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

FORM 10-Q

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

For the quarterly period ended April 3, 2016

OR

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

For the transition period from ______to_______

Commission file number 1-183

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

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

100 Crystal A Drive, Hershey, PA 17033
(Address of principal executive offices) (Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

Indicate the number of shares outstanding of each of the registrant’s classes of common stock as of the latest practicable date.
Common Stock, one dollar par value—152,753,106 shares, as of April 22, 2016.
Class B Common Stock, one dollar par value—60,619,777 shares, as of April 22, 2016.

THE HERSHEY COMPANY
Quarterly Report on Form 10-Q
For the Period Ended April 3, 2016

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Item 1. Financial Statements.

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

	Three Months Ended	
	April 3, 2016	**April 5, 2015**
Net sales	$ 1,828,812	$ 1,937,800
Costs and expenses:		
Cost of sales	1,011,436	1,036,957
Selling, marketing and administrative	471,734	514,010
Business realignment charges	6,133	2,667
Total costs and expenses	1,489,303	1,553,634
Operating profit	339,509	384,166
Interest expense, net	21,005	19,202
Other (income) expense, net	(21,225)	(9,840)
Income before income taxes	339,729	374,804
Provision for income taxes	109,897	130,067
Net income	$ 229,832	$ 244,737
Net income per share—basic:		
Common stock	$ 1.09	$ 1.14
Class B common stock	$ 0.99	$ 1.04
Net income per share—diluted:		
Common stock	$ 1.06	$ 1.10
Class B common stock	$ 0.99	$ 1.03
Dividends paid per share:		
Common stock	$ 0.583	$ 0.535
Class B common stock	$ 0.530	$ 0.486

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	April 3, 2016	**April 5, 2015**
Net income	$ 229,832	$ 244,737
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	12,166	(27,718)
Pension and post-retirement benefit plans	5,101	5,461
Cash flow hedges:		
Losses on cash flow hedging derivatives	(22,144)	(26,092)
Reclassification adjustments	(4,912)	(399)
Total other comprehensive loss, net of tax	(9,789)	(48,748)
Total comprehensive income	$ 220,043	$ 195,989
Comprehensive loss attributable to noncontrolling interests	1,076	3,509
Comprehensive income attributable to The Hershey Company	$ 221,119	$ 199,498

See Notes to Unaudited Consolidated Financial Statements.

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

	April 3, 2016	December 31, 2015
ASSETS	**(unaudited)**	
Current assets:		
Cash and cash equivalents	$ 285,958	$ 346,529
Accounts receivable—trade, net	544,027	599,073
Inventories	770,382	750,970
Prepaid expenses and other	172,551	152,026
Total current assets	1,772,918	1,848,598
Property, plant and equipment, net	2,230,071	2,240,460
Goodwill	690,654	684,252
Other intangibles	375,309	379,305
Other assets	185,104	155,366
Deferred income taxes	51,784	36,390
Total assets	$ 5,305,840	$ 5,344,371
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 436,343	$ 474,266
Accrued liabilities	769,793	856,967
Accrued income taxes	110,256	23,243
Short-term debt	520,564	363,513
Current portion of long-term debt	500,016	499,923
Total current liabilities	2,336,972	2,217,912
Long-term debt	1,571,388	1,557,091
Other long-term liabilities	465,523	468,718
Deferred income taxes	52,604	53,188
Total liabilities	4,426,487	4,296,909
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none at April 3, 2016 and December 31, 2015, respectively	—	—
Common stock, shares issued: 299,281,967 at April 3, 2016 and 299,281,967 at December 31, 2015, respectively	299,281	299,281
Class B common stock, shares issued: 60,619,777 at April 3, 2016 and 60,619,777 at December 31, 2015, respectively	60,620	60,620
Additional paid-in capital	792,620	783,877
Retained earnings	6,005,068	5,897,603
Treasury—common stock shares, at cost: 145,772,541 at April 3, 2016 and 143,124,384 at December 31, 2015, respectively	(5,946,412)	(5,672,359)
Accumulated other comprehensive loss	(379,738)	(371,025)
The Hershey Company stockholders' equity	831,439	997,997
Noncontrolling interests in subsidiaries	47,914	49,465
Total stockholders' equity	879,353	1,047,462
Total liabilities and stockholders' equity	$ 5,305,840	$ 5,344,371

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	April 3, 2016	**April 5, 2015**
Operating Activities		
Net income	$ 229,832	$ 244,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,913	58,338
Stock-based compensation expense	11,678	13,889
Excess tax benefits from stock-based compensation	(6,091)	(17,066)
Deferred income taxes	(3,409)	(11,577)
Non-cash business realignment and impairment charges	—	4,934
Contributions to pension and other benefits plans	(8,839)	(5,307)
Write-down of equity investments	5,593	—
Gain on settlement of SGM liability (see Note 2)	(26,650)	—
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable—trade, net	55,046	(5,965)
Inventories	(19,412)	79,220
Accounts payable and accrued liabilities	(106,279)	(124,585)
Other assets and liabilities	65,733	22,615
Net cash provided by operating activities	257,115	259,233
Investing Activities		
Capital additions	(33,607)	(57,781)
Capitalized software additions	(7,832)	(4,954)
Proceeds from sales of property, plant and equipment	1,934	214
Proceeds from sale of business	—	32,408
Equity investments in tax credit qualifying partnerships	(9,672)	—
Business acquisitions, net of cash and cash equivalents acquired	—	(218,952)
Net cash used in investing activities	(49,177)	(249,065)
Financing Activities		
Net increase in short-term debt	153,863	288,946
Long-term borrowings	—	944
Repayment of long-term debt	—	(328)
Payment of SGM liability (see Note 2)	(35,762)	—
Cash dividends paid	(122,367)	(114,381)
Exercise of stock options	30,890	37,925
Excess tax benefits from stock-based compensation	6,091	17,066
Repurchase of common stock	(303,950)	(306,673)
Net cash used in financing activities	(271,235)	(76,501)
Effect of exchange rate changes on cash and cash equivalents	2,726	(2,831)
Decrease in cash and cash equivalents	(60,571)	(69,164)
Cash and cash equivalents, beginning of period	346,529	374,854
Cash and cash equivalents, end of period	$ 285,958	$ 305,690
Supplemental Disclosure		
Interest paid	$ 27,786	$ 27,745
Income taxes paid	29,574	17,845

See Notes to Unaudited Consolidated Financial Statements.

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

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance, December 31, 2015	$ —	$299,281	$ 60,620	$ 783,877	$5,897,603	$(5,672,359)	$ (371,025)	$ 49,465	$ 1,047,462
Net income					229,832				229,832
Other comprehensive loss							(8,713)	(1,076)	(9,789)
Dividends:									
Common Stock, $0.583 per share					(90,238)				(90,238)
Class B Common Stock, $0.53 per share					(32,129)				(32,129)
Stock-based compensation				11,693					11,693
Exercise of stock options and incentive-based transactions				(2,950)		29,897			26,947
Repurchase of common stock						(303,950)			(303,950)
Net loss attributable to noncontrolling interests								(475)	(475)
Balance, April 3, 2016	$ —	$299,281	$ 60,620	$ 792,620	$6,005,068	$(5,946,412)	$ (379,738)	$ 47,914	$ 879,353

See Notes to Unaudited Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of The Hershey Company (the “Company,” “Hershey,” “we” or “us”) and our majority-owned subsidiaries and entities in which we have a controlling financial interest after the elimination of intercompany accounts and transactions. We have a controlling financial interest if we own a majority of the outstanding voting common stock and the noncontrolling shareholders do not have substantive participating rights, or we have significant control over an entity through contractual or economic interests in which we are the primary beneficiary.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. Our significant interim accounting policies include the recognition of a pro-rata share of certain estimated annual amounts primarily for raw material purchase price variances, advertising expense, incentive compensation expenses and the effective income tax rate. We have included all adjustments (consisting only of normal recurring accruals) that we believe are considered necessary for a fair presentation.

Operating results for the quarter ended April 3, 2016 may not be indicative of the results that may be expected for the year ending December 31, 2016 because of seasonal effects on our business. These financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015 (our “2015 Annual Report on Form 10-K”), which provides a more complete understanding of our accounting policies, financial position, operating results and other matters.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation. Specifically, this includes amounts 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 March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU is part of the FASB's simplification initiative. The areas for simplification in this ASU involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods, with early adoption permitted. We are currently evaluating the impact that the adoption of ASU 2016-09 will have on our consolidated financial statements and related disclosures.

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

In May 2014, the FASB issued 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.

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.

2016 Activity

Ripple Brand Collective, LLC

On April 26, 2016, we completed the acquisition of all of the outstanding shares of Ripple Brand Collective, LLC, a privately held company based in Congers, New York that owns the barkTHINS mass premium chocolate snacking brand. The barkTHINS brand is largely sold in the United States in take-home resealable packages and is available in the club channel, as well as select natural and conventional grocers.

Shanghai Golden Monkey (“SGM”)

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

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

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.

(amounts in thousands, except share data or if otherwise indicated)

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.

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 charges in the Consolidated Statements of Income.

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the three months ended April 3, 2016 are as follows:

	North America		International and Other		Total	
Balance at December 31, 2015	$	662,083	$	22,169	$	684,252
Foreign currency translation		6,471		(69)		6,402
Balance at April 3, 2016	$	668,554	$	22,100	$	690,654

(amounts in thousands, except share data or if otherwise indicated)

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

	April 3, 2016	December 31, 2015
Intangible assets not subject to amortization:		
Trademarks	43,738	43,775
Intangible assets subject to amortization:		
Trademarks, customer relationships, patents and other finite-lived intangibles	393,146	390,900
Less: accumulated amortization	(61,575)	(55,370)
Total other intangible assets	$ 375,309	$ 379,305

Total amortization expense for the three months ended April 3, 2016 and April 5, 2015 was $5,180 and $5,014, respectively.

4. SHORT AND LONG-TERM DEBT

Short-term Debt

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

The credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. As of April 3, 2016, we were in compliance with all covenants pertaining to the credit agreement, and we had no significant compensating balance agreements that legally restricted these funds. For more information, refer to the Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. We had short-term foreign bank loans against these lines of credit for $219,622 and $313,520 in April 3, 2016 and December 31, 2015, respectively. Commitment fees relating to our revolving credit facility and lines of credit are not material.

At April 3, 2016, we had outstanding commercial paper totaling $300,942, at a weighted average interest rate of 0.39%. At December 31, 2015, we had outstanding commercial paper totaling $49,993, at a weighted average interest rate of 0.40%.

(amounts in thousands, except share data or if otherwise indicated)

Long-term Debt

Long-term debt consisted of the following:

	April 3, 2016	December 31, 2015
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	300,000
4.125% Notes due 2020	350,000	350,000
8.8% Debentures due 2021	84,715	84,715
2.625% Notes due 2023	250,000	250,000
3.20% Notes due 2025	300,000	300,000
7.2% Debentures due 2027	193,639	193,639
Other obligations, net of debt issuance costs and unamortized debt discount	93,050	78,660
Total long-term debt	2,071,404	2,057,014
Less—current portion	500,016	499,923
Long-term portion	$ 1,571,388	$ 1,557,091

Interest Expense

Net interest expense consisted of the following:

	Three Months Ended	
	April 3, 2016	April 5, 2015
Interest expense	$ 23,525	$ 23,024
Less: Capitalized interest	(2,175)	(3,017)
Interest expense	21,350	20,007
Interest income	(345)	(805)
Interest expense, net	$ 21,005	$ 19,202

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 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 July 6, 2015 for cocoa commodity derivatives and January 1, 2016 for other commodity derivatives, 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 to exclude gains and losses on commodity derivatives until the related inventory is sold. This change to our definition of segment income 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.

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 3- to 24-month periods. 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 $53,646 at April 3, 2016 and $10,752 at December 31, 2015. The effective portion of the changes in fair value on these contracts is recorded in other comprehensive income and reclassified into earnings in the same period in which the hedged transactions affect earnings. The net notional amount of foreign exchange contracts that are not designated as accounting hedges was $2,791 at April 3, 2016 and $2,791 at December 31, 2015. 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, we enter into interest rate swap agreements to protect against unfavorable interest rate changes relating to forecasted debt transactions. 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 April 3, 2016 and $500,000 at December 31, 2015.

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 April 3, 2016. We had $350,000 derivative instruments in fair value hedge relationships at December 31, 2015.

Equity Price Risk

We are exposed to market price changes in certain broad market indices related to our deferred compensation obligations to our employees. We use equity swap contracts to hedge the portion of the exposure that is linked to market-level equity returns. These contracts are not designated as hedges for accounting purposes and are entered into for 3- to 12-month periods. The change in fair value of these derivatives is recorded in selling, marketing and administrative expense, together with the change in the related liabilities. The notional amount of the contracts outstanding at April 3, 2016 was $22,672.

(amounts in thousands, except share data or if otherwise indicated)

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 April 3, 2016 and December 31, 2015:

	April 3, 2016		December 31, 2015	
	Assets (1)	**Liabilities (1)**	**Assets (1)**	**Liabilities (1)**
Derivatives designated as cash flow hedging instruments:				
Commodities futures and options (2)	$ —	$ —	$ —	$ 479
Foreign exchange contracts (3)	345	4,132	367	475
Interest rate swap agreements (4)	—	70,092	—	40,299
	345	74,224	367	41,253
Derivatives designated as fair value hedging instruments:				
Interest rate swap agreements (4)	16,236	—	4,313	—
Derivatives not designated as hedging instruments:				
Commodities futures and options (2)	—	13,678	—	1,574
Deferred compensation derivatives (5)	403	—	1,198	—
Foreign exchange contracts (3)	—	172	69	—
	403	13,850	1,267	1,574
Total	$ 16,984	$ 88,074	$ 5,947	$ 42,827

(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 April 3, 2016, liabilities include the net of assets of $56,866 and liabilities of $68,030 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, 2015 were assets of $54,090 and liabilities of $54,860.

(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

(amounts in thousands, except share data or if otherwise indicated)

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 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 April 3, 2016 and December 31, 2015 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	
	April 3, 2016	December 31, 2015	April 3, 2016	December 31, 2015
Current portion of long-term debt	$ 504,835	$ 509,580	$ 500,016	$ 499,923
Long-term debt	1,733,643	1,668,379	1,571,388	1,557,091
Total	$ 2,238,478	$ 2,177,959	$ 2,071,404	$ 2,057,014

Income Statement Impact of Derivative Instruments

The effect of derivative instruments on the Consolidated Statements of Income for the three months ended April 3, 2016 and April 5, 2015 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)		Losses recognized in income (ineffective portion) (c)	
	2016	2015	2016	2015	2016	2015	2016	2015
Commodities futures and options	$ (38,941)	$ (2,777)	$ —	$ (15,098)	$ 9,730	$ 1,200	$ —	$ (287)
Foreign exchange contracts	(204)	(67)	(4,116)	1,240	(261)	341	—	—
Interest rate swap agreements	—	—	(29,793)	(28,354)	(1,560)	(1,189)	—	—
Deferred compensation derivatives	403	172	—	—	—	—	—	—
Total	$ (38,742)	$ (2,672)	$ (33,909)	$ (42,212)	$ 7,909	$ 352	$ —	$ (287)

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

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

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

(amounts in thousands, except share data or if otherwise indicated)

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 $6,112 after tax as of April 3, 2016. This amount was primarily associated with commodities futures contracts.

Fair Value Hedges

For the three months ended April 3, 2016 and April 5, 2015, we recognized a net pretax benefit to interest expense of $1,317 and $2,095 relating to our fixed-to-floating interest swap arrangements.

6. 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.

A roll-forward showing the 2016 activity relating to the noncontrolling interest follows:

	Noncontrolling Interests
Balance, December 31, 2015	$ 49,465
Net loss attributable to noncontrolling interests (1)	(475)
Other comprehensive loss - foreign currency translation adjustments	(1,076)
Balance, April 3, 2016	$ 47,914

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

7. COMPREHENSIVE INCOME

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

Three Months Ended April 3, 2016	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$ 229,832
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 12,166	$ —	12,166
Pension and post-retirement benefit plans (a)	8,680	(3,579)	5,101
Cash flow hedges:			
Losses on cash flow hedging derivatives	(33,909)	11,765	(22,144)
Reclassification adjustments (b)	(7,909)	2,997	(4,912)
Total other comprehensive loss	$ (20,972)	$ 11,183	(9,789)
Total comprehensive income			$ 220,043
Comprehensive loss attributable to noncontrolling interests			1,076
Comprehensive income attributable to The Hershey Company			$ 221,119

(amounts in thousands, except share data or if otherwise indicated)

Three Months Ended April 5, 2015	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$ 244,737
Other comprehensive loss:			
Foreign currency translation adjustments	$ (27,718)	$ —	(27,718)
Pension and post-retirement benefit plans (a)	8,662	(3,201)	5,461
Cash flow hedges:			
Losses on cash flow hedging derivatives	(42,212)	16,120	(26,092)
Reclassification adjustments (b)	(352)	(47)	(399)
Total other comprehensive loss	$ (61,620)	$ 12,872	(48,748)
Total comprehensive income			$ 195,989
Comprehensive loss attributable to noncontrolling interests			3,509
Comprehensive income attributable to The Hershey Company			$ 199,498

(a) These amounts are included in the computation of net periodic benefit costs. For more information, see Note 11.
(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:

	April 3, 2016	December 31, 2015
Foreign currency translation adjustments	$ (87,994)	$ (101,236)
Pension and post-retirement benefit plans, net of tax	(249,547)	(254,648)
Cash flow hedges, net of tax	(42,197)	(15,141)
Total accumulated other comprehensive loss	$ (379,738)	$ (371,025)

8. 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 three months ended April 5, 2015, we reclassified from selling, marketing and administrative expenses to other (income) expense, net total net gains of $9,840 to conform to the current year presentation. After considering these reclassifications, amounts reflected in other (income) expense, net include the following:

	Three Months Ended	
	April 3, 2016	April 5, 2015
Write-down of equity investments in partnerships qualifying for tax credits (see Note 9)	$ 5,593	$ —
Settlement of Shanghai Golden Monkey liability (see Note 2)	(26,650)	—
Gain on sale of non-core trademark	—	(9,950)
Other (income) expense, net	(168)	110
Total	$ (21,225)	$ (9,840)

9. INCOME TAXES

The majority of our taxable income is generated in the U.S. and taxed at the U.S. statutory rate of 35%. The effective tax rates for the three months ended April 3, 2016 and April 5, 2015 were 32.3% and 34.7%, respectively. The 2016 effective tax rate benefited from the impacts of non-taxable income related to the settlement of the SGM liability and income tax benefits from historic and energy tax credits, which were partially offset by the valuation allowance recorded against current year SGM operating losses.

Hershey and its subsidiaries file tax returns in the U.S., including various state and local returns, and in foreign jurisdictions. We believe adequate provision has been made for all income tax uncertainties. We are routinely audited by taxing authorities in our filing jurisdictions, and a number of these audits are currently underway. We reasonably expect reductions in the liability for unrecognized tax benefits of approximately $6,433 within the next 12 months because of the expiration of statutes of limitations and settlement of tax audits.

Investments in Partnerships Qualifying for Tax Credits

The Company continued to invest in partnerships 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 three months ended April 3, 2016, we recognized investment tax credits and related outside basis difference benefit totaling $6,618 and wrote-down the equity investment by $5,593 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.

10. BUSINESS REALIGNMENT ACTIVITIES

2015 Productivity Initiative

In mid-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 of 2015, resulting in a net reduction of approximately 300 positions, with the majority of the departures taking place by the end of 2015. For the three months ended April 3, 2016, we incurred charges totaling $1,458, representing adjustments to estimated severance benefits as well as incremental third-party costs related to the design and implementation of the new organizational structure. Since the program's inception, we have incurred total costs of $107,211, including a pension settlement charge of $10,178 recorded in the fourth quarter of 2015, 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 currently expected to be approximately $110 million, the majority of which are cash. This excludes the pension settlement cost recorded in 2015 and any additional pension settlement costs that could be triggered by additional lump sum withdrawals in 2016. The remaining costs for the 2015 Productivity Initiative are expected to be incurred over the next two quarters.

China structure optimization

During the first quarter of 2016, we initiated the process of optimizing the China business and workforce structure and incurred initial costs totaling $12,972, relating primarily to severance and other third party charges. In addition, given the challenges impacting the retail landscape in China, we continue to assess the impact of potential excess capacity on operational efficiencies as well as the carrying value of our long-lived assets in the region.

(amounts in thousands, except share data or if otherwise indicated)

Other international programs

Costs incurred for the three months ended April 5, 2015 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.

Expenses recorded for business realignment activities during the three months ended April 3, 2016 and April 5, 2015 were classified as follows:

	Three Months Ended	
	April 3, 2016	April 5, 2015
Cost of sales:		
China structure optimization	$ (487)	$ —
Other international restructuring programs	—	1,348
Total cost of sales	(487)	1,348
Selling, marketing and administrative:		
2015 productivity initiative	2,752	—
China structure optimization	6,032	
Other international restructuring programs	—	1,125
Total selling, marketing and administrative	8,784	1,125
Business realignment charges:		
2015 productivity initiative	(1,294)	—
China integration initiative	7,427	—
Divestiture of Mauna Loa (see Note 2)	—	2,667
Total business realignment charges	6,133	2,667
Total charges associated with business realignment activities	$ 14,430	$ 5,140

The costs and related benefits to be derived from the 2015 Productivity Initiative relate primarily to the North American segment, while the costs and related benefits of the China integration initiative and other international programs relate primary to the International and Other segment. However, segment operating results do not include business realignment and related charges because we evaluate segment performance excluding such charges.

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

	Total
Liability balance at December 31, 2015	$ 16,310
2016 business realignment charges	6,133
Cash payments	(6,918)
Other, net	(161)
Liability balance at April 3, 2016	$ 15,364

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 third-party charges associated with various programs, as those items are not reflected in the business realignment liability in our Consolidated Balance Sheets.

(amounts in thousands, except share data or if otherwise indicated)

11. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The components of net periodic benefit cost for the first quarter were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	April 3, 2016	April 5, 2015	April 3, 2016	April 5, 2015
Service cost	$ 5,884	$ 7,423	$ 74	$ 172
Interest cost	10,835	11,305	2,436	2,588
Expected return on plan assets	(14,541)	(17,381)	—	—
Amortization of prior service (credit) cost	(262)	(291)	144	153
Amortization of net loss	8,807	8,072	(12)	—
Total net periodic benefit cost	$ 10,723	$ 9,128	$ 2,642	$ 2,913

We made contributions of $1,175 and $7,664 to the pension plans and other benefits plans, respectively, during the first quarter of 2016. In the first quarter of 2015, we made contributions of $851 and $4,456 to our pension plans and other benefits plans, respectively. The contributions in 2016 and 2015 also included benefit payments from our non-qualified pension plans and post-retirement benefit plans.

For 2016, there are no significant minimum funding requirements for our domestic pension plans; however, we expect to make additional contributions of approximately $18,500 to maintain the funded status. Planned voluntary funding of our non-domestic pension plans in 2016 is not material.

12. STOCK COMPENSATION PLANS

We have various stock-based compensation programs under which awards, including stock options, performance stock units (“PSUs”) and performance stock, stock appreciation rights, restricted stock units (“RSUs”) and restricted stock may be granted to employees, non-employee directors and certain service providers upon whom the successful conduct of our business is dependent. These programs and the accounting treatment related thereto are described in Note 10 to the Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K.

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

	Three Months Ended	
	April 3, 2016	April 5, 2015
Pre-tax compensation expense	$ 11,678	$ 13,889
Related income tax benefit	4,087	4,861

Compensation costs for stock compensation plans are primarily included in selling, marketing and administrative expense. As of April 3, 2016, total stock-based compensation cost related to non-vested awards not yet recognized was $99,775 and the weighted-average period over which this amount is expected to be recognized was approximately 2.3 years.

(amounts in thousands, except share data or if otherwise indicated)

Stock Options

A summary of activity relating to grants of stock options for the period ended April 3, 2016 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	6,842,563	$75.48	5.8 years	
Granted	1,326,045	$90.38		
Exercised	(583,269)	$54.65		
Forfeited	(96,163)	$104.33		
Outstanding as of April 3, 2016	7,489,176	$79.34	6.6 years	$ 114,827
Options exercisable as of April 3, 2016	4,596,241	$68.79	5.1 years	$ 112,614

The weighted-average fair value of options granted was $11.42 and $19.31 per share for the periods ended April 3, 2016 and April 5, 2015, respectively. The fair value was estimated on the date of grant using a Black-Scholes option-pricing model and the following weighted-average assumptions:

	Three Months Ended	
	April 3, 2016	April 5, 2015
Dividend yields	2.4%	2.0%
Expected volatility	16.8%	20.8%
Risk-free interest rates	1.5%	1.9%
Expected lives in years	6.8	6.7

The total intrinsic value of options exercised was $20,348 and $39,606 for the periods ended April 3, 2016 and April 5, 2015, respectively.

Performance Stock Units and Restricted Stock Units

A summary of activity relating to grants of PSUs and RSUs for the period ended April 3, 2016 is as follows:

Performance Stock Units and Restricted Stock Units	Number of units	Weighted-average grant date fair value for equity awards (per unit)
Outstanding at beginning of year	495,207	$106.40
Granted	483,678	$92.88
Performance assumption change	(16,056)	$97.33
Vested	(179,866)	$95.78
Forfeited	(10,056)	$95.07
Outstanding as of April 3, 2016	772,907	$102.24

The table above excludes PSU awards for 6,893 units as of April 3, 2016 and 20,586 units as of December 31, 2015 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.

(amounts in thousands, except share data or if otherwise indicated)

	Three Months Ended	
	April 3, 2016	April 5, 2015
Units granted	483,678	266,099
Weighted-average fair value at date of grant	$ 92.88	$ 109.35
Monte Carlo simulation assumptions:		
Estimated values	$ 38.02	$ 61.22
Dividend yields	2.5%	2.0%
Expected volatility	17.0%	14.9%

The intrinsic value of share-based liabilities paid, combined with the fair value of shares vested, totaled $16,181 and $37,464 for the periods ended April 3, 2016 and April 5, 2015, respectively.

Deferred PSUs, deferred RSUs and deferred stock units representing directors' fees totaled 474,483 units as of April 3, 2016. Each unit is equivalent to one share of the Company's Common Stock.

13. SEGMENT INFORMATION

Our organizational structure is designed to ensure continued focus on North America, coupled with an emphasis on 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 89% 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. We currently have operations and manufacture product in China, Mexico, Brazil and India, primarily for consumers in these markets, and also distribute and sell confectionery products in export markets of Asia, Latin America, Middle East, Europe, Africa and other regions. This segment also includes our global retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania, New York City, 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, unallocated mark-to-market gains and losses on commodity derivatives, business realignment and impairment charges, acquisition integration costs, the non-service related portion of pension expense and other unusual gains or losses that are not part of our measurement of segment performance. These items of our operating income are managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the CODM as well the measure of segment performance used for incentive compensation purposes.

Accounting policies associated with our operating segments are generally the same as those described in Note 1 to the Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K, with the exception of our accounting methodology for commodities derivatives. As discussed in Note 5, derivatives used to manage commodity price risk are not designated for hedge accounting treatment. These derivatives are recognized at fair market value with the resulting realized and unrealized losses recognized in unallocated derivative gains (losses) outside of the reporting segment results. The gains and losses are subsequently recognized in the operating results of the segments in the period in which the underlying transaction being economically hedged is included in earnings.

(amounts in thousands, except share data or if otherwise indicated)

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

Our segment net sales and earnings were as follows:

	Three Months Ended	
	April 3, 2016	April 5, 2015
Net sales:		
North America	$ 1,633,471	$ 1,706,995
International and Other	195,341	230,805
Total	$ 1,828,812	$ 1,937,800
Segment income:		
North America	$ 529,390	$ 554,306
International and Other	(13,233)	(21,759)
Total segment income	516,157	532,547
Unallocated corporate expense (1)	122,171	138,672
Unallocated mark-to-market losses on commodity derivatives (2)	34,946	—
Charges associated with business realignment activities	14,430	5,140
Non-service related pension expense	5,101	1,996
Acquisition integration costs	—	2,573
Operating profit	339,509	384,166
Interest expense, net	21,005	19,202
Other (income) expense, net	(21,225)	(9,840)
Income before income taxes	$ 339,729	$ 374,804

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

(2) Reflects gains and losses on commodity derivative instruments that are excluded from segment income until the related inventory is sold.

The activity within the unallocated mark-to-market gains (losses) on commodity derivatives for the quarter ended April 3, 2016 included:

	Three Months Ended
	April 3, 2016
Net losses on mark-to-market valuation of unallocated commodity derivative positions	$ (38,941)
Net losses on commodity derivative positions allocated to segment income	(3,995)
Net losses on mark-to-market valuation of commodity derivative positions remaining in unallocated derivative gains (losses)	$ (34,946)

Based on our forecasts of the timing of the recognition of the underlying hedged items, we expect to reclassify losses on commodity derivatives of $13.6 million after tax to segment operating results in the next twelve months.

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

	Three Months Ended	
	April 3, 2016	April 5, 2015
North America	$ 38,942	$ 35,440
International and Other	10,923	11,124
Corporate	10,048	11,774
Total	$ 59,913	$ 58,338

14. TREASURY STOCK ACTIVITY

A summary of our treasury stock activity is as follows:

	Three Months Ended April 3, 2016	
	Shares	Dollars
		In thousands
Shares repurchased in the open market under pre-approved share repurchase programs	3,366,761	$ 303,950
Shares issued for stock options and incentive compensation	(718,604)	(29,897)
Net change	2,648,157	$ 274,053

The $250 million share repurchase program approved by our Board of Directors in February 2015 was completed in the first quarter of 2016.

In February 2016, our Board of Directors approved an additional $500 million authorization to repurchase shares of our Common Stock. As of April 3, 2016, $216 million remained available for repurchases of our Common Stock under this program. We are authorized to purchase our outstanding shares in open market and privately negotiated transactions. The program has no expiration date and acquired shares of Common Stock will be held as treasury shares. Purchases under approved share repurchase authorizations are in addition to our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

15. CONTINGENCIES

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

16. EARNINGS PER SHARE

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

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

	Three Months Ended			
	April 3, 2016		April 5, 2015	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
Basic earnings per share:				
Numerator:				
Allocation of distributed earnings (cash dividends paid)	$ 90,238	$ 32,129	$ 84,920	$ 29,461
Allocation of undistributed earnings	79,376	28,089	97,066	33,290
Total earnings—basic	$ 169,614	$ 60,218	$ 181,986	$ 62,751
Denominator (shares in thousands):				
Total weighted-average shares—basic	155,675	60,620	160,024	60,620
Earnings Per Share—basic	$ 1.09	$ 0.99	$ 1.14	$ 1.04
Diluted earnings per share:				
Numerator:				
Allocation of total earnings used in basic computation	$ 169,614	$ 60,218	$ 181,986	$ 62,751
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	60,218	—	62,751	—
Reallocation of undistributed earnings	—	(158)	—	(318)
Total earnings—diluted	$ 229,832	$ 60,060	$ 244,737	$ 62,433
Denominator (shares in thousands):				
Number of shares used in basic computation	155,675	60,620	160,024	60,620
Weighted-average effect of dilutive securities:				
Conversion of Class B common stock to Common shares outstanding	60,620	—	60,620	—
Employee stock options	1,005	—	1,687	—
Performance and restricted stock options	187	—	388	—
Total weighted-average shares—diluted	217,487	60,620	222,719	60,620
Earnings Per Share—diluted	$ 1.06	$ 0.99	$ 1.10	$ 1.03

The earnings per share calculations for the three months ended April 3, 2016 and April 5, 2015 excluded 3,680 and 2,545, respectively, of stock options that would have been antidilutive.

(amounts in thousands, except share data or if otherwise indicated)

17. SUPPLEMENTAL BALANCE SHEET INFORMATION

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

Inventories:	April 3, 2016	December 31, 2015
Raw materials	$ 335,838	$ 353,451
Goods in process	107,055	67,745
Finished goods	516,365	534,983
Inventories at FIFO	959,258	956,179
Adjustment to LIFO	(188,876)	(205,209)
Total inventories	$ 770,382	$ 750,970

Property, plant and equipment:	April 3, 2016	December 31, 2015
Land	$ 96,893	$ 96,666
Buildings	1,217,106	1,084,958
Machinery and equipment	2,945,966	2,886,723
Construction in progress	285,761	448,956
Property, plant and equipment, gross	4,545,726	4,517,303
Accumulated depreciation	(2,315,655)	(2,276,843)
Property, plant and equipment, net	$ 2,230,071	$ 2,240,460

Other assets:	April 3, 2016	December 31, 2015
Capitalized software, net	$ 69,726	$ 68,004
Income tax receivable	1,474	1,428
Other non-current assets	113,904	85,934
Total other assets	$ 185,104	$ 155,366

Accrued liabilities:	April 3, 2016	December 31, 2015
Payroll, compensations and benefits	$ 162,465	$ 215,638
Advertising and promotion	351,561	337,945
Due to SGM shareholders	—	72,025
Other	255,767	231,359
Total accrued liabilities	$ 769,793	$ 856,967

Other long-term liabilities:	April 3, 2016	December 31, 2015
Post-retirement benefits liabilities	$ 229,832	$ 231,412
Pension benefits liabilities	124,740	122,681
Other	110,951	114,625
Total other long-term liabilities	$ 465,523	$ 468,718

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

This Management's Discussion and Analysis (“MD&A”) is intended to provide an understanding of Hershey's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A should be read in conjunction with our Consolidated Financial Statements and accompanying notes. This discussion contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially. Refer to the Safe Harbor Statement below as well as the Risk Factors and other information contained in our 2015 Annual Report on Form 10-K for information concerning the key risks to achieving future performance goals.

The MD&A is organized in the following sections:

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

OVERVIEW AND OUTLOOK

Our 2016 first quarter net sales totaled $1,828.8 million, a decline of 5.6% versus our 2015 first quarter sales of $1,937.8 million. Excluding a 1.2% impact from unfavorable foreign currency exchange rates, our net sales decreased 4.4%. The decline was driven by lower North America volumes due primarily to a shorter Easter season in 2016 and lower non-seasonal activity as greater levels of innovation and in-store merchandising are anticipated over the remainder of the year, coupled with lower net sales in China, as we had anticipated. In addition, net price realization was slightly unfavorable, as the benefit of price realization on our seasonal confectionery products was more than offset by increased levels of direct trade.

Our reported gross margin decreased 180 basis points in the first quarter of 2016, primarily driven by mark-to-market losses on commodity derivatives since we are no longer electing to designate any of our existing or new commodity derivatives for hedge accounting treatment. Our non-GAAP gross margin (as defined in the Non-GAAP Information section of this MD&A) increased 20 basis points in the first quarter of 2016 as a result of supply chain productivity and cost savings initiatives as well as lower commodity costs.

In the fourth quarter of 2015, we reached an agreement with the Shanghai Golden Monkey (“SGM”) selling shareholders to reduce the originally-agreed purchase price for the remaining 20% of SGM, and we completed the purchase on February 3, 2016. We are directing our efforts currently on executing an integration plan that is focused on the optimal structure for top-line growth.

Building on our snacks strategy, in late April 2016, we purchased Ripple Brand Collective, LLC, a privately held company that owns the barkTHINS mass premium chocolate snacking brand. Since its launch in 2013, barkTHINS has quickly become a favorite snack brand due to its commitment to using simple ingredients, fair trade cocoa and non-GMO certification. barkTHINS is a very attractive and uniquely crafted brand that essentially created the chocolate “thins” category, a new form of chocolate snacking. We anticipate building barkTHINS by leveraging Hershey’s scale at retail.

We expect total consolidated net sales to accelerate over the remainder of the year driven by core brands and innovation. Our new products will bring variety and news to the category such as *Reese's Snack Mix*, *Hershey's Snack Bites*, *Cadbury* chocolates targeting the mass premium market, *Reese's* white minis and *Kit Kat* big Kat. We believe these investments should enable us to continue to gain share in the U.S. market. Additionally, new advertising campaigns on many of our key brands, including *Hershey's*, *Kit Kat* and *Ice Breakers* will begin in the second quarter.

We currently estimate full year 2016 constant currency net sales growth of approximately 2.5%, which includes a 0.5% net benefit from acquisitions and divestitures. The Company expects a 1.0% unfavorable impact from foreign currency exchange rates. Excluding unfavorable foreign currency exchange rates and the barkTHINS acquisition, full-year net sales are expected to increase about 2.0%. This is less than the previous estimate of 3.0%, primarily due to lower than expected non-seasonal growth over the remainder of the year. The Company expects gross margin, as determined on a non-GAAP basis, to be slightly below 2015 levels due to unfavorable sales mix. We expect to exceed our initial 2016 productivity and cost savings target by $10 million to $15 million, and we will continue to invest in advertising and related consumer marketing, including a greater shift to digital and mobile communications. As a result, we currently expect adjusted earnings per share-diluted for 2016 to increase 3.0% to 4.0%, including barkTHINS dilution of $0.05 to $0.06 per share, and be in the $4.24 to $4.28 range.

NON-GAAP INFORMATION

The comparability of certain of our financial measures is impacted by unallocated mark-to-market gains and losses on commodity derivatives, business realignment charges, costs relating to the integration of acquisitions, non-service related components of our pension expense ("NSRPE"), and other non-recurring gains and losses.

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

Reconciliation of Certain Non-GAAP Financial Measures

Consolidated results	**Three Months Ended**	
In thousands except per share data	**April 3, 2016**	**April 5, 2015**
Reported gross profit	$ 817,376	$ 900,843
Derivative mark-to-market losses	34,946	—
Business realignment activities	(487)	1,348
Acquisition integration costs	—	134
NSRPE	3,241	761
Non-GAAP gross profit	$ 855,076	$ 903,086
Reported operating profit	$ 339,509	$ 384,166
Derivative mark-to-market losses	34,946	—
Business realignment activities	14,430	5,140
Acquisition integration costs	—	2,573
NSRPE	5,101	1,996
Non-GAAP operating profit	$ 393,986	$ 393,875
Reported provision for income taxes	$ 109,897	$ 130,067
Derivative mark-to-market losses	13,245	—
Business realignment activities	3,538	3,068
Acquisition integration costs	—	842
NSRPE	1,953	782
Gain on sale of trademark	—	(3,662)
Non-GAAP provision for income taxes	$ 128,633	$ 131,097
Reported net income	$ 229,832	$ 244,737
Derivative mark-to-market losses	21,701	—
Business realignment activities	10,860	2,072
Acquisition integration costs	—	1,731
NSRPE	3,148	1,214
Settlement of SGM liability	(26,650)	—
Gain on sale of trademark	—	(6,288)
Non-GAAP net income	$ 238,891	$ 243,466
Reported EPS - Diluted	$ 1.06	$ 1.10
Derivative mark-to-market losses	0.10	—
Business realignment activities	0.05	0.01
Acquisition integration costs	—	0.01
NSRPE	0.01	—
Settlement of SGM liability	(0.12)	—
Gain on sale of trademark	—	(0.03)
Non-GAAP EPS - Diluted	$ 1.10	$ 1.09

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

	Three Months Ended	
	April 3, 2016	April 5, 2015
As reported gross margin	44.7%	46.5%
Non-GAAP gross margin (1)	46.8%	46.6%
As reported operating profit margin	18.6%	19.8%
Non-GAAP operating profit margin (2)	21.5%	20.3%
As reported effective tax rate	32.3%	34.7%
Non-GAAP effective tax rate (3)	35.0%	35.0%

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

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

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

Business realignment activities
We periodically undertake restructuring and cost reduction activities as part of ongoing efforts to enhance long-term profitability. For the three months ended April 3, 2016 and April 5, 2015, we incurred $14.4 million and $5.1 million, respectively, of pre-tax business realignment charges. See Note 10 to the Consolidated Financial Statements for more information.

Acquisition integration costs
For the three months ended April 5, 2015, we incurred pre-tax costs related to integration of the 2014 acquisitions of SGM and Allan Candy totaling $2.6 million as we were incorporating these businesses into our operating practices and information systems.

Non-service related pension expense
Non-service-related pension expense 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 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 to 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 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 of $5.1 million and $2.0 million for the three months ended April 3, 2016 and April 5, 2015, respectively.

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

Gain on sale of trademark
In 2015, we recorded a $10.0 million gain relating to the sale of a non-core trademark.

Constant Currency Net Sales Growth

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

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

	Three Months Ended April 3, 2016		
	Percentage Change as Reported	**Impact of Foreign Currency Exchange**	**Percentage Change on Constant Currency Basis**
North America segment			
Canada	(7.3)%	(9.3)%	2.0 %
Total North America segment	(4.3)%	(0.4)%	(3.9)%
International and Other segment			
Mexico	(13.8)%	(18.0)%	4.2 %
Brazil	(21.8)%	(31.4)%	9.6 %
India	(38.5)%	(5.1)%	(33.4)%
Greater China	(39.2)%	(2.6)%	(36.6)%
Total International and Other segment	(15.4)%	(7.3)%	(8.1)%
Total Company	(5.6)%	(1.2)%	(4.4)%

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 earnings per share-diluted, prepared in accordance with GAAP, to 2015 non-GAAP earnings per share-diluted is provided below for comparison.

	2016 (Projected)	2015
Reported EPS – Diluted	$4.16 - $4.23	$2.32
Business realignment activities	0.08 - 0.09	0.36
Acquisition integration costs	0.03 - 0.04	0.05
Non-service related pension expense	0.06 - 0.07	0.05
Settlement of SGM liability	(0.12)	—
Goodwill / intangible asset impairment	—	1.28
Loss on early extinguishment of debt	—	0.09
Gain on sale of trademark	—	(0.03)
Adjusted EPS – Diluted	$4.24 - $4.28	$4.12

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 Unaudited Consolidated Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended		
In millions of dollars except per share amounts	April 3, 2016	April 5, 2015	Percent Change
Net Sales	$ 1,828.8	$ 1,937.8	(5.6)%
Cost of Sales	1,011.4	1,037.0	(2.5)%
Gross Profit	817.4	900.8	(9.3)%
Gross Margin	*44.7%*	*46.5%*	
SM&A Expense	471.7	514.0	(8.2)%
SM&A Expense as a percent of net sales	*25.8%*	*26.5%*	
Business Realignment Charges	6.1	2.6	134.6 %
Operating Profit	339.5	384.2	(11.6)%
Operating Profit Margin	*18.6%*	*19.8%*	
Interest Expense, Net	21.0	19.2	9.4 %
Other (Income) Expense, Net	(21.2)	(9.8)	116.3 %
Provision for Income Taxes	109.9	130.1	(15.5)%
Effective Income Tax Rate	*32.3%*	*34.7%*	
Net Income	$ 229.8	$ 244.7	(6.1)%
Net Income Per Share—Diluted	$ 1.06	$ 1.10	(3.6)%

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

Results of Operations - First Quarter 2016 vs. First Quarter 2015

Net Sales

Net sales decreased 5.6% in 2016 compared with 2015, reflecting volume declines of 4.3%, an unfavorable impact from foreign currency exchange rates of 1.2% and unfavorable net price realization of 0.5%, partially offset by a 0.4% benefit from net acquisitions and divestitures. The volume decline was driven by lower North America volumes due primarily to a shorter Easter season in 2016 and lower non-seasonal activity as greater levels of innovation and in-store merchandising are anticipated over the remainder of the year, coupled with lower net sales in China. The unfavorable net price realization was attributed to increased levels of direct trade, which more than offset favorable price realization on seasonal products. Excluding foreign currency, our net sales decreased 4.4% in 2016.

Key U.S. Marketplace Metrics

For the 12 week period ended	April 3, 2016	April 5, 2015
Hershey's Consumer Takeaway Increase	8.2%	4.6%
Hershey's Market Share (Decrease) Increase	(0.1)	0.2

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 2016, our performance benefited from an an earlier Easter, which fell one week earlier than in the prior year. Our chocolate market share increased by 0.1 points in the first quarter of 2016. However, this was offset by unfavorable non-chocolate candy performance, resulting in a market share decline of 0.1 points in the first quarter. In addition, *Hershey's* and *Reese's* snack mix items are not included in the CMG database as Nielsen captures this within salty snacks.

Cost of Sales and Gross Margin

Cost of sales decreased 2.5% in 2016 compared with 2015. Volume declines and supply chain productivity reduced cost of sales by approximately 8%. These declines were substantially offset by commodity mark-to-market losses and higher supply chain costs, which collectively increased cost of sales by approximately 5%. As described in Note 5, our commodity derivative instruments are no longer designated for hedge accounting treatment and, as a result, the changes in fair market value are recognized currently in cost of sales.

Gross margin decreased by 180 basis points in 2016 compared with 2015. Commodity mark-to-market losses and higher supply chain costs reduced gross margin by approximately 330 basis points. The declines were partially offset by supply chain productivity and cost savings initiatives as well as slightly lower commodity costs, which collectively improved gross margin by 150 basis points. On a non-GAAP basis, excluding the commodities mark-to-market losses as well as business realignment charges, 2016 gross margin increased by 20 basis points.

Selling, Marketing and Administrative

Selling, marketing and administrative ("SM&A") expenses decreased $42.3 million or 8.2% in 2016, due primarily to a 9.8% decline in advertising and related consumer marketing expense. North America new product launches, as well as merchandising and display activity, are expected to accelerate in the remainder of 2016 and be supported by advertising and related consumer marketing expense, which should increase at a percentage rate greater than net sales growth. Excluding these advertising and related consumer marketing costs, selling and administrative expenses for 2016 decreased by 7.3% as compared to 2015, due to savings from the 2015 Productivity Initiative as well as our continued focus on non-essential spending. SM&A expenses in 2016 were also impacted by charges for business realignment activities of $8.8 million and non-service related pension expense of $1.9 million. In 2015, SM&A expenses included $3.6 million for business realignment activities and non-service related pension expense of $1.2 million.

Business Realignment Charges

In the first three months of 2016 and 2015, we recorded total business realignment charges of $6.1 million and $2.6 million, respectively. The 2016 charges related primarily to severance and other third party expenses attributed to the optimization of the China business and workforce structure that commenced in the first quarter of 2016. The 2015 charges were related to the divestiture of the Mauna Loa business.

Operating Profit and Operating Profit Margin

Operating profit decreased 11.6% in 2016 compared with 2015 due primarily to lower gross profit as well as higher business realignment charges, offset in part by the lower SM&A expenses.

Operating profit margin decreased to 18.6% in 2016 from 19.8% in 2015 due to the lower gross margin and higher business realignment charges.

On a non-GAAP basis, 2016 operating profit was flat, while operating profit margin improved 120 basis points, as compared with the same period of 2015.

Interest Expense, Net

Net interest expense was $1.8 million higher in 2016 than in 2015 due primarily to lower capitalized interest expense and lower interest income.

Other (Income) Expense, Net

Other (income) expense, net was $11.4 million higher in 2016 than in 2015, primarily attributed to the $26.7 million settlement of the Shanghai Golden Monkey liability in 2016, partially offset by write-down of equity investments qualifying for federal historic and energy tax credits. In 2015, other (income) expense, included the gain on the sale of a non-core trademark.

Income Taxes and Effective Tax Rate

Our effective income tax rate was 32.3% for 2016 compared with 34.7% for 2015. The 2016 rate reflects the impacts of non-taxable income related to the settlement of the SGM liability and the income tax benefit from historic and energy tax credits, which were partially offset by the valuation allowance recorded against current year SGM operating losses.

Net Income and Net Income Per Share

Net income decreased $14.9 million, or 6.1%, while earnings per share-diluted ("EPS") decreased $0.04, or 3.6%, in 2016 compared with 2015. The decreases in both net income and EPS were driven by lower gross profit as well as higher business realignment charges, as noted above. Our 2016 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 decreased $4.6 million in 2016, or 1.9%, and EPS increased $0.01, or 0.9%, as compared with 2015. The changes in 2016 non-GAAP net income and EPS were primarily driven by gross margin expansion and the impact of other (income) expense, net. Our 2016 EPS also benefited from lower weighted-average shares outstanding, as noted above.

SEGMENT RESULTS

The summary that follows provides a discussion of the results of operations of our two reportable segments: North America and International and Other. The segments reflect our operations on a geographic basis. For segment reporting purposes, we use "segment income" to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, unallocated mark-to-market gains and losses on commodity derivatives, as well as business realignment and impairment charges, acquisition integration costs, the non-service related portion of pension expense and other unusual gains or losses that are not part of our measurement of segment performance. These 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 Information section at the beginning of this Item 2.

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

	Three Months Ended	
	April 3, 2016	April 5, 2015
Net Sales:		
North America	$ 1,633,471	$ 1,706,995
International and Other	195,341	230,805
Total	$ 1,828,812	$ 1,937,800
Segment Income (Loss):		
North America	$ 529,390	$ 554,306
International and Other	(13,233)	(21,759)
Total segment income	516,157	532,547
Unallocated corporate expense (1)	122,171	138,672
Unallocated mark-to-market losses on commodity derivatives (2)	34,946	—
Charges associated with business realignment activities	14,430	5,140
Non-service related pension expense	5,101	1,996
Acquisition integration costs	—	2,573
Operating profit	339,509	384,166
Interest expense, net	21,005	19,202
Other (income) expense, net	(21,225)	(9,840)
Income before income taxes	$ 339,729	$ 374,804

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

(2) Reflects gains and losses on commodity derivative instruments that are excluded from segment income until the related inventory is sold.

North America

The North America segment is responsible for our chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines. North America accounted for 89.3% and 88.1% of our net sales for the three months ended April 3, 2016 and April 5, 2015, respectively. North America results for the three months ended April 3, 2016 and April 5, 2015 were as follows:

	Three Months Ended		
	April 3, 2016	April 5, 2015	Percent Change
In millions of dollars			
Net sales	$ 1,633.5	$ 1,707.0	(4.3)%
Segment income	529.4	554.3	(4.5)%
Segment margin	*32.4%*	*32.5%*	

Results of Operations - First Quarter 2016 vs. First Quarter 2015

Net sales of our North America segment decreased $73.5 million or 4.3% in 2016 compared to 2015, reflecting volume declines of 3.7%, unfavorable net price realization of 0.7% and an unfavorable impact from foreign currency exchange rates that reduced net sales by 0.4%, partially offset by the favorable net impact of acquisitions and divestitures of 0.5%. The volume decline was primarily due to a shorter Easter season in 2016 and lower non-seasonal activity as greater levels of innovation and in-store merchandising are anticipated over the remainder of the year. The unfavorable net price realization was attributed to increased levels of direct trade, which more than offset favorable price realization on seasonal products. Our Canada operations were impacted by the stronger U.S. dollar, which drove the unfavorable foreign currency impact.

Our North America segment income decreased $24.9 million or 4.5% in 2016 compared to 2015, driven by lower sales. Advertising and related consumer marketing expense declined 6.6% versus the first quarter of 2015 due to timing.

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. We currently have operations and manufacture product in China, Mexico, Brazil and India, primarily for consumers in these markets, and also distribute and sell confectionery products in export markets of Asia, Latin America, Middle East, Europe, Africa and other regions. This segment also includes our global retail operations, including Hershey’s Chocolate World stores in Hershey, Pennsylvania, New York City, 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 10.7% and 11.9% of our net sales for the three months ended April 3, 2016 and April 5, 2015, respectively. International and Other results for the three months ended April 3, 2016 and April 5, 2015 were as follows:

	Three Months Ended		
	April 3, 2016	April 5, 2015	Percent Change
In millions of dollars			
Net sales	$ 195.3	$ 230.8	(15.4)%
Segment loss	(13.2)	(21.8)	(39.4)%
Segment margin	*(6.8)%*	*(9.4)%*	

Results of Operations - First Quarter 2016 vs. First Quarter 2015

Net sales of our International and Other segment decreased $35.5 million or 15.4% in 2016 compared to 2015, reflecting volume declines of 8.4%, the unfavorable impact from foreign currency exchange rates of 7.3% and the unfavorable impact from the Mauna Loa divestiture of 0.7%, partially offset by favorable net price realization of 1.0%. Excluding the unfavorable impact of foreign currency exchange rates, the net sales of our International and Other segment declined approximately 8.1%.

The net sales decline was driven lower net sales in China as well as the discontinuance of the edible oil products in India. China net sales declined, as expected, by approximately 35% in the first quarter of 2016 as sell-in related to Chinese New Year items was lower than in the same period of 2015, reflecting the challenging macroeconomic environment and competitive activity. In the first quarter of 2016, China chocolate category retail sales declined by about 10%. Constant currency net sales in Mexico and Brazil increased nearly 6% driven by solid *Hershey's* marketplace performance.

Our International and Other segment loss decreased by $8.6 million in the first quarter of 2016 compared to 2015. Combined income in Latin America and export markets improved versus the prior year; however, this was more than offset by lower sales and unfavorable mix in China.

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 the first quarter 2016, unallocated corporate items totaled $122.2 million compared to $138.7 million in 2015, with the reduction due primarily to cost savings from the 2015 Productivity Initiative discussed previously.

Liquidity and Capital Resources

Historically, our primary source of liquidity has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer months, are generally met by utilizing cash on hand, bank borrowings or the issuance of commercial paper. Commercial paper may also be issued, from time to time, to finance ongoing business transactions, such as the repayment of long-term debt, business acquisitions and for other general corporate purposes.

At April 3, 2016 , our cash and cash equivalents totaled $286.0 million. At December 31, 2015, our cash and cash equivalents totaled $346.5 million. Our cash and cash equivalents during the first three months of 2016 declined $60.5 million compared to the 2015 year-end balance as a result of the sources and uses of cash outlined in the discussion that follows.

Approximately two-thirds of the balance of our cash and cash equivalents at April 3, 2016 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 generated net cash from operating activities of $257.1 million in the first three months of 2016, a decrease of $2.1 million compared to $259.2 million generated in the same period of 2015. The decrease in net cash from operating activities was mainly driven by the following factors:

- Working capital (comprised of trade accounts receivable, inventory and accounts payable) used cash of $4 million in the 2016 period, while it generated cash of $36 million during the same period of 2015. This resulted in $40 million of lower cash flow in the 2016 period relative to 2015, which is driven by a higher inventory balance in the 2016 period in anticipation of upcoming product launches, partially offset by a lower trade accounts receivable balance in the 2016 period due to lower sales.

- Net income adjusted for non-cash charges to operations (including depreciation, amortization, stock-based compensation expense, excess tax benefit from stock-based compensation, deferred income taxes, business realignment and impairment charges, write-down of equity investments and the gain on settlement of SGM liability) resulted in $22 million of lower cash flow in the 2016 period relative to 2015.

These decreases were partially offset by the following net cash inflow:

- The impact of our hedging activities unfavorably impacted cash flow by $10 million in the 2016 period versus a $59 million unfavorable impact in the 2015 period. This primarily reflects market gains and losses on our commodity futures. Our cash receipts typically decrease when futures market prices are decreasing.

Net cash used in investing activities totaled $49.2 million in the first three months of 2016, compared to $249.1 million in the same period of 2015. The variance of $199.9 million was driven by 2015 activity that related to the Krave acquisition for $219 million, partially offset by net proceeds of $32 million from the sale of Mauna Loa. Further details regarding our acquisition and disposition activity are provided in Note 2 to the Unaudited Consolidated Financial Statements. For the full year 2016, we expect capital expenditures, including capitalized software, to approximate $285 million to $295 million.

Net cash used in financing activities totaled $271.2 million in the first three months of 2016, compared to $76.5 million in the same period of 2015. The variance of $194.7 million was primarily driven by a reduction in foreign short-term borrowings in 2016 of approximately $90 million, $36 million used to purchase the remaining 20% of SGM on February 3, 2016 and $18 million less in proceeds from the exercise of stock options.

Recent Accounting Pronouncements

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

Safe Harbor Statement

We are subject to changing economic, competitive, regulatory and technological risks and uncertainties that could have a material impact on our business, financial condition or results of operations. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we note the following factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions that we have discussed directly or implied in this report. Many of the forward-looking statements contained in this report may be identified by the use of words such as “intend,” “believe,” “expect,” “anticipate,” “should,” “planned,” “projected,” “estimated,” and “potential,” among others.

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

- Issues or concerns related to the quality and safety of our products, ingredients or packaging could cause a product recall and/or result in harm to the Company's reputation, negatively impacting our operating results;
- Increases in raw material and energy costs along with the availability of adequate supplies of raw materials could affect future financial results;
- Price increases may not be sufficient to offset cost increases and maintain profitability or may result in sales volume declines associated with pricing elasticity;
- Market demand for new and existing products could decline;
- Increased marketplace competition could hurt our business;
- Disruption to our manufacturing operations or supply chain could impair our ability to produce or deliver finished products, resulting in a negative impact on our operating results;
- Our financial results may be adversely impacted by the failure to successfully execute or integrate acquisitions, divestitures and joint ventures, including SGM;
- Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products;
- Political, economic and/or financial market conditions could negatively impact our financial results;
- Our expanding international operations may not achieve projected growth objectives, which could adversely impact our overall business and results of operations;
- Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations;
- We might not be able to hire, engage and retain the talented global workforce we need to drive our growth strategies; and
- Such other matters as discussed in our 2015 Annual Report on Form 10-K.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The total notional amount of interest rate swaps outstanding was $850 million at April 3, 2016 and December 31, 2015, respectively. The notional amount includes $350 million of fixed-to-floating interest rate swaps which convert a comparable amount of fixed-rate debt to variable rate debt at April 3, 2016 and December 31, 2015, respectively. A hypothetical 100 basis point increase in interest rates applied to this now variable rate debt as of April 3, 2016 would have increased interest expense by approximately $0.9 million for the first three months of 2016 and $3.6 million for the full year 2015.

We consider our current risk related to market fluctuations in interest rates on our remaining debt portfolio, excluding fixed-rate debt converted to variable with fixed-to-floating instruments, to be minimal since this debt is largely long-term and fixed-rate in nature. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A 100 basis point increase in market interest rates would decrease the fair value of our fixed-rate long-term debt at April 3, 2016 and December 31, 2015 by approximately $75 million and $76 million, respectively. However, since we currently have no plans to repurchase our outstanding fixed-rate instruments before their maturities, the impact of market interest rate fluctuations on our long-term debt does not affect our results of operations or financial position.

The potential decline in fair value of foreign currency forward exchange contracts resulting from a hypothetical near-term adverse change in market rates of 10% was $10.0 million as of April 3, 2016 and $3.2 million as of December 31, 2015. Our open commodity contracts had a notional value of $552.6 million as of April 3, 2016 and $374.8 million as of December 31, 2015. At the end of the first quarter of 2016, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses by $55.3 million, generally offset by a reduction in the cost of the underlying commodity purchases.

Other than as described above, market risks have not changed significantly from those described in our 2015 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)) designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of April 3, 2016. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of April 3, 2016.

Changes in Internal Controls Over Financial Reporting

During the fourth quarter of fiscal 2015, we identified and disclosed a material weakness in our internal control over financial reporting related to hedge accounting compliance for cocoa commodity derivatives. The 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, pursuant to the provisions of FASB ASC Topic 815, *Derivatives and Hedging* (ASC 815), 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. The 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.

As disclosed previously, effective January 1, 2016, the Company is no longer designating any of its existing or future purchases of cocoa or other commodity derivatives as cash flow hedges and is not electing 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.

Except as noted above, there were no other changes in our internal control over financial reporting during the quarter ended April 3, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Information on legal proceedings is included in Note 15 to the Unaudited Consolidated Financial Statements.

Item 1A. Risk Factors.

Risk Factors as of April 3, 2016 have not changed materially from those described in Part 1, Item 1A, "Risk Factors," of our 2015 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities

The following table shows the purchases of shares of Common Stock made by or on behalf of Hershey, or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Hershey, for each fiscal month in the three months ended April 3, 2016:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
				(in thousands of dollars)
January 1 through January 31	—	$ —	—	$ 20,249
February 1 through February 28	1,930,500	$ 89.65	1,930,500	$ 347,016
February 29 through April 3	1,436,261	$ 90.33	1,436,261	$ 216,295
Total	3,366,761	$ 89.93	3,366,761	

(1) All of the shares of Common Stock purchased during the three months ended April 3, 2016 were purchased in open market transactions. During the three months ended April 3, 2016, no shares of Common Stock were purchased in connection with our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

(2) In February 2015, our Board of Directors approved a $250 million share repurchase authorization. This program was completed in the first quarter of 2016. In February 2016, our Board of Directors approved an additional $500 million share repurchase authorization. As of April 3, 2016, approximately $216 million remained available for repurchases of our Common Stock under this program. The share repurchase program does not have an expiration date.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

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

Exhibit Number	Description
10.1	Form of Notice of Special Award of Restricted Stock Units (3-year cliff vest) is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 18, 2016.+
10.2	Form of Notice of Special Award of Restricted Stock Units (pro-rata vest).*+
10.3	Form of Notice of Award of Restricted Stock Units.*+
10.4	Form of Notice of Award of Performance Stock Units.*+
10.5	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan.*+
10.6	Employee Confidentiality and Restrictive Covenant Agreement, amended as of February 15, 2016.*+
12.1	Computation of Ratio of Earnings to Fixed Charges.*
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

SIGNATURES

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

THE HERSHEY COMPANY
(Registrant)

Date: April 29, 2016	/s/ Patricia A. Little
	Patricia A. Little Senior Vice President, Chief Financial Officer (Principal Financial Officer)
Date: April 29, 2016	/s/ Javier H. Idrovo
	Javier H. Idrovo Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.2

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Special Award of Restricted Stock Units

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

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

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

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

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

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

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

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

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

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

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

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

(H) “Material Contact” means contact for the purpose of furthering the Company’s business.

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

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

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

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

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

6. NON-SOLICITATION. Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's

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

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

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

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

8. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

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

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

9. WITHHOLDING.

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

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

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

11. MISCELLANEOUS.

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

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

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

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

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

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

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

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

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Award of Restricted Stock Units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(C) During the calendar year of the date of grant (the “Year of Grant”), if a Grantee terminates employment from the Company for any reason (other than death, becoming Disabled as defined herein, or for Cause, as defined in the EICP) on or after becoming Retirement Eligible, the Total Award will be adjusted to reflect Grantee’s period of employment during the Year of Grant. The number of RSUs the Grantee holds after adjustment is called the “Adjusted Award.” The Adjusted Award equals the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during the Year of Grant preceding the month during which Grantee’s termination date occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Award down to the nearest whole number. In the event of such adjustment, any RSUs (and related Dividend Equivalent Rights) subject to this Notice of Award in excess of the Adjusted Award shall not vest pursuant to paragraph 4(B) but instead shall terminate and be completely forfeited on such date.

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

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

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

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

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

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

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

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

9. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

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

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

10. WITHHOLDING.

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

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

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

12. MISCELLANEOUS.

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

(B) Grantee acknowledges and agrees that in addition to the relief described in paragraph 12(A), if the Committee determines, in its sole judgment, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any RSUs that have vested under this Notice of Award, inclusive of any dividends paid on any vested shares.

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

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

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

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

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

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

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

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033

Notice of Award of Performance Stock Units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(K) “Material Contact” means contact for the purpose of furthering the Company’s business.

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

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

In the event of a Change in Control, vesting of PSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. In accordance with paragraph 15 of the EICP, if the PSUs are assumed or replaced, or remain outstanding, such that the PSUs as assumed, replaced or continued qualify as a Replacement Award under paragraph 15 of the EICP, the occurrence of the Change in Control shall not affect the vesting or payment of the PSUs which shall then constitute a Replaced Award as defined in the EICP. However, if within two (2) years following the Change in Control and prior to the Vesting Date, Grantee's employment is terminated by the Company for any reason other than for Cause (as defined in the EICP), by the Grantee for Good Reason (as defined in the EICP), as a result of Grantee 's death or as a result of Grantee becoming Disabled, the Grantee shall immediately vest in the Replacement Award upon such termination based on the provisions of The Hershey Company Executive Benefits Protection Plan ("EBPP") applicable to Grantee. Notwithstanding the foregoing, if the Committee determines that the PSUs are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Grantee shall vest in the PSUs and receive payment in accordance with the provisions of the EBPP applicable to Grantee.

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

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

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

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

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

5. <u>DETERMINATION OF EARNED PSUs</u>. The number of PSUs earned, if any, with respect to each performance metric shall be determined following the conclusion of the Performance Cycle (and, if applicable, any performance period ending in the Performance Cycle), based upon achievement against the applicable

Performance Goals. Any fractional share resulting from such calculations shall be eliminated by rounding to the nearest whole number for each performance metric. The determination of earned PSUs and the prorated amounts under paragraph 4(A) and 4(C) in the event of Grantee's termination due to death or becoming Disabled will be made within 60 days following such termination. The final determination of the number of PSUs earned is subject to review, approval and modification by the Committee.

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

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

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

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

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

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

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

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

10. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

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

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

11. WITHHOLDING.

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

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

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

13. MISCELLANEOUS.

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

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

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

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

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

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

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

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

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

THE HERSHEY COMPANY

TERMS AND CONDITIONS OF NONQUALIFIED STOCK OPTION AWARDS UNDER THE EQUITY AND INCENTIVE COMPENSATION PLAN

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

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

2. The Options shall not be exercisable until vested. The Options shall be exercisable during the period ___________ through ___________ (the "Exercise Period"), subject to the vesting schedule described in the next sentence and the provisions regarding termination set forth in paragraphs 3 and 5 below and in the Plan. Of the total Options awarded to the Optionee on the Award Date ("Total Award"), twenty-five percent (25%) of the Total Award will become vested on the first anniversary of the Award Date; an additional twenty-five percent (25%) of the Total Award will become vested on the second anniversary of the Award Date; an additional twenty-five percent (25%) of the Total Award will become vested on the third anniversary of the Award Date; and an additional and final twenty-five percent (25%) of the Total Award will become vested on the fourth anniversary of the Award Date. During the Exercise Period, vested Options may be exercised in whole or in part and on one or more than one occasion. The purchase price of any shares as to which the Options shall be exercised shall be paid in full at the time of such exercise.

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

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

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

4. If Optionee retires (as that term is defined in paragraph 5 below) after the Award Date and during the calendar year in which the Award Date occurs, the Total Award will be reduced on a pro-rata basis to reflect Optionee's period of employment during the calendar year in which the Award Date occurs (the "Adjusted Award"). The Adjusted Award shall equal the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during such year preceding the month during which Optionee's retirement date occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Award down to the nearest whole number.

The foregoing provisions of this paragraph 4 notwithstanding, if a Change in Control occurs following the Award Date, and Optionee retires after the occurrence of the Change in Control but during the calendar year in which the Award Date occurs, the Total Award shall not be reduced as aforesaid.

5. In the event Optionee retires, or his or her employment terminates due to death or total disability, the Options shall become fully vested, subject to the provisions regarding possible adjustment of the Total Award to an Adjusted Award as provided in paragraph 4, and Optionee (or his/her estate in the case of death) shall have three (3) years from the earliest date of death or total disability, or five (5) years from the date of retirement, to exercise his/her Options, provided such post-termination exercise period cannot extend beyond the last day of the Exercise Period set forth in paragraph 2 above, the date the Options expire. For purposes of this award, Optionee shall be deemed to have retired if his or her employment terminates for any reason other than for "Cause" (as that term is defined in the Plan) on or after the date the Optionee has both attained his or her 55th birthday and been continuously employed by Hershey for at least five (5) years.

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

7. The Compensation and Executive Organization Committee of the Board of Directors (the "Committee"), or any successor committee performing similar functions, may from time to time impose certain limitations or restrictions on the exercise of the Options by employees who are subject to employee minimum stock ownership requirements established by the Committee. Such limitations, restrictions and minimum stock ownership requirements are subject to change at the discretion of the Committee.

8. Except to the extent that the Plan permits exercise in limited circumstances by persons other than the Optionee, the Options may not be assigned, transferred, pledged or hypothecated in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof or of the Plan, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect and shall cause the Options to terminate.

9. Non-Competition.

a. Optionee acknowledges that due to the nature of his/her employment with Hershey, he/she has and will have access to, contact with, and Confidential Information (as defined in paragraph 11) about the Company's business and its relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage ("Business Relationships"). Optionee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with Hershey, and (ii) for a period of twelve (12) months following the termination of his/her employment, Optionee, except in the performance of his/her duties to Hershey, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business, as defined below in paragraph 9(b). This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Optionee was employed or, directly or indirectly, performed services for Hershey during the two years prior to his/her termination of Optionee's employment. Optionee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Optionee's responsibilities, Optionee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships.

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

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

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

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

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

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

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

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

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

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

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

15. In selling the "Shares" upon Optionee's exercise of his/her Options, Hershey is fulfilling in full its contractual obligation to Optionee by making such transfer, and Hershey shall have no further obligations or duties with respect thereto and is discharged and released from the same. The Company makes no representations to Optionee regarding the market price of the Shares or the information which is available to Optionee regarding the Shares.

16. The Optionee may be restricted by the Company in its sole judgment from exercising any of the Options to the extent necessary to comply with insider trading or other provisions of federal or state securities laws.

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

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

EMPLOYEE CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

THIS EMPLOYEE CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT (the "Agreement") is entered into as of ____________ __, 20__ (the "Effective Date"), between The Hershey Company, a Delaware corporation ("Employer" or "Hershey"), and the undersigned employee of Employer ("Employee"). This Agreement extends not only to Employee and Hershey, but also to Hershey's past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the Equity and Incentive Compensation Plan ("EICP"), and its and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the "Company").

WHEREAS, Employee currently serves or is being hired or promoted to serve Hershey and has received and/or is eligible to receive current and future Options, RSU and/or PSU (as defined below) awards under the Long Term Incentive Program of the EICP or any similar or successor plan and/or is currently a participant in, or may become a participant in, the DB SERP and/or DC SERP (as defined below).

WHEREAS, Employer possesses certain valuable confidential, proprietary and/or trade secret information (collectively, "Confidential Information," as further defined below) that gives Employer a competitive advantage.

WHEREAS, Employer has developed and maintained, at substantial expense and over a considerable period of time, Business Relationships.

WHEREAS, as a result of Employee's past, future, and/or continued employment, Employee has been and/or will be and/or will continue to be given access to, and has and/or will continue to assist in, the development and maintenance of Employer's Confidential Information and Business Relationships, it is the parties' intent to continue to safeguard such Confidential Information and Business Relationships both during and after the term of Employee's employment with Employer.

WHEREAS, Employer's reputation and present and future competitive position are dependent upon Employer's ability to protect its interests in such Confidential Information and Business Relationships.

WHEREAS, should Employee's employment with Employer be terminated for any reason whatsoever, Employer desires: (1) to protect its Confidential Information; (2) to prevent the Employee from using or disclosing to others such Confidential Information; and (3) to limit Employee's ability to solicit other employees, customers, suppliers, agents, licensees or licensors of Employer.

NOW, THEREFORE, in consideration of (i) Employer employing Employee, (ii) Employer providing and continuing to provide Employee access to such Confidential Information and Business Relationships, (iii) Employer making Option awards, PSU awards, RSU awards and/or other equity awards to Employee under the next cycle and/or any future cycles in which Employee is eligible to participate, (iv) if applicable, Employer permitting Employee to participate in and be eligible to receive amounts in the future under defined benefit or defined contribution supplemental Employee retirement plans (DB SERP or DC SERP, as applicable), and/or (v) other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, Employer and Employee agree as follows:

1. Scope. Employee agrees that he/she is entering into this Agreement knowingly and voluntarily on Employee's own behalf and also on behalf of any heirs, agents, representatives, successors and assigns that Employee has now or may have in the future. Employee also agrees that this Agreement extends not only to Employee and Hershey, but also to the Company.

2. Definitions.

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

(b) “Competing Business” means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Employee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Employee’s employment with the Company, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company and for which Employee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to Employee’s Termination of Employment. Employee acknowledges that Employee will be deemed to have such knowledge if Employee received, was in possession of or otherwise had access to Confidential Information (as defined below) regarding such business. For purposes of illustration only, Employee acknowledges and understands that each of the corporations, or entities (and any related entities, subsidiaries, affiliates or successors) set forth on the Addendum attached hereto is a Competing Business as of the date hereof. Employee further acknowledges and agrees that the Addendum attached hereto is not an exhaustive list and is not intended to include all of the Company’s current or future competitors, which Employee acknowledges may include other persons or entities in the future. Employee further acknowledges and understands that if Employee has any question about whether any prior position which Employee has held at the Company over the last two (2) years is a Competing Business(es), Employee should contact Employee’s Human Resource representative.

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

(d) “Material Contact” means contact for the purpose of furthering the Company’s business.

(e) “Options”, “RSU” and “PSU” shall mean Options, RSU/RS Awards and PSU/PS Awards, respectively, granted under the EICP.

(f) “Termination of Employment” means any separation from employment with the Company regardless of the reason, including any voluntary and involuntary reason. The termination date for purposes of this Agreement shall be the last day of Employee’s employment.

(g) “DB SERP” means The Hershey Company Amended and Restated (2007) Supplemental Executive Retirement Plan, as amended by Hershey from time to time.

(h) “DC SERP” means The Hershey Company Defined Contribution Executive Retirement Plan, as amended by Hershey from time to time.

3. Non-Disclosure of Confidential Information. Employee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with Employer, he/she will have access to, learn, be provided with, and in some cases will prepare and create for Employer Confidential Information. Employee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of Employer, that it has been and will continue to be of critical importance to the business of Employer, and that the disclosure of it will cause Employer substantial and irreparable harm. Accordingly, Employee will not, either during his/her employment or at any time after the Termination of Employment, use or disclose any Confidential Information relating to the business of Employer which is not generally available to the public. Notwithstanding the foregoing provisions of this Paragraph 3, Employee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Employee in the course of performing his/her duties to Employer and in accordance with Employer policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Employee or the business of Employer, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of

Employer's General Counsel. Notwithstanding anything herein to the contrary, Employee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Employee may have under any applicable statute or at common law.

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

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

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

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

2. Non-Disparagement. Both (i) during the term of his/her employment with Employer, and (ii) following his/her Termination of Employment, Employee shall not make any public statements that disparage the Company, its employees, officers, directors, products or services, provided that, notwithstanding the foregoing, truthful statements made in the course of sworn testimony in administrative, judicial or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), normal competitive-type statements, and statements made in the good faith performance of the Employee's duties to Employer shall not constitute a violation of this clause. For purposes of this provision, "disparage" means to express a negative opinion or; speak of in a slighting way; belittle.

3. Return of Materials. Upon Termination of Employment, Employee shall return to Employer all Company property that Employee has in his/her possession, including but not limited to any materials relating to or

containing Confidential Information or information about Business Relationships that Employee obtained through Employee's employment with Employer.

4. Cooperation. Employees agrees that, at any time, after Employee's Termination of Employment, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) help to prepare and review documents and meetings with Company attorneys, and (iii) provide truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Employee has relevant information

5. Violation of Paragraphs 3, 4, 5, 6, 7 or 8. Employee acknowledges Employer's valid and protectable interest in aligning the long-term interests of valued employees with those of Employer by providing Employee an ownership interest in the Employer through the EICP and other incentive programs and otherwise, and likewise acknowledges Employer's valid and protectable interest in preventing former employees whose interests become adverse to the Employer from maintaining an ownership or other interest in the Employer. Accordingly, Employee agrees that if he/she violates any of Paragraphs 3, 4, 5, 6, 7 or 8 above (the date on which any such violation occurs is the "Date of Breach"), such violation could cause immediate harm to Employer and that Employer may, in its sole discretion, in addition to any other remedies available to it at law (including without limitation monetary damages) or in equity (including without limitation temporary, preliminary and/or permanent injunctive relief):

(a) cancel any unvested portion of any and all PSU and RSU awards;

(b) cancel any unexercised stock options;

(c) require Employee to pay Employer the full value of any benefits received by Employee during the period twelve (12) months prior to Employee's last date of employment through the Date of Breach, from (i) PSUs, (ii) RSUs, and (iii) the exercise of any options;

(d) cancel any unpaid benefits of Employee under the DB SERP and DC SERP; and/or

(e) require Employee to pay Employer the full value of any benefits already received by Employee under the DB SERP or DC SERP (including for this purpose amounts that would have been received but for Employee's election to defer such amounts under the Deferred Compensation Plan).

6. Employee acknowledges that a remedy at law for any breach or threatened breach of this Agreement would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Employee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Agreement, and that money damages would not be an adequate remedy. Employee acknowledges and agrees that a violation of this Agreement would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Employee has breached or threatened to breach this Agreement, Employee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing such terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies, which may include, but not be limited to, contract damages, lost profits and punitive damages. Employee further agrees that in the event he/she later believes that any provision hereof is not enforceable for any reason, Employee will not act in violation of any such provision until such time as a court of competent jurisdiction enters a final judgment with respect to enforceability.

7. Entire Agreement. Employee acknowledges and agrees that (a) this Agreement includes the entire agreement and understanding between the parties with respect to the subject matter hereof, and may be amended, modified or changed only by a written instrument executed by Employee and Employer, and (b) violation of Paragraphs 3, 4, 5, 6, 7 or 8 hereof may cause Employee to lose the right to receive, or may obligate Employee to repay to Employer, amounts awarded or accrued under various plans and programs of Employer as described herein. No provision of this Agreement may be waived except by a writing executed and delivered by the party sought to be charged. Any such written waiver will be effective only with respect to the event or circumstance described therein and not with respect to any other event or circumstance, unless such waiver expressly provides to the contrary.

8. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws. Employee expressly consents that: (a) any action or proceeding relating to a breach or the enforceability of this Agreement will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (b) any such action or proceeding will be heard without a jury. Employee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed.

(b) All notices and other communications hereunder shall be in writing; shall be delivered by hand delivery to the other party or mailed by registered or certified mail, return receipt requested, postage prepaid or by a nationally recognized courier service such as Federal Express; shall be deemed delivered upon actual receipt; and shall be addressed as follows:

If to Employer:

The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033
ATTN: Senior Vice President, Chief Human Resources Officer

If to Employee:

At the address set forth with the signature below,

or to such other address as either party shall have furnished to the other in writing in accordance herewith.

(c) If a court of competent jurisdiction determines that any provision of this Agreement is unenforceable as written, that provision will be enforceable to the maximum extent permitted by law and will be reformed by the court to make the provision enforceable in accordance with the Company's intent and applicable law.

(d) The Company's failure to enforce any provision of this Agreement will not be interpreted as a waiver of its right to enforce that provision in the future.

(e) Employee agrees that while employed and during the twelve (12) months following Termination of Employment, Employee will notify any future employers of Employee's obligations under this Agreement and authorizes Employer to provide notice of the provisions of this Agreement to any future employers of Employee.

(f) Employee represents that Employee is free to enter into this Agreement and is not currently bound by any post-employment restrictive covenants of any former employer that would restrict or prohibit Employee from performing Employee's duties for Employer. Employee further represents that Employee's employment with Employer will not, to the best of Employee's knowledge, require Employee to inevitably disclose any confidential information of any prior employer and that Employee will not disclose to the Company confidential information of a prior employer in violation of the terms of any binding non-disclosure obligation or applicable law.

(g) Employee acknowledges and agrees that the restrictions set forth in Paragraphs 3, 4, 5, 6, 7 and 8 of this Agreement are reasonable and necessary for the protection of the Company's Confidential Information and Business Relationships, and do not impose any undue economic hardship on Employee or otherwise preclude Employee from obtaining gainful employment should Employee cease to be employed by the Employer.

(h) Employee understands and agrees that nothing in this Agreement shall be construed in any way as an agreement or guarantee of employment. Employee also understands and agrees that while he or she is eligible to receive awards under the EICP and/or amounts under the DB SERP and/or DC SERP, the granting of any such awards and/or receipt of amounts under such awards or plans is subject to the terms and conditions of the awards, EICP and such plans, and that nothing set forth herein shall be deemed to guarantee to Employee any specific amount of awards or compensation will be made to or earned by Employee.

EMPLOYEE HAS READ AND REVIEWED THIS AGREEMENT IN ITS ENTIRETY AND HAS BEEN GIVEN AN OPPORTUNITY TO ASK QUESTIONS ABOUT IT AND TO CONSULT WITH AN ATTORNEY. EMPLOYEE FULLY UNDERSTANDS THE TERMS OF THIS AGREEMENT AND KNOWINGLY AND FREELY AGREES TO ABIDE BY THEM.

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement as of the date first set forth above.

EMPLOYEE:

____

Print Name and Address:

Sample Person
Street Address
City, State / Province, Country

EMPLOYER:

The Hershey Company, a Delaware corporation

By:

____
Senior Vice President, Chief Human Resources Officer

EXHIBIT 12.1

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

	Three Months Ended	
	April 3, 2016	**April 5, 2015**
Earnings:		
Income before income taxes	$ 339,729	$ 374,804
Add (deduct):		
Interest on indebtedness	21,350	20,007
Portion of rents representative of the interest factor (a)	2,388	2,774
Amortization of debt expense	409	294
Amortization of capitalized interest	611	588
Adjustment to exclude noncontrolling interests in subsidiaries and income from equity investee	(448)	(1,826)
Earnings as adjusted	$ 364,039	$ 396,641
Fixed Charges:		
Interest on indebtedness	$ 21,350	$ 20,007
Portion of rents representative of the interest factor (a)	2,388	2,774
Amortization of debt expense	409	294
Capitalized interest	2,175	3,017
Total fixed charges	$ 26,322	$ 26,092
Ratio of earnings to fixed charges	13.83	15.20

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

Exhibit 31.1

CERTIFICATION

I, John P. Bilbrey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer
April 29, 2016

Exhibit 31.2

CERTIFICATION

I, Patricia A. Little, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer
April 29, 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, to the best of their knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended April 3, 2016 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016 /s/ JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer

Date: April 29, 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.