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 October 2, 1994

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

HERSHEY FOODS CORPORATION
(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 Number) |

| | |
|---|---|
| 100 Crystal A Drive<br>Hershey, Pennsylvania | 17033 |
| (Address of principal executive offices) | (Zip Code) |

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

(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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $1 par value - 71,509,818 shares, as of November 1, 1994.
Class B Common Stock, $1 par value - 15,242,979 shares, as of November 1, 1994.

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HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands of dollars except per share amounts)

| | For the Three Months Ended October 2, 1994 | October 3, 1993 |
|---|---|---|
| Net Sales | $966,511 | $935,662 |
| Costs and Expenses: | | |
| Cost of sales | 561,968 | 544,816 |
| Selling, marketing and administrative | 259,578 | 257,174 |
| Total costs and expenses | 821,546 | 801,990 |
| Income before Interest and Income Taxes | 144,965 | 133,672 |
| Interest expense, net | 10,309 | 6,345 |
| Income before Income Taxes | 134,656 | 127,327 |
| Provision for income taxes | 53,593 | 53,356 |
| Net Income | $ 81,063 | $ 73,971 |
| Net Income per Share | $ .93 | $ .82 |
| Cash Dividends Paid per Share of Common Stock | $ .3250 | $ .3000 |
| Cash Dividends Paid per Share of Class B Common Stock | $ .2950 | $ .2725 |

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands of dollars except per share amounts)

| | For the Nine Months Ended October 2, 1994 | October 3, 1993 |
|---|---|---|
| Net Sales | $2,526,384 | $2,451,880 |
| Costs and Expenses: | | |
| Cost of sales | 1,491,796 | 1,419,181 |
| Selling, marketing and administrative | 743,460 | 736,187 |
| Total costs and expenses | 2,235,256 | 2,155,368 |
| Gain on Sale of Investment Interest | - | 80,642 |
| Income before Interest, Income Taxes and Accounting Changes | 291,128 | 377,154 |
| Interest expense, net | 26,338 | 20,098 |
| Income before Income Taxes and Accounting Changes | 264,790 | 357,056 |
| Provision for income taxes | 105,386 | 152,005 |
| Income before Cumulative Effect of Accounting Changes | 159,404 | 205,051 |
| Net cumulative effect of accounting changes | - | (103,908) |
| Net Income | $ 159,404 | $ 101,143 |
| Income per Share: | | |
| Before accounting changes | $ 1.83 | $ 2.27 |
| Net cumulative effect of accounting changes | - | (1.15) |
| Net income | $ 1.83 | $ 1.12 |
| Cash Dividends Paid per Share of Common Stock | $ .9250 | $ .8400 |
| Cash Dividends Paid per Share of Class B Common Stock | $ .8400 | $ .7625 |

The accompanying notes are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
OCTOBER 2, 1994 AND DECEMBER 31, 1993
(in thousands of dollars)

| ASSETS | 1994 | 1993 |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents | $ 34,655 | $ 15,959 |
| Accounts receivable - trade | 338,118 | 294,974 |
| Inventories | 581,738 | 453,442 |
| Deferred income taxes | 81,465 | 85,548 |
| Prepaid expenses and other | 31,188 | 39,073 |
| Total current assets | 1,067,164 | 888,996 |
| Property, Plant and Equipment, at cost | 2,137,513 | 2,041,764 |
| Less - accumulated depreciation and amortization | 651,633 | 580,860 |
| Net property, plant and equipment | 1,485,880 | 1,460,904 |
| Intangibles Resulting from Business Acquisitions | 470,160 | 473,408 |
| Other Assets | 31,329 | 31,783 |
| Total assets | $3,054,533 | $2,855,091 |
| LIABILITIES & STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | $ 114,833 | $ 125,658 |
| Accrued liabilities | 271,605 | 301,989 |
| Accrued income taxes | 24,785 | 35,603 |
| Short-term debt | 525,986 | 337,286 |
| Current portion of long-term debt | 6,727 | 13,309 |
| Total current liabilities | 943,936 | 813,845 |
| Long-term Debt | 158,998 | 165,757 |
| Other Long-term Liabilities | 304,563 | 290,401 |
| Deferred Income Taxes | 182,429 | 172,744 |
| Total liabilities | 1,589,926 | 1,442,747 |
| Stockholders' Equity: | | |
| Preferred Stock, shares issued: none in 1994 and 1993 | | |
| Common Stock, shares issued: 74,679,357 in 1994 and 74,669,057 in 1993 | 74,679 | 74,669 |
| Class B Common Stock, shares issued: 15,242,979 in 1994 and 15,253,279 in 1993 | 15,243 | 15,253 |
| Additional paid-in capital | 49,835 | 51,196 |
| Cumulative foreign currency translation adjustments | (3,996) | (13,905) |
| Unearned ESOP compensation | (39,120) | (41,515) |
| Retained earnings | 1,525,765 | 1,445,609 |
| Treasury - Common Stock shares at cost: 3,167,539 in 1994 and 2,309,100 in 1993 | (157,799) | (118,963) |
| Total stockholders' equity | 1,464,607 | 1,412,344 |
| Total liabilities and stockholders' equity | $3,054,533 | $2,855,091 |

The accompanying notes are an integral part of these balance sheets.

HERSHEY FOODS CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands of dollars)

| | For the Nine Months Ended October 2, 1994 | October 3, 1993 |
|---|---|---|
| Cash Flows Provided from Operating Activities | $ 68,693 | $ 79,270 |
| Cash Flows Provided from (Used by) Investing Activities | | |
| Capital additions | (109,216) | (148,408) |
| Business acquisitions | - | (144,565) |
| Investment interest | - | 259,718 |
| Other, net | 2,620 | (184) |
| Net Cash Flows (Used by) Investing Activities | (106,596) | (33,439) |
| Cash Flows Provided from (Used by) Financing Activities | | |
| Net increase in short-term debt | 188,700 | 159,892 |
| Long-term borrowings | 102 | 1,037 |
| Repayment of long-term debt | (14,119) | (100,292) |
| Cash dividends paid | (79,248) | (74,556) |
| Repurchase of Common Stock | (38,836) | (10,576) |
| Net Cash Flows Provided from (Used by) Financing Activities | 56,599 | (24,495) |
| Increase in Cash and Cash Equivalents | 18,696 | 21,336 |
| Cash and Cash Equivalents, beginning of period | 15,959 | 24,114 |
| Cash and Cash Equivalents, end of period | $ 34,655 | $ 45,450 |
| Interest Paid | $ 26,558 | $ 21,986 |
| Income Taxes Paid | $ 99,991 | $ 116,747 |

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying unaudited consolidated condensed financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions. These statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the information contained herein. All such adjustments were of a normal and recurring nature.

2. Interest expense, net consisted of the following:

| | For the Nine Months Ended October 2, 1994 | October 3, 1993 |
|---|---|---|
| | (in thousands of dollars) | |
| Interest expense | $ 30,019 | $ 26,105 |
| Interest income | (1,154) | (2,593) |
| Capitalized interest | (2,527) | (3,414) |
| Interest expense, net | $ 26,338 | $ 20,098 |

3. Income per share has been computed based on the weighted average number of shares of the Common Stock and the Class B Common Stock outstanding during the period. Average shares outstanding during the third quarter and nine months ended October 2, 1994 were 86,807,945 and 87,108,115, respectively, and were 90,124,472 and 90,165,939, respectively, for the comparable periods of 1993. There were no shares of Preferred Stock outstanding during the periods presented.

   During the second quarter of 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of Common Stock. A total of 3,431,539 shares have been repurchased under the program of which 3,167,539 shares were held as Treasury Stock as of October 2, 1994.

4. The majority of inventories are valued under the last-in, first-out (LIFO) method. The remaining inventories are stated at the lower of first-in, first-out (FIFO) cost or market. Inventories were as follows:

| | October 2, 1994 | December 31, 1993 |
|---|---|---|
| | (in thousands of dollars) | |
| Raw materials | $295,038 | $209,570 |
| Goods in process | 33,529 | 37,261 |
| Finished goods | 305,683 | 265,616 |
| Inventories at FIFO | 634,250 | 512,447 |
| Adjustment to LIFO | (52,512) | (59,005) |
| Total inventories | $581,738 | $453,442 |

5. In March 1993, the Corporation recorded a pre-tax gain of $80.6 million on the sale of its 18.6% interest in Freia Marabou a.s. This gain had the effect of increasing net income in the first quarter of 1993 by $40.6 million. Gross proceeds received from the sale were $259.7 million.

6. In March 1993, the Corporation purchased certain assets of the Cleveland area Ideal Macaroni and Mrs. Weiss Noodle companies for approximately $14.6 million.

   In September 1993, the Corporation completed the acquisition of the Italian confectionery business of Heinz Italia S.p.A. for approximately $130.0 million. The business is the leader in the Italian non-chocolate confectionery market and manufactures and distributes a wide range of confectionery products, including sugar candies and traditional products for special occasions such as nougat and gift boxes.

   In October 1993, the Corporation completed the purchase of the outstanding shares of Overspecht B.V. (OZF Jamin) for approximately $20.2 million plus the assumption of approximately $13.4 million in debt. OZF Jamin manufactures chocolate and non-chocolate confectionery products, cookies, biscuits and ice cream for distribution primarily to customers in the Netherlands and Belgium.

   In accordance with the purchase method of accounting, the purchase prices for the above acquisitions have been allocated to the underlying assets and liabilities at the date of acquisition based on their estimated respective fair values. These allocations and estimated fair values may be revised at a later date. Results subsequent to the dates of acquisition are included in the consolidated financial statements. Had the results of the acquisitions been included in consolidated financial results for each period presented, the effect would not have been material.

7. During the first half of 1993, the Corporation completed the early repayment of $95.2 million of long-term debt.

8. Effective January 1, 1993, the Corporation adopted Statements of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" and No. 109 "Accounting for Income Taxes" by means of catch-up adjustments. The net charge associated with these changes in accounting had the effect of decreasing net income by approximately $103.9 million, or $1.15 per share.

9. Reference is made to the Registrant's 1993 Annual Report on Form 10-K for more detailed financial statements and footnotes.

Management's Discussion and Analysis

Results of Operations - Third Quarter 1994 vs. Third Quarter 1993

Consolidated net sales for the third quarter rose from $935.7 million in 1993 to $966.5 million in 1994, an increase of 3%. The increase was mainly attributable to international businesses acquired in late 1993, new confectionery products, and price increases on pasta products. Sales of existing confectionery brands were comparable to those achieved in the third quarter of 1993 which had the benefit of strong sales gains as a result of the HERSHEY'S HUGS chocolates and HERSHEY'S HUGS WITH ALMONDS chocolates introductions.

The consolidated gross margin increased slightly from 41.8% in 1993 to 41.9% in 1994. The increase reflected manufacturing efficiencies and pasta selling price increases, largely offset by generally lower margins associated with the recently acquired international businesses, higher depreciation expenses, and increased costs for certain major raw materials, particularly semolina. Selling, marketing and administrative expenses increased $2.4 million or 1% primarily as a result of expenses associated with 1993 business acquisitions, offset substantially by lower advertising expenses associated with existing confectionery brands.

Net interest expense increased by $4.0 million in the third quarter of 1994 compared with 1993, primarily as a result of higher short-term interest expense and lower capitalized interest, slightly offset by lower fixed interest expense. The 1994 increase in short-term interest expense reflected higher average short-term borrowing levels to finance acquisitions and the share repurchase program, and increased short-term borrowing rates. Fixed interest expense was less than prior year due to lower long-term borrowing balances and capitalized interest was below prior year primarily as a result of the completion of various long-term construction projects in the first half of 1994.

The third quarter effective income tax rate decreased from 41.9% in 1993 to 39.8% in 1994. The higher 1993 effective income tax rate primarily reflected the impact of the retroactive increase in the Federal statutory income tax rate enacted as part of the Revenue Reconciliation Act of 1993 recorded in the third quarter of 1993. The effective income tax rate in 1994 also reflected the favorable impact of changes in the mix of the Corporation's income among various tax jurisdictions.

Results of Operations - First Nine Months 1994 vs. First Nine Months 1993

Consolidated net sales for the first nine months of 1994 increased by $74.5 million or 3%, primarily as a result of new confectionery products, international businesses acquired in late 1993 and pasta price increases. These increases were significantly offset by lower sales for existing confectionery and grocery brands caused by weak market conditions which began late in the first quarter of 1993 and continued into the first half of 1994, adverse weather and an earlier Easter in 1994, and the timing of certain year-end promotions which shifted some domestic confectionery sales into the fourth quarter of 1993.

The consolidated gross margin decreased from 42.1% in 1993 to 41.0% in 1994. The decrease was primarily the result of higher costs for certain major raw materials, particularly semolina, lower margins associated with the international businesses acquired in late 1993, and higher expenses for depreciation and shipping, partially offset by lower costs resulting from manufacturing efficiency improvements, and pasta selling price increases. Selling, marketing and administrative expenses increased by $7.3 million or 1%, primarily due to higher selling and administrative expenses associated

with the 1993 business acquisitions and increased advertising and promotion expenses related to the introduction of new products. These increases were substantially offset by reduced levels of advertising and promotions for existing confectionery brands.

In March 1993, the Corporation recorded a pre-tax gain of $80.6 million on the sale of its 18.6% investment interest in Freia Marabou a.s (Freia) which increased net income by $40.6 million.

Net interest expense was $6.2 million above prior year as higher short-term interest expense and reduced interest income and capitalized interest were only partially offset by lower fixed interest expense. Short-term interest expense was above prior year as a result of increased borrowings to finance 1993 acquisitions and the share repurchase program, and increased short-term borrowing rates. Fixed interest expense was less than prior year due to the retirement of long-term debt in 1993 and capitalized interest was below prior year reflecting the completion of significant long-term construction projects. Investment income was below prior year due to lower investment balances slightly offset by an increase in average investment income rates.

The effective income tax rate decreased from 42.6% in 1993 to 39.8% in 1994. The higher rate in 1993 was due primarily to the relatively high income taxes associated with the gain on the sale of the Freia investment. The lower effective income tax rate in 1994 reflected the impact of changes in the mix of the Corporation's income among various tax jurisdictions.

Effective January 1, 1993, the Corporation adopted Statements of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" and No. 109 "Accounting for Income Taxes" by means of catch-up adjustments. The net charge associated with these changes in accounting had the effect of decreasing 1993 net income for the first nine months by approximately $103.9 million, or $1.15 per share.

## Financial Condition

Historically, the Corporation's major source of financing has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer, generally have been met by issuing commercial paper. During the first nine months of 1994, the Corporation's cash and cash equivalents increased by $18.7 million. Cash provided from operations and short-term borrowings were sufficient to finance capital additions of $109.2 million, pay cash dividends of $79.2 million, fund share repurchases of $38.8 million and repay $14.1 million of long-term debt.

The ratio of current assets to current liabilities was 1.1:1 as of October 2, 1994 and December 31, 1993. The Corporation's capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 32% as of October 2, 1994, and 27% as of December 31, 1993. The increase primarily reflects higher levels of short-term borrowings to finance seasonal working capital needs and the share repurchase program. As of October 2, 1994, the Corporation had $34.7 million of cash and cash equivalents, $6.7 million of current portion of long-term debt and $526.0 million of short-term debt. Additionally, the Corporation had lines of credit with domestic and international commercial banks in the amount of approximately $725 million which could be borrowed directly or used to support the issuance of commercial paper.

As of October 2, 1994, $100 million of debt securities remained available for issuance under a Form S-3 Registration Statement which was declared effective in June 1990 and an additional $400 million of debt securities under a Form S-3 Registration Statement declared effective in November 1993. Proceeds

from any offering of the $500 million of debt securities available under these shelf registrations may be used to reduce existing commercial paper borrowings, finance capital additions, and fund the share repurchase program and future business acquisitions.

As of October 2, 1994, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization. The Corporation anticipates that capital expenditures will be in the range of $150 to $200 million per annum during the next several years as a result of the expansion of facilities to support new products and continued modernization of existing facilities.

During the second quarter of 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time through open market or privately negotiated transactions up to $200 million of Common Stock. A total of 3,431,539 shares have been repurchased under the program of which 3,167,539 shares were held as Treasury Stock as of October 2, 1994.

Subsequent Event

In November 1994, the Corporation announced that it will take a restructuring charge in the fourth quarter. The restructuring plan will be implemented over the next 12 to 15 months and will result in a fourth quarter charge of approximately $120 million to $130 million before tax. This equates to an after-tax charge of $97 million to $105 million, or $1.12 to $1.21 per share in 1994. Annual pre-tax savings of approximately $15 million to $20 million are expected starting in 1996.

The charge is the result of a comprehensive review of domestic and international operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision-making process. The restructuring will include corporate-wide overhead reductions, disposal of underperforming assets and a realignment of chocolate and confectionery manufacturing operations in North America. As a result of the restructuring, approximately 400 positions are being eliminated in the manufacturing, technical and administrative areas. The Corporation is providing appropriate severance and benefit packages, as well as outplacement assistance.

Part II

Items 1 through 4 have been omitted as not applicable.

Item 5 - Other Information

In November 1994, the Corporation announced that it will take a restructuring charge in the fourth quarter. The restructuring plan will be implemented over the next 12 to 15 months and will result in a fourth quarter charge of approximately $120 million to $130 million before tax. This equates to an after-tax charge of $97 million to $105 million, or $1.12 to $1.21 per share in 1994. Annual pre-tax savings of approximately $15 million to $20 million are expected starting in 1996.

The charge is the result of a comprehensive review of domestic and international operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision-making process. The restructuring will include corporate-wide overhead reductions, disposal of underperforming assets and a realignment of chocolate and confectionery manufacturing operations in North America. As a result of the restructuring, approximately 400 positions are being eliminated in the manufacturing, technical and administrative areas. The Corporation is providing appropriate severance and benefit packages, as well as outplacement assistance.

Item 6 - Exhibits and Reports on Form 8-K

a) Exhibits

The following are attached and incorporated herein by reference:

Exhibit 12 - Statement showing computation of ratio of earnings to fixed charges for the nine months ended October 2, 1994 and October 3, 1993.

Exhibit 27 - Financial Data Schedule for the period ended October 2, 1994. (Required for electronic filing only.)

Exhibit 99 - Press release announcing restructuring charge to be recorded in the fourth quarter of 1994.

b) Reports on Form 8-K

No reports on Form 8-K were filed during the three-month period ended October 2, 1994.

SIGNATURES

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

HERSHEY FOODS CORPORATION
(Registrant)

Date: November 9, 1994 /s/ William F. Christ

William F. Christ
Senior Vice President and
Chief Financial Officer

Date: November 9, 1994 /s/ R. Montgomery Garrabrant

R. Montgomery Garrabrant
Corporate Controller and
Chief Accounting Officer

EXHIBIT INDEX

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

Exhibit 27 - Financial Data Schedule for the period ended October 2, 1994.
(Required for electronic filing only.)

Exhibit 99 - Press release announcing restructuring charge to be
recorded in the fourth quarter of 1994.

EXHIBIT 12

HERSHEY FOODS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in thousands of dollars except for ratios)
(Unaudited)

| | For the Nine Months Ended October 2, 1994 | October 3, 1993 |
|---|---|---|
| Earnings: | | |
| Income before income taxes | $264,790 | $357,056(a) |
| Add (deduct): | | |
| Interest on indebtedness | 27,492 | 22,691 |
| Portion of rents representative of the interest factor(b) | 5,975 | 5,839 |
| Amortization of debt expense | 48 | 67 |
| Amortization of capitalized interest | 2,186 | 1,981 |
| Earnings as adjusted | $300,491 | $387,634 |
| Fixed Charges: | | |
| Interest on indebtedness | $ 27,492 | $ 22,691 |
| Portion of rents representative of the interest factor(b) | 5,975 | 5,839 |
| Amortization of debt expense | 48 | 67 |
| Capitalized interest | 2,527 | 3,414 |
| Total fixed charges | $ 36,042 | $ 32,011 |
| Ratio of earnings to fixed charges | 8.34 | 12.11 |

NOTES:

(a) Includes a gain of $80.6 million on the sale of the Corporation's 18.6% investment interest in Freia Marabou a.s.

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HERSHEY
FOODS CORPORATION'S CONSOLIDATED CONDENSED BALANCE SHEET AS OF OCTOBER 2, 1994
AND CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED OCTOBER 2, 1994
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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DEC-31-1994
OCT-02-1994
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581,738
1,067,164
2,137,513
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159,404
1.83
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EXHIBIT 99

Hershey Foods News

Corporate Communications-Hershey Foods Corporation
100 Crystal A Drive, Hershey Pa 17033-0810

November 1, 1994

MEDIA CONTACT:
Natalie D. Bailey
717-534-7631
FINANCIAL CONTACT:
James A. Edris
717-534-7552

# Hershey Foods Takes Restructuring Charge

HERSHEY, Pa. - Hershey Foods Corporation announced today that it will take a restructuring charge in the fourth quarter of 1994. The charge is the result of a comprehensive review of domestic and international operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision-making process. The restructuring will include corporate-wide overhead reductions, disposal of underperforming assets and a realignment of chocolate and confectionery manufacturing operations in North America. As a result of the restructuring, approximately 400 positions are being eliminated in the manufacturing, technical and administrative areas. The Corporation is providing appropriate severance and benefit packages, as well as outplacement assistance.

The restructuring plan will be implemented over the next 12 to 15 months and will result in a fourth quarter charge of approximately $120 million to $130 million before tax. This equates to an after-tax charge of $97 million to $105 million, or $1.12 to $1.21 per share in 1994. Annual pre-tax savings of approximately $15 million to $20 million are expected starting in 1996.

"As we assess the constantly changing market environment, we have adjusted our strategic plan to emphasize that our mission is to be a focused food company in North America and selected international markets," said Kenneth L. Wolfe, Chairman and Chief Executive Officer. "In view of NAFTA, our strategy in North America is to enhance our number one position in chocolate and confectionery. For this reason we are realigning our North American chocolate and confectionery operations (U.S.A., Canada, and Mexico) into a consolidated unit to be called Hershey Chocolate North America. In doing so, we hope to capitalize on Hershey Chocolate U.S.A.'s strengths to improve our competitive positions in the Canadian and Mexican markets and enhance our overall returns. As announced previously, Hershey Chocolate North America will be under the leadership of Michael F. Pasquale, currently President of Hershey Chocolate U.S.A., and remain headquartered in Hershey, PA.

"At the same time, we have reassessed our overall approach to international investments and are focusing our attention on markets where we can gain important market positions while generating returns more in line with our other operations. In addition, all activities within the Corporation have been examined to ensure the most productive use of our assets. The restructuring charge encompasses the major impact of this program, however, continuous productivity improvement is an ongoing objective.

"This program is being undertaken at a time when our financial picture is strong and our business is on track to record another fine year. It is our belief that these steps will improve our ability to provide consumers with quality products at the lowest possible cost," Wolfe concluded.

Hershey Foods Corporation, which is celebrating its centennial in 1994, is a leading North American producer of chocolate and confectionery products, a major U.S. producer of dry pasta products, and has international interests in Germany, Italy, The Netherlands, Belgium, and the Far East.