lower SM&A expenses as a percent of sales, partially offset by higher business realignment and impairment charges.

Interest Expense, Net

2015 compared with 2014

Net interest expense was $22.3 million higher in 2015 than in 2014 due primarily to the premium paid to repurchase long-term debt as part of a cash tender offer. This increase was partially offset by higher capitalized interest expense coupled with savings resulting from fixed-to-floating interest rate swap agreements put in place towards the end of 2014.

2014 compared with 2013

Net interest expense was $4.9 million lower in 2014 than in 2013 due primarily to a greater level of capitalized interest in 2014 as well as higher interest income earned on short-term investments.

Other (Income) Expense, Net

2015 compared with 2014

Other (income) expense, net was $27.4 million higher in 2015 than 2014, due primarily to the write-down of equity investments qualifying for federal historic and energy tax credits, partially offset by the gain on the sale of a non-core trademark.

2014 compared with 2013

Other (income) expense, net reflected a net expense of $2.7 million in 2014 compared to a net gain of $1.6 million in 2013, due primarily to the foreign exchange loss related to our strategy to cap the U.S. denominated acquisition price of SGM, offset in part by the gain realized on the acquisition of a controlling interest in Lotte Shanghai Food Company.

Income Taxes and Effective Tax Rate

2015 compared with 2014

Our effective income tax rate was 43.1% for 2015 compared with 35.2% for 2014. The 2015 tax rate was significantly impacted by the non-deductible goodwill impairment charges. Excluding the impact of the goodwill impairment and other non-GAAP charges, the 2015 effective income tax rate was 130 basis points lower than the 2014 rate. The 2015 rate benefited from tax credits realized from the investment tax strategy initiated in the second quarter of 2015, which was partially offset by the valuation allowance recorded against the SGM net operating loss carryforwards.

2014 compared with 2013

Our effective income tax rate was 35.2% for 2014 compared with 34.4% for 2013. The 2014 effective income tax rate was higher due to unfavorable tax return true-up adjustments, unfavorable shifts of taxable income to higher tax jurisdictions, and the impact of business realignment and impairment charges with minimal tax benefit, partly offset by favorable settlement of Canadian assessments and favorable settlement of U.S. audits.

Net Income and Net Income Per Share

2015 compared with 2014

Net income decreased $333.9 million, or 39.4%, while earnings per share-diluted (“EPS”) decreased $1.45, or 38.5%, in 2015 compared with 2014. The decreases in both net income and EPS were driven by the goodwill impairment charges, higher selling, marketing and administrative costs related to acquisitions as well as higher business realignment charges, as noted above. Our 2015 EPS also benefited from lower weighted-average shares outstanding, as a result of share repurchases pursuant to our Board-approved repurchase programs.

On a non-GAAP basis, net income increased $13.8 million in 2015, or 1.5%, and EPS increased $0.14, or 3.5%, as compared with 2014. The increases in 2015 non-GAAP net income and EPS were primarily driven by gross margin expansion and lower net interest expense.

2014 compared with 2013

Net income increased $26.4 million, or 3.2%, while EPS-diluted increased $0.16, or 4.4%, in 2014 compared with 2013. The increases in both net income and EPS were driven by higher sales, offset by higher commodity costs and unfavorable sales mix, as noted above. Our 2014 EPS also benefited from lower weighted-average shares outstanding, as a result of share repurchases pursuant to our Board-approved repurchase programs.

On a non-GAAP basis, net income increased $51.6 million in 2015, or 6.1%, and EPS increased $0.26, or 7.0%, as compared with 2013. The increases in 2014 non-GAAP net income and EPS were primarily driven by lower selling, marketing and administrative expenses as a percent of sales.

SEGMENT RESULTS

The summary that follows provides a discussion of the results of operations of our two reportable segments: North America and International and Other. The segments reflect our operations on a geographic basis. For segment reporting purposes, we use “segment income” to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, as well as business realignment initiatives, goodwill and other intangible asset impairment charges, acquisition-related costs, the non-service related portion of pension expense and other unusual gains or losses that are not part of our measurement of segment performance. These items of our operating income are managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the CODM and used for internal management reporting and performance evaluation. Segment income and segment income margin, which are presented in the segment discussion that follows, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance. We believe that these measures are useful to investors and other users of our financial information in evaluating ongoing operating profitability as well as in evaluating operating performance in relation to our competitors, as they exclude the activities that are not integral to our ongoing operations. For further information, see the Non-GAAP Disclosures at the beginning of this Item 7.

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

For the years ended December 31,	2015	2014	2013
In millions of dollars			
Net Sales:			
North America	$ 6,468.1	$ 6,352.7	$ 6,200.1
International and Other	918.5	1,069.1	946.0
Total	$ 7,386.6	$ 7,421.8	$ 7,146.1
Segment Income (Loss):			
North America	$ 2,074.0	$ 1,916.2	$ 1,862.6
International and Other	(98.1)	40.0	44.6
Total segment income	1,975.9	1,956.2	1,907.2
Unallocated corporate expense (1)	497.4	503.2	535.1
Goodwill and other intangible asset impairment charges	280.8	15.9	—
Charges associated with business realignment activities	121.0	34.3	19.1
Non-service related pension expense (income)	18.1	(1.8)	10.9
Acquisition and integration costs	20.9	12.4	4.1
Operating profit	1,037.7	1,392.2	1,338.0
Interest expense, net	105.8	83.5	88.3
Other (income) expense, net	30.1	2.7	(1.6)
Income before income taxes	$ 901.8	$ 1,306.0	$ 1,251.3

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

North America

The North America segment is responsible for our chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines. North America accounted for 87.6%, 85.6% and 86.8% of our net sales in 2015, 2014 and 2013, respectively. North America results for the years ended December 31, 2015, 2014 and 2013 were as follows:

For the years ended December 31,	2015	2014	2013	Percent / Point Change 2015 vs 2014	Percent / Point Change 2014 vs 2013
In millions of dollars					
Net sales	$ 6,468.1	$ 6,352.7	$ 6,200.1	1.8%	2.5%
Segment income	2,074.0	1,916.2	1,862.6	8.2%	2.9%
Segment margin	*32.1%*	*30.2%*	*30.0%*		

2015 compared with 2014

Net sales of our North America segment increased $115.4 million or 1.8% in 2015 compared to 2014, reflecting net price realization of 4.8% and the favorable net impact of acquisitions and divestitures of 0.3%, substantially offset by volume declines of 2.5% and an unfavorable impact from foreign currency exchange rates that reduced net sales by approximately 0.8%. The volume decline was due to elasticity related to the 2014 pricing action as well as lower everyday product sales, which have been impacted by changing consumer shopping habits, such as channel shifting and e-commerce, an increase in competitive activity and a proliferation of broader snacking options in the marketplace. Our Canada operations were impacted by the stronger U.S. dollar, which drove the unfavorable foreign currency impact.

Our North America segment income increased $157.8 million or 8.2% in 2015 compared to 2014, driven by gross margin expansion, primarily due to favorable price realization and supply chain productivity which offset volume declines and input cost increases.

2014 compared with 2013

Net sales of our North America segment increased $152.6 million or 2.5% in 2014 compared to 2013, reflecting volume growth of 2.4%, net price realization of 0.5% and an unfavorable impact from foreign currency exchange rates that reduced net sales by approximately 0.4%. 2014 new product introductions, including *York* and *Kit Kat* Minis, Nutrageous relaunch, *Brookside* Crunchy Clusters, *Lancaster* Soft Cremes and *Hershey's* Spreads, drove the volume growth, as sales volumes for core, everyday products were unfavorably impacted by increased levels of distribution and in-store activity from confection and other snacking categories. Higher levels of trade promotion reduced the benefit from the 2014 mid-year pricing action. Our Canada operations were impacted by the stronger U.S. dollar, which drove the unfavorable foreign currency impact.

Our North America segment income increased $53.6 million or 2.9% in 2014 compared to 2013, principally due to higher sales volumes and supply chain productivity improvements, which offset input cost increases and unfavorable sales mix. Our core product mix in 2014 was more heavily weighted toward seasonal offerings which typically generate lower margins than our core, everyday instant consumable products. Additionally, advertising, consumer promotions and marketing expenses decreased 2.8% in 2014 due to the timing of new product launches, a reduction in media production costs, and a decision to shift resources to other more productive areas.

International and Other

The International and Other segment includes all other countries where we currently manufacture, import, market, sell or distribute chocolate and non-chocolate confectionery and other products. Currently, this includes our operations in China and other Asia markets, Latin America, Europe, Africa and the Middle East, along with exports to these regions. While a less significant component, this segment also includes our global retail operations, including Hershey’s Chocolate World stores in Hershey, Pennsylvania, New York City, Chicago, Las Vegas, Shanghai, Niagara Falls (Ontario), Dubai and Singapore, as well as operations associated with licensing the use of certain trademarks and products to third parties around the world. International and Other accounted for 12.4%, 14.4% and 13.2% of our net

sales in 2015, 2014 and 2013, respectively. International and Other results for the years ended December 31, 2015, 2014 and 2013 were as follows:

For the years ended December 31,	2015	2014	2013	Percent / Point Change 2015 vs 2014	Percent / Point Change 2014 vs 2013
In millions of dollars					
Net sales	$ 918.5	$ 1,069.1	$ 946.0	(14.1)%	13.0 %
Segment (loss) income	(98.1)	40.0	44.6	NM	(10.3)%
Segment margin	*(10.7)%*	*3.7%*	*4.7%*		

2015 compared with 2014

Net sales of our International and Other segment decreased $150.6 million or 14.1% in 2015 compared to 2014, reflecting volume declines of 9.0%, the unfavorable impact from foreign currency exchange rates of 6.2%, and unfavorable net price realization of 4.0%, partially offset by incremental revenue from the acquisition of SGM representing an increase of 5.1% to 2015 net sales. Excluding the unfavorable impact of foreign currency exchange rates, the net sales of our International and Other segment declined approximately 7.9%.

The net sales decline was driven by volume declines in our China chocolate business. In 2015, chocolate category growth in China was flat relative to the prior year; however our 2015 chocolate retail takeaway in China declined by 11%, resulting in a market share decline in China of 1.1%. We believe that the category continues to be impacted by macroeconomic challenges and trends that are affecting consumer shopping behavior as accelerated e-commerce and on-line purchases of broader consumer staples are leading to lower trips to Tier 1 hypermarkets, where the majority of our chocolate sales are derived, adversely impacting the impulse-oriented chocolate category.

Performance in our focus markets of Mexico and Brazil improved and, on a constant currency basis, net sales in 2015 in these countries increased by approximately 6% and 3%, respectively, versus 2014. Constant currency net sales in India declined in 2015, primarily due to the planned discontinuance of edible oil products.

Our International and Other segment loss was $98.1 million in 2015 compared to segment income of $40.0 million in 2014. The decline was primarily attributable to lower net sales of chocolate products in China, coupled with losses at SGM as that business has also been impacted by the uncertain macroeconomic conditions in China as well as incremental integration-related costs.

2014 compared with 2013

Net sales of our International and Other segment increased $123.1 million or 13.0% in 2014 compared to 2013, reflecting volume growth of 17.0%, unfavorable net price realization of 1.7%, and an unfavorable impact from foreign currency exchange rates that reduced net sales by approximately 2.3%. The sales volume increase was primarily due to increased demand for new and existing products in China as well as $54 million of incremental sales from the newly acquired SGM business. Excluding SGM, our 2014 chocolate net sales grew 35% in China and we increased our market share to almost 10% of the chocolate category. Our 2014 sales in Mexico were unfavorably impacted by the challenging economic environment, while our Brazil performance improved sequentially as the year progressed, finishing 2014 up approximately 7% from the prior year, excluding the impact of unfavorable currency. The unfavorable price realization reflects increased trade promotions and allowances, particularly in China and Mexico where we have made additional investments to drive sales volume growth.

Our International and Other segment income decreased $4.6 million or 10.3% in 2014 compared to 2013, as the benefit from higher sales volume was more than offset by higher trade promotions and a 5.9% higher investment in advertising to support core brands and the introduction of new products in our international markets. The most significant portion of this investment was focused on our China and Mexico markets. We also increased headcount, particularly in China in support of sales growth.

Unallocated Corporate Items

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

In 2015, unallocated corporate items totaled $497.4 million compared to $503.2 million in 2014, with the reduction driven primarily by the implementation of the 2015 Productivity Initiative discussed previously.

In 2014, unallocated corporate items totaled $503.2 million compared to $535.1 million in 2013, with the reduction driven by lower incentive compensation expense as well as discretionary cost containment measures intended to mitigate the higher commodity and other input costs in 2014.

FINANCIAL CONDITION

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity include cash flows generated from operating activities, capital expenditures, acquisitions, dividends, repurchase of outstanding shares, adequacy of available commercial paper and bank lines of credit, and the ability to attract long-term capital with satisfactory terms. We generate substantial cash from operations and remain in a strong financial position, with sufficient liquidity available for capital reinvestment, payment of dividends and strategic acquisitions.

Cash Flow Summary

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

In millions of dollars	2015	2014	2013
Net cash provided by (used in):			
Operating activities	$ 1,214.5	$ 844.4	$ 1,191.4
Investing activities	(477.2)	(862.6)	(351.6)
Financing activities	(755.2)	(719.3)	(446.6)
Effect of exchange rate changes on cash and cash equivalents	(10.4)	(6.2)	(3.0)
Increase (decrease) in cash and cash equivalents	(28.3)	(743.7)	390.2

Operating activities

Our principal source of liquidity is operating cash flows. Our net income and, consequently, our cash provided by operations are impacted by sales volume, seasonal sales patterns, timing of new product introductions, profit margins and price changes. Sales are typically higher during the third and fourth quarters of the year due to seasonal and holiday-related sales patterns. Generally, working capital needs peak during the summer months. We meet these needs primarily with cash on hand, bank borrowings or the issuance of commercial paper.

Cash provided by operating activities in 2015 increased $370.0 million relative to 2014. This increase was driven by the following factors:

- Working capital (comprised of inventory, accounts receivable and accounts payable) generated cash of $22 million in 2015, while it consumed cash of $169 million in 2014. This fluctuation was mainly driven by lower inventory purchases in the 2015 period, since certain raw material inventory had been built up at the preceding year-end to take advantage of favorable pricing.
- Our hedging activities favorably impacted cash flow by $55 million in 2015 versus an unfavorable impact of $78 million in 2014, due principally to market gains and losses on our commodity futures. Our cash receipts typically increase when futures market prices are increasing.
- 2015 cash flow was favorably impacted by approximately $30 million from the timing of tax payments in 2015 compared to 2014.

Cash provided by operating activities in 2014 decreased $347.0 million as compared to 2013, primarily due to a $140 million incremental investment in working capital to support the high sales volumes, partially offset by increased net earnings in 2014. Derivative activities had a $78 million unfavorable impact on 2014 operating cash flow and $101 million favorable impact on 2013 operating cash flow.

Pension and Post-Retirement Activity. We recorded net periodic benefit costs of $66.8 million, $37.3 million and $55.0 million 2015, 2014, and 2013, respectively, relating to our benefit plans (including our defined benefit and other post retirement plans). The main drivers of fluctuations in expense from year to year are assumptions in formulating our long-term estimates, including discount rates used to value plan obligations, expected returns on plan assets, the service and interest costs, and the amortization of actuarial gains and losses. The 2015 costs also include net settlement and curtailment charges of $22.4 million, that were triggered by the 2015 Productivity Initiative.

The funded status of our qualified defined benefit pension plans is dependent upon many factors, including returns on invested assets, the level of market interest rates and the level of funding. We contribute cash to our plans at our discretion, subject to applicable regulations and minimum contribution requirements. Cash contributions to our pension and post retirement plans totaled $53.3 million, $53.1 million and $57.2 million in 2015, 2014 and 2013, respectively.

Investing activities

Our principal uses of cash for investment purposes relate to purchases of property, plant and equipment and capitalized software, purchases of short-term investments and acquisitions of businesses, partially offset by proceeds from sales of property, plant and equipment and short-term investments. We used cash of $477.2 million for investing activities in 2015 compared to $862.6 million in 2014, with the decrease driven by less business acquisition activity and proceeds from the sale of short term investments. We used cash of $351.6 million for investing activities in 2013, which was primarily driven by capital expenditures relating to the Malaysia facility and the Next Century program.

Primary investing activities include the following:

- *Capital spending*. Capital expenditures, primarily to support capacity expansion, innovation, and cost savings, were $329.7 million in 2015, $345.9 million in 2014 and $323.6 million in 2013. Our 2015 expenditures included approximately $80 million relating to the construction of a manufacturing facility in Malaysia, compared to $115 million in 2014. Capital expenditures in 2013 included $40 million relating to the Malaysia facility and $11.8 million relating to the Next Century program. Capitalized software additions were primarily related to ongoing enhancements of our information systems. We expect 2016 capital expenditures, including capitalized software, to approximate $285 million to $295 million.

- *Acquisitions*. In 2015, we spent $218.7 million to acquire Krave. In 2014, we spent $396.3 million to acquire three businesses, including $379.7 million for SGM and $26.6 million for Allan, partially offset by net cash received of $10.0 million relating to the LSFC acquisition, whereby cash acquired in the transaction exceeded the $5.6 million paid for the controlling interest. See Note 2 to the Consolidated Financial Statements for additional information regarding our recent acquisitions.

Financing activities

Our cash flow from financing activities generally relates to the use of cash for purchases of our Common Stock and payment of dividends, offset by net borrowing activity and proceeds from the exercise of stock options. We used cash of $755.2 million for financing activities in 2015 compared to $719.3 million in 2014, with the increase due mainly to higher dividend payments and repayments of long term debt and short term borrowings, offset in part by proceeds from the issuance of long term borrowings. Our cash used in 2014 exceeded our cash used for financing activities in 2013 by $272.7 million, primarily due to higher dividend payments and share repurchases.

The majority of our financing activity was attributed to the following:

- *Short-term borrowings, net.* In addition to utilizing cash on hand, we use short-term borrowings (commercial paper and bank borrowings) to fund seasonal working capital requirements and ongoing business needs. In 2015, we generated cash flow of $10.7 million from higher borrowings at certain of our international businesses. In 2014, we generated additional cash flow from the issuance of $55.0 million in commercial paper.

- *Long-term debt borrowings and repayments*. In 2015, we used $355 million to repay long-term debt, including $100.2 million to repurchase $71.6 million of our long-term debt as part of a cash tender offer. Additionally, in 2015, we issued $300 million of 1.60% Notes due in 2018 and $300 million of 3.20% Notes due in 2025. We had no repayment activity in 2014. In 2013, we repaid $250 million of 5.0% Notes due in 2013 and issued $250 million of 2.625% Notes due in 2023.

- *Share repurchases*. We repurchase shares of Common Stock to offset the dilutive impact of treasury shares issued under our equity compensation plans. The value of these share repurchases in a given period varies based on the volume of stock options exercised and our market price. In addition, we periodically repurchase shares of Common Stock pursuant to Board-authorized programs intended to drive additional stockholder value. We used cash for total share repurchases of $582.5 million in 2015, compared to $576.5 million in

2014. This includes purchases pursuant to authorized programs of $402.5 million to purchase 4.2 million shares in 2015 and $202.3 million to purchase 2.1 million shares in 2014. We had no share repurchases under these programs in 2013. As of December 31, 2015, approximately $20 million remained available under the $250 million share repurchase authorization approved by the Board in February 2015. In January 2016, our Board of Directors approved an additional $500 million share repurchase authorization, to commence after the existing 2015 authorization is completed.

- *Dividend payments*. Total dividend payments to holders of our Common Stock and Class B Common Stock were $476.1 million in 2015, $440.4 million in 2014 and $393.8 million in 2013. Dividends per share of Common Stock increased 9.6% to $2.236 per share in 2015 compared to $2.04 per share in 2014, while dividends per share of Class B Common Stock increased 10.3% in 2015.

- *Proceeds from the exercise of stock options, including tax benefits.* We received $97.6 million from employee exercises of stock options, including excess tax benefits, in 2015, as compared to $175.8 million in 2014 and $195.7 million in 2013. Variances are driven by the number of shares exercised and the share price at the date of grant.

- *Other.* In September 2015, we acquired the remaining 49% interest in Hershey do Brasil under a cooperative agreement with Pandurata Netherlands B.V. ("Bauducco") for approximately $38.3 million. Additionally, in December 2015, we paid $10.0 million in contingent consideration to the shareholders of Krave.

Liquidity and Capital Resources

At December 31, 2015, our cash and cash equivalents totaled $346.5 million. At December 31, 2014, our cash and cash equivalents totaled $374.9 million, and we held short-term investments in the form of term deposits with original maturities of one-year totaling $97.1 million. In total, our cash and short-term investment holdings at the end of 2015 declined $125.5 million compared to the 2014 year-end balance as a result of the net uses of cash outlined in the previous discussion.

Approximately half of the balance of our cash and cash equivalents at December 31, 2015 was held by subsidiaries domiciled outside of the United States. If these amounts held outside of the United States were to be repatriated, under current law they would be subject to U.S. federal income taxes, less applicable foreign tax credits. However, our intent is to permanently reinvest these funds outside of the United States. The cash that our foreign subsidiaries hold for indefinite reinvestment is expected to be used to finance foreign operations and investments. We believe we have sufficient liquidity to satisfy our cash needs, including our cash needs in the United States.

We maintain debt levels we consider prudent based on our cash flow, interest coverage ratio and percentage of debt to capital. We use debt financing to lower our overall cost of capital which increases our return on stockholders' equity. Our total debt was $2.4 billion at December 31, 2015 and $2.2 billion at December 31, 2014. Our total debt increased in 2015 mainly due to the additional debt issued mid-year to repay commercial paper that had been used to fund the Krave acquisition in the first quarter of 2015.

In October 2011, we entered into a five-year agreement establishing an unsecured revolving credit facility to borrow up to $1.1 billion, with an option to increase borrowings by an additional $400 million with the consent of the lenders. In November 2013, this agreement was amended to reduce the amount of borrowings available under the unsecured revolving credit facility to $1.0 billion, maintain the option to increase borrowings by an additional $400 million with the consent of the lenders, and extend the termination date to November 2018. As of December 31, 2015, the termination date of this agreement has been extended to November 2020. As of December 31, 2015, $1.0 billion was available to borrow under the agreement and no borrowings were outstanding. The unsecured revolving credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. We were in compliance with all covenants as of December 31, 2015. We may use these funds for general corporate purposes, including commercial paper backstop and business acquisitions.

In addition to the revolving credit facility, we maintain lines of credit in various currencies with domestic and international commercial banks. As of December 31, 2015, we had available capacity of $203.4 million under these lines of credit.

Furthermore, we have a current shelf registration statement filed with the United States Securities and Exchange Commission that allows for the issuance of an indeterminate amount of debt securities. Proceeds from the debt issuances and any other offerings under the current registration statement may be used for general corporate requirements, including reducing existing borrowings, financing capital additions, and funding contributions to our pension plans, future business acquisitions and working capital requirements.

Our ability to obtain debt financing at comparable risk-based interest rates is partly a function of our existing cash-flow-to-debt and debt-to-capitalization levels as well as our current credit standing.

We believe that our existing sources of liquidity are adequate to meet anticipated funding needs at comparable risk-based interest rates for the foreseeable future. Acquisition spending and/or share repurchases could potentially increase our debt. Operating cash flow and access to capital markets are expected to satisfy our various cash flow requirements, including acquisitions and capital expenditures.

Equity Structure

We have two classes of stock outstanding – Common Stock and Class B Common Stock (“Class B Stock”). Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors. Holders of the Common Stock have 1 vote per share. Holders of the Class B Stock have 10 votes per share. Holders of the Common Stock, voting separately as a class, are entitled to elect one-sixth of our Board. With respect to dividend rights, holders of the Common Stock are entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

Hershey Trust Company, as trustee for the benefit of Milton Hershey School, maintains voting control over The Hershey Company. In addition, Hershey Trust Company currently has three representatives who are members of the Company's Board, one of whom is the Lead Independent Director. These representatives, from time to time in performing their responsibilities on the Company’s Board, may exercise influence with regard to the ongoing business decisions of our Board or management. Hershey Trust Company, as trustee for the benefit of Milton Hershey School, in its role as controlling stockholder of the Company, has indicated it intends to retain its controlling interest in The Hershey Company and that the Company Board, and not the Hershey Trust Company board, is solely responsible and accountable for the Company’s management and performance.

Pennsylvania law requires that the Office of Attorney General be provided advance notice of any transaction that would result in Hershey Trust Company, as trustee for the benefit of Milton Hershey School, no longer having voting control of the Company. The law provides specific statutory authority for the Attorney General to intercede and petition the Court having jurisdiction over the Hershey Trust Company, as trustee for the benefit of Milton Hershey School, to stop such a transaction if the Attorney General can prove that the transaction is unnecessary for the future economic viability of the Company and is inconsistent with investment and management considerations under fiduciary obligations. This legislation makes it more difficult for a third party to acquire a majority of our outstanding voting stock and thereby may delay or prevent a change in control of the Company.

Guarantees and Other Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2015:

	Payments due by Period				
	In millions of dollars				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt	$ 2,057.0	$ 499.9	$ 300.4	$ 350.8	$ 905.9
Interest expense (1)	457.3	73.6	118.2	111.8	153.7
Lease obligations (2)	28.2	12.6	13.3	1.6	0.7
Minimum pension plan funding obligations (3)	12.1	0.8	4.7	4.4	2.2
Unconditional purchase obligations (4)	2,333.4	1,343.1	967.9	22.4	—
Total obligations	$ 4,888.0	$ 1,930.0	$ 1,404.5	$ 491.0	$ 1,062.5

(1) Includes the net interest payments on fixed and variable rate debt and associated interest rate swaps. Interest associated with variable rate debt was forecasted using the LIBOR forward curve as of December 31, 2015.

(2) Includes the minimum rental commitments under non-cancelable operating leases primarily for offices, retail stores, warehouses and distribution facilities, and certain equipment. We do not have material capital lease obligations.

(3) Represents future pension payments to comply with local funding requirements. Our policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"), federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans. For more information, see Note 9 to the Consolidated Financial Statements.

(4) Purchase obligations consist primarily of fixed commitments for the purchase of raw materials to be utilized in the normal course of business. Amounts presented included fixed price forward contracts and unpriced contracts that were valued using market prices as of December 31, 2015. The amounts presented in the table do not include items already recorded in accounts payable or accrued liabilities at year-end 2015, nor does the table reflect cash flows we are likely to incur based on our plans, but are not obligated to incur. Such amounts are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

In entering into contractual obligations, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We mitigate this risk by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. Our risk is limited to replacing the contracts at prevailing market rates. We do not expect any significant losses resulting from counterparty defaults.

Asset Retirement Obligations

We have a number of facilities that contain varying amounts of asbestos in certain locations within the facilities. Our asbestos management program is compliant with current applicable regulations, which require that we handle or dispose of asbestos in a specified manner if such facilities undergo major renovations or are demolished. Costs associated with the removal of asbestos related to the closure of a manufacturing facility under the Next Century program were recorded primarily in 2012 and included in business realignment and impairment charges. The costs associated with the removal of asbestos from the facility were not material. With regard to other facilities, we do not have sufficient information to estimate the fair value of any asset retirement obligations related to these facilities. We cannot specify the settlement date or range of potential settlement dates and, therefore, sufficient information is not available to apply an expected present value technique. We expect to maintain the facilities with repairs and maintenance activities that would not involve or require the removal of significant quantities of asbestos.

Income Tax Obligations

Liabilities for unrecognized income tax benefits are excluded from the table above as we are unable to reasonably predict the ultimate amount or timing of a settlement of these potential liabilities. See Note 7 to our Consolidated Financial Statements for more information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires management to use judgment and make estimates and assumptions. We believe that our most critical accounting policies and estimates relate to the following:

- Accrued Liabilities for Trade Promotion Activities
- Pension and Other Post-Retirement Benefits Plans
- Goodwill and Other Intangible Assets
- Commodities Futures and Options Contracts
- Income Taxes

Management has discussed the development, selection and disclosure of critical accounting policies and estimates with the Audit Committee of our Board. While we base estimates and assumptions on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. Other significant accounting policies are outlined in Note 1 to our Consolidated Financial Statements.

Accrued Liabilities for Trade Promotion Activities

We promote our products with advertising, trade promotions and consumer incentives. These programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. We expense advertising costs and other direct marketing expenses as incurred. We recognize the costs of trade promotion and consumer incentive activities as a reduction to net sales along with a corresponding accrued liability based on estimates at the time of revenue recognition. These estimates are based on our analysis of the programs offered, historical trends, expectations regarding customer and consumer participation, sales and payment trends and our experience with payment patterns associated with similar programs offered in the past.

Our trade promotional costs totaled $1,122.3 million, $1,125.5 million and $995.7 million in 2015, 2014 and 2013, respectively. The estimated costs of these programs are reasonably likely to change in the future due to changes in trends with regard to customer and consumer participation, particularly for new programs and for programs related to the introduction of new products. Differences between estimated expense and actual program performance are recognized as a change in estimate in a subsequent period and are normally not significant. Over the three-year period ended December 31, 2015, actual promotional costs have not deviated from the estimated amount for a given year by more than approximately 3%.

Pension and Other Post-Retirement Benefits Plans

We sponsor various defined benefit pension plans. The primary plans are The Hershey Company Retirement Plan and The Hershey Company Retirement Plan for Hourly Employees, which are cash balance plans that provide pension benefits for most U.S. employees hired prior to January 1, 2007. We also sponsor two primary other post-employment benefit (“OPEB”) plans, consisting of a health care plan and life insurance plan for retirees. The health care plan is contributory, with participants’ contributions adjusted annually, and the life insurance plan is non-contributory.

For accounting purposes, the defined benefit pension and OPEB plans require assumptions to estimate the projected and accumulated benefit obligations, including the following variables: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on assets; and health care cost trend rates. These and other assumptions affect the annual expense and obligations recognized for the underlying plans. Our assumptions reflect our historical experiences and management's best judgment regarding future expectations.

The net periodic benefit costs relating to our pension and OPEB plans were as follows:

For the years ended December 31,	2015	2014	2013
In millions of dollars			
Pension plans			
Service cost and amortization of prior service cost (1)	$ 27.1	$ 26.3	$ 31.8
Interest cost, expected return on plan assets and amortization of net loss	5.9	(1.9)	11.2
Curtailment and settlement loss (credit)	22.4	—	(0.4)
Net periodic pension benefit cost	$ 55.4	$ 24.4	$ 42.6
OPEB plans			
Net periodic other post-retirement benefit cost	$ 11.5	$ 12.9	$ 12.4

(1) We believe that the service cost and amortization of prior service cost components of net periodic pension benefit cost reflect the ongoing operating cost of our pension plans, particularly since our most significant plans were closed to most new entrants after 2007.

Actuarial gains and losses may arise when actual experience differs from assumed experience or when we revise the actuarial assumptions used to value the plans' obligations. We only amortize the unrecognized net actuarial gains and losses in excess of 10% of a respective plan's projected benefit obligation, or the fair market value of assets, if greater. The estimated recognized net actuarial loss component of net periodic pension benefit expense for 2016 is $35.2 million. The 2015 recognized net actuarial loss component of net periodic pension benefit expense was $30.5 million.

The weighted-average assumptions for our pension and OPEB plans were as follows:

	2015	2014	2013
Pension plans			
Expense discount rate	3.7%	4.5%	3.7%
Benefit obligation discount rate	4.0%	3.7%	4.5%
Expected return on plan assets	6.3%	7.0%	7.8%
Expected rate of salary increases	4.1%	4.0%	4.0%
OPEB plans			
Expense discount rate	3.7%	4.5%	3.7%
Benefit obligation discount rate	4.0%	3.7%	4.5%

To determine the expected return on our pension plan assets, we consider the current asset allocations, as well as historical and expected returns on the categories of plan assets. The historical average return over the 28 years prior to December 31, 2015 was approximately 8.3%. The actual return on assets was (2.3%), 8.4% and 16.7% for the years ended December 31, 2015, 2014 and 2013, respectively. Our investment policies specify target allocation percentages for each asset class. The current estimated asset return is based upon the following targeted asset allocation for our domestic pension plans as of December 31, 2015:

Asset Class	Target Asset Allocation
Equity securities	50%
Debt securities	49%
Cash	1%

Sensitivity of Assumptions

Since pension and OPEB liabilities are measured on a discounted basis, the discount rate impacts our plan obligations and expenses. The discount rate used for our pension and OPEB plans is based on a yield curve constructed from a portfolio of high-quality bonds for which the timing and amount of cash flows approximate the estimated payouts of the plans. A 100 basis point decline in the weighted average pension discount rate would increase net periodic pension benefit expense by approximately $4.7 million. A decrease in the OPEB discount rate by 100 basis points would decrease annual OPEB expense by approximately $0.5 million. For the OPEB plans, a decrease in the discount rate assumption would result in a decrease in benefit cost because of the lower interest cost, which would more than offset the impact of the lower discount rate assumption on the post-retirement benefit obligation.

The expected return on plan assets assumption impacts our defined benefit expense, since certain of our defined benefit pension plans are partially funded. For 2016, we reduced the expected rate of return assumption to 6.1% from the 6.3% assumption used in 2015, to reflect lower expected long-term returns due to slowing growth in developed and emerging markets. The process for setting the expected rates of return is described in Note 9 to the Consolidated Financial Statements. A 100 basis point decrease or increase in the rate of return for pension assets would correspondingly increase or decrease annual net periodic pension benefit expense by approximately $11.0 million.

For year-end 2015, we adopted the Society of Actuaries updated RP-2014 mortality tables with MP-2015 generational projection scales; however, adoption of these tables did not have a significant impact on our pension obligations or net period benefit cost since our primary plans are cash balance plans and most participants take lump-sum settlements upon retirement.

Funding

We fund domestic pension liabilities in accordance with the limits imposed by ERISA, federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans. The annual minimum cash funding requirements for our plans are not material. However, we made contributions of $32.9 million in 2015 and $29.4 million in 2014, including $22.9 million in 2015 and $22.0 million in 2014 to maintain the funded status of our domestic plans as well as contributions to pay benefits under our non-qualified pension plans in both years. These contributions were fully tax deductible. We expect to make additional contributions of approximately $18.5 million to our domestic plans in 2016.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment tests are conducted at the beginning of the fourth quarter.

We use a two-step process to quantitatively evaluate goodwill for impairment. In the first step, we compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference. We test individual indefinite-lived intangible assets by comparing the estimated fair value with the book values of each asset.

We determine the fair value of our reporting units and indefinite-lived intangible assets using an income approach. Under the income approach, we calculate the fair value of our reporting units and indefinite-lived intangible assets based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate the future cash flows used to measure fair value. Our estimates of future cash flows consider past performance, current and anticipated market conditions and internal projections and operating plans which incorporate estimates for sales growth and profitability, and cash flows associated with taxes and capital spending. Additional assumptions include forecasted growth rates, estimated discount rates, which may be risk-adjusted for the operating market of the reporting unit, and estimated royalty rates that would be charged for comparable branded licenses. We believe such assumptions also reflect current and anticipated market conditions and are consistent with those that would be used by other marketplace participants for

similar valuation purposes. Such assumptions are subject to change due to changing economic and competitive conditions.

We also have intangible assets, consisting primarily of certain trademarks, customer-related intangible assets and patents obtained through business acquisitions, that are expected to have determinable useful lives. The costs of finite-lived intangible assets are amortized to expense over their estimated lives. Our estimates of the useful lives of finite-lived intangible assets consider judgments regarding the future effects of obsolescence, demand, competition and other economic factors. We conduct impairment tests when events or changes in circumstances indicate that the carrying value of these finite-lived assets may not be recoverable. Undiscounted cash flow analyses are used to determine if an impairment exists. If an impairment is determined to exist, the loss is calculated based on the estimated fair value of the assets.

As discussed in Note 2, based on the declining performance levels and the results of our post-acquisition assessment, we determined that an interim impairment test of the SGM reporting unit was required by U.S. generally accepted accounting principles. We performed the first step of this test as of July 5, 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test indicated that the fair value of the reporting unit was less than the carrying amount as of the measurement date, suggesting that a goodwill impairment was probable, which required us to perform a second step analysis to confirm that an impairment existed and to determine the amount of the impairment based on our reassessed value of the reporting unit. Although preliminary, as a result of this reassessment, in the second quarter of 2015 we recorded an estimated $249.8 million non-cash goodwill impairment charge, representing a write-down of all of the goodwill related to the SGM reporting unit as of July 5, 2015. During the third quarter, we increased the value of acquired goodwill by $16.6 million, with the corresponding offset principally represented by the establishment of additional opening balance sheet liabilities for additional commitments and contingencies that were identified through our post-acquisition assessment. We also finalized the impairment test of the goodwill relating to the SGM reporting unit, which resulted in a write-off of this additional goodwill in the third quarter, for a total impairment of $266.4 million. We also tested the other long-lived assets of SGM for recoverability by comparing the sum of the undiscounted cash flows to the carrying value of the asset group, and no impairment was indicated.

In connection with the SGM acquisition, we assigned approximately $15 million of goodwill to our existing China chocolate business, as this reporting unit was expected to benefit from acquisition synergies relating to the sale of Golden Monkey-branded product through its Tier 1 and hypermarket distributor networks. As the net sales and earnings of our China business continued to be adversely impacted by macroeconomic challenges and changing consumer shopping behavior through the third quarter, we determined that an interim impairment test of the goodwill in this reporting unit was also required. We performed the first step of this test in the third quarter of 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test suggested that a goodwill impairment was probable, and the conclusions of the second step analysis resulted in a write-down of $14.4 million, representing the full value of goodwill attributed to this reporting unit as of October 4, 2015. We also tested the other long-lived assets of the China asset group for recoverability by comparing the sum of the undiscounted cash flows to the carrying value of the asset group, and no impairment was indicated.

At December 31, 2015, after considering the impairments noted above, the remaining net book value of our goodwill totaled $684.3 million and related to seven reporting units. As it relates to our annual testing performed at the beginning of the fourth quarter, no additional goodwill impairment was indicated, and the percentage of excess fair value over carrying value was at least 50% for each of our tested reporting units, with the exception of our Krave reporting unit, which includes goodwill of $147.1 million. This reporting unit comprises a recently acquired business whose estimated fair value approximates its carrying value.

During our 2014 annual testing, the fair value of our India reporting unit approximated its carrying value. As a result and given the sensitivity of the India impairment analysis to changes in the underlying assumptions, we performed a step two analysis which indicated a goodwill impairment of $11.4 million. In addition, our 2014 annual test of indefinite-lived intangible assets resulted in a $4.5 million pre-tax write-down of a trademark, also associated with the India business. Also in 2014, in connection with the anticipated sale of our Mauna Loa business (as discussed in Note 2 to the Consolidated Financial Statements), during the third and fourth quarters of 2014, we recorded estimated impairment charges totaling $18.5 million to write-down goodwill and an indefinite-lived trademark intangible asset, based on the valuation of these assets as implied by the agreed-upon sales price.

Commodities Futures and Options Contracts

As discussed in Note 1 and Note 5 to the Consolidated Financial Statements, we use derivative financial instruments to manage a number of our market risks. Specifically, we use commodities futures and options contracts, in combination with forward purchasing of cocoa products and other commodities, to manage our commodity price risk, which represents a significant market risk exposure for us.

We have historically applied hedge accounting to our commodity derivative instruments. In order to qualify for hedge accounting, a specified level of hedging effectiveness between the derivative instrument and the item being hedged must exist at inception and throughout the hedged period. We must formally document the nature of and relationship between the derivative and the hedged item, as well as our risk management objectives, strategies for undertaking the hedge transaction and method of assessing hedge effectiveness. We must also maintain certain operational processes and controls that support the conduct of our commodities hedging program. Additionally, since these are typically hedges of forecasted transactions, the significant characteristics and expected terms of the forecasted transactions must be specifically identified, and it must be probable that the forecasted transactions will occur. If it is no longer probable that a hedged forecasted transaction will occur, we would recognize the gain or loss related to the derivative in earnings.

Because we generally have designated these commodity future and option contracts as derivative instruments in cash flow hedging relationships, our mark-to-market gains (losses) were deferred to accumulated other comprehensive income ("AOCI"). The amounts deferred and reclassified from AOCI were as follows:

For the years ended December 31,	2015	2014	2013
In millions of dollars			
Net gains (losses) deferred to AOCI for commodity cash flow hedging derivatives	$ 84.4	$ (11.2)	$ 84.7
Gains (losses) reclassified from AOCI to earnings	40.6	68.5	(8.4)
Hedge ineffectiveness gains recognized in income, before tax	1.0	2.5	3.2

As discussed in Item 9A. Controls and Procedures, our cocoa commodity derivatives did not qualify for hedge accounting treatment as of the beginning of the third quarter of 2015. Therefore, changes in the fair value of cocoa commodity derivatives for the third and fourth quarters of 2015 were recorded as incurred within cost of sales in the income statement.

Effective January 1, 2016, we are no longer electing to designate any of our existing or new cocoa or other commodity derivatives for hedge accounting treatment. Additionally, we have revised our definition of segment income and redefined non-GAAP income and earnings per share measures to exclude gains and losses on commodity derivatives until the related inventory is sold. This change to our definition of segment income and non-GAAP income and non-GAAP earnings per share will continue to reflect the derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income as well as non-GAAP income and non-GAAP earnings per share.

Income Taxes

We base our deferred income taxes, accrued income taxes and provision for income taxes upon income, statutory tax rates, the legal structure of our Company, interpretation of tax laws and tax planning opportunities available to us in the various jurisdictions in which we operate. We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. We are regularly audited by federal, state and foreign tax authorities, but a number of years may elapse before an uncertain tax position, for which we have unrecognized tax benefits, is audited and finally resolved. From time to time, these audits result in assessments of additional tax. We maintain reserves for such assessments.

We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly, we recognize the amount of tax benefit that has a greater than 50% likelihood of being ultimately realized upon settlement. Future changes in judgments and estimates related to the expected ultimate resolution of uncertain tax positions will affect income in the quarter of such change. While it is often difficult to predict the final

outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most likely outcome. Accrued interest and penalties related to unrecognized tax benefits are included in income tax expense. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances, such as receiving audit assessments or clearing of an item for which a reserve has been established. Settlement of any particular position could require the use of cash. Favorable resolution would be recognized as a reduction to our effective income tax rate in the period of resolution.

We believe it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets, net of valuation allowances. Our valuation allowances are primarily related to U.S. capital loss carryforwards and various foreign jurisdictions' net operating loss carryforwards and other deferred tax assets for which we do not expect to realize a benefit.

Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We use certain derivative instruments to manage our interest rate, foreign currency exchange rate, and commodity price risks. We monitor and manage these exposures as part of our overall risk management program.

We enter into interest rate swap agreements and foreign currency forward exchange contracts and options for periods consistent with related underlying exposures. We enter into commodities futures and options contracts and other derivative instruments for varying periods. These commodity derivative instruments are intended to be, and are effective as, economic hedges of market price risks associated with anticipated raw material purchases, energy requirements and transportation costs. We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features.

In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We mitigate this risk by entering into exchange-traded contracts with collateral posting requirements and/or by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. We do not expect any significant losses from counterparty defaults.

Refer to Note 1 and Note 5 to the Consolidated Financial Statements for further discussion of these derivative instruments and our hedging policies.

Interest Rate Risk

In order to manage interest rate exposure, we periodically enter into interest rate swap agreements. We are currently using forward starting interest rate swap agreements to reduce interest volatility associated with certain anticipated debt issues and fixed-to-floating interest rate swaps to achieve a desired proportion of variable versus fixed rate debt, based on current and projected market conditions. The notional amount, interest payment and maturity date of these swaps generally match the principal, interest payment and maturity date of the related debt, and the swaps are valued using observable benchmark rates.

The total notional amount of interest rate swaps outstanding at December 31, 2015 and 2014 was $850 million and $1.2 billion, respectively. The notional amount at December 31, 2015, includes $350 million of fixed-to-floating interest rate swaps which convert a comparable amount of fixed-rate debt to variable rate debt. A hypothetical 100 basis point increase in interest rates applied to this now variable rate debt as of December 31, 2015 would have increased interest expense by approximately $3.6 million for the full year 2015 and $4.6 million for the full year 2014.

We consider our current risk related to market fluctuations in interest rates on our remaining debt portfolio, excluding fixed-rate debt converted to variable with fixed-to-floating instruments, to be minimal since this debt is largely long-term and fixed-rate in nature. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A 100 basis point increase in market interest rates would decrease the fair value of our fixed-rate long-term debt at December 31, 2015 and December 31, 2014 by approximately $76 million and $57 million, respectively. However, since we currently have no plans to repurchase our outstanding fixed-rate instruments before their maturities, the impact of market interest rate fluctuations on our long-term debt does not affect our results of operations or financial position.

Foreign Currency Exchange Rate Risk

We are exposed to currency fluctuations related to manufacturing or selling products in currencies other than the U.S. dollar. We may enter into foreign currency forward exchange contracts and options to reduce fluctuations in our long or short currency positions relating primarily to purchase commitments or forecasted purchases for equipment, raw materials and finished goods denominated in foreign currencies. We also may hedge payment of forecasted intercompany transactions with our subsidiaries outside of the United States. We generally hedge foreign currency price risks for periods from 3 to 24 months.

A summary of foreign currency forward exchange contracts and the corresponding amounts at contracted forward rates is as follows:

December 31,	2015		2014	
	Contract Amount	Primary Currencies	Contract Amount	Primary Currencies
In millions of dollars				
Foreign currency forward exchange contracts to purchase foreign currencies	$ 19.8	Euros	$ 21.9	Euros
Foreign currency forward exchange contracts to sell foreign currencies	$ 11.9	Brazilian reals Japanese yen	$ 48.8	Canadian dollars Brazilian reals Japanese yen

The fair value of foreign currency forward exchange contracts represents the difference between the contracted and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign currency forward exchange contracts on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences. At December 31, 2015 and 2014, the net fair value of these instruments was a liability of $0.1 million and an asset of $1.5 million, respectively. Assuming an unfavorable 10% change in year-end foreign currency exchange rates, the fair value of these instruments would have declined by $3.2 million and $7.0 million, respectively.

Commodities—Price Risk Management and Futures Contracts

Our most significant raw material requirements include cocoa products, sugar, dairy products, peanuts and almonds. The cost of cocoa products and prices for related futures contracts and costs for certain other raw materials historically have been subject to wide fluctuations attributable to a variety of factors. These factors include:

- Commodity market fluctuations;
- Foreign currency exchange rates;
- Imbalances between supply and demand;
- The effect of weather on crop yield;
- Speculative influences;
- Trade agreements among producing and consuming nations;
- Supplier compliance with commitments;
- Political unrest in producing countries; and
- Changes in governmental agricultural programs and energy policies.

We use futures and options contracts and other commodity derivative instruments in combination with forward purchasing of cocoa products, sugar, corn sweeteners, natural gas and certain dairy products primarily to reduce the risk of future price increases and provide visibility to future costs. Currently, active futures contracts are not available for use in pricing our other major raw material requirements, primarily peanuts and almonds. We attempt to minimize the effect of future price fluctuations related to the purchase of raw materials by using forward purchasing to cover future manufacturing requirements generally for 3 to 24 months. However, the dairy futures markets are not as developed as many of the other commodities futures markets and, therefore, it is difficult to hedge our costs for dairy products by entering into futures contracts or other derivative instruments to extend coverage for long periods of time.

We use diesel swap futures contracts to minimize price fluctuations associated with our transportation costs. Our commodity procurement practices are intended to reduce the risk of future price increases and provide visibility to future costs, but also may potentially limit our ability to benefit from possible price decreases. Our costs for major raw materials will not necessarily reflect market price fluctuations primarily because of our forward purchasing and hedging practices.

During 2015, average cocoa futures contract prices increased compared with 2014 and traded in a range between $1.28 and $1.53 per pound, based on the Intercontinental Exchange futures contract. Cocoa production was higher in 2015 and global demand was slightly higher, which produced a small surplus in cocoa supplies over the past year. Despite the small increase in global cocoa inventories, prices remained elevated in response to concerns over the future balance of global cocoa supply and demand.

The table below shows annual average cocoa futures prices and the highest and lowest monthly averages for each of the calendar years indicated. The prices reflect the monthly averages of the quotations at noon of the three active futures trading contracts closest to maturity on the Intercontinental Exchange.

	Cocoa Futures Contract Prices (dollars per pound)				
	2015	**2014**	**2013**	**2012**	**2011**
Annual Average	$ 1.40	$ 1.36	$ 1.09	$ 1.07	$ 1.34
High	1.53	1.45	1.26	1.17	1.55
Low	1.28	1.25	0.97	1.00	0.99

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

Our costs for cocoa products will not necessarily reflect market price fluctuations because of our forward purchasing and hedging practices, premiums and discounts reflective of varying delivery times, and supply and demand for our specific varieties and grades of cocoa liquor, cocoa butter and cocoa powder. As a result, the average futures contract prices are not necessarily indicative of our average costs.

During 2015, prices for fluid dairy milk ranged from a low of $0.15 per pound to a high of $0.18 per pound, on a class II fluid milk basis. Dairy prices were lower than 2014, driven by increased production and larger inventories globally.

The price of sugar is subject to price supports under U.S. farm legislation. Such legislation establishes import quotas and duties to support the price of sugar. As a result, sugar prices paid by users in the United States are currently higher than prices on the world sugar market. In 2015, as part of an anti-dumping case against Mexican sugar producers, the U.S. Government determined that Mexico was dumping sugar into the U.S. market. As a result of the case, the U.S. and Mexican governments signed a suspension agreement which will limit sugar exports from Mexico to the U.S. and cause U.S. sugar prices to trade $0.03 to $0.05 per pound higher than prior to the case. U.S. refined sugar prices traded in a range from $0.36 to $0.40 per pound during 2015.

Peanut prices in the U.S. began the year around $0.52 per pound and closed the year at $0.46 per pound. Peanut supply is ample to support U.S. demand heading into 2016. Almond prices began the year at $4.34 per pound and decreased to $4.04 per pound during 2015. The fourth consecutive year of drought in California had a negative impact on yields, with the 2015 crop estimated to be approximately 5% lower than 2014.

We make or receive cash transfers to or from commodity futures brokers on a daily basis reflecting changes in the value of futures contracts on the Intercontinental Exchange or various other exchanges. These changes in value represent unrealized gains and losses. The cash transfers offset higher or lower cash requirements for the payment of future invoice prices of raw materials, energy requirements and transportation costs.

Commodity Sensitivity Analysis

Our open commodity derivative contracts had a notional value of $374.8 million as of December 31, 2015 and $347.5 million as of December 31, 2014. At the end of 2015, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses in 2015 by $37.5 million, generally offset by a reduction in the cost of the underlying commodity purchases.

Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

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RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Hershey Company is responsible for the financial statements and other financial information contained in this report. We believe that the financial statements have been prepared in conformity with U.S. generally accepted accounting principles appropriate under the circumstances to reflect in all material respects the substance of applicable events and transactions. In preparing the financial statements, it is necessary that management make informed estimates and judgments. The other financial information in this annual report is consistent with the financial statements.

We maintain a system of internal accounting controls designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. The concept of reasonable assurance is based on the recognition that the cost of the system must be related to the benefits to be derived. We believe our system provides an appropriate balance in this regard. We maintain an Internal Audit Department which reviews the adequacy and tests the application of internal accounting controls.

The 2015, 2014 and 2013 financial statements have been audited by KPMG LLP, an independent registered public accounting firm. KPMG LLP's report on our financial statements and internal controls over financial reporting is included on page 48.

The Audit Committee of the Board of Directors of the Company, consisting solely of independent, non-management directors, meets regularly with the independent auditors, internal auditors and management to discuss, among other things, the audit scope and results. KPMG LLP and the internal auditors both have full and free access to the Audit Committee, with and without the presence of management.

/s/ JOHN P. BILBREY	/s/ PATRICIA A. LITTLE
John P. Bilbrey ***Chief Executive Officer*** ***(Principal Executive Officer)***	**Patricia A. Little** ***Chief Financial Officer*** ***(Principal Financial Officer)***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
The Hershey Company:

We have audited the accompanying consolidated balance sheets of The Hershey Company and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows and stockholders’ equity for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited the related consolidated financial statement schedule. We also have audited the Company’s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)”). The Company’s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness existed as of December 31, 2015 related to the Company’s accounting for cocoa derivative financial instruments. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 consolidated financial statements, and this material weakness does not affect our opinion included below on those financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hershey Company and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Also in our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, The Hershey Company and subsidiaries has not maintained effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We do not express an opinion or any other form of assurance on management's statements referring to actions taken after December 31, 2015, relative to the aforementioned material weakness in internal control over financial reporting.

/s/ KPMG LLP
New York, New York
February 26, 2016

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

For the years ended December 31,	2015	2014	2013
Net sales	$ 7,386,626	$ 7,421,768	$ 7,146,079
Costs and expenses:			
Cost of sales	4,003,951	4,085,602	3,865,231
Selling, marketing and administrative	1,969,308	1,898,284	1,924,132
Goodwill and other intangible asset impairment charges	280,802	15,900	—
Business realignment charges	94,806	29,721	18,665
Total costs and expenses	6,348,867	6,029,507	5,808,028
Operating profit	1,037,759	1,392,261	1,338,051
Interest expense, net	105,773	83,532	88,356
Other (income) expense, net	30,139	2,686	(1,624)
Income before income taxes	901,847	1,306,043	1,251,319
Provision for income taxes	388,896	459,131	430,849
Net income	$ 512,951	$ 846,912	$ 820,470
Net income per share—basic:			
Common stock	$ 2.40	$ 3.91	$ 3.76
Class B common stock	$ 2.19	$ 3.54	$ 3.39
Net income per share—diluted:			
Common stock	$ 2.32	$ 3.77	$ 3.61
Class B common stock	$ 2.19	$ 3.52	$ 3.37
Dividends paid per share:			
Common stock	$ 2.236	$ 2.040	$ 1.81
Class B common stock	$ 2.032	$ 1.842	$ 1.63

See Notes to Consolidated Financial Statements.

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

For the years ended December 31,	2015	2014	2013
Net income	$ 512,951	$ 846,912	$ 820,470
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(59,707)	(26,851)	(26,003)
Pension and post-retirement benefit plans	30,002	(85,016)	166,403
Cash flow hedges:			
Gains (losses) on cash flow hedging derivatives	38,319	(37,077)	72,334
Reclassification adjustments	(23,218)	(43,062)	5,775
Total other comprehensive (loss) income, net of tax	(14,604)	(192,006)	218,509
Total comprehensive income	$ 498,347	$ 654,906	$ 1,038,979
Comprehensive loss attributable to noncontrolling interests	2,152	—	—
Comprehensive income attributable to The Hershey Company	$ 500,499	$ 654,906	$ 1,038,979

See Notes to Consolidated Financial Statements.

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

December 31,	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 346,529	$ 374,854
Short-term investments	—	97,131
Accounts receivable—trade, net	599,073	596,940
Inventories	750,970	801,036
Deferred income taxes	—	100,515
Prepaid expenses and other	152,026	276,571
Total current assets	1,848,598	2,247,047
Property, plant and equipment, net	2,240,460	2,151,901
Goodwill	684,252	792,955
Other intangibles	379,305	294,841
Other assets	155,366	136,126
Deferred income taxes	36,390	—
Total assets	$ 5,344,371	$ 5,622,870
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 474,266	$ 482,017
Accrued liabilities	856,967	813,513
Accrued income taxes	23,243	4,616
Short-term debt	363,513	384,696
Current portion of long-term debt	499,923	250,805
Total current liabilities	2,217,912	1,935,647
Long-term debt	1,557,091	1,542,317
Other long-term liabilities	468,718	526,003
Deferred income taxes	53,188	99,373
Total liabilities	4,296,909	4,103,340
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2015 and 2014	—	—
Common stock, shares issued: 299,281,967 in 2015 and 299,281,967 in 2014	299,281	299,281
Class B common stock, shares issued: 60,619,777 in 2015 and 60,619,777 in 2014	60,620	60,620
Additional paid-in capital	783,877	754,186
Retained earnings	5,897,603	5,860,784
Treasury—common stock shares, at cost: 143,124,384 in 2015 and 138,856,786 in 2014	(5,672,359)	(5,161,236)
Accumulated other comprehensive loss	(371,025)	(358,573)
The Hershey Company stockholders' equity	997,997	1,455,062
Noncontrolling interests in subsidiaries	49,465	64,468

Total stockholders’ equity	1,047,462	1,519,530
Total liabilities and stockholders’ equity	$ 5,344,371	$ 5,622,870

See Notes to Consolidated Financial Statements.

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

For the years ended December 31,	2015	2014	2013
Operating Activities			
Net income	$ 512,951	$ 846,912	$ 820,470
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	244,928	211,532	201,033
Stock-based compensation expense	51,533	54,068	53,967
Excess tax benefits from stock-based compensation	(24,839)	(53,497)	(48,396)
Deferred income taxes	(38,537)	18,796	7,457
Non-cash business realignment and impairment charges	283,469	39,988	—
Contributions to pension and other benefits plans	(53,273)	(53,110)	(57,213)
Loss on early extinguishment of debt	28,326	—	—
Write-down of equity investments	39,489	—	—
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable—trade, net	(24,440)	(67,464)	(16,529)
Inventories	52,049	(88,497)	(26,279)
Accounts payable and accrued liabilities	(1,017)	(13,847)	102,411
Other assets and liabilities	143,817	(50,504)	154,478
Net cash provided by operating activities	1,214,456	844,377	1,191,399
Investing Activities			
Capital additions	(329,707)	(345,947)	(323,551)
Capitalized software additions	(27,103)	(24,842)	(27,360)
Proceeds from sales of property, plant and equipment	1,205	1,612	15,331
Proceeds from sale of business	32,408	—	—
Loan to affiliate	—	—	(16,000)
Equity investments in tax credit qualifying partnerships	(30,720)	—	—
Business acquisitions, net of cash and cash equivalents acquired	(218,654)	(396,265)	—
Sale (purchase) of short-term investments	95,316	(97,131)	—
Net cash used in investing activities	(477,255)	(862,573)	(351,580)
Financing Activities			
Net increase in short-term debt	10,720	117,515	54,351
Long-term borrowings	599,031	3,051	250,595
Repayment of long-term debt	(355,446)	(1,442)	(250,761)
Cash dividends paid	(476,132)	(440,414)	(393,801)
Exercise of stock options	72,719	122,306	147,255
Excess tax benefits from stock-based compensation	24,839	53,497	48,396
Contributions from noncontrolling interest	—	2,940	2,940
Payment of contingent consideration	(10,000)	—	—
Purchase of noncontrolling interest	(38,270)	—	—
Repurchase of common stock	(582,623)	(576,755)	(305,564)
Net cash used in financing activities	(755,162)	(719,302)	(446,589)
Effect of exchange rate changes on cash and cash equivalents	(10,364)	(6,156)	(2,994)
(Decrease) increase in cash and cash equivalents	(28,325)	(743,654)	390,236
Cash and cash equivalents, beginning of period	374,854	1,118,508	728,272
Cash and cash equivalents, end of period	$ 346,529	$ 374,854	$ 1,118,508
Supplemental Disclosure			
Interest paid (excluding loss on early extinguishment of debt in 2015)	$ 88,448	$ 87,801	$ 92,551
Income taxes paid	368,926	384,318	373,902

See Notes to Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY
(in thousands)

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Stockholders’ Equity
Balance, January 1, 2013	$ —	$299,272	$ 60,629	$ 592,975	$5,027,617	$(4,558,668)	$ (385,076)	$ 11,624	$ 1,048,373
Net income					820,470				820,470
Other comprehensive income							218,509		218,509
Dividends:									
Common stock, $1.81 per share					(294,979)				(294,979)
Class B common stock, $1.63 per share					(98,822)				(98,822)
Conversion of Class B common stock into common stock		9	(9)						—
Stock-based compensation				52,465					52,465
Exercise of stock options and incentive-based transactions				19,504		156,502			176,006
Repurchase of common stock						(305,564)			(305,564)
Earnings of and contributions from noncontrolling interests, net								(406)	(406)
Balance, December 31, 2013	—	299,281	60,620	664,944	5,454,286	(4,707,730)	(166,567)	11,218	1,616,052
Net income					846,912				846,912
Other comprehensive income							(192,006)		(192,006)
Dividends:									
Common stock, $2.04 per share					(328,752)				(328,752)
Class B common stock, $1.842 per share					(111,662)				(111,662)
Stock-based compensation				52,870					52,870
Exercise of stock options and incentive-based transactions				36,372		123,249			159,621
Repurchase of common stock						(576,755)			(576,755)
Acquisition of Lotte Shanghai Food Company								49,724	49,724
Earnings of and contributions from noncontrolling interests, net								3,526	3,526
Balance, December 31, 2014	—	299,281	60,620	754,186	5,860,784	(5,161,236)	(358,573)	64,468	1,519,530
Net income					512,951				512,951
Other comprehensive loss							(12,452)	(2,152)	(14,604)
Dividends:									
Common stock, $2.236 per share					(352,953)				(352,953)
Class B common stock, $2.032 per share					(123,179)				(123,179)
Stock-based compensation				50,722					50,722
Exercise of stock options and incentive-based transactions				8,204		71,500			79,704
Repurchase of common stock						(582,623)			(582,623)
Impact of reclassification to and purchase of redeemable noncontrolling interest				(29,235)				(13,428)	(42,663)
Earnings of noncontrolling interests								577	577
Balance, December 31, 2015	$ —	$299,281	$ 60,620	$ 783,877	$5,897,603	$(5,672,359)	$ (371,025)	$ 49,465	$ 1,047,462

See Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Hershey Company together with its wholly-owned subsidiaries and entities in which it has a controlling interest,(the “Company,” “Hershey,” “we” or “us”) is a global confectionery leader known for its branded portfolio of chocolate, sweets, mints and other great-tasting snacks. The Company has more than 80 brands worldwide including such iconic brand names as *Hershey’s*, *Reese’s*, *Hershey’s Kisses*, *Jolly Rancher* and *Ice Breakers*, which are marketed, sold and distributed in approximately 70 countries worldwide. Hershey is focused on growing its presence in key international markets while continuing to build its competitive advantage in North America. The Company currently operates through two reportable segments that are aligned with its management structure and the key markets it serves: North America and International and Other. For additional information on our segment presentation, see Note 11.

Basis of Presentation

Our consolidated financial statements include the accounts of The Hershey Company and its majority-owned or controlled subsidiaries. Intercompany transactions and balances have been eliminated. We have a controlling financial interest if we own a majority of the outstanding voting common stock and minority shareholders do not have substantive participating rights, we have significant control through contractual or economic interests in which we are the primary beneficiary or we have the power to direct the activities that most significantly impact the entity's economic performance. Net income (loss) attributable to noncontrolling interests is not significant and is recorded within selling, marketing and administrative expense in the Consolidated Statements of Income. See Note 12 for additional information on our noncontrolling interests. We use the equity method of accounting when we have a 20% to 50% interest in other companies and exercise significant influence. Additionally, in 2015 we began making investments in partnership entities which make equity investments in projects eligible to receive federal historic and energy tax credits which are accounted for using the equity method. See Note 7 for additional information on our equity investments in partnership entities qualifying for tax credits. We held no equity investments at December 31, 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Our significant estimates and assumptions include, among others, pension and other post-retirement benefit plan assumptions, valuation assumptions of goodwill and other intangible assets, useful lives of long-lived assets, marketing and trade promotion accruals and income taxes. These estimates and assumptions are based on management’s best judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and the effects of any revisions are reflected in the consolidated financial statements in the period that they are determined. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Revenue Recognition

We record sales when all of the following criteria have been met:

- A valid customer order with a fixed price has been received;
- The product has been delivered to the customer;
- There is no further significant obligation to assist in the resale of the product; and
- Collectability is reasonably assured.

Net sales include revenue from the sale of finished goods and royalty income, net of allowances for trade promotions, consumer coupon programs and other sales incentives, and allowances and discounts associated with aged or potentially unsaleable products. Trade promotions and sales incentives primarily include reduced price features,

merchandising displays, sales growth incentives, new item allowances and cooperative advertising. Sales, use, value-added and other excise taxes are not recognized in revenue.

In 2015, 2014 and 2013, approximately 26%, 25% and 26%, respectively, of our consolidated net sales were made to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers and the primary distributor of our products to Wal-Mart Stores, Inc.

Cost of Sales

Cost of sales represents costs directly related to the manufacture and distribution of our products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, warehousing and the depreciation of manufacturing, warehousing and distribution facilities. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes.

Selling, Marketing and Administrative Expense

Selling, marketing and administrative expense ("SM&A") represents costs incurred in generating revenues and in managing our business. Such costs include advertising and other marketing expenses, selling expenses, research and development, administrative and other indirect overhead costs, amortization of capitalized software and depreciation of administrative facilities. Research and development costs, charged to expense as incurred, totaled $49,281 in 2015, $47,554 in 2014 and $47,636 in 2013. Advertising expense is also charged to expense as incurred and totaled $561,644 in 2015, $570,223 in 2014 and $582,354 in 2013. Prepaid advertising expense was $3,924 and $8,193 as of December 31, 2015 and 2014, respectively.

Cash Equivalents

Cash equivalents consist of highly liquid debt instruments, time deposits and money market funds with original maturities of three months or less. The fair value of cash and cash equivalents approximates the carrying amount.

Short-term Investments

Short-term investments consist of bank term deposits that have original maturity dates ranging from greater than three months to twelve months. Short-term investments are carried at cost, which approximates fair value.

Accounts Receivable—Trade

In the normal course of business, we extend credit to customers that satisfy pre-defined credit criteria, based upon the results of our recurring financial account reviews and our evaluation of current and projected economic conditions. Our primary concentrations of credit risk are associated with Wal-Mart Stores, Inc. and McLane Company, Inc., two customers served principally by our North America segment. As of December 31, 2015, McLane Company, Inc. accounted for approximately 19% of our total accounts receivable. Wal-Mart Stores, Inc. accounted for approximately 14% of our total accounts receivable as of December 31, 2015. No other customer accounted for more than 10% of our year-end accounts receivable. We believe that we have little concentration of credit risk associated with the remainder of our customer base. Accounts receivable-trade in the Consolidated Balance Sheets is presented net of allowances and anticipated discounts of $32,638 and $15,885 at December 31, 2015 and 2014, respectively.

Inventories

Inventories are valued at the lower of cost or market value, adjusted for the value of inventory that is estimated to be excess, obsolete or otherwise unsaleable. As of December 31, 2015, approximately 55% of our inventories, representing the majority of our U.S. inventories, were valued under the last-in, first-out ("LIFO") method. The remainder of our inventories in the U.S. and inventories for our international businesses are valued at the lower of first-in, first-out ("FIFO") cost or market. LIFO cost of inventories valued using the LIFO method was $410,865 as of December 31, 2015 and $430,094 as of December 31, 2014. The adjustment to LIFO, as shown in Note 15, approximates the excess of replacement cost over the stated LIFO inventory value. The net impact of LIFO acquisitions and liquidations was not material to 2015, 2014 or 2013.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, as follows: 3 to 15 years for machinery and equipment; and 25 to 40 years for buildings and related improvements. Maintenance and repairs are expensed as incurred. We capitalize applicable interest charges incurred during the construction of new facilities and production lines and amortize these costs over the assets' estimated useful lives.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated. If these assets are considered to be impaired, we measure impairment as the amount by which the carrying amount of the assets exceeds the fair value of the assets. We report assets held for sale or disposal at the lower of the carrying amount or fair value less cost to sell.

We assess asset retirement obligations on a periodic basis and recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. We capitalize associated asset retirement costs as part of the carrying amount of the long-lived asset.

Computer Software

We capitalize costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and it is probable the software being developed will be completed and placed in service. Capitalized costs include only (i) external direct costs of materials and services consumed in developing or obtaining internal-use software, (ii) payroll and other related costs for employees who are directly associated with and who devote time to the internal-use software project and (iii) interest costs incurred, when material, while developing internal-use software. We cease capitalization of such costs no later than the point at which the project is substantially complete and ready for its intended purpose.

The unamortized amount of capitalized software totaled $68,004 and $63,252 at December 31, 2015 and 2014, respectively. We amortize software costs using the straight-line method over the expected life of the software, generally 3 to 5 years. Accumulated amortization of capitalized software was $304,057 and $300,698 as of December 31, 2015 and 2014, respectively. Such amounts are recorded within other assets in the Consolidated Balance Sheets.

We review the carrying value of software and development costs for impairment in accordance with our policy pertaining to the impairment of long-lived assets. Generally, we measure impairment under the following circumstances:

- When internal-use computer software is not expected to provide substantive service potential;
- When a significant change occurs in the extent or manner in which the software is used or is expected to be used;
- When a significant change is made or will be made to the software program; and
- When the costs of developing or modifying internal-use computer software significantly exceed the amount originally expected to develop or modify the software.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment tests are conducted at the beginning of the fourth quarter. We use a two-step process to quantitatively evaluate goodwill for impairment. In the first step, we compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting

implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference. We test individual indefinite-lived intangible assets by comparing the estimated fair value with the book values of each asset.

We determine the fair value of our reporting units and indefinite-lived intangible assets using an income approach. Under the income approach, we calculate the fair value of our reporting units and indefinite-lived intangible assets based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate the future cash flows used to measure fair value. Our estimates of future cash flows consider past performance, current and anticipated market conditions and internal projections and operating plans which incorporate estimates for sales growth and profitability, and cash flows associated with taxes and capital spending. Additional assumptions include forecasted growth rates, estimated discount rates, which may be risk-adjusted for the operating market of the reporting unit, and estimated royalty rates that would be charged for comparable branded licenses. We believe such assumptions also reflect current and anticipated market conditions and are consistent with those that would be used by other marketplace participants for similar valuation purposes. Such assumptions are subject to change due to changing economic and competitive conditions. See Note 3 for additional information regarding the results of impairment tests.

The cost of intangible assets with finite useful lives is amortized on a straight-line basis. Our finite-lived intangible assets consist primarily of certain trademarks, customer-related intangible assets and patents obtained through business acquisitions, which are amortized over estimated useful lives of approximately 25 years, 15 years, and 5 years, respectively. When certain events or changes in operating conditions indicate that the carrying value of these assets may not be recoverable, we perform an impairment assessment and may adjust the remaining useful lives.

Currency Translation

The financial statements of our foreign entities with functional currencies other than the U.S. dollar are translated into U.S. dollars, with the resulting translation adjustments recorded as a component of other comprehensive income (loss). Assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, while income and expense items are translated using the average exchange rates during the period.

Derivative Instruments

We use derivative instruments principally to offset exposure to market risks arising from changes in commodity prices, foreign currency exchange rates and interest rates. See Note 5 for additional information on our risk management strategy and the types of instruments we use.

Derivative instruments are recognized on the balance sheet at their fair values. When we become party to a derivative instrument and intend to apply hedge accounting, we designate the instrument for financial reporting purposes as a cash flow or fair value hedge. The accounting for changes in fair value (gains or losses) of a derivative instrument depends on whether we had designated it and it qualified as part of a hedging relationship, as noted below:

- Changes in the fair value of a derivative that is designated as a cash flow hedge are recorded in accumulated other comprehensive income (“AOCI”) to the extent effective and reclassified into earnings in the same period or periods during which the transaction hedged by that derivative also affects earnings.
- Changes in the fair value of a derivative that is designated as a fair value hedge, along with the offsetting loss or gain on the hedged asset or liability that is attributable to the risk being hedged, are recorded in earnings, thereby reflecting in earnings the net extent to which the hedge is not effective in achieving offsetting changes in fair value.
- Changes in the fair value of a derivative not designated as a hedging instrument are recognized in earnings in cost of sales or SM&A, consistent with the related exposure.

For derivatives designated as hedges, we assess, both at the hedge's inception and on an ongoing basis, whether they are highly effective in offsetting changes in fair values or cash flows of hedged items. The ineffective portion, if any, is recorded directly in earnings. In addition, if we determine that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively.

We do not hold or issue derivative instruments for trading or speculative purposes and are not a party to any instruments with leverage or prepayment features.

Cash flows related to the derivative instruments we use to manage interest, commodity or other currency exposures are classified as operating activities.

Other (Income) Expense, net

In the second quarter of 2015, we began presenting a new non-operating "other (income) expense, net" classification to report certain gains and losses associated with activities not directly related to our core operations. For the years ended December 31, 2014 and 2013, we reclassified from selling, marketing and administrative expenses to other (income) expense, net total net expense of $2,686 and income of $1,624, respectively, to conform to the current year presentation. After considering these reclassifications, amounts reflected in other (income) expense, net include the following:

	Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Gain on sale of non-core trademark	$ (9,950)	$ —	$ —
Write-down of equity investments in partnerships qualifying for historic tax credits (see Note 7)	39,489	—	—
Foreign currency exchange loss relating to strategy to cap Shanghai Golden Monkey acquisition price as denominated in U.S. dollars	—	6,722	—
Gain on acquisition of controlling interest in Lotte Shanghai Food Company	—	(4,628)	—
Other losses (gains), net	600	592	(1,624)
Total	$ 30,139	$ 2,686	$ (1,624)

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation. Specifically, this includes amounts presented in our “other (income) expense, net” caption included in our Consolidated Statements of Income and the “effect of exchange rate changes on cash and cash equivalents” included in our Consolidated Statements of Cash Flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard was originally effective for us on January 1, 2017; however, in July 2015 the FASB decided to defer the effective date by one year. Early application is not permitted, but reporting entities may choose to adopt the standard as of the original effective date. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU No. 2014-09 will have on our consolidated financial statements and related disclosures, our transition date and transition method.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015, with early adoption permitted. Management elected to early adopt this new guidance effective for the year ended December 31, 2015, and has applied changes retrospectively to all periods presented. Adoption of this ASU did not materially impact our consolidated financial statements or related disclosures.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740)*. This ASU simplifies the presentation of deferred income taxes by requiring that deferred tax assets and liabilities be classified as non-current in a classified statement of financial position. This ASU is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods, with early adoption permitted. Management elected to early adopt this

new guidance effect for the year ended December 31, 2015 on a prospective basis. Prior period balances have not been adjusted.

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

2. BUSINESS ACQUISITIONS AND DIVESTITURES

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

2015 Acquisition

KRAVE Pure Foods

In March 2015, we completed the acquisition of all of the outstanding shares of KRAVE Pure Foods, Inc. (“Krave”), manufacturer of KRAVE jerky, a leading all-natural snack brand of premium jerky products. The transaction was undertaken to allow Hershey to tap into the rapidly growing meat snacks category and further expand into the broader snacks space. Krave is headquartered in Sonoma, California and generated 2014 annual sales of approximately $35 million.

Total purchase consideration included cash consideration of $220,016, as well as agreement to pay additional cash consideration of up to $20,000 to the Krave shareholders if certain defined targets related to net sales and gross profit margin are met or exceeded during the twelve-month periods ending December 31, 2015 or March 31, 2016. The fair value of the contingent cash consideration was appropriately classified as a liability of $16,800 as of the acquisition date. Based on revised targets in a subsequent agreement with the Krave shareholders, the fair value was reduced over the second and third quarters of 2015 to $10,000, with the adjustment to fair value recorded within selling, marketing and administrative expenses. The remaining $10,000 was paid in December 2015.

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

Goodwill	$	147,089
Trademarks		112,000
Other intangible assets		17,000
Other assets, primarily current assets, net of cash acquired totaling $1,362		9,465
Current liabilities		(2,756)
Non-current deferred tax liabilities		(47,344)
Net assets acquired	$	235,454

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill resulting from the acquisition is attributable primarily to the value of leveraging our brand building expertise, consumer insights, supply chain capabilities and retail relationships to accelerate growth and access to KRAVE products. The recorded goodwill is not expected to be deductible for tax purposes. The purchase price allocation for Krave was concluded in the third quarter of 2015.

Acquired trademarks were assigned estimated useful lives of 22 years, while other intangibles, including customer relationships and covenants not to compete, were assigned estimated useful lives ranging from 5 to 16 years.

2014 Acquisitions

Shanghai Golden Monkey

On September 26, 2014 (the "Initial Acquisition"), our wholly-owned subsidiary, Hershey Netherlands B.V., completed the acquisition of 80% of the total outstanding shares of Shanghai Golden Monkey Food Joint Stock Co., Ltd. ("SGM"), a privately held confectionery company based in Shanghai, China operating through six production facilities located in China. The Golden Monkey product line is primarily sold in China's traditional trade channels. The business complements our position in China, and was undertaken to enable us to take advantage of SGM's distribution and manufacturing capabilities to expand sales of our Hershey products in the China marketplace. Our consolidated net sales for the year ended December 31, 2014 included approximately $54 million generated by SGM since the date of acquisition.

The Initial Acquisition was funded by cash consideration of $394,470, subject to working capital and net debt adjustments. At December 31, 2014, we had recorded a receivable of $37,860, reflecting our current best estimate of the amount due from the selling SGM shareholders for the working capital and net debt adjustments. Such amount is reflected within prepaid expenses and other in the Consolidated Balance Sheet.

As part of the transaction, Hershey Netherlands B.V. contractually agreed to purchase the remaining 20% of the outstanding shares of SGM on the one-year anniversary of the Initial Acquisition, subject to the parties obtaining government and regulatory approvals and satisfaction of other closing conditions. At December 31, 2014, we had recorded a liability of $100,067, reflecting the acquisition date fair value of the future payment to be made to the SGM shareholders. This liability is included within accrued liabilities in the Consolidated Balance Sheet.

The goodwill that resulted from the SGM acquisition was attributable primarily to the value of providing an established platform to leverage our brands in the China market, as well as expected synergies and other benefits from the combined brand portfolios. The recorded goodwill is not deductible for tax purposes. Acquired distribution channel relationships and trademarks were assigned estimated useful lives of 16 years and 22 years, respectively.

During the first quarter of 2015, we came to an agreement with the selling SGM shareholders to revise the aforementioned receivable and liability balances to reflect partial settlement of the receivable. As a result, in the first quarter, the receivable was adjusted to $8,685 and the liability was adjusted to $76,815. Additionally, during the first quarter of 2015, goodwill was increased by $6,623 to recognize revisions to the estimated value of assets and liabilities acquired in the acquisition. During the second quarter, based on our ongoing procedures to assess the quality of acquired trade accounts receivable, we recorded an additional adjustment to increase goodwill by $25,898 to reflect bad debt allowance for an additional amount of trade receivables considered to be uncollectible as of the acquisition date.

During the third quarter of 2015, we continued our procedures to assess the quality of acquired trade accounts receivable. We also undertook procedures to further evaluate and quantify outstanding pre-acquisition trade promotion commitments to distributors, as well as allowances for returns and discounts related to excess and unsalable inventory held at distributors and sales branches as of the acquisition date. In addition, we concluded on our procedures to estimate the value of pre-acquisition indirect tax contingencies. As a result of these procedures, during the third quarter, we increased the value of acquired goodwill by $16,599, with the corresponding offset principally represented by the establishment of additional opening balance sheet liabilities for the aforementioned commitments and contingencies.

Based on all of the information obtained through the procedures noted previously, we updated our estimates of the acquisition-date fair values of the net assets acquired as of September 26, 2015, the conclusion of the one-year measurement period. Subsequent revisions to the valuation of acquired net assets have been reflected in current results. A roll-forward of the estimated acquisition-date fair values at December 31, 2014 to the final acquisition-date fair values as of September 26, 2015, the conclusion of the one-year measurement period, is as follows:

	Acquisition date purchase price allocation*		
In millions of dollars	**At 12/31/14**	**Adjustments**	**At 9/26/15**
Accounts receivable - trade	$ 46	$ (26)	$ 20
Inventories	42	(1)	41
Other current assets	37	6	43
Property, plant and equipment	112	2	114
Goodwill	235	49	284
Other intangible assets	145	—	145
Other non-current assets	35	(3)	32
Current liabilities assumed	(54)	(20)	(74)
Short-term debt assumed	(105)	—	(105)
Other non-current liabilities assumed, principally deferred taxes	(52)	(2)	(54)
Net assets acquired	$ 441		$ 446

* Note that the final opening balance sheet value of goodwill presented in the schedule above differs from total write-off of $280.8 million due to changes in foreign currency exchange rates since the date of acquisition.

In the fourth quarter of 2015, we entered into a new agreement with the selling SGM shareholders to reduce the originally-agreed purchase price for the remaining 20% of SGM to approximately $36 million. We completed the purchase on February 3, 2016. We are directing our efforts currently on developing an integration plan that is focused on the optimal structure for top-line growth.

Goodwill impairment - SGM reporting unit

As discussed in the second quarter of 2015, since its initial acquisition in 2014, the SGM business has performed below expectations, with net sales and earnings levels well below pre-acquisition levels. In addition, as part of our ongoing integration process, we continued to assess the quality of SGM's accounts receivable and existing distributor networks. Based on the declining performance levels and the results of our assessment to date, we determined that an interim impairment test of the SGM reporting unit was required by U.S. generally accepted accounting principles. We performed the first step of this test as of July 5, 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test indicated that the fair value of the reporting unit was less than the carrying amount as of the measurement date, suggesting that a goodwill impairment was probable, which required us to perform a second step analysis to confirm that an impairment exists and to determine the amount of the impairment based on our reassessed value of the reporting unit. Although preliminary, as a result of this reassessment, in the second quarter of 2015 we recorded an estimated $249,811 non-cash goodwill impairment charge, representing a write-down of all of the goodwill related to the SGM reporting unit as of July 5, 2015.

As noted above, during the third quarter, we increased the value of acquired goodwill by $16,599, with the corresponding offset principally represented by the establishment of additional opening balance sheet liabilities for the aforementioned commitments and contingencies. We also finalized the impairment test of the goodwill relating to the SGM reporting unit, which resulted in a write-off of this additional goodwill in the third quarter, for a total impairment of $266,409. We also tested the other long-lived assets of SGM for recoverability by comparing the sum of the undiscounted cash flows to the carrying value of the asset group, and no impairment was indicated.

Goodwill impairment - China chocolate reporting unit

In connection with the SGM acquisition, we assigned approximately $15 million of goodwill to our existing China chocolate business, as this reporting unit was expected to benefit from acquisition synergies relating to the sale of Golden Monkey-branded product through its Tier 1 and hypermarket distributor networks. As the net sales and earnings of our China business continued to be adversely impacted by macroeconomic challenges and changing consumer shopping behavior through the third quarter, we determined that an interim impairment test of the goodwill in this reporting unit was also required. We performed the first step of this test in the third quarter of 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test suggested that a goodwill impairment was probable, and the conclusions of the second step analysis resulted in a write-down of $14,393, representing the full value of goodwill attributed to this reporting unit as of October 4, 2015.

The Allan Candy Company Limited

In December 2014, our wholly-owned subsidiary, Hershey Canada Inc., completed the acquisition of all of the outstanding shares of The Allan Candy Company Limited (“Allan”) for cash consideration of approximately $27,376, subject to a working capital adjustment. Allan is headquartered in Ontario, Canada and manufactures certain non-chocolate products on behalf of Hershey, in addition to manufacturing and distributing its own branded products, principally in Canada. The preliminary purchase price allocation includes fixed assets of $10,897, goodwill of $6,996, other intangible assets of $8,092, and other net assets of $1,391. Other intangibles include customer relationships and trademarks with estimated useful lives ranging from 3 to 19 years.

During the first half of 2015, we increased goodwill by $1,820 to recognize revisions to the preliminary fair value of net assets acquired. The purchase price allocation for Allan was concluded in the second quarter of 2015.

Lotte Shanghai Food Company

In March 2014, we acquired an additional 5.9% interest in Lotte Shanghai Food Company (“LSFC”), a joint venture established in 2007 in China for the purpose of manufacturing and selling product to the venture partners. For this additional interest, we paid $5,580 in cash, increasing our ownership from 44.1% to 50%. At the same time, we also amended the LSFC shareholders' agreement resulting in our operational control over the venture. With the additional operational control, we reassessed our involvement with LSFC and concluded that we have a controlling financial interest. Therefore, we consolidated the venture as of the March 2014 acquisition date. We had previously accounted for our investment in LSFC using the equity method.

Total consideration transferred was approximately $99,161, including the $5,580 cash consideration paid, the estimated fair value of our previously held equity interest of $43,857 and the estimated fair value of the remaining noncontrolling interest in LSFC of $49,724, which fair values were determined using a market-based approach. The fair value of the LSFC assets acquired and liabilities assumed on the acquisition date was $99,449, including fixed assets of $106,253, short-term debt obligations of $13,292 and other net assets of $6,488.

We recognized a gain of approximately $4,627 in connection with this transaction, primarily related to the remeasurement of the fair value of our equity interest immediately before the business combination. The gain is included in other (income) expense, net within our Consolidated Statement of Income for the year ended December 31, 2014. Additionally, cash acquired in the transaction exceeded the $5,580 paid for the controlling interest by $10,035, resulting in a positive cash impact from the acquisition as presented in the Consolidated Statement of Cash Flows for the year ended December 31, 2014.

Pro Forma Presentation

Pro forma results of operations have not been presented for these aforementioned acquisitions, as the impact to our consolidated financial statements was not expected to be material. In 2014 and 2013, we incurred net acquisition-related costs primarily related to the SGM acquisition of $13,270 and $4,072, respectively. These costs primarily consist of third-party advisory fees and are recorded within selling, marketing and administrative costs in the Consolidated Statements of Income, with the exception of the 2014 costs reflecting net foreign currency exchange losses relating to our strategy to cap the SGM acquisition price as denominated in U.S. dollars, which are recorded within other (income) expense, net. Acquisition costs incurred in 2015 were not significant.

2015 Divestiture

In December 2014, we entered into an agreement to sell the Mauna Loa Macadamia Nut Corporation (“Mauna Loa”). The transaction closed in the first quarter of 2015, resulting in proceeds, net of selling expenses and an estimated working capital adjustment, of approximately $32,400. As a result of the expected sale, in 2014, we recorded an estimated loss on the anticipated sale of $22,256 to reflect the disposal entity at fair value, less an estimate of the selling costs. This amount included impairment charges totaling $18,531 to write down goodwill and the indefinite-lived trademark intangible asset, based on the valuation of these assets as implied by the agreed-upon sales price. The sale of Mauna Loa resulted in the recording of an additional loss on sale of $2,667 in the first quarter of 2015, based on updates to the selling expenses and tax benefits. The loss on the sale is reflected within business realignment and impairment costs in the Consolidated Statements of Income.

Mauna Loa had historically been reported within our North America segment. Its operations were not material to our annual net sales, net income or earnings per share. Amounts classified as assets and liabilities held for sale at December 31, 2014 were presented within prepaid expenses and other assets and accrued liabilities, respectively, and included the following:

Assets held for sale		
Inventories	$	21,489
Prepaid expenses and other		173
Property, plant and equipment, net		12,691
Other intangibles		12,705
	$	47,058
Liabilities held for sale		
Accounts payable and accrued liabilities	$	3,726
Other long-term liabilities		9,029
	$	12,755

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the years ended December 31, 2015 and 2014 are as follows:

	North America	International and Other	Total
Goodwill	$ 543,628	$ 103,079	$ 646,707
Accumulated impairment loss	(4,973)	(65,173)	(70,146)
Balance at January 1, 2014	538,655	37,906	576,561
Acquired during the period	6,996	235,138	242,134
Impairment	—	(11,400)	(11,400)
Transfer to assets held for sale	(1,448)	—	(1,448)
Foreign currency translation	(10,854)	(2,038)	(12,892)
Balance at December 31, 2014	533,349	259,606	792,955
Acquired during the period	147,334	—	147,334
Impairment	—	(280,802)	(280,802)
Purchase price allocation adjustments	1,575	46,203	47,778
Foreign currency translation	(20,175)	(2,838)	(23,013)
Balance at December 31, 2015	$ 662,083	$ 22,169	$ 684,252

As discussed in Note 1, we perform our annual impairment test of goodwill and other indefinite-lived intangible assets at the beginning of the fourth quarter. The $280,802 impairment charge recorded in 2015 resulted from our interim

reassessment of the valuation of the SGM business, coupled with the write-down of goodwill attributed to the China chocolate business in connection with the SGM acquisition. See Note 2 for additional information.

In 2014, the annual impairment testing of our India reporting unit resulted in a $11,400 goodwill impairment charge and a $4,500 pre-tax write-down of a trademark associated with the India business. These impairment charges were largely a result of our decision to exit the oils portion of the India business and realign our approach to regional marketing and distribution in India.

Our remaining goodwill is currently attributed to seven reporting units. For step one of our 2015 annual test, the percentage of excess fair value over carrying value was at least 50% for each of our seven tested reporting units, with the exception of our Krave reporting unit, representing a recently acquired business whose estimated fair value approximated its carrying value.

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

December 31,	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Trademarks	$ 227,511	$ (16,246)	$ 129,223	$ (7,593)
Customer-related	146,532	(26,643)	138,964	(20,404)
Patents	16,857	(12,481)	18,383	(11,447)
Other	—	—	8,805	(6,090)
Total	390,900	(55,370)	295,375	(45,534)
Intangible assets not subject to amortization:				
Trademarks	43,775		45,000	
Total other intangible assets	$ 379,305		$ 294,841	

Total amortization expense for the years ended December 31, 2015, 2014 and 2013 was $22,306, $11,328 and $10,849, respectively.

Amortization expense for the next five years, based on current intangible balances, is estimated to be as follows:

Year ending December 31,	2016	2017	2018	2019	2020
Amortization expense	$ 21,928	$ 21,546	$ 20,006	$ 19,899	$ 19,660

4. SHORT AND LONG-TERM DEBT

Short-term Debt

As a source of short-term financing, we utilize cash on hand and commercial paper or bank loans with an original maturity of three months or less. We maintain a $1.0 billion unsecured revolving credit facility, which currently expires in November 2020. The agreement also includes an option to increase borrowings by an additional $400,000 with the consent of the lenders.

The unsecured committed revolving credit agreement contains a financial covenant whereby the ratio of (a) pre-tax income from operations from the most recent four fiscal quarters to (b) consolidated interest expense for the most recent four fiscal quarters may not be less than 2.0 to 1.0 at the end of each fiscal quarter. The credit agreement also contains customary representations, warranties and events of default. Payment of outstanding advances may be accelerated, at the option of the lenders, should we default in our obligation under the credit agreement. As of December 31, 2015, we complied with all customary affirmative and negative covenants and the financial covenant

pertaining to our credit agreement. There were no significant compensating balance agreements that legally restricted these funds.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. Our credit limit in various currencies was $516,916 in 2015 and $447,629 in 2014. These lines permit us to borrow at the respective banks' prime commercial interest rates, or lower. We had short-term foreign bank loans against these lines of credit for $313,520 and $329,701 in December 31, 2015 and December 31, 2014, respectively. Commitment fees relating to our revolving credit facility and lines of credit are not material.

At December 31, 2015, we had outstanding commercial paper totaling $49,993, at a weighted average interest rate of 0.40%. At December 31, 2014, we had outstanding commercial paper totaling $54,995, at a weighted average interest rate of 0.09%.

The maximum amount of short-term borrowings outstanding during 2015 was $687,981. The weighted-average interest rate on short-term borrowings outstanding was 3.0% as of December 31, 2015 and 3.2% as of December 31, 2014.

Long-term Debt

Long-term debt consisted of the following:

December 31,	2015	2014
4.85% Notes due 2015	$ —	$ 250,000
5.45% Notes due 2016	250,000	250,000
1.50% Notes due 2016	250,000	250,000
1.60% Notes due 2018	300,000	—
4.125% Notes due 2020	350,000	350,000
8.8% Debentures due 2021	84,715	100,000
2.625% Notes due 2023	250,000	250,000
3.20% Notes due 2025	300,000	—
7.2% Debentures due 2027	193,639	250,000
Other obligations, net of debt issuance costs and unamortized debt discount	78,660	93,122
Total long-term debt	2,057,014	1,793,122
Less—current portion	499,923	250,805
Long-term portion	$ 1,557,091	$ 1,542,317

In August 2015, we repaid $250,000 of 4.85% Notes due in 2015 at maturity with commercial paper. Also in August 2015, we issued $300,000 of 1.60% Notes due in 2018 and $300,000 of 3.20% Notes due in 2025 (the "Notes"). The Notes were issued under a shelf registration statement on Form S-3 filed in June 2015 that registered an indeterminate amount of debt securities.

In August 2015, we paid $100,165 to repurchase $71,646 of our long-term debt as part of a cash tender offer, consisting of $15,285 of our 8.80% Debentures due in 2021 and $56,361 of our 7.20% Debentures due in 2027. We used a portion of the proceeds from the Notes issued in August 2015 to fund the repurchase. As a result of the repurchase, we recorded interest expense of $28,326 which represented the premium paid for the tender offer as well as the write-off of the related unamortized debt discount and debt issuance costs. Upon extinguishment of the debt, we unwound the fixed-to-floating interest rate swaps related to the tendered bonds and recognized a gain of $278 currently in interest expense resulting from the hedging instruments.

In the third and fourth quarters of 2015, we reclassified to current liabilities $250,000 in outstanding principal of our 5.45% Notes which are due in September 2016 and $250,000 in outstanding principal of our 1.50% Notes which are due in November 2016, respectively. In the third quarter of 2014, we reclassified to current liabilities $250,000 in outstanding principal amount relating to our 4.85% Notes which came due in August 2015.

Aggregate annual maturities of long-term debt are as follows for the years ending December 31:

2016	$	499,923
2017		120
2018		300,279
2019		367
2020		350,462
Thereafter		905,863

Our debt is principally unsecured and of equal priority. None of our debt is convertible into our Common Stock.

Interest Expense

Net interest expense consisted of the following:

For the years ended December 31,	2015	2014	2013
Interest expense	$ 93,520	$ 93,777	$ 93,258
Capitalized interest	(12,537)	(6,179)	(1,744)
Loss on extinguishment of debt	28,326	—	—
Interest expense	109,309	87,598	91,514
Interest income	(3,536)	(4,066)	(3,158)
Interest expense, net	$ 105,773	$ 83,532	$ 88,356

5. DERIVATIVE INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We mitigate this risk by entering into exchanged-traded contracts with collateral posting requirements and/or by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. We do not expect any significant losses from counterparty defaults.

Commodity Price Risk

We enter into commodities futures and options contracts and other commodity derivative instruments to reduce the effect of future price fluctuations associated with the purchase of raw materials, energy requirements and transportation services. We generally hedge commodity price risks for 3- to 24-month periods. Through 2015, we have designated the majority of our commodity derivative instruments as cash flow hedges under the hedge accounting requirements. We account for the effective portion of mark-to-market gains and losses on commodity derivative instruments in other comprehensive income, to be recognized in cost of sales in the same period that we record the hedged raw material requirements in cost of sales. The ineffective portion of gains and losses is recorded currently in cost of sales. Cocoa commodity derivatives did not qualify for hedge accounting treatment as of the beginning of the third quarter of 2015. Therefore, changes in the fair value of these derivatives were recorded as incurred within cost of sales for the third and fourth quarters of 2015.

Effective January 1, 2016, we are no longer electing to designate any of our existing or new cocoa or other commodity derivatives for hedge accounting treatment. Additionally, we have revised our definition of segment income and redefined non-GAAP income and earnings per share measures to exclude gains and losses on commodity derivatives until the related inventory is sold. This change to our definition of segment income and non-GAAP income and non-GAAP earnings per share will continue to reflect the derivative gains and losses with the underlying economic

exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income as well as non-GAAP income and non-GAAP earnings per share.

Foreign Exchange Price Risk

We are exposed to foreign currency exchange rate risk related to our international operations, including non-functional currency intercompany debt and other non-functional currency transactions of certain subsidiaries. Principal currencies hedged include the euro, Canadian dollar, Malaysian ringgit, Swiss franc, Chinese renminbi, Japanese yen, and Brazilian real. We typically utilize foreign currency forward exchange contracts and options to hedge these exposures for periods ranging from 3 to 24 months. The contracts are either designated as cash flow hedges or are undesignated. The net notional amount of foreign exchange contracts accounted for as cash flow hedges was $10,752 at December 31, 2015 and $22,725 at December 31, 2014. The effective portion of the changes in fair value on these contracts is recorded in other comprehensive income and reclassified into earnings in the same period in which the hedged transactions affect earnings. The net notional amount of foreign exchange contracts that are not designated as accounting hedges was $2,791 at December 31, 2015 and $4,144 at December 31, 2014. The change in fair value on these instruments is recorded directly in cost of sales or selling, marketing and administrative expense, depending on the nature of the underlying exposure.

Interest Rate Risk

In order to manage interest rate exposure, from time to time we enter into interest rate swap agreements that effectively convert variable rate debt to a fixed interest rate. These swaps are designated as cash flow hedges, with gains and losses deferred in other comprehensive income to be recognized as an adjustment to interest expense in the same period that the hedged interest payments affect earnings. The notional amount of interest rate derivative instruments in cash flow hedging relationships was $500,000 at December 31, 2015 and $750,000 at December 31, 2014.

We also manage our targeted mix of fixed and floating rate debt with debt issuances and by entering into fixed-to-floating interest rate swaps in order to mitigate fluctuations in earnings and cash flows that may result from interest rate volatility. These swaps are designated as fair value hedges, for which the gain or loss on the derivative and the offsetting loss or gain on the hedged item are recognized in current earnings as interest expense (income), net. The notional amount, interest payment and maturity date of these swaps generally match the principal, interest payment and maturity date of the related debt, and the swaps are valued using observable benchmark rates (Level 2 valuation). The notional amount of interest rate derivative instruments in fair value hedge relationships was $350,000 at December 31, 2015. We had $450,000 derivative instruments in fair value hedge relationships at December 31, 2014.

Equity Price Risk

We are exposed to market price changes in certain broad market indices related to our deferred compensation obligations to our employees. In the first quarter of 2014, we entered into equity swap contracts to hedge the portion of the exposure that is linked to market-level equity returns. These contracts are not designated as hedges for accounting purposes and are entered into for periods of 3 to 12 months. The change in fair value of these derivatives is recorded in selling, marketing and administrative expense, together with the change in the related liabilities. The notional amount of the contracts outstanding at December 31, 2015 was $22,230.

Fair Value

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

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

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

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

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

The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheet on a recurring basis as of December 31, 2015 and 2014:

December 31,	2015		2014	
	Assets (1)	Liabilities (1)	Assets (1)	Liabilities (1)
Derivatives designated as cash flow hedging instruments:				
Commodities futures and options (2)	$ —	$ 479	$ —	$ 9,944
Foreign exchange contracts (3)	367	475	2,196	2,447
Interest rate swap agreements (4)	—	40,299	—	29,505
Cross-currency swap agreement (5)	—	—	2,016	—
	367	41,253	4,212	41,896
Derivatives designated as fair value hedging instruments:				
Interest rate swap agreements (4)	4,313	—	1,746	—
Derivatives not designated as hedging instruments:				
Commodities futures and options (2)	—	1,574	—	—
Deferred compensation derivatives (6)	1,198	—	1,074	—
Foreign exchange contracts (3)	69	—	4,049	2,334
	1,267	1,574	5,123	2,334
Total	$ 5,947	$ 42,827	$ 11,081	$ 44,230

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

(2) The fair value of commodities futures and options contracts is based on quoted market prices and is, therefore, categorized as Level 1 within the fair value hierarchy. As of December 31, 2015, liabilities include the net of assets of $54,090 and liabilities of $54,860 associated with cash transfers receivable or payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. The comparable amounts reflected on a net basis in liabilities at December 31, 2014 were assets of $51,225 and liabilities of $56,840. At December 31, 2015, the remaining amount reflected in liabilities related to the fair value of other non-exchange traded derivative instruments. At December 31, 2014, the amount reflected in assets related to the fair value of options contracts.

(3) The fair value of foreign currency forward exchange contracts is the difference between the contract and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign currency forward exchange contracts on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences. These contracts are classified as Level 2 within the fair value hierarchy.

(4) The fair value of interest rate swap agreements represents the difference in the present value of cash flows calculated at the contracted interest rates and at current market interest rates at the end of the period. We calculate the fair value of interest rate swap agreements quarterly based on the quoted market price for the same or similar financial instruments. Such contracts are categorized as Level 2 within the fair value hierarchy.

(5) The fair value of the cross-currency swap agreement is categorized as Level 2 within the fair value hierarchy and is estimated based on the difference between the contract and current market foreign currency exchange rates at the end of the period.

(6) The fair value of deferred compensation derivatives is based on quoted prices for market interest rates and a broad market equity index and is, therefore, categorized as Level 2 within the fair value hierarchy.

Other Financial Instruments

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and short-term debt approximated fair value as of December 31, 2015 and December 31, 2014 because of the relatively short maturity of these instruments.

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

	Fair Value		Carrying Value	
At December 31,	**2015**	**2014**	**2015**	**2014**
Current portion of long-term debt	$ 509,580	$ 257,280	$ 499,923	$ 250,805
Long-term debt	1,668,379	1,715,662	1,557,091	1,542,317
Total	$ 2,177,959	$ 1,972,942	$ 2,057,014	$ 1,793,122

Other Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, U.S. GAAP requires that, under certain circumstances, we also record assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. As discussed in Note 2, we conducted an interim impairment test on the goodwill generated by the SGM acquisition, which resulted in impairment charges totaling $280,802. In 2014, as discussed in Note 3, in connection with our annual impairment testing of goodwill and indefinite-lived intangible assets, we recorded impairment charges totaling $15,900 relating to our India business. These charges were determined by comparing the fair value of the assets to their carrying value. The fair value of the assets was derived using discounted cash flow analyses based on Level 3 inputs.

As discussed in Note 2, in connection with the planned Mauna Loa divestiture, we classified the net assets as held for sale as of December 31, 2014, resulting in a write down of $18,531 based upon the agreed-upon sales price and related transaction costs. The loss was calculated based on Level 3 inputs and included in 2014 earnings.

Income Statement Impact of Derivative Instruments

The effect of derivative instruments on the Consolidated Statements of Income for the years ended December 31, 2015 and December 31, 2014 was as follows:

	Non-designated Hedges		Cash Flow Hedges					
	Gains (losses) recognized in income (a)		Gains (losses) recognized in other comprehensive income ("OCI") (effective portion)		Gains (losses) reclassified from accumulated OCI into income (effective portion) (b)		Gains recognized in income (ineffective portion) (c)	
	2015	2014	2015	2014	2015	2014	2015	2014
Commodities futures and options	$ (2,777)	$ 2,339	$ 84,382	$ (11,165)	$ 40,600	$ 68,500	$ 987	$ 2,498
Foreign exchange contracts	487	(1,486)	(155)	2,056	956	3,403	—	—
Interest rate swap agreements	—	—	(22,388)	(52,249)	(4,922)	(4,500)	—	—
Deferred compensation derivatives	173	2,983	—	—	—	—	—	—
Total	$ (2,117)	$ 3,836	$ 61,839	$ (61,358)	$ 36,634	$ 67,403	$ 987	$ 2,498

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

(b) Gains (losses) reclassified from AOCI into income were included in cost of sales for commodities futures and options contracts and for foreign currency forward exchange contracts designated as hedges of purchases of inventory or other productive assets. Other gains (losses) for foreign currency forward exchange contracts were included in selling, marketing and administrative expenses. For the year ended December 31, 2014, this included $3,801 relating to unrealized gains on foreign currency forward exchange contracts that were reclassified from AOCI to selling, marketing and administrative expenses as a result of the discontinuance of cash flow hedge accounting because it was determined to be probable that the original forecasted transactions would not occur within the time period originally designated or the subsequent two months thereafter. Losses reclassified from AOCI into income for interest rate swap agreements were included in interest expense.

(c) Gains representing hedge ineffectiveness were included in cost of sales for commodities futures and options contracts.

The amount of net gains on derivative instruments, including interest rate swap agreements, foreign currency forward exchange contracts and options, commodities futures and options contracts, and other commodity derivative instruments expected to be reclassified into earnings in the next 12 months was approximately $15,005 after tax as of December 31, 2015. This amount was primarily associated with commodities futures contracts.

Fair Value Hedges

For the years ended December 31, 2015 and 2014, we recognized a net pretax benefit to interest expense of $6,905 and $938 relating to our fixed-to-floating interest swap arrangements.

6. COMPREHENSIVE INCOME

A summary of the components of comprehensive income is as follows:

For the year ended December 31, 2015	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$ 512,951
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ (59,707)	$ —	(59,707)
Pension and post-retirement benefit plans (a)	46,910	(16,908)	30,002
Cash flow hedges:			
Gains on cash flow hedging derivatives	61,839	(23,520)	38,319
Reclassification adjustments (b)	(36,634)	13,416	(23,218)
Total other comprehensive income (loss)	$ 12,408	$ (27,012)	(14,604)
Total comprehensive income			$ 498,347
Comprehensive loss attributable to noncontrolling interests			2,152
Comprehensive income attributable to The Hershey Company			$ 500,499

For the year ended December 31, 2014	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$ 846,912
Other comprehensive loss:			
Foreign currency translation adjustments	$ (26,851)	$ —	(26,851)
Pension and post-retirement benefit plans (a)	(135,361)	50,345	(85,016)
Cash flow hedges:			
Losses on cash flow hedging derivatives	(61,358)	24,281	(37,077)
Reclassification adjustments (b)	(67,403)	24,341	(43,062)
Total other comprehensive loss	$ (290,973)	$ 98,967	(192,006)
Total comprehensive income			$ 654,906

For the year ended December 31, 2013	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$ 820,470
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ (26,003)	$ —	(26,003)
Pension and post-retirement benefit plans (a)	265,015	(98,612)	166,403
Cash flow hedges:			
Gains on cash flow hedging derivatives	116,329	(43,995)	72,334
Reclassification adjustments (b)	9,365	(3,590)	5,775
Total other comprehensive income	$ 364,706	$ (146,197)	218,509
Total comprehensive income			$ 1,038,979

(a) These amounts are included in the computation of net periodic benefit costs. For more information, see Note 9.
(b) For information on the presentation of reclassification adjustments for cash flow hedges on the Consolidated Statements of Income, see Note 5.

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

December 31,	2015	2014
Foreign currency translation adjustments	$ (101,236)	$ (43,681)
Pension and post-retirement benefit plans, net of tax	(254,648)	(284,650)
Cash flow hedges, net of tax	(15,141)	(30,242)
Total accumulated other comprehensive loss	$ (371,025)	$ (358,573)

7. INCOME TAXES

Our income (loss) before income taxes was as follows:

For the years ended December 31,	2015	2014	2013
Domestic	$ 1,357,618	$ 1,320,738	$ 1,252,208
Foreign	(455,771)	(14,695)	(889)
Income before income taxes	$ 901,847	$ 1,306,043	$ 1,251,319

Our provision for income taxes was as follows:

For the years ended December 31,	2015	2014	2013
Current:			
Federal	$ 409,060	$ 385,642	$ 372,649
State	47,978	52,331	47,980
Foreign	(29,605)	2,362	2,763
Current provision for income taxes	427,433	440,335	423,392
Deferred:			
Federal	(31,153)	20,649	11,334
State	(2,346)	2,725	2,212
Foreign	(5,038)	(4,578)	(6,089)
Deferred income tax provision	(38,537)	18,796	7,457
Total provision for income taxes	$ 388,896	$ 459,131	$ 430,849

The decrease in the federal deferred tax provision in 2015 was primarily due to higher deferred tax assets associated with reserves and inventory in 2015 compared with 2014.

The income tax benefit associated with stock-based compensation of $24,839 and $53,497 for the years ended December 31, 2015 and 2014, respectively, reduced accrued income taxes on the Consolidated Balance Sheets. We credited additional paid-in capital to reflect these excess income tax benefits.

Deferred taxes reflect temporary differences between the tax basis and financial statement carrying value of assets and liabilities. The significant temporary differences that comprised the deferred tax assets and liabilities were as follows:

December 31,	2015	2014
Deferred tax assets:		
Post-retirement benefit obligations	$ 95,763	$ 109,973
Accrued expenses and other reserves	163,908	139,492
Stock-based compensation	46,665	46,061
Derivative instruments	8,858	19,171
Pension	28,940	24,584
Lease financing obligation	18,947	18,991
Accrued trade promotion reserves	36,501	41,332
Net operating loss carryforwards	99,155	50,044
Capital loss carryforwards	44,546	43,155
Other	14,444	3,208
Gross deferred tax assets	557,727	496,011
Valuation allowance	(207,055)	(147,223)
Total deferred tax assets	350,672	348,788
Deferred tax liabilities:		
Property, plant and equipment, net	218,729	221,389
Acquired intangibles	120,420	85,037
Inventories	20,063	32,157
Other	8,258	9,063
Total deferred tax liabilities	367,470	347,646
Net deferred tax (liabilities) assets	$ (16,798)	$ 1,142
Included in:		
Current deferred tax assets, net	$ —	$ 100,515
Non-current deferred tax assets, net	36,390	—
Non-current deferred tax liabilities, net	(53,188)	(99,373)
Net deferred tax (liabilities) assets	$ (16,798)	$ 1,142

We believe that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets. Changes in deferred tax assets for net operating loss carryforwards resulted primarily from current year losses in foreign jurisdictions. Changes in deferred tax liabilities for acquired intangibles resulted from book intangibles related to the Krave acquisition in 2015. Additional information on income tax benefits and expenses related to components of accumulated other comprehensive loss is provided in Note 6.

The valuation allowances as of December 31, 2015 and 2014 are primarily related to U.S. capital loss carryforwards and various foreign jurisdictions' net operating loss carryforwards and other deferred tax assets that we do not expect to realize.

The following table reconciles the federal statutory income tax rate with our effective income tax rate:

For the years ended December 31,	2015	2014	2013
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	4.2	3.0	2.8
Qualified production income deduction	(4.4)	(2.4)	(2.6)
Business realignment and impairment charges and gain on sale of trademark licensing rights	10.8	0.7	0.1
International operations	2.2	(0.1)	(0.4)
Historic and solar tax credits	(3.3)	—	—
Other, net	(1.4)	(1.0)	(0.5)
Effective income tax rate	43.1 %	35.2 %	34.4 %

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

December 31,	2015	2014
Balance at beginning of year	$ 32,230	$ 103,963
Additions for tax positions taken during prior years	1,122	—
Reductions for tax positions taken during prior years	(2,112)	(71,643)
Additions for tax positions taken during the current year	6,623	8,403
Settlements	(702)	(4,643)
Expiration of statutes of limitations	(3,750)	(3,850)
Balance at end of year	$ 33,411	$ 32,230

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $25,947 as of December 31, 2015 and $23,502 as of December 31, 2014.

We report accrued interest and penalties related to unrecognized tax benefits in income tax expense. We recognized a net tax expense of $1,153 in 2015, a net tax benefit of $9,082 in 2014 and a net tax expense of $5,901 in 2013 for interest and penalties. Accrued net interest and penalties were $3,791 as of December 31, 2015 and $2,638 as of December 31, 2014.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which we have unrecognized tax benefits, is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most likely outcome. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash. Favorable resolution would be recognized as a reduction to our effective income tax rate in the period of resolution.

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state), Canada, China and Mexico. U.S., Canadian, Chinese and Mexican federal audit issues typically involve the timing of deductions and transfer pricing adjustments. During the first quarter of 2013, the U.S. Internal Revenue Service (“IRS”) commenced its audit of our U.S. income tax returns for 2009 through 2011. The audit was concluded in the second quarter of 2014. Tax examinations by various state taxing authorities could be conducted for years beginning in 2012.

We are no longer subject to Canadian federal income tax examinations by the Canada Revenue Agency (“CRA”) for years before 2007. The CRA commenced its audit of our Canadian income tax returns for 2010 through 2012 in the second quarter of 2014. During the fourth quarter of 2013, the CRA concluded its audit for 2007 through 2009 and issued a letter to us indicating proposed adjustments primarily associated with business realignment charges and transfer pricing. During the third quarter of 2014, the CRA withdrew the proposed adjustments related to business

realignment charges and transfer pricing of inventory, and we paid a $2,212 assessment related to other cross-border adjustments. During the fourth quarter of 2014, the CRA concluded its audit for 2010 through 2012 and issued a letter to us indicating proposed transfer pricing adjustments. We provided notice to the U.S. Competent Authority and the CRA provided notice to the Canada Competent Authority of the likely need for their assistance to resolve the adjustments. Accordingly, as of December 31, 2015, we recorded a non-current receivable of approximately $1,428 associated with the anticipated resolution of the adjustments by the Competent Authority of each country.

We are no longer subject to Chinese federal income tax examinations by the China State Administration of Taxation ("China SAT") for years before 2010. We are no longer subject to Mexican federal income tax examinations by the Servicio de Administracion Tributaria (“Mexico SAT”) for years before 2010. We work with the IRS, the CRA, the China SAT and the Mexico SAT to resolve proposed audit adjustments and to minimize the amount of adjustments. We do not anticipate that any potential tax adjustments will have a significant impact on our financial position or results of operations.

We reasonably expect reductions in the liability for unrecognized tax benefits of approximately $8,649 within the next 12 months because of the expiration of statutes of limitations and settlements of tax audits.

As of December 31, 2015, we had approximately $239,099 of undistributed earnings of our international subsidiaries. We intend to continue to reinvest earnings outside the United States for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings.

Investments in Partnerships Qualifying for Tax Credits

In the second quarter of 2015, the Company began making investments in partnership entities which make equity investments in projects eligible to receive federal historic and energy tax credits. The investments are accounted for under the equity method and reported within other assets in our Consolidated Balance Sheets. The tax credits, when realized, are recognized as a reduction of tax expense, at which time the corresponding equity investment is written-down to reflect the remaining value of the future benefits to be realized. For the year ended December 31, 2015, we recognized investment tax credits and related outside basis difference benefit totaling $43,437, and we wrote-down the equity investment by $39,489 to reflect the realization of these benefits. The equity investment write-down is reflected within other (income) expense, net in the Consolidated Statements of Income.

8. BUSINESS REALIGNMENT ACTIVITIES

Expenses recorded for business realignment activities during 2015, 2014 and 2013 were as follows:

For the years ended December 31,	2015	2014	2013
Cost of sales:			
Other international restructuring programs	$ 8,801	$ —	$ —
Next Century program	—	1,622	402
Total cost of sales	8,801	1,622	402
Selling, marketing and administrative:			
2015 productivity initiative	13,614	—	—
Other international restructuring programs	3,754	2,947	18
Total selling, marketing and administrative	17,368	2,947	18
Business realignment charges:			
2015 productivity initiative	92,139	—	—
Next Century program - plant closure expenses	—	7,465	16,387
Divestiture of Mauna Loa (see Note 2)	2,667	22,256	—
India voluntary retirement program	—	—	2,278
Total business realignment charges	94,806	29,721	18,665
Total charges associated with business realignment activities	$ 120,975	$ 34,290	$ 19,085

On June 19, 2015, we announced a new productivity initiative (the "2015 Productivity Initiative") intended to move decision making closer to the customer and the consumer, to enable a more enterprise-wide approach to innovation, to more swiftly advance our knowledge agenda, and to provide for a more efficient cost structure, while ensuring that we effectively allocate resources to future growth areas. Overall, the 2015 Productivity Initiative is intended to simplify the organizational structure to enhance the Company's ability to rapidly anticipate and respond to the changing demands of the global consumer.

The 2015 Productivity Initiative was executed throughout the third and fourth quarters, resulting in a net reduction of approximately 300 positions, with the majority of the departures taking place by the end of 2015. For the year ended December 31, 2015, we incurred charges totaling $105,753, representing employee severance and related separation benefits as well as incremental third-party costs related to the design and implementation of the new organizational structure. This also includes a pension settlement cost of $10,178 relating to lump sum withdrawals by employees retiring or leaving the Company as a result of this program.

Total pre-tax charges and costs for this program are expected to be approximately $120 million, the majority of which are cash. This excludes the impact of the 2015 pension settlement costs and any additional pension settlement costs that could be triggered by additional lump sum withdrawals in 2016. The remaining costs for the 2015 Initiative are expected to be incurred within the first three quarters of 2016.

Other 2015 charges for business realignment activities relate principally to accelerated depreciation and amortization and employee severance costs for a couple of programs commenced in 2014 to rationalize certain non-U.S. manufacturing and distribution activities and to establish our own sales and distribution teams in Brazil in connection with our exit from the Bauducco joint venture.

The 2014 and 2013 charges shown above relate primarily to the demolition of the Company's former manufacturing facility, representing the final phase of the Project Next Century program. This was program was substantially complete as of December 31, 2014.

Segment operating results do not include business realignment and related charges because we evaluate segment performance excluding such charges.

The following table summarizes our business realignment activity for the year ended December 31, 2015:

	Employee related costs	Other exit costs	Other implementation costs	Total
Liability balance at December 31, 2014	$ 79	$ —	$ —	$ 79
2015 business realignment charges	81,961	—	6,785	88,746
Cash payments	(65,336)	—	(6,785)	(72,121)
Other, net	(394)	—	—	(394)
Liability balance at December 31, 2015	$ 16,310	$ —	$ —	$ 16,310

The charges reflected in the liability roll-forward above do not include items charged directly to expense, such as accelerated depreciation and amortization and the loss on the Mauna Loa divestiture and certain of the administrative charges associated with the 2015 Initiative, as those items are not reflected in the business realignment liability in our Consolidated Balance Sheets.

9. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

We sponsor a number of defined benefit pension plans. The primary plans are The Hershey Company Retirement Plan and The Hershey Company Retirement Plan for Hourly Employees. These are cash balance plans that provide pension benefits for most domestic employees hired prior to January 1, 2007. We also sponsor two post-retirement benefit plans: health care and life insurance. The health care plan is contributory, with participants' contributions adjusted annually. The life insurance plan is non-contributory.

Obligations and Funded Status

A summary of the changes in benefit obligations, plan assets and funded status of these plans is as follows:

	Pension Benefits		Other Benefits	
December 31,	**2015**	**2014**	**2015**	**2014**
Change in benefit obligation				
Projected benefits obligation at beginning of year	$ 1,260,895	$ 1,120,492	$ 294,064	$ 270,937
Service cost	28,300	26,935	542	706
Interest cost	44,179	48,886	10,187	11,696
Plan amendments	67	168	—	—
Actuarial (gain) loss	(51,064)	134,902	(26,887)	35,688
Curtailment	(2,693)	—	292	—
Settlement	(57,193)	—	—	—
Divestiture	(4,047)	—	—	—
Currency translation and other	(11,456)	(6,204)	(2,206)	(1,264)
Benefits paid	(37,564)	(64,284)	(20,375)	(23,699)
Projected benefits obligation at end of year	1,169,424	1,260,895	255,617	294,064
Change in plan assets				
Fair value of plan assets at beginning of year	1,136,943	1,091,985	—	—
Actual return on plan assets	(19,804)	85,921	—	—
Employer contributions	32,898	29,409	20,375	23,699
Settlement	(57,193)	—	—	—
Divestiture	(2,485)	—	—	—
Currency translation and other	(10,893)	(6,088)	—	—
Benefits paid	(37,564)	(64,284)	(20,375)	(23,699)
Fair value of plan assets at end of year	1,041,902	1,136,943	—	—
Funded status at end of year	$ (127,522)	$ (123,952)	$ (255,617)	$ (294,064)
Amounts recognized in the Consolidated Balance Sheets:				
Other assets	$ —	$ 25	$ —	$ —
Accrued liabilities	(4,841)	(9,054)	(24,205)	(25,214)
Other long-term liabilities	(122,681)	(114,923)	(231,412)	(268,850)
Total	$ (127,522)	$ (123,952)	$ (255,617)	$ (294,064)
Amounts recognized in Accumulated Other Comprehensive Income (Loss), net of tax:				
Actuarial net (loss) gain	$ (264,570)	$ (279,625)	$ 7,574	$ (7,936)
Net prior service credit (cost)	4,267	5,341	(1,919)	(2,430)
Net amounts recognized in AOCI	$ (260,303)	$ (274,284)	$ 5,655	$ (10,366)

The accumulated benefit obligation for all defined benefit pension plans was $1,129,052 as of December 31, 2015 and $1,206,929 as of December 31, 2014.

Plans with accumulated benefit obligations in excess of plan assets were as follows:

December 31,	2015	2014
Projected benefit obligation	$ 1,110,232	$ 1,193,151
Accumulated benefit obligation	1,081,002	1,151,210
Fair value of plan assets	985,111	1,071,539

Net Periodic Benefit Cost

The components of net periodic benefit cost were as follows:

	Pension Benefits			Other Benefits		
For the years ended December 31,	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Amounts recognized in net periodic benefit cost						
Service cost	$ 28,300	$ 26,935	$ 31,339	$ 542	$ 706	$ 1,094
Interest cost	44,179	48,886	43,962	10,187	11,696	10,747
Expected return on plan assets	(68,830)	(74,080)	(73,128)	—	—	—
Amortization of prior service (credit) cost	(1,178)	(667)	422	611	616	618
Amortization of net loss (gain)	30,510	23,360	40,397	(57)	(141)	(73)
Curtailment credit	(688)	—	(364)	204	—	—
Settlement loss	23,067	—	18	—	—	—
Total net periodic benefit cost	$ 55,360	$ 24,434	$ 42,646	$ 11,487	$ 12,877	$ 12,386
Change in plan assets and benefit obligations recognized in AOCI, pre-tax						
Actuarial net (gain) loss	$ (21,554)	$ 99,136	$ (230,605)	$ (26,270)	$ 36,021	$ (33,165)
Prior service (credit) cost	1,748	833	(613)	(834)	(629)	(632)
Total recognized in other comprehensive (income) loss, pre-tax	$ (19,806)	$ 99,969	$ (231,218)	$ (27,104)	$ 35,392	$ (33,797)
Net amounts recognized in periodic benefit cost and AOCI	$ 35,554	$ 124,403	$ (188,572)	$ (15,617)	$ 48,269	$ (21,411)

Amounts expected to be amortized from AOCI into net periodic benefit cost during 2016 are as follows:

	Pension Plans	Post-Retirement Benefit Plans
Amortization of net actuarial loss (gain)	$ 35,230	$ (49)
Amortization of prior service (credit) cost	$ (1,046)	$ 575

Assumptions

The weighted-average assumptions used in computing the benefit obligations were as follows:

	Pension Benefits		Other Benefits	
December 31,	**2015**	**2014**	**2015**	**2014**
Discount rate	4.0%	3.7%	4.0%	3.7%
Rate of increase in compensation levels	3.8%	4.0%	N/A	N/A

The weighted-average assumptions used in computing net periodic benefit cost were as follows:

	Pension Benefits			Other Benefits		
For the years ended December 31,	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Discount rate	3.7%	4.5%	3.7%	3.7%	4.5%	3.7%
Expected long-term return on plan assets	6.3%	7.0%	7.8%	N/A	N/A	N/A
Rate of compensation increase	4.1%	4.0%	4.0%	N/A	N/A	N/A

The Company’s discount rate assumption is determined by developing a yield curve based on high quality corporate bonds with maturities matching the plans’ expected benefit payment streams. The plans’ expected cash flows are then discounted by the resulting year-by-year spot rates.

We based the asset return assumption of 6.3% for 2015, 7.0% for 2014 and 7.8% for 2013 on current and expected asset allocations, as well as historical and expected returns on the plan asset categories. For 2016, we reduced the expected return on plan assets assumption to 6.1% from the 6.3% assumption used during 2015, reflecting lower expected long-term returns due to slowing growth in developed and emerging markets. The historical average return over the 28 years prior to December 31, 2015, was approximately 8.3%.

For purposes of measuring our post-retirement benefit obligation at December 31, 2015, we assumed a 6.5% pre-65 and a 7.3% post-65 annual rate of increase in the per capita cost of covered health care benefits for 2016, grading down to 5.0% by 2019. Similarly, for measurement purposes as of December 31, 2014, we assumed a 7.0% pre-65 and a 8.0% post-65 annual rate of increase in the per capita cost of covered health care benefits for 2015, grading down to 5.0% by 2019. Assumed health care cost trend rates could have a significant effect on the amounts reported for the post-retirement health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

Impact of assumed health care cost trend rates	**One-Percentage Point Increase**	**One-Percentage Point Decrease**
Effect on total service and interest cost components	$ 139	$ (122)
Effect on accumulated post-retirement benefit obligation	3,539	(3,144)

The valuations and assumptions reflect adoption of the Society of Actuaries updated RP-2014 mortality tables with MP-2015 generational projection scales, which we adopted as of December 31, 2015. Adoption of the updated scale did not have a significant impact on our current pension obligations or net period benefit cost since our primary plans are cash balance plans and most participants take lump-sum settlements upon retirement.

Plan Assets

We broadly diversify our pension plan assets across domestic and international equities and fixed income asset classes. Our target asset allocation for our major domestic pension plans as of December 31, 2015 was as follows:

Asset Class	**Target Asset Allocation**
Equity securities	50%
Debt securities	49%
Cash	1%

As of December 31, 2015, actual allocations were consistent with the targets and within our allowable ranges. We expect the level of volatility in pension plan asset returns to be in line with the overall volatility of the markets within each asset class.

The following table sets forth by level, within the fair value hierarchy (as defined in Note 5), pension plan assets at their fair values as of December 31, 2015:

	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total
Cash and cash equivalents	$ 1,763	$ 30,389	$ —	$ 32,152
Equity securities:				
U.S. all-cap (a)	—	138,367	—	138,367
International all-cap (c)	108,862	3,118	—	111,980
Global all-cap (d)	73,157	196,063	—	269,220
Fixed income securities:				
U.S. government/agency	117,378	120,136	—	237,514
Corporate bonds (e)	101,476	37,748	—	139,224
Collateralized obligations (f)	32,532	8,157	—	40,689
International government/ corporate bonds (g)	31,917	40,839	—	72,756
Total assets at fair value	$ 467,085	$ 574,817	$ —	$ 1,041,902

The following table sets forth by level, within the fair value hierarchy, pension plan assets at their fair values as of December 31, 2014:

	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs(Level 2)	Significant other unobservable inputs (Level 3)	Total
Cash and cash equivalents	$ 2,123	$ 47,702	$ —	$ 49,825
Equity securities:				
U.S. all-cap (a)	1,034	140,948	—	141,982
U.S. large-cap (b)	91,363	—	—	91,363
U.S. small/mid-cap	37,797	—	—	37,797
International all-cap (c)	121,901	3,510	—	125,411
Global all-cap (d)	165,131	—	—	165,131
Fixed income securities:				
U.S. government/agency	138,556	42,787	—	181,343
Corporate bonds (e)	144,289	41,248	—	185,537
Collateralized obligations (f)	33,753	24,305	—	58,058
International government/corporate bonds (g)	53,205	47,291	—	100,496
Total assets at fair value	$ 789,152	$ 347,791	$ —	$ 1,136,943

(a) This category comprises equity funds that track the Russell 3000 index.
(b) This category comprises equity funds that track the S&P 500 and/or Russell 1000 indices.
(c) This category comprises equity funds that track the MSCI World Ex-US index.
(d) This category comprises equity funds that track the MSCI World index and/or MSCI All Country World Index.
(e) This category comprises fixed income funds primarily invested in investment grade bonds.
(f) This category comprises fixed income funds primarily invested in high quality mortgage-backed securities and other asset-backed obligations.
(g) This category comprises fixed income funds invested in Canadian and other international bonds.

The fair value of the Level 1 assets was based on quoted prices in active markets for the identical assets. The fair value of the Level 2 assets was determined by management based on an assessment of valuations provided by asset management entities and was calculated by aggregating market prices for all underlying securities.

Investment objectives for our domestic plan assets are:

- To ensure high correlation between the value of plan assets and liabilities;
- To maintain careful control of the risk level within each asset class; and
- To focus on a long-term return objective.

We believe that there are no significant concentrations of risk within our plan assets as of December 31, 2015. We comply with the rules and regulations promulgated under the Employee Retirement Income Security Act of 1974 (“ERISA”) and we prohibit investments and investment strategies not allowed by ERISA. We do not permit direct purchases of our Company’s securities or the use of derivatives for the purpose of speculation. We invest the assets of non-domestic plans in compliance with laws and regulations applicable to those plans.

Cash Flows

Our policy is to fund domestic pension liabilities in accordance with the limits imposed by the ERISA, federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans.

We made total contributions to the pension plans of $32,898 during 2015, including contributions of $22,900 to maintain the funded status of our domestic plans. In 2014, we made total contributions of $29,409 to the pension plans. For 2016, minimum funding requirements for our pension plans are approximately $800 and we expect to make additional contributions of approximately $18,500 to maintain the funded status of our domestic plans.

Total benefit payments expected to be paid to plan participants, including pension benefits funded from the plans and other benefits funded from Company assets, are as follows:

	Expected Benefit Payments					
	2016	2017	2018	2019	2020	2021-2025
Pension Benefits	$ 178,748	$ 93,577	$ 72,676	$ 76,944	$ 82,176	$ 447,262
Other Benefits	24,233	22,478	20,574	18,979	17,790	76,248

The pension benefit payments expected for 2016 include additional lump sum withdrawals related to the 2015 Productivity Initiative (see Note 8).

Multiemployer Pension Plan

With the acquisition of Brookside Foods Ltd. in January 2012, we began participation in the BCTGM Union and Industry Canadian Pension Plan, a trustee-managed multiemployer defined benefit pension plan. We currently have approximately 140 employees participating in the plan and contributions were not significant in 2015, 2014 or 2013. Our obligation during the term of the collective bargaining agreement is limited to remitting the required contributions to the plan.

Savings Plans

The Company sponsors several defined contribution plans to provide retirement benefits to employees. Contributions to The Hershey Company 401(k) Plan and similar plans for non-domestic employees are based on a portion of eligible pay up to a defined maximum. All matching contributions were made in cash. Expense associated with the defined contribution plans was $44,285 in 2015, $46,064 in 2014 and $43,257 in 2013.

10. STOCK COMPENSATION PLANS

Share-based grants for compensation and incentive purposes are made pursuant to the Equity and Incentive Compensation Plan (“EICP”). The EICP provides for grants of one or more of the following stock-based compensation awards to employees, non-employee directors and certain service providers upon whom the successful conduct of our business is dependent:

- Non-qualified stock options (“stock options”);
- Performance stock units (“PSUs”) and performance stock;
- Stock appreciation rights;
- Restricted stock units (“RSUs”) and restricted stock; and
- Other stock-based awards.

As of December 31, 2015, 68.5 million shares were authorized and approved by our stockholders for grants under the EICP. The EICP also provides for the deferral of stock-based compensation awards by participants if approved by the Compensation and Executive Organization Committee of our Board and if in accordance with an applicable deferred compensation plan of the Company. Currently, the Compensation and Executive Organization Committee has authorized the deferral of PSU and RSU awards by certain eligible employees under the Company’s Deferred Compensation Plan. Our Board has authorized our non-employee directors to defer any portion of their cash retainer, committee chair fees and RSUs awarded after 2007 that they elect to convert into deferred stock units under our Directors’ Compensation Plan.

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

For the years ended December 31,	2015	2014	2013
Pre-tax compensation expense	$ 51,533	$ 54,068	$ 53,984
Related income tax benefit	17,109	18,653	18,517

Compensation costs for stock compensation plans are primarily included in selling, marketing and administrative expense. As of December 31, 2015, total stock-based compensation cost related to non-vested awards not yet recognized was $54,526 and the weighted-average period over which this amount is expected to be recognized was approximately 2.2 years.

Stock Options

The exercise price of each stock option awarded under the EICP equals the closing price of our Common Stock on the New York Stock Exchange on the date of grant. Each stock option has a maximum term of 10 years. Grants of stock options provide for pro-rated vesting, typically over a four year period. Expense for stock options is based on grant date fair value and recognized on a straight-line method over the vesting period.

A summary of activity relating to grants of stock options for the year ended December 31, 2015 is as follows:

Stock Options	Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of the period	7,319,377	$66.69	6.3 years	
Granted	1,355,575	$105.18		
Exercised	(1,449,054)	$52.78		
Forfeited	(383,335)	$99.20		
Outstanding as of December 31, 2015	6,842,563	$75.48	5.8 years	$ 128,710
Options exercisable as of December 31, 2015	4,284,014	$63.21	4.3 years	$ 118,232

The weighted-average fair value of options granted was $18.99, $21.50 and $14.51 per share in 2015, 2014 and 2013, respectively. The fair value was estimated on the date of grant using a Black-Scholes option-pricing model and the following weighted-average assumptions:

For the years ended December 31,	2015	2014	2013
Dividend yields	2.1%	2.0%	2.2%
Expected volatility	20.7%	22.3%	22.2%
Risk-free interest rates	1.9%	2.1%	1.4%
Expected lives in years	6.7	6.7	6.6

- "Dividend yields" means the sum of dividends declared for the four most recent quarterly periods, divided by the average price of our Common Stock for the comparable periods;
- "Expected volatility" means the historical volatility of our Common Stock over the expected term of each grant;
- "Risk-free interest rates" means the U.S. Treasury yield curve rate in effect at the time of grant for periods within the contractual life of the stock option; and
- "Expected lives" means the period of time that stock options granted are expected to be outstanding based primarily on historical data.

The total intrinsic value of options exercised was $66,161, $133,948 and $135,396 in 2015, 2014 and 2013, respectively.

As of December 31, 2015, there was $19,008 of total unrecognized compensation cost related to non-vested stock option compensation arrangements granted under the EICP, which we expect to recognize over a weighted-average period of 2.4 years.

The following table summarizes information about stock options outstanding as of December 31, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding as of 12/31/15	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable as of 12/31/15	Weighted-Average Exercise Price
$33.40 - $56.33	1,998,058	3.2	$44.52	1,998,058	$44.52
$60.68 - $81.73	2,420,944	5.8	$71.38	1,658,197	$69.89
$86.75 - $106.65	2,423,561	7.9	$105.09	627,759	$105.09
$33.40 - $106.65	6,842,563	5.8	$75.48	4,284,014	$63.21

Performance Stock Units and Restricted Stock Units

Under the EICP, we grant PSUs to selected executives and other key employees. Vesting is contingent upon the achievement of certain performance objectives. We grant PSUs over 3-year performance cycles. If we meet targets for financial measures at the end of the applicable 3-year performance cycle, we award a resulting number of shares of our Common Stock to the participants. For each PSU granted from 2013 through 2015, 50% of the target award was comprised of a market-based total shareholder return component and 50% of the target award was comprised of performance-based components. The performance scores for 2013 through 2015 grants of PSUs can range from 0% to 250% of the targeted amounts.

We recognize the compensation cost associated with PSUs ratably over the 3-year term. Compensation cost is based on the grant date fair value because the grants can only be settled in shares of our Common Stock. The grant date fair value of PSUs is determined based on the Monte Carlo simulation model for the market-based total shareholder return component and the closing market price of the Company’s Common Stock on the date of grant for performance-based components.

In 2015, 2014 and 2013, we awarded RSUs to certain executive officers and other key employees under the EICP. We also awarded RSUs quarterly to non-employee directors.

We recognize the compensation cost associated with employee RSUs over a specified restriction period based on the grant date fair value or year-end market value of our Common Stock. We recognize expense for employee RSUs based on the straight-line method. We recognize the compensation cost associated with non-employee director RSUs ratably over the vesting period.

A summary of activity relating to grants of PSUs and RSUs for the period ended December 31, 2015 is as follows:

Performance Stock Units and Restricted Stock Units	Number of units	Weighted-average grant date fair value for equity awards or market value for liability awards (per unit)
Outstanding at beginning of year	904,306	$94.48
Granted	381,407	$104.68
Performance assumption change	(281,902)	$107.39
Vested	(452,118)	$75.40
Forfeited	(56,486)	$111.39
Outstanding at end of year	495,207	$106.40

The table above excludes PSU awards for 20,586 units as of December 31, 2015 and 25,462 units as of December 31, 2014 for which the measurement date has not yet occurred for accounting purposes.

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

For the years ended December 31,	2015	2014	2013
Units granted	381,407	331,788	395,862
Weighted-average fair value at date of grant	$ 104.68	$ 115.57	$ 88.49
Monte Carlo simulation assumptions:			
Estimated values	$ 61.22	$ 80.95	$ 55.49
Dividend yields	2.0%	1.8%	2.0%
Expected volatility	14.9%	15.5%	17.1%

- “Estimated values” means the fair value for the market-based total shareholder return component of each PSU at the date of grant using a Monte Carlo simulation model;
- “Dividend yields” means the sum of dividends declared for the four most recent quarterly periods, divided by the average price of our Common Stock for the comparable periods;
- “Expected volatility” means the historical volatility of our Common Stock over the expected term of each grant.

The intrinsic value of share-based liabilities paid, combined with the fair value of shares vested, totaled $46,113, $57,360 and $62,582 in 2015, 2014 and 2013, respectively.

Deferred PSUs, deferred RSUs and deferred stock units representing directors’ fees totaled 505,992 units as of December 31, 2015. Each unit is equivalent to one share of the Company’s Common Stock.

11. SEGMENT INFORMATION

Our organizational structure is designed to ensure continued focus on North America, coupled with an emphasis on accelerating growth in our focus international markets, as we transform into a more global company. Our business is organized around geographic regions, which enables us to build processes for repeatable success in our global markets. The Presidents of our geographic regions, along with the Senior Vice President responsible for our Global Retail and Licensing business, are accountable for delivering our annual financial plans and report into our CEO, who serves as our Chief Operating Decision Maker (“CODM”), so we have defined our operating segments on a geographic basis. Our North America business currently generates over 87% of our consolidated revenue and none of our other geographic regions are individually significant. Therefore, we currently define our reportable segments as follows:

- ***North America*** - This segment is responsible for our traditional chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines.

- ***International and Other*** - This segment includes all other countries where The Hershey Company currently manufactures, imports, markets, sells or distributes chocolate and non-chocolate confectionery and other products. Currently, this includes our operations in China and other Asia markets, Latin America, Europe, Africa and the Middle East, along with exports to these regions. While a less significant component, this segment also includes our global retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania, New York City, Chicago, Las Vegas, Shanghai, Niagara Falls (Ontario), Dubai, and Singapore, as well as operations associated with licensing the use of certain of the Company's trademarks and products to third parties around the world.

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

Accounting policies associated with our operating segments are generally the same as those described in Note 1.

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

Our segment net sales and earnings were as follows:

For the years ended December 31,	2015	2014	2013
Net sales:			
North America	$ 6,468,158	$ 6,352,729	$ 6,200,118
International and Other	918,468	1,069,039	945,961
Total	$ 7,386,626	$ 7,421,768	$ 7,146,079
Segment income:			
North America	$ 2,073,967	$ 1,916,207	$ 1,862,636
International and Other	(98,067)	40,004	44,587
Total segment income	1,975,900	1,956,211	1,907,223
Unallocated corporate expense (1)	497,386	503,234	535,130
Goodwill and other intangible asset impairment	280,802	15,900	—
Charges associated with business realignment activities	120,975	34,290	19,085
Non-service related pension expense (income)	18,079	(1,834)	10,885
Acquisition and integration costs	20,899	12,360	4,072
Operating profit	1,037,759	1,392,261	1,338,051
Interest expense, net	105,773	83,532	88,356
Other (income) expense, net	30,139	2,686	(1,624)
Income before income taxes	$ 901,847	$ 1,306,043	$ 1,251,319

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

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

For the years ended December 31,	2015	2014	2013
North America	$ 153,185	$ 146,475	$ 143,640
International and Other	46,342	28,463	23,461
Corporate	45,401	36,594	33,932
Total	$ 244,928	$ 211,532	$ 201,033

Additional geographic information is as follows:

	2015	2014	2013
Net sales:			
United States	$ 6,116,490	$ 5,996,564	$ 5,832,070
Other	1,270,136	1,425,204	1,314,009
Total	$ 7,386,626	$ 7,421,768	$ 7,146,079
Long-lived assets:			
United States	$ 1,528,723	$ 1,477,455	$ 1,474,155
Other	711,737	674,446	331,190
Total	$ 2,240,460	$ 2,151,901	$ 1,805,345

12. EQUITY AND NONCONTROLLING INTERESTS

We had 1,055,000,000 authorized shares of capital stock as of December 31, 2015. Of this total, 900,000,000 shares were designated as Common Stock, 150,000,000 shares were designated as Class B Stock and 5,000,000 shares were designated as Preferred Stock. Each class has a par value of one dollar per share.

Changes in the outstanding shares of Common Stock for the past three years were as follows:

For the years ended December 31,	2015	2014	2013
Shares issued	359,901,744	359,901,744	359,901,744
Treasury shares at beginning of year	(138,856,786)	(136,007,023)	(136,115,714)
Stock repurchases:			
Repurchase programs	(4,209,112)	(2,135,268)	—
Stock-based compensation programs	(1,776,838)	(3,676,513)	(3,655,830)
Stock issuances:			
Stock-based compensation programs	1,718,352	2,962,018	3,764,521
Treasury shares at end of year	(143,124,384)	(138,856,786)	(136,007,023)
Net shares outstanding at end of year	216,777,360	221,044,958	223,894,721

Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors. The holders of Common Stock have 1 vote per share and the holders of Class B Stock have 10 votes per share. However, the Common Stock holders, voting separately as a class, are entitled to elect one-sixth of the Board. With respect to dividend rights, the Common Stock holders are entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

Class B Stock can be converted into Common Stock on a share-for-share basis at any time. During 2015, no shares of Class B Stock were converted into Common Stock. During 2014, 440 shares were converted and during 2013, 8,600 shares were converted.

Hershey Trust Company

Hershey Trust Company, as trustee for the benefit of Milton Hershey School and as direct owner of investment shares, held 12,902,921 shares of our Common Stock as of December 31, 2015. As trustee for the benefit of Milton Hershey School, Hershey Trust Company held 60,612,012 shares of the Class B Stock as of December 31, 2015, and was entitled to cast approximately 80% of all of the votes entitled to be cast on matters requiring the vote of both classes of our common stock voting together. Hershey Trust Company, as trustee for the benefit of Milton Hershey School, or any successor trustee, or Milton Hershey School, as appropriate, must approve any issuance of shares of Common Stock or other action that would result in it not continuing to have voting control of our Company.

Noncontrolling Interests in Subsidiaries

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

At December 31, 2014, we owned a 51% controlling interest in Hershey do Brasil under a cooperative agreement with Pandurata Netherlands B.V. ("Bauducco"), a leading manufacturer of baked goods in Brazil whose primary brand is Bauducco. At the end of 2014, per the terms of the prevailing quotaholder's agreement, Bauducco provided notice of its intent to sell its 49% interest to us at an amount equal to fair value.

Because the noncontrolling interest held by Bauducco was redeemable as a result of the put right, the balance sheet presentation of the noncontrolling interest during 2015 was revised to be reflected as a redeemable noncontrolling interest. The balance was increased in the first three quarters of 2015 by a total of $33,915, in order to reflect the balance at its redemption value based on the internal valuation for the business. The offset of this adjustment was recorded to additional paid in capital. We purchased the remaining 49% interest in Hershey do Brasil in September.

A roll-forward showing the 2015 activity relating to the noncontrolling interests and redeemable noncontrolling interest follows:

	Noncontrolling Interests	Redeemable Noncontrolling Interest
Balance, December 31, 2014	$ 64,468	$ —
Reclassification from Total Equity to Redeemable Noncontrolling Interest	(13,428)	13,428
Net income (loss) attributable to noncontrolling interests (1)	577	(4,393)
Other comprehensive loss - foreign currency translation adjustments	(2,152)	(2,334)
Adjustment to redemption value	—	33,915
Other	—	(2,346)
Purchase of redeemable noncontrolling interest	—	(38,270)
Balance, December 31, 2015	$ 49,465	$ —

(1) Amounts are not considered significant and are presented within selling, marketing and administrative expenses.

13. COMMITMENTS AND CONTINGENCIES

We enter into certain obligations for the purchase of raw materials. These obligations are primarily in the form of forward contracts for the purchase of raw materials from third-party brokers and dealers. These contracts minimize the effect of future price fluctuations by fixing the price of part or all of these purchase obligations. Total obligations consisted of fixed price contracts for the purchase of commodities and unpriced contracts that were valued using market prices as of December 31, 2015.

The cost of commodities associated with the unpriced contracts is variable as market prices change over future periods. We mitigate the variability of these costs to the extent that we have entered into commodities futures contracts or other commodity derivative instruments to hedge our costs for those periods. Increases or decreases in market prices are offset by gains or losses on commodities futures contracts or other commodity derivative instruments. Taking delivery of and making payments for the specific commodities for use in the manufacture of finished goods satisfies

our obligations under the forward purchase contracts. For each of the three years in the period ended December 31, 2015, we satisfied these obligations by taking delivery of and making payment for the specific commodities.

As of December 31, 2015, we had entered into purchase agreements with various suppliers. Subject to meeting our quality standards, the purchase obligations covered by these agreements were as follows as of December 31, 2015:

In millions of dollars	2016	2017	2018	2019
Purchase obligations	$ 1,343.1	$ 880.0	$ 87.9	$ 22.4

We have commitments under various lease obligations. Future minimum payments under lease obligations with a remaining term in excess of one year were as follows as of December 31, 2015:

In millions of dollars	2016	2017	2018	2019	2020	Thereafter
Future minimum rental payments	$ 12.6	$ 9.6	$ 3.7	$ 1.2	$ 0.4	$ 0.7

Future minimum rental payments reflect commitments under non-cancelable operating leases primarily for offices, retail stores, warehouse and distribution facilities, and certain equipment. Total rent expense for the years ended December 31, 2015, 2014 and 2013 was $19,754, $21,423 and $16,972, respectively, including short-term rentals.

We have a number of facilities that contain varying amounts of asbestos in certain locations within the facilities. Our asbestos management program is compliant with current applicable regulations, which require that we handle or dispose of asbestos in a special manner if such facilities undergo major renovations or are demolished. Costs associated with the removal of asbestos related to the closure of a manufacturing facility under the Next Century program were recorded primarily in 2012 and included in business realignment and impairment charges. The costs associated with the removal of asbestos from the facility were not material. With regard to other facilities, we do not have sufficient information to estimate the fair value of any asset retirement obligations related to these facilities. We cannot specify the settlement date or range of potential settlement dates and, therefore, sufficient information is not available to apply an expected present value technique. We expect to maintain the facilities with repairs and maintenance activities that would not involve or require the removal of significant quantities of asbestos.

Legal contingencies

In 2007, the Competition Bureau of Canada began an inquiry into alleged violations of the Canadian *Competition Act* in the sale and supply of chocolate products sold in Canada between 2002 and 2008 by members of the confectionery industry, including Hershey Canada, Inc. The U.S. Department of Justice also notified the Company in 2007 that it had opened an inquiry, but has not requested any information or documents.

Subsequently, 13 civil lawsuits were filed in Canada and 91 civil lawsuits were filed in the United States against the Company. The lawsuits were instituted on behalf of direct purchasers of our products as well as indirect purchasers that purchase our products for use or for resale. Several other chocolate and confectionery companies were named as defendants in these lawsuits as they also were the subject of investigations and/or inquiries by the government entities referenced above. The cases sought recovery for losses suffered as a result of alleged conspiracies in restraint of trade in connection with the pricing practices of the defendants.

The Canadian civil cases were settled in 2012. Hershey Canada, Inc. reached a settlement agreement with the Competition Bureau of Canada through their Leniency Program with regard to an inquiry into alleged violations of the Canadian *Competition Act* in the sale and supply of chocolate products sold in Canada by members of the confectionery industry. On June 21, 2013, Hershey Canada, Inc. pleaded guilty to one count of price fixing related to communications with competitors in Canada in 2007 and paid a fine of approximately $4.0 million. Hershey Canada, Inc. had promptly reported the conduct to the Competition Bureau, cooperated fully with its investigation and did not implement the planned price increase that was the subject of the 2007 communications.

With regard to the U.S. lawsuits, the Judicial Panel on Multidistrict Litigation assigned the cases to the U.S. District Court for the Middle District of Pennsylvania (the “District Court”). Plaintiffs sought actual and treble damages against the Company and other defendants based on an alleged overcharge for certain, or in some cases all, chocolate products sold in the U.S. between December 2002 and December 2007, and certain plaintiff groups alleged damages

that extended beyond the alleged conspiracy period. The lawsuits had been proceeding on different scheduling tracks for different groups of plaintiffs.

On February 26, 2014, the District Court granted summary judgment to the Company in the cases brought by the direct purchaser plaintiffs that had not sought class certification as well as those that had been certified as a class. The direct purchaser plaintiffs appealed the District Court's decision to the United States Court of Appeals for the Third Circuit (“Third Circuit”) in May 2014. On September 15, 2015, the Third Circuit affirmed the District Court's summary judgment decision.

The remaining plaintiff groups - the putative class plaintiffs that purchased product indirectly for resale, the putative class plaintiffs that purchased product indirectly for use, and direct purchaser Associated Wholesale Grocers, Inc. - dismissed their cases with prejudice, subject to reinstatement if the Third Circuit were to reverse the District Court’s summary judgment decision. The District Court entered judgment closing the case on April 17, 2014.

We currently have no material pending legal proceedings, other than ordinary routine litigation incidental to our business.

14. EARNINGS PER SHARE

We compute basic earnings per share for Common Stock and Class B common stock using the two-class method. The Class B common stock is convertible into Common Stock on a share-for-share basis at any time. The computation of diluted earnings per share for Common Stock assumes the conversion of Class B common stock using the if-converted method, while the diluted earnings per share of Class B common stock does not assume the conversion of those shares.

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

For the years ended December 31,	2015		2014		2013	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
Basic earnings per share:						
Numerator:						
Allocation of distributed earnings (cash dividends paid)	$ 352,953	$ 123,179	$ 328,752	$ 111,662	$ 294,979	$ 98,822
Allocation of undistributed earnings	27,324	9,495	303,801	102,697	319,883	106,786
Total earnings—basic	$ 380,277	$ 132,674	$ 632,553	$ 214,359	$ 614,862	$ 205,608
Denominator (shares in thousands):						
Total weighted-average shares—basic	158,471	60,620	161,935	60,620	163,549	60,627
Earnings Per Share—basic	$ 2.40	$ 2.19	$ 3.91	$ 3.54	$ 3.76	$ 3.39
Diluted earnings per share:						
Numerator:						
Allocation of total earnings used in basic computation	$ 380,277	$ 132,674	$ 632,553	$ 214,359	$ 614,862	$ 205,608
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	132,674	—	214,359	—	205,608	—
Reallocation of undistributed earnings	—	(69)	—	(1,071)	—	(1,461)
Total earnings—diluted	$ 512,951	$ 132,605	$ 846,912	$ 213,288	$ 820,470	$ 204,147
Denominator (shares in thousands):						
Number of shares used in basic computation	158,471	60,620	161,935	60,620	163,549	60,627
Weighted-average effect of dilutive securities:						
Conversion of Class B common stock to Common shares outstanding	60,620	—	60,620	—	60,627	—
Employee stock options	1,335	—	1,920	—	2,476	—
Performance and restricted stock options	225	—	362	—	551	—
Total weighted-average shares—diluted	220,651	60,620	224,837	60,620	227,203	60,627
Earnings Per Share—diluted	$ 2.32	$ 2.19	$ 3.77	$ 3.52	$ 3.61	$ 3.37

The earnings per share calculations for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 excluded 2,660, 1,510 and 1,757 stock options, respectively, that would have been antidilutive.

15. SUPPLEMENTAL BALANCE SHEET INFORMATION

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

December 31,	2015	2014
Inventories:		
Raw materials	$ 353,451	$ 377,620
Goods in process	67,745	63,916
Finished goods	534,983	531,608
Inventories at FIFO	956,179	973,144
Adjustment to LIFO	(205,209)	(172,108)
Total inventories	$ 750,970	$ 801,036
Property, plant and equipment:		
Land	$ 96,666	$ 95,913
Buildings	1,084,958	1,031,050
Machinery and equipment	2,886,723	2,863,559
Construction in progress	448,956	338,085
Property, plant and equipment, gross	4,517,303	4,328,607
Accumulated depreciation	(2,276,843)	(2,176,706)
Property, plant and equipment, net	$ 2,240,460	$ 2,151,901
Other assets:		
Pension	$ —	$ 25
Capitalized software, net	68,004	63,252
Income tax receivable	1,428	1,568
Other non-current assets	85,934	71,281
Total other assets	$ 155,366	$ 136,126
Accrued liabilities:		
Payroll, compensation and benefits	$ 215,638	$ 225,439
Advertising and promotion	337,945	326,647
Due to SGM shareholders	72,025	98,884
Other	231,359	162,543
Total accrued liabilities	$ 856,967	$ 813,513
Other long-term liabilities:		
Post-retirement benefits liabilities	$ 231,412	$ 268,850
Pension benefits liabilities	122,681	114,923
Other	114,625	142,230
Total other long-term liabilities	$ 468,718	$ 526,003

16. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

Year 2015	First	Second	Third[(b)]	Fourth[(b)]
Net sales	$ 1,937,800	$ 1,578,825	$ 1,960,779	$ 1,909,222
Gross profit	900,843	735,408	868,706	877,718
Net income (loss)	244,737	(99,941)	140,266	227,889
Common stock:				
Net income (loss) per share—Basic[(a)]	1.14	(0.47)	0.66	1.08
Net income (loss) per share—Diluted	1.10	(0.47)	0.64	1.04
Dividends paid per share	0.535	0.535	0.583	0.583
Class B common stock:				
Net income (loss) per share—Basic[(a)]	1.04	(0.42)	0.60	0.98
Net income (loss) per share—Diluted[(a)]	1.03	(0.42)	0.60	0.98
Dividends paid per share	0.486	0.486	0.530	0.530
Market price—common stock:				
High	110.78	101.74	94.31	97.07
Low	98.52	87.86	85.13	83.58

Year 2014	First	Second	Third	Fourth
Net sales	$ 1,871,813	$ 1,578,350	$ 1,961,578	$ 2,010,027
Gross profit	871,490	717,474	860,137	887,065
Net income	252,495	168,168	223,741	202,508
Common stock:				
Net income per share—Basic[(a)]	1.16	0.78	1.03	0.94
Net income per share—Diluted	1.11	0.75	1.00	0.91
Dividends paid per share	0.485	0.485	0.535	0.535
Class B common stock:				
Net income per share—Basic	1.04	0.70	0.94	0.85
Net income per share—Diluted	1.03	0.70	0.94	0.85
Dividends paid per share	0.435	0.435	0.486	0.486
Market price—common stock:				
High	108.07	104.11	96.93	106.64
Low	95.54	96.02	88.15	91.09

(a) Quarterly income per share amounts do not total to the annual amount due to changes in weighted-average shares outstanding during the year, as well as the impact of excluding dilutive securities in the period in which there was a net loss.

(b) The Company identified a material weakness in its internal control over financial reporting related to hedge accounting compliance for cocoa commodity derivatives. As a result, hedge accounting treatment for cocoa commodity derivatives was disallowed for the third and fourth quarters of 2015; therefore the impact of changes in fair value of the cocoa commodity futures outstanding during these periods should have been recorded within cost of sales as incurred, instead of deferred within AOCI. Such gains (losses) totaled $(23,358) for the third quarter of 2015 and an essentially offsetting amount for the fourth quarter of 2015. The amounts presented above for the third and fourth quarters of 2015 reflect the impact of reclassifying these gains (losses) deferred within AOCI to cost of sales for the respective periods.

Item 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

Item 9A. ***CONTROLS AND PROCEDURES***

(a) Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2015, solely due to a material weakness in our internal control over financial reporting related to hedge accounting compliance for cocoa commodity derivatives as described in the Management Report on Internal Control over Financial Reporting that follows.

(b) Management Report on Internal Control over Financial Reporting

The management of The Hershey Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

To assess the effectiveness of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission's 2013 Framework. Because of the deficiency described below, management concluded that, as of December 31, 2015, there was a material weakness in the Company's internal control over financial reporting and, therefore, the Company did not maintain effective internal control over financial reporting as of December 31, 2015.

Management has identified a material weakness in its internal control over financial reporting that existed as of December 31, 2015, solely related to its accounting for cocoa derivative financial instruments pursuant to the provisions of FASB ASC Topic 815, *Derivatives and Hedging* (ASC 815). This material weakness arose in the quarter ended October 4, 2015, and was the result of changes the Company made in the third quarter of fiscal 2015 to its hedging program and related controls. Specifically, the control designed to monitor compliance with the Company's hedge documentation did not operate as designed during the third and fourth quarters of fiscal 2015. As a result, instances of non-compliance with our hedging program related to cocoa derivatives occurred and were not detected timely and, therefore, we did not meet the technical requirements to qualify for cash flow hedge accounting treatment under ASC 815.

This material weakness resulted in an immaterial error in cost of goods sold and accumulated other comprehensive income in the Company's financial statements as of and for the quarter ended October 4, 2015. For details of the quarterly impact, please refer to Note 16, *Quarterly Data*. In light of this material weakness, prior to filing this Annual Report on Form 10-K, we completed additional procedures and analysis designed to ensure the reliability of our financial reporting. Based on such procedures and analysis, we concluded that the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, which report is included in Item 8 of this Form 10-K.

(c) Remediation Plan for Material Weaknesses in Internal Control Over Financial Reporting

The Company previously announced its intention, effective January 1, 2016, to no longer designate its existing or future purchases of commodity derivatives, including cocoa derivatives, as cash flow hedges and will not elect to qualify for hedge accounting treatment. As a result, the controls associated with monitoring compliance with ASC 815 to qualify for hedge accounting are no longer relevant for our commodity hedges; therefore, there is no need for remediation of the material weakness.

(d) Changes in Internal Control Over Financial Reporting

Except for the matters noted in (c) above, there were no other changes in our internal control over financial reporting during the fourth quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***OTHER INFORMATION***

None.

PART III

Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information regarding executive officers of the Company required by Item 401 of SEC Regulation S-K is incorporated herein by reference from the disclosure included under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT" at the end of Part I of this Annual Report on Form 10-K.

The information required by Item 401 of SEC Regulation S-K concerning the directors and nominees for director of the Company, together with a discussion of the specific experience, qualifications, attributes and skills that led the Board to conclude that the director or nominee should serve as a director at this time, will be located in the Proxy Statement in the section entitled "PROPOSAL NO. 1 – ELECTION OF DIRECTORS," which information is incorporated herein by reference.

Information regarding the identification of the Audit Committee as a separately-designated standing committee of the Board and information regarding the status of one or more members of the Audit Committee as an "audit committee financial expert" will be located in the Proxy Statement in the section entitled "MEETINGS AND COMMITTEES OF THE BOARD – Committees of the Board," which information is incorporated herein by reference.

Reporting of any inadvertent late filings under Section 16(a) of the Securities Exchange Act of 1934, as amended, will be located in the Proxy Statement in the section entitled "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE," which information is incorporated herein by reference.

Information regarding our Code of Ethical Business Conduct applicable to our directors, officers and employees is located in Part I of this Annual Report on Form 10-K, under the heading "Available Information."

Item 11. *EXECUTIVE COMPENSATION*

Information regarding the compensation of each of our named executive officers, including our Chief Executive Officer, will be located in the Proxy Statement in the section entitled "COMPENSATION DISCUSSION & ANALYSIS," which information is incorporated herein by reference. Information regarding the compensation of our directors will be located in the Proxy Statement in the section entitled "NON-EMPLOYEE DIRECTOR COMPENSATION," which information is incorporated herein by reference.

The information required by Item 407(e)(4) of SEC Regulation S-K will be located in the Proxy Statement in the section entitled "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION," which information is incorporated herein by reference.

The information required by Item 407(e)(5) of SEC Regulation S-K will be located in the Proxy Statement in the section entitled "Compensation Committee Report," which information is incorporated herein by reference.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Information concerning ownership of our voting securities by certain beneficial owners, individual nominees for director, the named executive officers, including persons serving as our Chief Executive Officer and Chief Financial Officer, and directors and executive officers as a group, will be located in the Proxy Statement in the section entitled "SHARE OWNERSHIP OF DIRECTORS, MANAGEMENT AND CERTAIN BENEFICIAL OWNERS," which information is incorporated herein by reference.

Information regarding all of the Company's equity compensation plans will be located in the Proxy Statement in the section entitled "EQUITY COMPENSATION PLAN INFORMATION," which information is incorporated herein by reference.

Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Information regarding transactions with related persons will be located in the Proxy Statement in the section entitled “CERTAIN TRANSACTIONS AND RELATIONSHIPS,” which information is incorporated herein by reference. Information regarding director independence will be located in the Proxy Statement in the section entitled “CORPORATE GOVERNANCE – Director Independence,” which information is incorporated herein by reference.

Item 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

Information regarding “Principal Accounting Fees and Services,” including the policy regarding pre-approval of audit and non-audit services performed by our Company’s independent auditors, will be located in the Proxy Statement in the section entitled “INFORMATION ABOUT OUR INDEPENDENT AUDITORS,” which information is incorporated herein by reference.

PART IV

Item 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Item 15(a)(1): Financial Statements

The audited consolidated financial statements of The Hershey Company and its subsidiaries and the Report of Independent Registered Public Accounting Firm thereon, as required to be filed, are located under Item 8 of this Annual Report on Form 10-K.

Item 15(a)(2): Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts (see page 102) for The Hershey Company and its subsidiaries for the years ended December 31, 2015, 2014 and 2013 is filed as required by Item 15(c).

We omitted other schedules because they are not applicable or the required information is set forth in the consolidated financial statements or notes thereto.

Item 15(a)(3): Exhibits

The information called for by this Item is incorporated by reference from the Exhibit Index included in this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 26th day of February, 2016.

THE HERSHEY COMPANY
(Registrant)

By: /S/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date indicated.

Signature	Title	Date
/S/ JOHN P. BILBREY **(John P. Bilbrey)**	Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2016
/S/ PATRICIA A. LITTLE **(Patricia A. Little)**	Chief Financial Officer (Principal Financial Officer)	February 26, 2016
/S/ JAVIER H. IDROVO **(Javier H. Idrovo)**	Chief Accounting Officer (Principal Accounting Officer)	February 26, 2016
/S/ PAMELA M. ARWAY **(Pamela M. Arway)**	Director	February 26, 2016
/S/ ROBERT F. CAVANAUGH **(Robert F. Cavanaugh)**	Director	February 26, 2016
/S/ CHARLES A. DAVIS **(Charles A. Davis)**	Director	February 26, 2016
/S/ MARY KAY HABEN **(Mary Kay Haben)**	Director	February 26, 2016
/S/ ROBERT M. MALCOLM **(Robert M. Malcolm)**	Director	February 26, 2016
/S/ JAMES M. MEAD **(James M. Mead)**	Director	February 26, 2016
/S/ JAMES E. NEVELS **(James E. Nevels)**	Director	February 26, 2016
/S/ ANTHONY J. PALMER **(Anthony J. Palmer)**	Director	February 26, 2016
/S/ THOMAS J. RIDGE **(Thomas J. Ridge)**	Director	February 26, 2016
/S/ DAVID L. SHEDLARZ **(David L. Shedlarz)**	Director	February 26, 2016

THE HERSHEY COMPANY AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2015, 2014 and 2013

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
In thousands of dollars					
For the year ended December 31, 2015					
Allowances deducted from assets					
Accounts receivable—trade, net (a)	$ 15,885	$ 172,622	$ —	$ (155,869)	$ 32,638
Valuation allowance on net deferred taxes (b)	147,223	59,832	—	—	207,055
Inventory obsolescence reserve (c)	11,748	32,434	—	(21,550)	22,632
Total allowances deducted from assets	$ 174,856	$ 264,888	$ —	$ (177,419)	$ 262,325
For the year ended December 31, 2014					
Allowances deducted from assets					
Accounts receivable—trade, net (a)	$ 14,329	$ 153,652	$ —	$ (152,096)	$ 15,885
Valuation allowance on net deferred taxes (b)	87,159	60,064	—	—	147,223
Inventory obsolescence reserve (c)	564	24,660	—	(13,476)	11,748
Total allowances deducted from assets	$ 102,052	$ 238,376	$ —	$ (165,572)	$ 174,856
For the year ended December 31, 2013					
Allowances deducted from assets					
Accounts receivable—trade, net (a)	$ 15,246	$ 154,874	$ —	$ (155,791)	$ 14,329
Valuation allowance on net deferred taxes (b)	74,021	13,138	—	—	87,159
Inventory obsolescence reserve (c)	9,264	17,446	—	(26,146)	564
Total allowances deducted from assets	$ 98,531	$ 185,458	$ —	$ (181,937)	$ 102,052

(a) Includes allowances for doubtful accounts, anticipated discounts and write-offs of uncollectible accounts receivable.
(b) Includes adjustments to the valuation allowance for deferred tax assets that we do not expect to realize.
(c) Includes adjustments to the inventory reserve, disposals and write-offs of obsolete inventory.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Share Purchase Agreement by and among Shanghai Golden Monkey Food Joint Stock Co., Ltd., various shareholders thereof and Hershey Netherlands B.V., a wholly-owned subsidiary of the Company, as of December 18, 2013, incorporated by reference from Exhibit 2.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.
3.1	The Company’s Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended April 3, 2005.
3.2	The Company's By-laws, as amended and restated as of April 1, 2015, are incorporated by reference from Exhibit 3.1 to the Company’s Current Report on Form 8-K filed April 2, 2015.
4.1	The Company has issued certain long-term debt instruments, no one class of which creates indebtedness exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. These classes consist of the following:
	1) 5.450% Notes due 2016
	2) 1.500% Notes due 2016
	3) 1.600% Notes due 2018
	4) 4.125% Notes due 2020
	5) 8.8% Debentures due 2021
	6) 2.625% Notes due 2023
	7) 3.200% Notes due 2025
	8) 7.2% Debentures due 2027
	9) Other Obligations
	The Company undertakes to furnish copies of the agreements governing these debt instruments to the Securities and Exchange Commission upon its request.
10.1(a)	Kit Kat and Rolo License Agreement (the “License Agreement”) between the Company and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit 10(a) to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1980.
10.1(b)	Amendment to the License Agreement is incorporated by reference from Exhibit 19 to the Company’s Quarterly Report on Form 10-Q for the quarter ended July 3, 1988.
10.1(c)	Assignment of the License Agreement by Rowntree Mackintosh Confectionery Limited to Société des Produits Nestlé SA as of January 1, 1990 is incorporated by reference from Exhibit 19 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1990.
10.2	Peter Paul/York Domestic Trademark & Technology License Agreement between the Company and Cadbury Schweppes Inc. (now Kraft Foods Ireland Intellectual Property Limited) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company’s Current Report on Form 8-K dated September 8, 1988.
10.3	Cadbury Trademark & Technology License Agreement between the Company and Cadbury Limited (now Cadbury UK Limited) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company’s Current Report on Form 8-K dated September 8, 1988.
10.4(a)	Trademark and Technology License Agreement between Huhtamäki and the Company dated December 30, 1996, is incorporated by reference from Exhibit 10 to the Company’s Current Report on Form 8-K filed February 26, 1997.
10.4(b)	Amended and Restated Trademark and Technology License Agreement between Huhtamäki and the Company is incorporated by reference from Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

10.5(a)	Five Year Credit Agreement dated as of October 14, 2011, among the Company and the banks, financial institutions and other institutional lenders listed on the respective signature pages thereof ("Lenders"), Bank of America, N.A., as administrative agent for the Lenders, JPMorgan Chase Bank, N.A., as syndication agent, Citibank, N.A. and PNC Bank, National Association, as documentation agents, and Bank of America Merrill Lynch, J.P. Morgan Securities LLC, Citigroup Global Markets, Inc. and PNC Capital Markets LLC, as joint lead arrangers and joint book managers, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 20, 2011.
10.5(b)	Amendment No. 1 to Credit Agreement dated as of November 12, 2013, among the Company, the banks, financial institutions and other institutional lenders who are parties to the Five Year Credit Agreement and Bank of America, N.A., as agent, is incorporated by reference from Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.
10.6(a)	Master Innovation and Supply Agreement between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 19, 2007.
10.6(b)	First Amendment to Master Innovation and Supply Agreement between the Company and Barry Callebaut, AG, dated April 14, 2011, is incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2011.
10.7	Supply Agreement for Monterrey, Mexico, between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 19, 2007.
10.8	The Company's Equity and Incentive Compensation Plan, amended and restated February 22, 2011, and approved by our stockholders on April 28, 2011, is incorporated by reference from Appendix B to the Company's proxy statement filed March 15, 2011.+
10.9	Form of Notice of Award of Restricted Stock Units.*+
10.10	Form of Notice of Special Award of Restricted Stock Units is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 16, 2011.+
10.11	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 24, 2012.+
10.12	Form of Notice of Award of Performance Stock Units is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 24, 2012.+
10.13	The Long-Term Incentive Program Participation Agreement is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 18, 2005.+
10.14	The Company's Deferred Compensation Plan, Amended and Restated as of June 27, 2012, is incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.+
10.15(a)	The Company's Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, is incorporated by reference from Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.+
10.15(b)	First Amendment to the Company's Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, is incorporated by reference from Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.+
10.16	The Company's Compensation Limit Replacement Plan, Amended and Restated as of January 1, 2009, is incorporated by reference from Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.+
10.17	The Company's Executive Benefits Protection Plan (Group 3A), Amended and Restated as of June 27, 2012, is incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.+
10.18	The Company's Executive Benefits Protection Plan (Group 3), Amended and Restated as of June 27, 2012.*+

10.19	Executive Confidentiality and Restrictive Covenant Agreement, adopted as of February 16, 2009, is incorporated by reference from Exhibit 10.4 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.[+]
10.20	Employee Confidentiality and Restrictive Covenant Agreement, amended as of February 18, 2013, is incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.[+]
10.21(a)	Executive Employment Agreement with John P. Bilbrey, dated as of August 7, 2012, is incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.[+]
10.21(b)	First Amendment to Executive Employment Agreement, dated as of November 16, 2015, by and between the Company and John P. Bilbrey is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 19, 2015.[+]
10.22	The Company’s Directors’ Compensation Plan, Amended and Restated as of December 2, 2008, is incorporated by reference from Exhibit 10.8 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
12.1	Computation of ratio of earnings to fixed charges statement.*
21.1	Subsidiaries of the Registrant.*
23.1	Consent of Independent Registered Public Accounting Firm.*
31.1	Certification of John P. Bilbrey, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Patricia A. Little, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of John P. Bilbrey, Chief Executive Officer, and Patricia A. Little, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

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

EXHIBIT 10.9

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Award of Restricted Stock Units

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

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

(A) “Deferred Compensation Plan” means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

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

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

(D) “Key Employee” means a “specified employee” under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined in Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Employee Benefits Committee.

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

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

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

3. VESTING DATES. The grantee shall vest in the number of RSUs corresponding with each date described in the next sentence (each a “Vesting Date”) provided that the grantee has remained in continuous employment with the Company or a Subsidiary from the Grant Date through such date. Of the total RSUs awarded to the grantee on the Grant Date (“Total Award”), twenty-five percent (25%) of the Total Award will become vested thirteen months after the Grant Date; an additional twenty-five percent (25%) of the

Total Award will become vested on the second anniversary of the Grant Date; an additional twenty-five percent (25%) of the Total Award will become vested on the third anniversary of the Grant Date; and an additional and final twenty-five percent (25%) of the Total Award will become vested on the fourth anniversary of the Grant Date, except in Canada where thirty-three and one-third percent (33 1/3%) of the Total Award will become vested thirteen months after the Grant Date; an additional thirty-three and one-third percent (33 1/3%) of the Total Award will become vested on the second anniversary of the Grant Date; and an additional and final thirty-three and one-third percent (33 1/3%) of the Total Award will become vested on the third anniversary of the Grant Date.

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

If prior to a Vesting Date, the grantee’s employment with the Company and its Subsidiaries terminates for any reason, then the unvested RSUs (and any related Dividend Equivalent Rights) subject to this Notice of Award shall terminate and be completely forfeited on the date of such termination of the grantee’s employment unless the grantee is entitled to any accelerated vesting of the unvested RSUs under the terms of the Plan or other Company-sponsored plan or agreement or as described in this paragraph 3 relating to a Change in Control, paragraph 4 or paragraph 9(E) below, in which case such accelerated vesting of the unvested RSUs will be in accordance with the terms of this Notice of Award or the applicable plan, agreement or local law. Notwithstanding anything in the Plan or this Notice of Award to the contrary, if the grantee is terminated for Cause from the Company and its Subsidiaries prior to payment pursuant to paragraph 5, all of the RSUs will immediately and automatically without any action on the part of the grantee or the Company, be forfeited by the grantee.

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

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

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

(C) During the calendar year of the date of grant (the “Year of Grant”), if a grantee terminates employment from the Company or its Subsidiaries for any reason (other than death, becoming Disabled, or for Cause) on or after becoming Retirement Eligible, the Total Award will be adjusted to reflect grantee’s period of employment during the Year of Grant. The number of RSUs the grantee holds after adjustment is called the “Adjusted Award.” The Adjusted Award equals the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during the Year of Grant preceding the month during which grantee’s termination date

occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Award down to the nearest whole number. In the event of such adjustment, any RSUs (and related Dividend Equivalent Rights) subject to this Notice of Award in excess of the Adjusted Award shall not vest pursuant to paragraph 4(B) but instead shall terminate and be completely forfeited on such date.

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

Notwithstanding the foregoing, distributions due to a Separation from Service may not be made to a Key Employee before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay as a result of the grantee's Separation from Service shall be accumulated and paid within fifteen (15) days after the first day of the seventh month following the grantee's Separation from Service (or, if earlier, on or before the first day of the third month after the Participant's death).

6. RESTRICTIONS AND LIMITATIONS.

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

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

7. WITHHOLDING.

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

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

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

9. MISCELLANEOUS.

(A) This Notice of Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the Plan and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Award.

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

(C) By accepting the RSUs awarded herewith, the grantee acknowledges and agrees that the RSUs are awarded under and governed by the terms and conditions set forth in this Notice of Award and in the Plan, and the Executive Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to grantee, and that such terms and conditions shall supersede all prior discussions, negotiations, understandings, commitments and agreements with respect to such matters. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the Plan or the RSUs awarded thereunder shall be determined in all cases and for all purposes by the Committee, or any successor committee, and any such determination shall be final, binding and conclusive for all purposes.

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

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

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

EXHIBIT 10.18

THE HERSHEY COMPANY
EXECUTIVE BENEFITS PROTECTION PLAN
(GROUP 3)
Amended and Restated as of June 27, 2012

The Hershey Company Executive Benefits Protection Plan (Group 3), as set forth herein, is intended to help attract and retain qualified management employees and maintain a stable work environment by making provision for the protection of covered employees in connection with a Change in Control or termination of employment without cause as set forth herein. The Plan is an amendment to and restatement (as amended) of The Hershey Company Executive Benefits Protection Plan (Group 3), which was last amended and restated effective April 27, 2011.

ARTICLE 1
DEFINITIONS

As hereinafter used, the following words shall have the meanings set forth below.

1.1 Annual Base Salary means with respect to an Executive the higher of:

1.1.1 his or her highest annual base salary in effect during the one (1) year period preceding a Change in Control; or

1.1.2 his or her highest annual base salary in effect during the one (1) year period preceding his or her Date of Termination.

For purposes of the foregoing, salary reduction elections pursuant to Code sections 125 and 401(k) shall not be taken into account.

1.2 Annual Incentive Pay means with respect to an Executive the higher of:

1.2.1 the highest Incentive Pay paid or payable, including any Incentive Pay or portion thereof which has been earned but deferred, to him or her by the Company in any of the three fiscal years (or such shorter period during which he or she has been employed by the Company or eligible to receive any Incentive Pay payment) immediately preceding the fiscal year in which a Change in Control occurs (annualized for any fiscal year during such period consisting of less than twelve full months or with respect to which he or she has been employed by the Company or eligible to receive Incentive Pay for less than twelve full months); or

1.2.2 his or her 100% target Incentive Pay award amount payable for the year in which his or her Date of Termination occurs.

1.3 Base Amount shall have the meaning ascribed to such term in Code section 280G(b)(3).

1.4 Board means the Board of Directors of the Company.

1.5 Cause means with respect to an Executive:

1.5.1 his or her conviction of, or plea of nolo contendere, with respect to any felony;

1.5.2 his or her gross negligence or willful misconduct in the performance of his or her duties;

1.5.3 his or her material act of dishonesty or material violation of an applicable Company policy, including, but not limited to, any code of ethics, business conduct or similar guidelines; or

1.5.4 his or her material act in the performance of his or her duties which is in bad faith and not in the best interests of the Company.

For purposes of this Section 1.5, any act, or failure to act, on the part of an Executive shall be considered in the best interests of the Company if it is done, or omitted to be done, by him or her in good faith and with reasonable belief that his or her action or omission was in or not opposed to the best interests of the Company. Any act, or failure to act, based upon prior approval given by the Board or upon the instruction or with the approval of the Chief Executive Officer or an Executive's superior, or based upon the advice of counsel for the Company (provided such approval, instruction, or advice of counsel is made by or from someone other than the Executive), shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of an Executive shall not be deemed to be for Cause unless and until a good faith determination has been made by the Board or by the Chief Executive Officer that the Executive is guilty of the conduct described in any of Section 1.5.1 through 1.5.4 above, and the Executive has been given written notice of such determination specifying the particulars thereof in detail.

1.6 Change in Control means:

1.6.1 individuals who, on February 22, 2011, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a Director subsequent to February 22, 2011, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as nominee for Director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest or opposition solicitation (as described in Rule 14a-12(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any person (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) ("Person") other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; and provided further, however, that a Director who has been approved by the Hershey Trust while it beneficially owns more than 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Company Voting Power") shall be deemed to be an Incumbent Director;

1.6.2 the acquisition or holding by any Person of beneficial ownership (within the meaning of Section 13(d) under the Exchange Act and the rules and regulations promulgated thereunder) of shares of the Common Stock and/or the Class B Common Stock of the Company representing 30% or more of either (x) the total number of then outstanding shares of both Common Stock and Class B Common Stock of the Company (the "Outstanding Company Stock") or (y) the Outstanding Company Voting Power; provided that, at the time of such acquisition or holding of beneficial ownership of any such shares, the Hershey Trust does not beneficially own more than 50% of the Outstanding Company Voting Power; and provided, further, that any such acquisition or holding of beneficial ownership of shares of either Common Stock or Class B Common Stock of the Company by any of the following entities shall not by itself constitute such a Change in Control hereunder: (i) the Hershey Trust; (ii) any trust established by the Company or by any Subsidiary for the benefit of the Company and/or its employees or those of a Subsidiary; (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary; (iv) the Company or any Subsidiary or (v) any underwriter temporarily holding securities pursuant to an offering of such securities;

1.6.3 the consummation of any merger, reorganization, recapitalization, consolidation or other form of business combination (a "Business Combination") if, following consummation of such

Business Combination, the Hershey Trust does not beneficially own more than 50% of the total voting power of all outstanding voting securities eligible to elect directors of (x) the surviving entity or entities (the “Surviving Corporation”) or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of more than 50% of the combined voting power of the then outstanding voting securities eligible to elect directors of the Surviving Corporation;

1.6.4 the consummation of any sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation (the “Acquiring Corporation”) if, following consummation of such sale or other disposition, the Hershey Trust beneficially owns more than 50% of the total voting power of all outstanding voting securities eligible to elect directors (x) of the Acquiring Corporation or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of more than 50% of the combined voting power of the then outstanding voting securities eligible to elect directors of the Acquiring Corporation; or

1.6.5 the approval by the stockholders of a liquidation or dissolution of the Company.

1.7 Change in Control Event means a Change in Control Event as defined under Code section 409A and applicable guidance thereunder.

1.8 CLRP means The Hershey Company Compensation Limit Replacement Plan and any successor or replacement plan thereof.

1.9 Code means the Internal Revenue Code of 1986, as amended from time to time.

1.10 Committee means the Compensation and Executive Organization Committee of the Board or any successor committee having similar authority.

1.11 Company means The Hershey Company, a Delaware corporation.

1.12 Coverage Period means the period commencing on the date on which a Change in Control occurs and ending on the date which is the second anniversary thereof.

1.13 Date of Termination has the meaning assigned to such term in Section 4.2 or 4.3.

1.14 DB SERP means The Hershey Company Amended and Restated (2007) Supplemental Executive Retirement Plan, as in effect from time to time and any successor or replacement plan thereof.

1.15 DC SERP means the Defined Contribution Supplemental Executive Retirement Plan benefit of The Hershey Company Deferred Compensation Plan.

1.16 Deferred Compensation Plan means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

1.17 Director means a member of the Board.

1.18 Disability means the long-term disability of the Executive determined in accordance with the terms set forth in the Company’s long-term disability plan (the “LTD Plan”) (regardless of whether the Executive is covered by the LTD Plan; except that with respect to an Executive who is covered by the LTD Plan, a determination that the Executive does not meet the definition of disability under the LTD Plan will mean that the Executive does not meet the definition of disability under this Plan).

1.19 Effective Date means June 27, 2012.

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

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

1.22 Excise Tax means the excise tax, together with any such interest and penalties, as defined in Section 3.4.1.

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

1.24 Good Reason means with respect to an Executive:

1.24.1 (i) the assignment to him or her of any duties inconsistent in any respect with his or her position, authority, duties or responsibilities immediately prior to either the Potential Change in Control preceding the Change in Control or the Change in Control, or (ii) any other action by the Company, which assignment or other action results in a material diminution in any respect in his or her position, authority, duties or responsibilities;

1.24.2 a material diminution by the Company in his or her Annual Base Salary as in effect, as applicable, on the Effective Date or as the same may be increased from time to time, or on the date he or she first becomes an Executive if he or she was not an Executive on the Effective Date or as the same may be increased from time to time;

1.24.3 the Company's requiring him or her to be based at any office or location that increases the commute to the Executive's home by more than 50 miles, one way, compared to the commute from his or her office or location immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control but only if such change involves a material increase in the Executive's cost of living and is not accompanied by a commensurate increase in compensation and benefits;

1.24.4 the Company's requiring him or her to travel on Company business to a substantially greater extent than required immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control, provided that this travel requirement constitutes a material negative change to the Executive in the employment relationship;

1.24.5 the failure by the Company, without his or her consent, to pay to him or her any portion of his or her current compensation (including, but not limited to, current salary and employee benefits), or to pay to him or her any portion of an installment of deferred compensation under any deferred compensation program of the Company, provided that any such failures, in the aggregate, result in a material negative change in the Executive's compensation;

1.24.6 the failure by the Company to continue in effect any compensation plan in which he or she participates immediately prior to either the Potential Change in Control preceding the Change in Control or the Change in Control which is material to his or her total compensation, including but not limited to the EICP (other than with respect to any contingent PSU grant that is outstanding as of the date of the Change in Control), the CLRP, and the DB SERP, as applicable, or any substitute or alternative plans adopted prior to either such Potential Change in Control or Change in Control, (unless (a) an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or (b) the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) is on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his or her participation relative to other participants, as existed at the time of such Potential Change in Control or Change in Control), and provided that any such failures, in the aggregate, result in a material negative change in the Executive's compensation;

1.24.7 the failure by the Company to continue to provide him or her with benefits substantially similar to those enjoyed by him or her under any of the Company's pension, life insurance, medical, health and accident, disability, vacation pay or other welfare or fringe benefit plans or arrangements in which he or she was participating at the time of either the Potential Change in Control preceding the Change in Control or the Change in Control, provided that any such failures, in the aggregate, result in a material negative change in the Executive's compensation;

1.24.8 any material failure by the Company to comply with and satisfy any of its obligations under this Plan after a Potential Change in Control that is followed within one (1) year by a Change in Control; or

1.24.9 any material failure by the Company to comply with and satisfy any of its obligations under any grantor trust established by the Company to provide itself with a source of funds to assist itself in satisfying its liabilities under this Plan after (a) a Change in Control described in one of the following: Section 1.6.1, Section 1.6.4 or Section 1.6.5 other than a sale or other disposition to a corporation; (b) a Change in Control described in Section 1.6.2 if during the Coverage Period, Incumbent Directors, as described in Section 1.6.1, cease for any reason to constitute at least a majority of the Board; (c) a Change in Control described in Section 1.6.3 if, at any time during the Coverage Period, Incumbent Directors, as described in Section 1.6.1, do not constitute at least a majority of the board of directors of the Surviving Corporation; or (d) a Change in Control described in Section 1.6.4 involving a sale or other disposition to a corporation if, at any time during the Coverage Period, Incumbent Directors, as described in Section 1.6.1, do not constitute at least a majority of the board of directors of such corporation; provided further, that any such failures, in the aggregate, result in a material negative change in the Executive's compensation.

To qualify as a Good Reason under the Plan, any of the conditions listed above in this Section 1.24 must be followed by a termination of employment within two years of the initial existence of the Good Reason, and the notice requirements of Section 4.1 must be satisfied. For purposes of this Plan, any good faith determination of Good Reason (including the corresponding determination of "materiality") made by the Executive shall be conclusive; provided that such determination satisfies the materiality requirement under Treasury Regulations §1.409A-1(n)(2)(i), any successor thereto and other applicable guidance.

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

1.26 Hershey Trust means either or both of (a) Hershey Trust Company, a Pennsylvania corporation, as Trustee for Milton Hershey School, or any successor to Hershey Trust Company as such trustee, and (b) Milton Hershey School, a Pennsylvania not-for-profit corporation.

1.27 Incentive Pay means incentive payments awarded under the EICP from the Company's Annual Incentive Program or any similar, successor or replacement program under the EICP.

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

1.29 Key Employee means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined under Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Employee Benefits Committee.

1.30 Mandatory Retirement Age means age sixty-five (65) in the case of an Executive who has served for a minimum of two (2) years at a high level executive or high policy-making position and who is entitled to a non-forfeitable, immediate, annual employer-provided retirement benefit from any source, which is at least equal to a benefit, computed as a life annuity, of at least $44,000 per year (or such other amount as

may be provided by future legislation). In the case of all other Executives, there shall be no Mandatory Retirement Age.

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

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

1.33 Plan Administrator means the Company's Senior Vice President, Chief Human Resources Officer (or other officer of the Company holding a successor position in the Company having the same or substantially similar organizational responsibilities).

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

1.34.1 The Hershey Trust by action of: (i) the Board of Directors of Hershey Trust Company; (ii) the Board of Managers of Milton Hershey School; (iii) the Investment Committee of the Hershey Trust; and/or (iv) any officer or officers of Hershey Trust Company or Milton Hershey School (acting with authority), undertakes consideration of any action the taking of which would lead to a Change in Control as defined herein, including, but not limited to consideration of (1) an offer made to the Hershey Trust to purchase any number of its shares in the Company such that if the Hershey Trust accepted such offer and sold such number of shares in the Company the Hershey Trust would no longer have more than 50% of the Outstanding Company Voting Power, (2) an offering by the Hershey Trust of any number of its shares in the Company for sale such that if such sale were consummated the Hershey Trust would no longer have more than 50% of the Outstanding Company Voting Power, or (3) entering into any agreement or understanding with a person or entity that would lead to a Change in Control; or

1.34.2 The Board approves a transaction described in Section 1.6.2, 1.6.3, 1.6.4 or 1.6.5 of the definition of a Change in Control contained herein.

1.35 Retirement Eligible, with respect to an Executive, means he or she has both attained his or her 55th birthday and been continuously employed by the Company during the five (5) year period immediately preceding his or her termination date.

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

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

1.38 Severance Period means the period beginning on the Executive's Date of Termination and continuing for 24 months, or, if less, the number of months until the Executive would reach his or her Mandatory Retirement Age, if applicable, but not less than 12 months.

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

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

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

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

1.43 Vested DB SERP Benefit shall have the meaning assigned to such term in Section 2.3.

ARTICLE 2
VESTING OR PAYMENT OF CERTAIN BENEFITS
IN THE EVENT OF A CHANGE IN CONTROL

2.1 Vesting of Incentive Pay Benefits; Payment of Benefits. Upon the occurrence of a Change in Control and Change in Control Event:

2.1.1 each Executive shall have a vested and non-forfeitable right hereunder to receive a lump sum cash payment (as specified in Section 2.1.2) with respect to each Incentive Pay award for which the award's performance period has begun but not ended as of the date of the Change in Control Event equal to the greater of (x) the amount of the Executive's 100% target Incentive Pay award, and (y) the amount that would have been payable to him or her under the Incentive Pay award calculated using his or her and the Company's annualized actual performance as of the date of the Change in Control Event (the greater of (x) and (y) is herein referred to as the "Vested Current Incentive Pay Amount"); and

2.1.2 the Company shall, within sixty (60) days following the Change in Control Event, pay to each Executive a lump sum cash payment equal to his or her Vested Current Incentive Pay Amount.

2.2 Vesting of PSU Benefits; Payment of Benefits. Upon the occurrence of a Change in Control and Change in Control Event:

2.2.1 each Executive shall have a vested and non-forfeitable right hereunder to receive in cash (as specified in Section 2.2.2) an amount equal to the target Performance Stock Unit ("PSU") grant, if any, made to him or her under the EICP for the cycle ending in the year of the Change in Control Event, determined as the greater of (x) the amount of the Executive's 100% target PSU grant and (y) the PSU grant amount that would have been payable to him or her at the end of such grant cycle based on the Company's actual performance through the date of the Change in Control Event (as if the same level of Company performance continued throughout the remainder of the cycle); plus, if applicable, the PSU grant amounts from any other cycle that was completed prior to the Change in Control Event for which (i) payment has not been made or (ii) an election to defer such PSUs has been made, but such amounts have not been credited to the Executive's PSU Award Sub-Account under the Deferred Compensation Plan, in each case valued at the higher of (a) the highest closing price of the Company's Common Stock on the New York Stock Exchange during the sixty (60) day period preceding and including the date of the Change in Control Event, and (b) if the Change in Control Event involves a transaction in which an offer is made to purchase shares of Common Stock from the Company's stockholders, the price at which such offer is made (the higher of (a) and (b) is herein referred to as the "Transaction Value") (the greater of (x) and (y) is herein referred to as the "Vested Current PSU Amount");

2.2.2 except to the extent that such Vested Current PSU Amount would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, the Company shall, within sixty (60) days following the Change in Control Event, pay to each Executive a lump sum cash payment equal to his or her Vested Current PSU Amount, increased for any dividends that would be otherwise payable on the PSUs following the Change in Control Event but prior to the distribution date under this Section 2.2.2. In the event of an effective deferral election, the portion of the amount determined under Section 2.2.1 equal to the amount which would have otherwise been subject to such deferral election shall be credited to, and paid in accordance with, the Deferred Compensation Plan; and

2.2.3 the vesting and payment provisions of this Section 2.2 shall not apply to any PSU Award for which a Replacement Award (as defined in the EICP) is outstanding following the Change in Control.

2.3 Vested DB SERP Benefit. Upon the occurrence of a Change in Control each Executive who either is a participant in the DB SERP on the date of the Change in Control or was a participant in the DB SERP on the date of the Potential Change in Control preceding the Change in Control shall be fully vested under the DB SERP (such vested benefit is hereinafter referred to as "Vested DB SERP Benefit"). If such an

Executive has not attained age fifty-five (55) as of his or her Date of Termination, the Executive shall be treated as being eligible for the "Early Retirement Benefit" as set forth in Section 4 of the DB SERP; provided, however, the reduction factor prescribed in Section 4 of the DB SERP shall still be given effect in calculating his or her Vested DB SERP Benefit, provided that the reduction factor in Section 4 of the DB SERP shall be based on the number of complete calendar months by which the Date of Termination precedes the Executive's fifty-second (52nd) birthday.

An Executive's Vested DB SERP Benefit shall be payable in accordance with the DB SERP, but the actuarial present value of such Executive's Vested DB SERP Benefit, taking into account the foregoing provisions, shall be determined using: (i) the mortality table described in the DB SERP; (ii) an interest rate equal to the "Lump Sum Interest Rate," as defined in the DB SERP, as of the Executive's Date of Termination; (iii) the Executive's Date of Termination as the date on which payment of the Executive's Vested DB SERP Benefit is to commence being paid and as the date as on which the actuarial present value of such Vested DB SERP Benefit is calculated; and (iv) the actual age of the Executive and his or her spouse as of the Executive's Date of Termination.

2.4 Vested Deferred Compensation Plan Benefit. Upon the occurrence of a Change in Control, each Executive who either is a participant in the Deferred Compensation Plan on the date of the Change in Control or was a participant in the Deferred Compensation Plan on the date of the Potential Change in Control preceding the Change in Control shall be fully vested in all benefits payable under the Deferred Compensation Plan.

2.5 Vested CLRP Benefit. Upon the occurrence of a Change in Control, each Executive who either is a participant in the CLRP on the date of the Change in Control or was a participant in the CLRP on the date of the Potential Change in Control preceding the Change in Control shall be fully vested in his or her benefit, if any, under the CLRP.

2.6 Vested 401(k) Plan Accounts. Upon the occurrence of a Change in Control, each Executive who either is a participant in The 401(k) Plan on the date of the Change in Control or was a participant in The 401(k) Plan on the date of the Potential Change in Control preceding the Change in Control shall be fully vested in all of his or her accounts under The 401(k) Plan.

2.7 DB SERP, CLRP, or Deferred Compensation Plan Amendments. Notwithstanding any provision of the DB SERP, CLRP, or Deferred Compensation Plan, none of the DB SERP, CLRP, or Deferred Compensation Plan may be terminated or amended in any manner that is adverse to the interests of any Executive without his or her consent either: (i) after a Potential Change in Control occurs and for one (1) year following the cessation of the Potential Change in Control, or (ii) after a Change in Control. In addition, any termination or amendment of the DB SERP, CLRP, or Deferred Compensation Plan in a manner adverse to the interests of an Executive within one (1) year prior to a Potential Change in Control shall not be given effect for purposes of determining benefits under this Plan.

2.8 Other PSU Grants Outstanding as of the Date of a Change in Control. An Executive shall have a vested and non-forfeitable right hereunder to receive a lump sum cash payment with respect to each PSU grant cycle that has begun but not ended as of the occurrence of both a Change in Control and Change in Control Event (and that is not otherwise paid out in whole or in part in accordance with the terms of Section 2.2) in an amount equal to the product of (x) and (y), where (x) is an amount equal to the 100% target PSU grant for each such cycle valued at the higher of (i) the Transaction Value and (ii) the highest closing price of the Company's Common Stock on the New York Stock Exchange from the date of the Change in Control until the earlier of the end of the applicable grant cycle or the Executive's Separation from Service, and (y) is 100%, unless the Change in Control occurs within the first year of the applicable grant cycle, in which case, (y) is a fraction the numerator of which is the number of days from and including the first day of the applicable grant cycle until (and including) the date of the Change in Control or the Change in Control Event (whichever is later) and the denominator of which is the number of days in the applicable grant cycle; and such product is increased for any dividends that would be otherwise payable on the PSUs following the Change in Control

but prior to the distribution date under this Section 2.8. Except to the extent that such PSU amounts would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, the payment provided for in this Section 2.8 with respect to each such PSU grant cycle shall be made to an Executive in a lump sum by the sixtieth (60th) day following the earlier of: (a) the last day of the applicable grant cycle, and (b) the Executive's Separation from Service. Notwithstanding the foregoing, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payment upon a Key Employee's Separation from Service under this Section 2.8 shall be made in the seventh month following the date of such Separation from Service (or, if earlier, the month after the Key Employee's death). In the event of an effective deferral election, the portion of the amount determined under this Section 2.8 equal to the amount which would have otherwise been subject to such deferral election shall be credited to, and paid in accordance with, the Deferred Compensation Plan. The vesting and payment provisions of this Section 2.8 shall not apply to any PSU award for which a Replacement Award (as defined in the EICP) is outstanding following the Change in Control.

ARTICLE 3
EXECUTIVE BENEFITS AND RIGHTS
UPON TERMINATION OF EMPLOYMENT

3.1 General Termination Rights and Benefits. If an Executive's employment at the Company is terminated at any time after a Change in Control for any reason (whether by him or her or the Company), the Company shall pay to him or her payments described in Sections 3.1.1 through 3.1.5 below.

3.1.1 Previously Earned Salary. The Company shall pay his or her full salary to him or her through his or her Date of Termination at the highest rate in effect during the period between (a) the Potential Change in Control (if any) preceding the Change in Control or the Change in Control (if no Potential Change in Control occurs), and (b) the date the Notice of Intent to Terminate is given, together with all compensation and benefits payable to him or her through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.1.2 Previously Earned Benefits. The Company shall pay his or her normal post-termination compensation and benefits to him or her as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance, pension, welfare and other compensation or benefit plans, programs and arrangements.

3.1.3 Payment of Vested Current Incentive Pay Amount. Except to the extent that the Company has previously paid or concurrently pays to him or her all or a portion of his or her Vested Current Incentive Pay Amount pursuant to Section 2.1, Section 3.1.1 or Section 3.1.2, the Company shall pay to him or her a lump sum cash payment equal to his or her Vested Current Incentive Pay Amount.

3.1.4 Payment of Vested Current PSU Amount. Except to the extent that the Vested Current PSU Amount would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan or the Company has previously paid or concurrently pays to him or her all or a portion of his or her Vested Current PSU Amount pursuant to Section 2.2, Section 3.1.1 or Section 3.1.2, the Company shall pay to him or her a lump sum cash payment equal to his or her Vested Current PSU Amount.

3.1.5 The 401(k) Plan. In the event that any amount under The 401(k) Plan which vests pursuant to Section 2.6 cannot be paid to the Executive under the terms of The 401(k) Plan, the Company shall pay such amount to the Executive under the terms of this Plan.

3.2 Severance Benefits. In addition to the payments provided for by Section 3.1, the Company shall pay or provide to an Executive the payments, benefits, and services described in Sections 3.2.1 through 3.2.5 below (the "Severance Benefits") in accordance with such Sections upon termination of his or her employment with the Company during the Coverage Period, unless such termination is (a) by the Company

for Cause, (b) by reason of his or her death or Disability or after his or her Mandatory Retirement Age, if applicable, or (c) by him or her without Good Reason.

3.2.1 Lump-Sum Severance Payment. In lieu of any further salary payments to him or her for periods subsequent to the Date of Termination, the Company shall pay to him or her a lump-sum severance payment, in cash, equal to the number of years (including fractions) in the Executive's Severance Period times the sum of (a) and (b), where (a) equals his or her Annual Base Salary, and (b) equals his or her Annual Incentive Pay.

3.2.2 Continued Welfare Benefits. During the Executive's Severance Period, the Company shall provide him or her with continued welfare benefits (including group term life insurance, and health and other welfare benefits, but excluding long-term and short-term disability benefits) (the benefits to be provided hereunder referred to collectively as "Welfare Benefits") that are substantially similar in all respects to those which he or she was receiving immediately prior to the Notice of Intent to Terminate on substantially the same terms and conditions, including contributions required from him or her for such benefits (without giving effect to any reduction in such benefits (e.g., increasing the contributions required from the Executive) subsequent to the Potential Change in Control preceding the Change in Control or the Change in Control, which reduction constitutes or may constitute Good Reason); provided that if he or she cannot continue to participate in the Company plans providing Welfare Benefits, the Company shall otherwise provide such benefits on the same after-tax basis as if continued participation had been permitted. The Executive shall be entitled to elect to change his or her level of coverage and/or his or her choice of coverage options (such as Executive only or family medical coverage) with respect to the Welfare Benefits to be provided by the Company to him or her to the same extent that actively employed executives of the Company are permitted to make such changes; provided, however, that in the event of any such changes he or she shall pay the amount of any cost increase that would actually be paid by an actively employed executive of the Company by reason of such actively employed executive making the same change in level of coverage or coverage options. Notwithstanding the foregoing, in the event that the Executive becomes reemployed with another employer and becomes eligible to receive welfare benefits from such employer, the Welfare Benefits described herein shall be secondary to such benefits, but only to the extent that the Company reimburses him or her for any increased cost and provides any additional benefits necessary to give him or her benefits at the same level as the Welfare Benefits provided hereunder.

To the extent the continuation of the Welfare Benefits under this Section 3.2.2 is, or ever becomes, taxable to the Executive, and to the extent the Welfare Benefits continue beyond the period in which the Executive would be entitled (or would, but for this Plan, be entitled) to continuation coverage under a group health plan of the Company under Code section 4980B (COBRA) if the Executive elected such coverage and paid the applicable premiums, the Company shall administer such continuation of coverage consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

3.2.2.1 Executive's eligibility for Welfare Benefits in one year will not affect Executive's eligibility for Welfare Benefits in any other year (disregarding any limit on the amount of Welfare Benefits that may be reimbursed during such continuation period);

3.2.2.2 Any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and

3.2.2.3 Executive's right to Welfare Benefits is not subject to liquidation or exchange for another benefit.

In the event the preceding sentence applies, the Executive's applicable COBRA period lasts less than six (6) months and the Executive is a Key Employee upon his or her Separation from Service, reimbursement for Welfare Benefits shall commence in the seventh month following the Executive's Separation from Service (or, if earlier, the month after the Executive's death).

3.2.3 Outstanding Awards. If an Executive's Date of Termination occurs within the two (2) year period beginning on the date on which a Change in Control Event occurs,

3.2.3.1 he or she shall be entitled to a lump sum cash payment with respect to each Incentive Pay award, except for any portion of his or her Vested Current Incentive Pay Amount which the Company has previously paid or concurrently pays to him or her, for which the award's performance period has begun but not ended as of the Executive's Date of Termination equal to the product of (x) and (y) for each such Incentive Pay award, where (x) is an amount equal to the greater of (A) the 100% target Incentive Pay award amount for the applicable award period, and (B) the amount that would have been payable to the Executive under such Incentive Pay award for the applicable award period, calculated using his or her and the Company's annualized actual performance as of his or her Date of Termination, and (y) is a fraction, the numerator of which is the number of days from and including the first day of the applicable award period until (and including) his or her Date of Termination, and the denominator of which is the number of days in such applicable award period. The amount payable under this Section shall be paid in a lump sum within sixty (60) days after the Executive's Separation from Service; and

3.2.3.2 he or she shall be entitled to vesting and payment with respect to any outstanding Replacement Award (as defined in the EICP) in accordance with the terms of such awards and the EICP.

3.2.4 Outplacement Services. If an Executive becomes eligible to receive Severance Benefits, such Executive shall be entitled to receive reasonable outplacement services in accordance with the Company's outplacement services policy (as in effect immediately prior to the Change in Control) until the earliest of: (a) one (1) year following the Executive's Separation from Service, (b) the date the Executive secures other full-time employment, or (c) the date the value of such reasonable outplacement services provided by the Company reaches $35,000. The reimbursement of the reasonable outplacement services set forth above shall be made to the Executive as soon as practicable, but in no event later than the end of the second year following the year the Executive Separates from Service.

3.2.5 Financial Counseling and Tax Preparation. If an Executive becomes eligible to receive Severance Benefits, such Executive shall be entitled to receive reimbursements for expenses incurred for financial counseling and tax preparation services under The Hershey Company Financial Counseling and Tax Preparation Services Program (hereinafter referred to as "Qualifying Expenses"), on a basis that is no less favorable than the manner in which such benefits were available to the Executive immediately prior to the Change in Control, for twenty-four (24) months following the Executive's Separation from Service. The Company shall reimburse the Executive directly or indirectly for Qualifying Expenses commencing in the seventh month following the Executive's Separation from Service and in the first month of each subsequent calendar quarter until the end of the twenty-four (24) month period referred to in the previous sentence. On the first date of reimbursement, the Company's payment will reimburse the Executive for all Qualifying Expenses that are incurred during the initial delay period immediately following his or her Separation from Service; thereafter, such reimbursements shall be in an amount equal to the Qualifying Expenses that are submitted to the Company during each subsequent quarterly period. For the purposes of this Section 3.2.5, the Committee in its sole discretion shall determine whether the expenses incurred by the Executive for financial counseling and tax preparation services constitute Qualifying Expenses.

Benefits under this Section 3.2.5 shall be administered consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv): (1) Executive's eligibility for benefits in one year will not affect Executive's eligibility for benefits in any other year; (2) any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and (3) Executive's right to benefits is not subject to liquidation or exchange for another benefit.

3.3 Enhanced Pension Benefits. In addition to payments provided for by Sections 3.1 and 3.2, the Company shall pay or provide to an Executive the benefits described in Sections 3.3.1 through 3.3.4 below in accordance with such Sections upon termination of his or her employment with the Company during the Coverage Period, unless such termination is (a) by the Company for Cause, (b) by reason of his or her death

or Disability or after his or her Mandatory Retirement Age, if applicable, or (c) by him or her without Good Reason.

3.3.1 Enhanced DB SERP Benefit. For an Executive who continues to be a participant in the DB SERP as of his or her Date of Termination, such Executive shall receive in cash an amount equal to the increase in his or her Vested DB SERP Benefit, as a result of the additional credits set forth below (such vested benefit under this Section 3.3.1 is hereinafter referred to as "Enhanced DB SERP Benefit").

For purposes of determining such Executive's Enhanced DB SERP Benefit as of the date of his or her Date of Termination: (i) he or she shall be credited for all purposes under the DB SERP with additional Years of Service (as defined in the DB SERP) equal to the number of years (including fractions thereof) in the Executive's Severance Period; (ii) the provisions of Section 2.3 regarding vesting and early retirement eligibility and reduction factors shall apply; (iii) he or she shall be deemed to have been paid his or her Annual Base Salary during his or her Severance Period which shall be considered to have been earned over such period of time during his or her last five (5) years of employment with the Company for purposes of calculating "Final Average Compensation" (as defined in the DB SERP); (iv) he or she shall be deemed to have been paid his or her Annual Incentive Pay during his or her Severance Period which, together with his or her Vested Current Incentive Pay Amount as determined pursuant to Section 2.1.1 shall be considered his or her Incentive Pay awards paid or accrued with respect to his or her Severance Period, which shall be considered part of his or her last five (5) years of employment with the Company for purposes of calculating "Final Average Compensation" (as defined in the DB SERP); and (v) for the purposes of determining "Final Average Compensation" and not for the purposes of any other provision of the DB SERP, in the event he or she has not participated in the Incentive Pay portion of the EICP (after taking into account the year during which the Change in Control occurs as to which he or she is entitled to his or her Vested Current Incentive Pay Amount plus the number of years with respect to which he or she is deemed to have been paid his or her Annual Incentive Pay as provided in this Section 3.3.1(v)) for three (3) consecutive years in his or her last five (5) years of employment with the Company, he or she shall have his or her highest annual average Incentive Pay award be based on the average of his or her Incentive Pay awards paid or accrued over the sum of the number of years preceding the year during which the Date of Termination occurs during which he or she has participated in the Incentive Pay portion of the EICP plus the number of years with respect to which he or she is deemed to have been paid his or her Annual Incentive Pay as provided in this Section 3.3.1(v) plus the year during which the Change in Control occurs with respect to which he or she is entitled to his or her Vested Current Incentive Pay Amount regardless of his or her actual years of participation in the Incentive Pay portion of the EICP at the time of his or her Date of Termination and regardless of the number of years such Executive has been employed by the Company as of the Date of Termination.

3.3.2 Enhanced DC SERP Benefit. Each Executive who is a participant in the DC SERP as of his or her Date of Termination shall receive in cash an amount equal to the applicable percentage rate under Section 6.2 of the Deferred Compensation Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid during the years (including fractions thereof) in the Executive's Severance Period.

3.3.3 Alternative Enhanced DB Benefits. Each Executive who is not a participant in the DB SERP as of his or her Date of Termination shall have a vested and non-forfeitable right hereunder to receive in cash an amount equal to the amount determined under either Section 3.3.3.1 or 3.3.3.2, as applicable.

3.3.3.1 For an Executive who is a participant in the Hershey Pension Plan, a lump sum cash amount equal to the Basic Credit rate applicable to the Executive under the Hershey Pension Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid to the Executive for the number of years (including fractions thereof) in his or her Severance Period. For this purpose, the IRS limitations imposed under the Hershey Pension Plan shall not apply. Notwithstanding the foregoing, for purposes of determining the lump sum cash amount payable under this Section 3.3.3.1 to an Executive who is a participant under the DC SERP, the Basic Credit rate applicable to

amounts paid to the Executive in excess of the limitation under Code section 401(a)(17) shall equal three (3) percent; or

3.3.3.2 For an Executive who is not a participant in the Hershey Pension Plan, a lump sum cash amount equal to the Core Retirement Contribution rate in effect under The 401(k) Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid to the Executive for the number of years (including fractions thereof) in his or her Severance Period. For this purpose, the IRS limitations imposed under The 401(k) Plan shall not apply.

3.3.4 Enhanced Matching Contributions. Each Executive who is eligible to receive amounts under Section 3.3.1, 3.3.2, or 3.3.3 shall also receive in cash an amount equal to the Matching Contribution rate in effect under The 401(k) Plan multiplied by his or her Annual Base Salary and Annual Incentive Pay determined as if such amounts were paid to the Executive for the number of years (including fractions thereof) in his or her Severance Period. For this purpose, the IRS limitations imposed under The 401(k) Plan shall not apply.

3.4 Possible Reduction in Payments.

3.4.1 In the event that an Executive becomes entitled to the Severance Benefits or any other benefits or payments under this Plan, or under the EICP by reason of the accelerated vesting or payment of any awards thereunder (together, the "Payments"), and any of the Payments payable to the Executive (a) constitute parachute payments within the meaning of section 280G of the Code, and (b) but for this Section 3.4 would be subject to the excise tax imposed by Code section 4999, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then such Payments shall be either: (i) delivered in full, or (ii) reduced (but not below zero) to the maximum amount that could be paid to the Executive without giving rise to the Excise Tax (the "Safe Harbor Cap"), whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the Excise Tax (and any equivalent state or local excise taxes), results in the receipt by the Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be subject to the Excise Tax. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing first the payments under Section 3.2.1.

3.4.2 All determinations required to be made under this Section 3.4, including the reduction of the Payments to the Safe Harbor Cap, if applicable, and the assumptions to be utilized in arriving at such determinations, shall be made by the public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Company or the Executive that a Potential Change in Control or a Change in Control has occurred such that Payments may be made, or such earlier time as is requested by the Company (collectively, the "Determinations"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company may appoint another nationally recognized public accounting firm to make the Determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All reasonable fees and expenses of the Accounting Firm shall be borne solely by the Company, and the Company shall enter into any reasonable agreement requested in good faith by the Accounting Firm in connection with the performance of the services hereunder. The Determinations by the Accounting Firm shall be binding upon the Company and the Executive.

3.4.3 For purposes of making the Determinations, the Accounting Firm shall utilize the following assumptions and approximations: (i) any other payments or benefits received or to be received by an Executive in connection with a Change in Control or his or her termination of employment (whether pursuant to the terms of this Plan or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) shall be treated as parachute payments within the meaning of Code section 280G(b)(2), and all excess parachute payments

within the meaning of Code section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel ("Tax Counsel") selected by the Accounting Firm (which counsel may be counsel to the Company), such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Code section 280G(b)(4) in excess of the Base Amount, or are otherwise not subject to the Excise Tax, (ii) the amount of the Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Payments reduced by the amount of such Payments that in the opinion of Tax Counsel are not parachute payments, or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accounting Firm in accordance with the principles of Code sections 280G(d)(3) and (4).

3.4.4 For purposes of making the Determinations, an Executive shall be deemed to pay federal income taxes at the highest marginal rate for federal, state and local income taxes in the state and locality of his or her residence on the Date of Termination, net of the reduction in federal income taxes which could be obtained from deduction of such state and local taxes (calculated by assuming that any reduction under Code section 68 or any successor or similar provision in the amount of itemized deductions allowable to him or her applies first to reduce the amount of such state and local income taxes that would otherwise be deductible by him or her).

3.4.5 This Section 3.4.5 shall apply to an Executive in the event of the reduction of the Executive's Payments to the Safe Harbor Cap pursuant to Section 3.4.1. If it is established pursuant to a final decision of a court or an IRS proceeding which has been finally and conclusively resolved, that Payments have been made to, or provided for the benefit of, an Executive by the Company, which are in excess of the limitations provided in this Section 3.4 (hereinafter referred to as an "Excess Payment"), the Executive shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at the applicable federal rate (as defined in Code section 1274(d)) from the date of the Executive's receipt of such Excess Payment until the date of such repayment. As a result of the uncertainty in the application of Code section 4999 at the time of the Determinations, it is possible that Payments which will not have been made by the Company should have been made (an "Underpayment"). In the event that it is determined by the Accounting Firm, the IRS, court order, or the Company (which shall include the position taken by the Company alone or together with its consolidated group) on its federal income tax return, that an Underpayment has occurred, the Company shall pay an amount equal to such Underpayment to the Executive within thirty (30) business days of such decision together with interest on such amount at the applicable federal rate from the date such amount would have been paid to the Executive until the date of payment.

3.5 Timing of Payments. The amounts payable under Sections 3.1.1, 3.1.3, 3.1.4, 3.1.5, 3.2.1, 3.2.3, and 3.3.4 and, as applicable, Sections 3.3.1, 3.3.2, or 3.3.3 shall be made to an Executive not later than the sixtieth (60th) day following his or her Date of Termination.

3.6 Reimbursement of Legal Costs. The Company shall pay to an Executive reasonable legal fees and expenses incurred by him or her as a result of a termination of his or her employment which may entitle him or her to any payments under Article 3 of the Plan to the extent that such fees and expenses, if any, are incurred (a) in contesting or disputing in good faith any right or benefit under Article 3 in connection with a Change in Control or any Notice of Intent to Terminate under Section 4.3, or (b) in connection with any tax audit or proceeding to the extent attributable to the application of Code section 4999 to any payment or benefit provided hereunder. Such payments shall be made within sixty (60) days after delivery of his or her respective written requests for payment accompanied by such evidence of fees and expenses incurred as the Company reasonably may require.

Benefits under this Section 3.6 shall be administered consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv): (1) Executive's eligibility for benefits in one year will not affect Executive's eligibility for benefits in any other year; (2) any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was

incurred; and (3) Executive's right to benefits is not subject to liquidation or exchange for another benefit. In the event the Executive is a Key Employee upon his or her Separation from Service, reimbursement for benefits under this Section 3.6 shall commence in the seventh month following the Executive's Separation from Service (or, if earlier, the month after the Executive's death).

3.7 Executives' Covenant. The Company may condition the payment of the amounts and provision of the benefits described in Article 3 of the Plan to an Executive upon his or her providing to the Company a written agreement that, subject to the terms and conditions of this Plan, in the event of a Potential Change in Control, he or she will remain in the employ of the Company until the earliest of (a) a date which is nine months after the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of his or her termination of employment for Good Reason (determined by treating the Potential Change in Control for this purpose as a Change in Control in applying the definition of Good Reason) or by reason of death or Disability, (d) the termination by the Company of his or her employment for any reason, or (e) his or her attaining age sixty-five (65). In the event of such future written agreement between the Company and the Executive, the benefits described in Article 3 of the Plan shall be provided in compliance with Code section 409A, as applicable.

ARTICLE 4
TERMINATION PROCEDURES AND
COMPENSATION DURING DISPUTE

4.1 Notice of Intent to Terminate. After a Change in Control, any purported termination of an Executive's employment (other than by reason of death) that may result in benefits under this Plan must be preceded by a written Notice of Intent to Terminate from him or her to the Company or the Company to him or her, as applicable, in accordance with Section 8.17. For purposes of this Plan, a Notice of Intent to Terminate shall mean a notice which shall indicate the notifying party's opinion regarding the specific provisions of this Plan that will apply upon such termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for the application of the provisions so indicated. Further, a Notice of Intent to Terminate for Cause shall specify in detail the particulars of the determination made by the Board or by the Chief Executive Officer that the Executive is guilty of conduct described in any of Section 1.5.1 through 1.5.4 herein.

In the case of a termination for Good Reason, the Executive must provide notice to the Company of the existence of the applicable condition described in Section 1.24 within ninety (90) days of the initial existence of the condition. The Company will then have a period of thirty (30) days during which it may remedy the condition in which case the Good Reason condition will no longer apply to the Executive for purposes of this Plan.

4.2 Date of Termination. Date of Termination, (a) with respect to any purported termination of an Executive's employment after a Change in Control, shall mean (except as provided in Section 4.3) (i) if his or her employment is terminated by reason of his or her death, the date of his or her death, (ii) if his or her employment is terminated for Disability, thirty (30) days after Notice of Intent to Terminate is given (provided that he or she shall not have returned to the full-time performance of his or her duties during such thirty (30) day period), or (iii) if his or her employment is terminated for any other reason, the date specified as the date of termination within the Notice of Intent to Terminate (which (x) in the case of a termination by the Company, shall not be less than thirty (30) days, except in the case of a termination for Cause in which case it shall not be less than ten (10) days, provided that the Company may require him or her to not report to work during such ten (10) day period, and (y) in the case of a termination by an Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Intent to Terminate is given), and (b) for purposes of Section 2.3 of this Plan, shall mean the date a Change in Control occurs.

4.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Intent to Terminate is given (within eight (8) days in the case of a termination for Cause by the Company), or, if later, prior to the Date of Termination (as determined without regard to this Section 4.3), the person receiving such

Notice of Intent to Terminate notifies the person giving such notice that a dispute exists concerning the termination or the provisions of this Plan that apply to such termination, the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual written agreement of the parties to such dispute or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the person giving such notice pursues the resolution of such dispute with reasonable diligence; and provided, that the payment, if applicable, of any amount in dispute under this Section 4.3 shall be made as soon as practicable following the Date of Termination (as determined without regard to this Section 4.3), but in no event later than March 15 of the year following such date.

4.4 Compensation During Dispute. If a purported termination of an Executive's employment occurs following a Change in Control and such termination or the provisions of this Plan that apply upon such termination is disputed in accordance with Section 4.3 (including a dispute as to the existence of good faith and/or reasonable diligence thereunder), the Company shall continue to pay the Executive his or her Annual Base Salary and continue to provide to him or her the Welfare Benefits provided for in Section 3.2.2 until the dispute is finally resolved in accordance with Section 4.3. Notwithstanding the foregoing, payment of Annual Base Salary may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay shall be accumulated and paid in the seventh month following the Participant's Separation from Service (or, if earlier, the month after the Participant's death). Amounts paid under this Section 4.4 are in addition to all other amounts due under this Plan (other than those due under Section 3.1.1) and shall not be offset against or reduce any other amounts due under this Plan.

ARTICLE 5
PLAN ADMINISTRATION

5.1 Authority to Plan Administrator. The Plan shall be interpreted, administered and operated by the Plan Administrator, subject to the express provisions of the Plan.

5.2 Delegation of Duties. The Plan Administrator may delegate any of his or her duties hereunder to such person or persons from time to time as he or she may designate.

5.3 Engagement of Third Parties. The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as he or she deems necessary or advisable to assist him or her in the performance of his or her duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Company.

ARTICLE 6
CLAIMS

6.1 Claims Procedure. Claims for benefits under the Plan shall be filed with the Plan Administrator. If any Executive or other payee claims to be entitled to a benefit under the Plan and the Plan Administrator determines that such claim shall be denied in whole or in part, the Plan Administrator shall notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (a) specific reasons for the denial, (b) specific reference to pertinent Plan provisions, (c) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (d) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within ninety (90) days after the claim is received by the Plan Administrator. If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

6.2 Review Procedure. Within sixty (60) days after the date on which a person receives a written notice of a denied claim (or, if applicable, within sixty (60) days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (a) file a written request with the Plan Administrator for a review of his or her denied claim and of pertinent documents and (b) submit written issues and comments to the Plan Administrator. The Plan Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within sixty (60) days after the request for review is received by the Plan Administrator. If the decision on review is not made within such period, the claim will be considered denied.

6.3 Claims and Review Procedures Not Mandatory. The claims procedure and review procedure provided for in this Article 6 are provided for the use and benefit of Executives who may choose to use such procedures, but compliance with the provisions of this Article 6 is not mandatory for any Executive claiming benefits under the Plan. It shall not be necessary for any Executive to file a claim with the Plan Administrator or to exhaust the procedures and remedies provided for by this Article 6 prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which he or she claims entitlement hereunder.

ARTICLE 7
PLAN MODIFICATION OR TERMINATION

The Plan may be amended or terminated by resolution of the Board at any time; provided, however, that (a) the Plan may not be terminated or amended in a manner adverse to the interests of any Executive, without his or her consent (i) after a Potential Change in Control occurs and for one (1) year following the cessation of a Potential Change in Control, or (ii) for the two-year period following consummation of the transaction(s) resulting from or in the Change in Control; and (b) no termination of this Plan or amendment hereof in a manner adverse to the interests of any Executive, without his or her consent, shall be effective if such termination or amendment occurs (i) at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) in connection with or in anticipation of a Change in Control or Potential Change in Control. For this purpose, the cessation of a Potential Change in Control occurs if a Change in Control has not occurred within one (1) year following the Potential Change in Control. In the event that the termination of this Plan by the Company or an amendment hereof in a manner adverse to the interests of any Executive (without his or her consent) occurs within one (1) year prior to a Potential Change in Control or a Change in Control, there shall be a presumption that the conditions of subclauses (i) and (ii) of clause (b) of the next preceding sentence shall have been met. Upon the expiration of the Coverage Period, the Plan may not be amended in any manner which would adversely affect the rights which any Executive has at that time to receive any and all payments or benefits pursuant to Articles 2, 3, and 4 by reason of a Change in Control which has theretofore occurred or by reason of a termination of his or her employment

during the Coverage Period, and the Company's obligations to make such payments and provide such benefits shall survive any termination of the Plan.

ARTICLE 8
MISCELLANEOUS

8.1 Terminations in Anticipation of Change in Control. An Executive's employment shall be deemed to have been terminated by the Company without Cause during the Coverage Period if his or her employment is terminated by the Company without Cause prior to a Change in Control or Potential Change in Control and such termination of employment (a) was at the request of a third party who had indicated an intention to take or had taken steps reasonably calculated to effect a Change in Control, or (b) otherwise arose in connection with or in anticipation of a Change in Control, and (c) in either case, a Change in Control Event does occur which may involve such third party (or a party competing with such third party to effectuate a Change in Control). An Executive shall be deemed to have terminated his or her employment for Good Reason during the Coverage Period if he or she terminates his or her employment with Good Reason prior to a Change in Control or Potential Change in Control if the circumstance or event which constitutes Good Reason (a) occurred at the request of a third party who had indicated an intention to take or had taken steps reasonably calculated to effect a Change in Control, or (b) otherwise arose in connection with or in anticipation of a Change in Control, and (c) in either case, a Change in Control Event does occur which may involve such third party (or a party competing with such third party to effectuate a Change in Control). In the event of a termination of employment described in this Section 8.1, the Executive shall be entitled to all payments and other benefits to which he or she would have been entitled had such termination occurred during the Coverage Period (other than salary pursuant to Section 3.1.1 for any period after the actual date of termination) and he or she shall be entitled to an additional payment in an amount which shall compensate him or her to the extent that he or she was deprived by such termination of the opportunity prior to termination of employment to exercise any stock options granted to him or her under the EICP (including any such stock options that were not exercisable at the time of his or her termination of employment) at the highest market price of the Company's Common Stock reached in connection with the Change in Control or Potential Change in Control if a Potential Change in Control shall occur and not be followed by a Change in Control within twelve (12) months of the Potential Change in Control. In the event that the termination of employment of an Executive as described in this Section 8.1 occurs following a Potential Change in Control or within six (6) months prior to a Change in Control, there shall be a presumption that clauses (a) and (b) of the first two sentences of this Section 8.1 shall have been met. The Company shall pay to the Executive the amounts determined under Sections 3.1.1, 3.1.3, 3.1.4, 3.1.5, 3.2.1, 3.2.3, and 3.3.4 and, as applicable, Sections 3.3.1, 3.3.2, or 3.3.3, that become payable pursuant to this Section 8.1, in a lump sum within sixty (60) days following the date of the Change in Control Event.

8.2 Burden. In any proceeding (regardless of who initiates such proceeding) in which the payment of Severance Benefits or other compensation or benefits under this Plan is at issue, (i) the burden of proof as to whether Cause exists for purposes of this Plan shall be upon the Company and (ii) in the event that the penultimate sentence of Section 8.1 applies, the Company shall have the burden to prove, by clear and convincing evidence, that a termination of employment has not been made in anticipation of a Change in Control as contemplated by Section 8.1.

8.3 No Right to Continued Employment. Nothing in the Plan shall be deemed to give any Executive the right to be retained in the employ of the Company, or to interfere with the right of the Company to discharge him or her at any time and for any lawful reason, with or without notice, subject in all cases to the terms of this Plan.

8.4 No Assignment of Benefits. Except as otherwise provided herein or by law, no right or interest of any Executive under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Executive under the Plan shall be liable for, or subject to, any obligation or liability of such Executive.

8.5 Death. This Plan shall inure to the benefit of and be enforceable by an Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If an Executive shall die while any amount would still be payable to him or her hereunder (other than amounts which, by their terms, terminate upon his or her death) if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executors, personal representatives or administrators of his or her estate within ninety (90) days following the date of the Executive's death.

8.6 Incompetency. Any benefit payable to or for the benefit of an Executive, if legally incompetent or incapable of giving a receipt therefore, shall be deemed paid when paid to his or her guardian or to the party providing or reasonably appearing to provide for his or her care, and such payment shall fully discharge the Company, the Plan Administrator and all other parties with respect thereto.

8.7 Reduction of Benefits By Legally Required Benefits. Notwithstanding any other provision of this Plan to the contrary, if the Company is obligated by law or by contract (other than under this Plan) to pay severance pay, a termination indemnity, notice pay, or the like, to an Executive or if the Company is obligated by law or by contract to provide advance notice of separation ("Notice Period") to an Executive, then any Severance Benefits payable to him or her hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any pay received during any Notice Period; provided however, that the period following a Notice of Intent to Terminate shall not be considered a Notice Period.

8.8 Enforceability. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

8.9 Effective Date. The Plan shall be effective as of the Effective Date and shall remain in effect unless and until terminated by the Board, subject to the requirements of Article 7.

8.10 No Mitigation. The Company agrees that, if an Executive's employment by the Company is terminated during the Coverage Period, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to him or her by the Company pursuant to this Plan. Further, the amount of any payment or benefit provided for under this Plan (other than to the extent provided in Section 3.2.2) shall not be reduced by any compensation earned by him or her as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by him or her to the Company, or otherwise.

8.11 Successors. In addition to any obligations imposed by law upon any successor to the Company, the Company shall be obligated to require any successor (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Company's obligations under this Plan in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle each Executive to compensation and benefits from the Company in the same amount and on the same terms as he or she would be entitled to hereunder if he or she were to terminate his or her employment for Good Reason during the Coverage Period, provided that the amounts payable under Sections 3.1.1, 3.1.3, 3.1.4, 3.1.5, 3.2.1, 3.2.3, and 3.3.4 and, as applicable, Sections 3.3.1, 3.3.2, or 3.3.3, shall be made to an Executive not later than the sixtieth (60th) day following the effective date of any such succession.

8.12 Consent to Cancellation of Awards and Reduction of DB SERP Benefit. The Company may condition the payment to an Executive of his or her Vested Current Incentive Pay Amount and Vested Current PSU Amount upon his or her providing a written consent to the cancellation of the applicable outstanding

target Incentive Pay and PSU grants on which such amounts are based, and in lieu of which such amounts are paid. The Company may condition the payment to an Executive of his or her Vested DB SERP Benefit or the providing of any benefit or payment under Section 3.3.1 upon his or her providing a written consent to the reduction in the amount of the Vested DB SERP Benefit or the amount of any payments or benefits provided under Section 3.3.1.

8.13 Employment by Subsidiary. For purposes of this Plan, an Executive who is employed by a Subsidiary shall be treated as if employed by the Company and his or her entitlement to benefits hereunder shall be determined as if he or she were employed by the Company. For such purpose, the Subsidiary shall be treated as if it were an unincorporated division of the Company.

8.14 Waiver. No waiver by an Executive at any time of any breach of the terms of this Plan, or compliance with, any condition or provision of this Plan to be performed by the Company shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8.15 Withholding Taxes. Any payments to an Executive provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which he or she has agreed.

8.16 Construction. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan. Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

8.17 Notices. Any notice or other communication required or permitted pursuant to the terms hereof shall be deemed to have been duly given when delivered or mailed by United States Mail, first class, postage prepaid, addressed to the intended recipient at his or her last known address (which in the case of an Executive shall be the address specified by him or her in any written notice provided to the Company in accordance with this Section 8.17).

8.18 Statutory Changes. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

8.19 Governing Law. This Plan shall be construed and enforced according to the laws of the State of Delaware to the extent not preempted by Federal law, which shall otherwise control.

ARTICLE 9
TERMINATION WITHOUT CAUSE
UNRELATED TO A POTENTIAL CHANGE IN
CONTROL OR CHANGE IN CONTROL

9.1 Subject to the terms and conditions noted below, in the event Executive’s employment with the Company is terminated without Cause, regardless of whether a Potential Change in Control or Change in Control has occurred or is pending (such termination hereinafter is referred to as “Change in Status Event”), the Executive shall be entitled to the severance benefits set forth below; provided, however, any termination of an Executive’s employment which results in such Executive being entitled to Severance Benefits pursuant to Section 3.2 shall not constitute a Change in Status Event and no Executive entitled to Severance Benefits pursuant to Section 3.2 shall in addition be entitled to the benefits provided for in this Section 9.1. Notwithstanding the foregoing, a precondition to the receipt of severance benefits under Article 9 of the Plan shall be the Executive’s signing and delivering to the Company, in a form acceptable to the Company, a separation agreement containing a valid and enforceable waiver and release of all claims which is not revoked (“Release”). In the absence of a valid and enforceable Release, the Company shall have no obligations under Article 9 of the Plan.

9.1.1 The Company shall pay to the Executive in a lump sum on or before March 15 of the year following the date of the Change in Status Event an amount totaling one (1) times Executive's Annual Base Salary as defined in Section 1.1 (substituting "Change in Status Event" for "Change in Control"). Executive will be fully vested in Incentive Pay and PSU grants previously deferred and shall be entitled to payments for any awards covering periods ending prior to the date of the Change in Status Event that have been earned but not yet paid prior to the date of the Change in Status Event. For purposes of clarification, the Executive shall not receive credit towards vesting or participation in any PSU grant for any period after the date of the Change in Status Event.

9.1.2 From and after the date of the Change in Status Event for a period of one (1) year thereafter, the Company will continue Executive's Welfare Benefits excluding disability coverage (and excluding coverage under all tax-qualified retirement plans).

9.1.3 For the calendar year in which the Change in Status Event occurs, Executive shall remain entitled to participate in the Incentive Pay programs. During this calendar year, Executive's target Incentive Pay award percentage will be that in effect just prior to the Change in Status Event, and Executive's actual Incentive Pay award amounts will be determined and paid as follows:

9.1.3.1 For the period from January 1 of the year in which the Change in Status Event occurs until the date of the Change in Status Event, the award will be equal to the product of (x) and (y), where (x) is the amount that would have been payable to the Executive under such Incentive Pay award calculated based on the then current formula for the Executive using, as applicable, (A) the Company's actual performance for the complete calendar year in which such period ends, and (B) the Executive's actual performance as of the Change in Status Event, and (y) is a fraction the numerator of which is the number of days from and including the first day of that award period until (and including) his or her Change in Status Event and the denominator of which is the number of days in that award period. Except to the extent that the Executive's Incentive Pay award for this period would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, the amount determined will be paid in a lump sum on or after January 1 and on or before March 15 of the year following this period.

9.1.3.2 For the period from the Change in Status Event until December 31 of the year in which the Change in Status Event occurs, the award will be equal to the product of (x) and (y), where (x) is the amount that would have been payable to the Executive under such Incentive Pay award calculated based solely on the Company's performance score, which shall be the lesser of: (A) the Company's actual performance score for the complete calendar year in which such period ends, or (B) 100%, and (y) is a fraction the numerator of which is the number of days from the day after the day of the Change in Status Event until (and including) the end of that award period and the denominator of which is the number of days in that award period. Except to the extent that the Executive's Incentive Pay award for this period would have otherwise been subject to an effective deferral election under the Deferred Compensation Plan, the amount determined will be paid in a lump sum on or after January 1 and on or before March 15 of the year following this period.

9.1.4 From and after the January 1 following the date on which a Change in Status Event occurs until the first anniversary of such Change in Status Event, Executive shall be entitled to receive as additional severance the amount which he or she would have been eligible to receive under the applicable Incentive Pay programs. For purposes of this calculation, Executive's target Incentive Pay award percentage will be that in effect just prior to the Change in Status Event. The additional severance amount will be equal to the product of (x) and (y), where (x) is the amount that would have been payable to the Executive under such Incentive Pay award calculated based solely on the Company's performance score, which shall be the lesser of: (A) the Company's actual performance score for the complete calendar year in which such period ends, or (B) 100%, and (y) is a fraction the numerator of which is the number of days from and including the first day of that award period until (and including) the first anniversary of his or her Change in Status Event and the denominator of which is the number of days in that award period. The amount determined will be paid in a lump sum on or after January 1 and on or before March 15 of the year following this period.

9.1.5 Following the date of the Change in Status Event (the "Severance Date"), except as otherwise provided in Sections 9.1.5.1 and 9.1.5.2: (a) the Executive will not be eligible to participate in or receive new grants or benefits under the Long-Term Incentive Program portion of the EICP and will not be eligible for participation in or the payment of benefits under this Plan (except for under this Article 9), The Hershey Company Executive Benefits Protection Plan (Group 3A), or The Hershey Company Severance Benefits Plan, and (b) the exercise of stock options and lapse of restrictions on any restricted stock units held by an Executive shall be in accordance with the terms and conditions, administrative policies and procedures governing such stock options and restricted stock units, respectively.

9.1.5.1 With respect to stock options awarded to an Executive who is not Retirement Eligible or otherwise eligible for retirement under the terms of the applicable award on or before the Severance Date, he or she will be eligible for the exercise and vesting provisions below if they would provide a greater benefit to the Executive than what the Executive would have received under the original terms and conditions for the applicable stock option grant.

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

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

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

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

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

9.1.6 In the event an Executive is entitled to benefits under this Section 9.1 pursuant to a Change in Status Event, the Company shall reimburse the Executive following his or her Separation from Service for (i) reasonable outplacement services in accordance with Section 3.2.4 and (ii) financial counseling and tax preparation services in accordance with Section 3.2.5 (substituting “twelve (12) months” for “twenty-four (24) months” as set forth in that section).

9.1.7 Notwithstanding anything herein to the contrary, in the event that the aggregate amount to be received by a Key Employee under Section 9.1 (excluding benefits under Section 9.1.5) after March 15 of the year following the Change in Status Event and before the date which is six (6) months after the date of the Key Employee’s Separation from Service (or, if earlier, the date of death of the Key Employee), exceeds two (2) times the lesser of: (i) the Executive’s annualized compensation based upon the annual rate of pay for services provided to the Company for the prior taxable year (adjusted for any increase during that year that was expected to continue indefinitely); or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Code section 401(a)(17) for the year in which the Executive has a Separation from Service ($230,000 for 2008), then such excess amount shall be paid in the seventh month following the Executive’s Separation from Service (or, if earlier, the month after the Executive’s death).

9.2 If Executive voluntarily resigns from the Company, regardless of the reason, such resignation shall not constitute a Change in Status Event and therefore will not entitle Executive to the benefits provided for in Section 9.1 above. In such event, Executive may be entitled to the benefits provided under the other Company benefit plans in accordance with the terms of those plans.

9.3 The severance arrangements of this Article 9 shall not be considered to constitute an employment contract.

ARTICLE 10
APPLICATION OF CODE SECTION 409A

This Plan is intended to comply with the provisions of Code section 409A and the Treasury regulations relating thereto. In furtherance of this intent, to the extent this Plan is subject to Code section 409A, it shall be interpreted, operated, and administered in a manner consistent with these intentions.

IN WITNESS WHEREOF, this amended and restated Plan document is hereby executed this 27th day of June, 2012.

THE HERSHEY COMPANY

By: /S/ KEVIN WALLING

Senior Vice President, Chief Human Resources Officer Chair,
Employee Benefits Committee

EXHIBIT 12.1

THE HERSHEY COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
For the Years Ended December 31, 2015, 2014, 2013, 2012 and 2011
(in thousands of dollars except for ratios)

	2015	2014	2013	2012	2011
Earnings:					
Income before income taxes	$ 901,847	$ 1,306,043	$ 1,251,319	$ 1,015,579	$ 962,845
Add (deduct):					
Interest on indebtedness	80,983	87,598	91,514	98,509	94,780
Portion of rents representative of the interest factor (a)	9,965	10,945	7,821	8,139	7,734
Amortization of debt expense	1,279	1,118	1,115	1,245	1,149
Amortization of capitalized interest	2,450	2,352	2,272	1,660	1,835
Adjustment to exclude noncontrolling interests in subsidiaries and income from equity investee	(3,850)	129	(2,324)	(12,950)	(5,817)
Earnings as adjusted	$ 992,674	$ 1,408,185	$ 1,351,717	$ 1,112,182	$ 1,062,526
Fixed Charges:					
Interest on indebtedness	$ 80,983	$ 87,598	$ 91,514	$ 98,509	$ 94,780
Portion of rents representative of the interest factor (a)	9,965	10,945	7,821	8,139	7,734
Amortization of debt expense	1,279	1,118	1,115	1,245	1,149
Capitalized interest	12,537	6,179	1,744	5,778	7,814
Total fixed charges	$ 104,764	$ 105,840	$ 102,194	$ 113,671	$ 111,477
Ratio of earnings to fixed charges	9.48	13.30	13.23	9.78	9.53

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

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

Below is a listing of our major subsidiaries, their jurisdictions of incorporation, and the name under which they do business. Each is wholly owned unless otherwise noted.

Subsidiary Name	Jurisdiction of Incorporation
Hershey Netherlands B.V.	The Netherlands
Hershey Canada, Inc.	Canada
Hershey Mexico S.A. de C.V.	Mexico
Hersmex S. de R.L. de C.V.	Mexico
Servicios de Hersmex S. de R.L. de C.V.	Mexico
Hershey Chocolate of Virginia, Inc.	Delaware
Hershey Chocolate & Confectionery Corporation	Delaware
Hershey International Ltd.	Delaware
CSH Foods, Inc.	Delaware
Artisan Confections Company	Delaware
Krave Pure Foods, Inc.	Delaware
Hershey Caribe, Inc.	Puerto Rico
Hershey Europe Ltd.	United Kingdom
Hershey India Private Limited	India
Nutrine Confectionery Company Private Limited	India
Hershey (Shanghai) Foods Research and Development Co. Ltd.	China
Hershey Commercial (Shanghai) Co. Ltd.	China
Hershey (China) Investment Management Co., Ltd.	China
Hershey Japan Co., Ltd.	Japan
Hershey Philippines, Inc.	Philippines
Hershey Singapore Pte. Ltd.	Singapore
Hershey Asia Pacific Pte. Ltd.	Singapore
Hershey Malaysia Sdn. Bhd.	Malaysia
Hershey (Thailand) Co. Ltd.	Thailand
Hershey do Brasil Ltda.	Brazil
Shanghai Golden Monkey Food Joint Stock Co., Ltd. (80% ownership)	China
Lotte Shanghai Foods Company (50% ownership)	China
LH Foods Co., Limited (50 % ownership)	Hong Kong

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
The Hershey Company:

We consent to the incorporation by reference in the registration statements (File No. 333-205269, File No. 333-174123, File No. 333-143764, File No. 333-107706, File No. 333-72100, File No. 333-72112, File No. 333-52509 and File No. 333-25853) on Forms S-3 and S-8 of The Hershey Company of our report dated February 26, 2016, with respect to the consolidated balance sheets of The Hershey Company and subsidiaries as of December 31, 2015 and 2014, the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2015, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2015, which report appears in the December 31, 2015 Annual Report on Form 10-K of The Hershey Company. Our report dated February 26, 2016, expresses our opinion that The Hershey Company did not maintain effective internal control over financial reporting as of December 31, 2015 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states a material weakness existed as of December 31, 2015 related to the Company's accounting for cocoa derivative financial instruments.

/s/ KPMG LLP

New York, New York
February 26, 2016

Exhibit 31.1

CERTIFICATION

I, John P. Bilbrey, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer
February 26, 2016

Exhibit 31.2

CERTIFICATION

I, Patricia A. Little, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/S/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer
February 26, 2016

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of The Hershey Company (the "Company") hereby certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2016 /s/ JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer

Date: February 26, 2016 /s/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.