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

FORM 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2013
OR
☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to
Commission File Number 1-183

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

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

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

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

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

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

Title of class

Class B Common Stock, one dollar par value

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

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

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

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

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

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

Large accelerated filer x	Accelerated filer ☐
Non-accelerated filer ☐ (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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, one dollar par value—$13,338,511,816 as of June 28, 2013.

Class B Common Stock, one dollar par value—$1,478,477 as of June 28, 2013. While the Class B Common Stock is not listed for public trading on any exchange or market system, shares of that class are convertible into shares of Common Stock at any time on a share-for-share basis. The market value indicated is calculated based on the closing price of the Common Stock on the New York Stock Exchange on June 28, 2013.

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—163,185,446 shares, as of February 7, 2014.

Class B Common Stock, one dollar par value—60,619,777 shares, as of February 7, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the Company's 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

PART I

Item 1. *BUSINESS*

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

We are the largest producer of quality chocolate in North America and a global leader in chocolate and sugar confectionery. Our principal product groups include chocolate and sugar confectionery products; pantry items, such as baking ingredients, toppings and beverages; and gum and mint refreshment products.

Reportable Segment

We operate as a single reportable segment in manufacturing, marketing, selling and distributing our products under more than 80 brand names. Our two operating segments comprise geographic regions including North America and International. We market our products in approximately 70 countries worldwide.

For segment reporting purposes, we aggregate the operations of North America and International to form one reportable segment. We base this aggregation on similar economic characteristics; products and services; production processes; types or classes of customers; distribution methods; and the similar nature of the regulatory environment in each location.

Organization

We operate under a matrix reporting structure designed to ensure continued focus on North America and on continuing our transformation into a more global company. Our business is organized around geographic regions and strategic business units. It is designed to enable us to build processes for repeatable success in our global markets.

Our geographic regions are accountable for delivering our annual financial plans. The key regions are:

- North America, including the United States and Canada; and
- International, including Latin America, Asia, Europe, Africa and exports to these regions.

In addition, The Hershey Experience manages our retail operations globally, including Hershey’s Chocolate World Stores in Hershey, Pennsylvania, New York City, Chicago, Shanghai, Niagara Falls (Ontario), Dubai, and Singapore.

Our two strategic business units are the chocolate business unit and the sweets and refreshment business unit. These strategic business units focus on specific components of our product line and are responsible for building and leveraging the Company’s global brands, and disseminating best demonstrated practices around the world.

Business Acquisitions

In December 2013, we entered into an agreement to acquire all of the outstanding shares of Shanghai Golden Monkey Food Joint Stock Co., Ltd. (“SGM”), a privately held confectionery company based in Shanghai, China. SGM manufactures, markets and distributes *Golden Monkey* branded products, including candy, chocolates, protein-based products and snack foods, in China. As of the date of the agreement, SGM manufactured products in five cities and had more than 130 sales offices and approximately 1,700 sales representatives and 2,000 distributors covering all regions and trade channels in China.

In January 2012, we acquired all of the outstanding stock of Brookside Foods Ltd. (“Brookside”), a privately held confectionery company based in Abbottsford, British Columbia, Canada. As part of this transaction, we acquired two production facilities located in British Columbia and Quebec. The Brookside product line is primarily sold in the U.S. and Canada in a take-home re-sealable pack type.

Products

North America

United States

The primary products we sell in the United States include the following:

Under the *HERSHEY'S* brand franchise:

HERSHEY'S milk chocolate bar

HERSHEY'S milk chocolate with almonds bar

HERSHEY'S Extra Dark pure dark chocolate

HERSHEY'S Nuggets chocolates

HERSHEY'S Drops chocolates

HERSHEY'S AIR DELIGHT aerated milk chocolate

HERSHEY'S Miniatures chocolate candy

HERSHEY'S BLISS chocolates

HERSHEY'S COOKIES 'N' CRÈME candy bar

HERSHEY'S COOKIES 'N' CRÈME DROPS candy

HERSHEY'S POT OF GOLD boxed chocolates

HERSHEY'S sugar free chocolate candy

HERSHEY'S HUGS candies

HERSHEY'S SIMPLE PLEASURES candy

HERSHEY'S Spreads

Under the *REESE'S* brand franchise:

REESE'S peanut butter cups

REESE'S peanut butter cups minis

REESE'S PIECES candy

REESE'S Big Cup peanut butter cups

REESE'S NUTRAGEOUS candy bar

REESE'S sugar free peanut butter cups

REESE'S crispy and crunchy bar

REESESTICKS wafer bars

REESE'S FAST BREAK candy bar

Under the *KISSES* brand franchise:

HERSHEY'S KISSES brand milk chocolates

HERSHEY'S KISSES brand milk chocolates with almonds

HERSHEY'S KISSES brand milk chocolates filled with caramel

HERSHEY'S KISSES brand *SPECIAL DARK* mildly sweet chocolates

HERSHEY'S KISSES brand Cookies 'n' Creme candies

Our other products we sell in the United States include the following:

5th AVENUE candy bar

ALMOND JOY candy bar

ALMOND JOY PIECES candy

BROOKSIDE chocolate covered real fruit juice pieces

CADBURY chocolates

CARAMELLO candy bar

GOOD & PLENTY candy

HEATH toffee bar

JOLLY RANCHER candy

JOLLY RANCHER CRUNCH 'N CHEW candy

JOLLY RANCHER sugar free candy

KIT KAT BIG KAT wafer bar

KIT KAT wafer bar

KIT KAT Minis

LANCASTER Caramel Soft Crèmes

MAUNA LOA macadamia snack nuts

MILK DUDS candy

MOUNDS candy bar

MR. GOODBAR chocolate bar

PAYDAY peanut caramel bar

ROLO caramels in milk chocolate

ROLO Minis

SKOR toffee bar

SPECIAL DARK mildly sweet chocolate bar

SPECIAL DARK PIECES candy

SYMPHONY milk chocolate bar

SYMPHONY milk chocolate bar with almonds and toffee

TAKE5 candy bar

TWIZZLERS candy

TWIZZLERS sugar free candy

WHATCHAMACALLIT candy bar

WHOPPERS malted milk balls

YORK Minis

YORK peppermint pattie

YORK sugar free peppermint pattie

YORK PIECES candy

ZAGNUT candy bar

ZERO candy bar

We also sell products in the United States under the following product lines:

Premium products

Artisan Confections Company, a wholly-owned subsidiary of The Hershey Company, markets *SCHARFFEN BERGER* high-cacao dark chocolate products, and *DAGOBA* natural and organic chocolate products. Our *SCHARFFEN BERGER* products include chocolate bars and tasting squares. *DAGOBA* products include chocolate bars, drinking chocolate and baking products.

Refreshment products

Our line of refreshment products includes *ICE BREAKERS* mints and chewing gum, *ICE BREAKERS ICE CUBES* chewing gum, *BREATH SAVERS* mints, and *BUBBLE YUM* bubble gum.

Pantry items

Pantry items include *HERSHEY'S*, *REESE'S*, *HEATH*, and *SCHARFFEN BERGER* baking products. Our toppings and sundae syrups include *REESE'S*, *HEATH* and *HERSHEY'S*. We sell hot cocoa mix under the *HERSHEY'S BLISS* brand name.

Canada

In Canada we sell *HERSHEY'S* milk chocolate bars and milk chocolate with almonds bars; *OH HENRY!* candy bars; *REESE PEANUT BUTTER CUPS* candy; *HERSHEY'S KISSES* brand milk chocolates; *TWIZZLERS* candy; *GLOSETTE* chocolate-covered raisins, peanuts and almonds; *JOLLY RANCHER* candy; *WHOPPERS* malted milk balls; *SKOR* toffee bars; *EAT MORE* candy bars; *POT OF GOLD* boxed chocolates; *BROOKSIDE* chocolate-covered fruit, real fruit juice pieces and nuts; and *CHIPITS* chocolate chips.

International

The primary products we sell in our International businesses include the following:

China

We import, market, sell and distribute chocolate and candy products in China, primarily under the *HERSHEY'S*, *KISSES* and *LANCASTER* brands.

Mexico

We manufacture, import, market, sell and distribute chocolate, sweets, refreshment and beverage products in Mexico under the *HERSHEY'S*, *KISSES*, *JOLLY RANCHER* and *PELON PELO RICO* brands.

Brazil

We manufacture, import and market chocolate, sweets and refreshment products in Brazil, including *HERSHEY'S* chocolate and confectionery items and *IO-IO* items.

India

We manufacture, market, sell and distribute sugar confectionery, beverage and cooking oil products in India, including *NUTRINE* and *MAHA LACTO* confectionery products and *JUMPIN* and *SOFIT* beverage products.

Other International

We also export, market, sell and distribute chocolate, sweets and refreshment products in Central America and Puerto Rico, and other countries in Latin America, Asia, Europe, the Middle East and Africa regions. We license the *VAN HOUTEN* brand name and related trademarks to sell chocolate products, cocoa, and baking products in Asia and the Middle East for the retail and duty-free distribution channels.

Customers

Full-time sales representatives and food brokers sell our products to our customers. Our customers are mainly wholesale distributors, chain grocery stores, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, dollar stores, concessionaires and department stores. Except for wholesale distributors, our other customers resell our products to end-consumers in retail outlets in North America and other locations worldwide. In 2013, sales to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, amounted to approximately 25.5% of our total net sales. McLane Company, Inc. is the primary distributor of our products to Wal-Mart Stores, Inc.

Marketing Strategy and Seasonality

The foundation of our marketing strategy is our strong brand equities, product innovation and the consistently superior quality of our products. We devote considerable resources to the identification, development, testing, manufacturing and marketing of new products. We have a variety of promotional programs for our customers as well as advertising and promotional programs for consumers of our products. We use our promotional programs to stimulate sales of certain products at various times throughout the year. Our sales are typically higher during the third and fourth quarters of the year, representing seasonal and holiday-related sales patterns.

Product Distribution

In conjunction with our sales and marketing efforts, our efficient product distribution network helps us maintain sales growth and provide superior customer service. We plan optimum stock levels and work with our customers to set reasonable delivery times. Our distribution network provides for the efficient shipment of our products from our manufacturing plants to strategically located distribution centers. We primarily use common carriers to deliver our products from these distribution points to our customers.

Price Changes

We change prices and weights of our products when necessary to accommodate changes in costs, the competitive environment and profit objectives, while at the same time seeking to maintain consumer value. Price increases and weight changes help to offset increases in our input costs, including raw and packaging materials, fuel, utilities, transportation, and employee benefits.

Usually there is a time lag between the effective date of list price increases and the impact of the price increases on net sales. The impact of price increases is often delayed because we honor previous commitments to planned consumer and customer promotions and merchandising events subsequent to the effective date of the price increases. In addition, promotional allowances may be increased subsequent to the effective date, delaying or partially offsetting the impact of price increases on net sales.

In March 2011, we announced a weighted-average increase in wholesale prices of approximately 9.7% across the majority of our U.S., Puerto Rico and export portfolio, effective immediately. The price increase applied to our instant consumable, multi-pack, packaged candy and grocery lines. Direct buying customers were able to purchase transitional amounts of product into May 2011, and seasonal net price realization did not occur until Easter 2012.

Raw Materials

Cocoa products are the most significant raw materials we use to produce our chocolate products. Cocoa products, including cocoa liquor, cocoa butter and cocoa powder processed from cocoa beans, are used to meet manufacturing requirements. Cocoa products are purchased directly from third-party suppliers. These third-party suppliers source cocoa beans which are grown principally in Far Eastern, West African and South American equatorial regions to produce the cocoa products we purchase. West Africa accounts for approximately 72% of the world's supply of cocoa beans.

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

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

We enter into futures contracts and other commodity derivative instruments to manage price risks for cocoa products, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products. For more information on price risks associated with our major raw material requirements, see Commodities-Price Risk Management and Futures Contracts on page 39.

Product Sourcing

We manufacture or contract to our specifications for the manufacture of the products we sell. We enter into manufacturing contracts with third parties to improve our strategic competitive position and achieve cost effective production and sourcing of our products.

Competition

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

Trademarks, Service Marks and License Agreements

We own various registered and unregistered trademarks and service marks, and have rights under licenses to use various trademarks that are of material importance to our business. We also grant trademark licenses to third parties to produce and sell pantry items, flavored milks and various other products primarily under the *HERSHEY'S* and *REESE'S* brand names.

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

Company	Brand	Location	Requirements
Cadbury Ireland Limited	*YORK* *PETER PAUL ALMOND JOY* *PETER PAUL MOUNDS*	Worldwide	None
Cadbury UK Limited	*CADBURY* *CARAMELLO*	United States	Minimum sales requirement exceeded in 2013
Société des Produits Nestlé SA	*KIT KAT* *ROLO*	United States	Minimum unit volume sales exceeded in 2013
Huhtamäki Oy affiliate	*GOOD & PLENTY* *HEATH* *JOLLY RANCHER* *MILK DUDS* *PAYDAY* *WHOPPERS*	Worldwide	None

Backlog of Orders

We manufacture primarily for stock and fill customer orders from finished goods inventories. While at any given time there may be some backlog of orders, this backlog is not material to our total annual sales.

Research and Development

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

Food Quality and Safety Regulation

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

Our Product Excellence Program provides us with an effective product quality and safety program. This program is intended to ensure that all products we purchase, manufacture and distribute are safe, are of high quality and comply with all applicable laws and regulations.

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

Employees

As of December 31, 2013, we employed approximately 12,600 full-time and 2,200 part-time employees worldwide. Collective bargaining agreements covered approximately 5,025 employees. During 2014, agreements will be negotiated for certain employees at five facilities outside of the United States, comprising approximately 67% of total employees under collective bargaining agreements. We believe that our employee relations are good.

Financial Information by Geographic Area

Our principal operations and markets are located in the United States. The percentage of total consolidated net sales for our businesses outside of the United States was 16.6% for 2013, 16.2% for 2012 and 15.7% for 2011. The percentage of total consolidated assets outside of the United States as of December 31, 2013 was 19.4% and as of December 31, 2012 was 20.5%.

Corporate Social Responsibility

Our founder, Milton S. Hershey, established an enduring model of responsible citizenship while creating a successful business. Driving sustainable business practices, making a difference in our communities, and operating with the highest integrity are vital parts of our heritage. Milton Hershey School, established by Milton and Catherine Hershey, lies at the center of our unique heritage. Mr. Hershey donated and bequeathed almost his entire fortune to Milton Hershey School, which remains our primary beneficiary and provides a world-class education and nurturing home to nearly 2,000 children in need annually. We continue Milton Hershey's legacy of commitment to consumers, community and children by providing high-quality products while conducting our business in a socially responsible and environmentally sustainable manner.

In 2013, we published our corporate social responsibility (“CSR”) scorecard, which provided an update on the progress we have made in advancing the priorities that were established in our first CSR report. The report outlines how we performed against the identified performance indicators within our four CSR pillars: environment, community, workplace and marketplace.

The safety and health of our employees, and the safety and quality of our products, are consistently at the core of our operations and are areas of ongoing focus for Hershey in the workplace. Our over-arching safety goal is to consistently achieve best in class safety performance, and Hershey has achieved continuous improvement in employee safety in the workplace since 2006. We continue to invest in our quality management systems to ensure product quality and food safety remain top priorities. We carefully monitor and rigorously enforce our high standards of excellence for superior quality, consistency and taste, and absolute food safety.

In 2013, Hershey was recognized for its environmental, social and governance performance by being named to both the Dow Jones Sustainability World Index and the North America Index. Hershey is one of only 13 companies from the Food, Beverage and Tobacco Industry in the World Index and ranked in at least the 90th percentile in each of the three categories of Economic, Environmental and Social Criteria. The Dow Jones Sustainability World Index tracks the performance of the top 10% of the 2,500 largest companies in the S&P Global Broad Market Index that lead the field in terms of sustainability.

Hershey has committed to minimizing the environmental impacts of our operations, regularly reviewing the ways in which we manage our operations and secure our supply of raw materials. Compared with our 2009 baseline, Hershey decreased waste generation by 23% and green house gas emissions by 8%, while improving our company-wide recycling rate to 80%. Additionally, we improved our Carbon Disclosure Project Performance and Disclosure scores. Hershey has made impressive strides in achieving Zero Waste to Landfill status at its facilities, with 8 facilities now operating at this level.

In the marketplace, Hershey focuses on promoting fair and ethical business dealings. A condition of doing business with us is compliance with our Supplier Code of Conduct, which outlines our expectations with regard to our suppliers' commitment to legal compliance and business integrity, social and working conditions, environment and food safety. We continue our leadership role in supporting programs to improve the lives of cocoa farming families through a variety of initiatives. Our 21st Century Cocoa Strategy aims to impact more than 2 million West Africans by

2017 through public/private programs as well as through Hershey initiatives, including the Hershey Learn To Grow farmer and family development centers and CocoaLink, a first-of-its kind approach that uses mobile technology to deliver practical information on agricultural and social programs to rural cocoa farmers. It is our goal to source 100% certified cocoa for our global chocolate product lines by 2020, assuming adequate supply. During 2013, 18% of the cocoa we sourced globally was certified, exceeding our goal for the year. Our active engagement and financial support also continues for the World Cocoa Foundation and the International Cocoa Initiative.

Our employees share their time and resources generously in their communities. Both directly and through the United Way, we contribute to hundreds of agencies that deliver much needed services and resources. In 2012, Hershey donated more than $9 million in cash and product to worthy causes, our employees volunteered more than 200,000 hours in their communities, and we conducted our first “Good to Give Back Week,” a week of volunteerism that saw over 350 employees across the United States and Canada volunteer over 1,300 hours. Our focus on “Kids and Kids at Risk” is supported through contributions to the Children's Miracle Network; Project Fellowship, where employees partner with student homes at the Milton Hershey School; an orphanage for special needs children in the Philippines; and a children's burn center in Guadalajara, Mexico, to name a few.

Our commitment to CSR is yielding powerful results. As we move into new markets and expand our leadership in North America, we are convinced that our values and heritage will be fundamental to our continuing success.

Available Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. We file or furnish annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (“SEC”). You may obtain a copy of any of these reports, free of charge, from the Investors section of our website, *www.thehersheycompany.com*, shortly after we file or furnish the information to the SEC.

You may obtain a copy of any of these reports directly from the SEC’s Public Reference Room. Contact the SEC by calling them at 1-800-SEC-0330 or by submitting a written request to U.S. Securities and Exchange Commission, Office of Investor Education and Advocacy, 100 F Street N.E., Washington, D.C. 20549. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *www.sec.gov*. You can obtain additional information on how to request public documents from the SEC on their website. The electronic mailbox address of the SEC is publicinfo@sec.gov.

We have a Code of Ethical Business Conduct that applies to our Board of Directors and all Company officers and employees, including, without limitation, our Chief Executive Officer and “senior financial officers” (including the Chief Financial Officer, Chief Accounting Officer and persons performing similar functions). You can obtain a copy of our Code of Ethical Business Conduct from the Investors section of our website, *www.thehersheycompany.com*. If we change or waive any portion of the Code of Ethical Business Conduct that applies to any of our directors, executive officers or senior financial officers, we will post that information on our website.

We also post our Corporate Governance Guidelines and charters for each of the Board’s standing committees in the Investors section of our website, *www.thehersheycompany.com.* The Board of Directors adopted these Guidelines and charters.

We will provide to any stockholder a copy of one or more of the Exhibits listed in Part IV of this report, upon request. We charge a small copying fee for these exhibits to cover our costs. To request a copy of any of these documents, you can contact us at The Hershey Company, Attn: Investor Relations Department, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810.

Item 1A. *RISK FACTORS*

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 expressed or implied in this report. Many of the forward-looking statements contained in this document may be identified by the use of words such as “intend,” “believe,” “expect,” “anticipate,” “should,” “planned,” “projected,” “estimated” and “potential,” among others. Among the factors that could cause our actual results to differ materially from the results projected in our forward-looking statements or could materially and adversely affect our business, financial condition or results of operations are the risk factors described below.

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

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

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

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

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

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

Although we use forward contracts and commodity futures and options contracts, where possible, to hedge commodity prices, commodity price increases ultimately result in corresponding increases in our raw material and energy costs. If we are unable to offset cost increases for major raw materials and energy, there could be a negative impact on our financial condition and results of operations.

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

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

Market demand for new and existing products could decline.

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

- Effective retail execution;
- Appropriate advertising campaigns and marketing programs;
- Our ability to secure adequate shelf space at retail locations;
- Product innovation, including maintaining a strong pipeline of new products;
- Changes in product category consumption;
- Our response to consumer demographics and trends; and
- Consumer health concerns, including obesity and the consumption of certain ingredients.

There continue to be competitive product and pricing pressures in these markets, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key customers, including retailers and distributors, to compete effectively. Our largest customer, McLane Company, Inc., accounted for approximately 25.5% of our total net sales in 2013. McLane Company, Inc. is one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, including Wal-Mart Stores, Inc.

Increased marketplace competition could hurt our business.

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

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

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

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

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

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

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

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

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

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

Our operations are impacted by consumer spending levels and impulse purchases which are affected by general macroeconomic conditions, consumer confidence, employment levels, availability of consumer credit and interest rates on that credit, consumer debt levels, energy costs and other factors. Volatility in food and energy costs, sustained global recessions, rising unemployment and declines in personal spending could adversely impact our revenues, profitability and financial condition.

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

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

In 2013, we derived approximately 16.6% of our net sales from customers located outside of the United States. Additionally, 19.4% of our total consolidated assets were located outside of the United States as of December 31, 2013. As part of our global growth strategy, we are increasing our investments outside of the United States, particularly in Mexico, Brazil, India and China. As a result, we are subject to numerous risks and uncertainties relating to international sales and operations, including:

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

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

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

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

We invest in industry standard security technology to protect the Company’s data and business processes against risk of data security breach and cyber attack. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry accepted methods and remediate significant findings. Additionally, we certify our major technology suppliers and any outsourced services through accepted security certification standards. We maintain and routinely test backup systems and disaster recovery, along with external network security penetration testing by an independent third party as part of our business continuity preparedness. We also have processes in place to prevent disruptions resulting from the implementation of new software and systems of the latest technology.

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

Future developments related to civil antitrust lawsuits and the possible investigation by government regulators of alleged pricing practices by members of the confectionery industry in the United States could negatively impact our reputation and our operating results.

We are a defendant in a number of civil antitrust lawsuits in the United States, including individual, class, and putative class actions brought against us by purchasers of our products. The U.S. Department of Justice also notified the Company in 2007 that it had opened an inquiry into certain alleged pricing practices by members of the confectionery industry, but has not requested any information or documents. Additional information about these proceedings is contained in Item 3. Legal Proceedings of this Form 10-K.

Competition and antitrust law investigations can be lengthy and violators are subject to civil and/or criminal fines and other sanctions. Class action civil antitrust lawsuits are expensive to defend and could result in significant judgments, including in some cases, payment of treble damages and/or attorneys' fees to the successful plaintiff. Additionally, negative publicity involving these proceedings could affect our Company's brands and reputation, possibly resulting in decreased demand for our products. These possible consequences, in our opinion, currently are not expected to materially impact our financial position or liquidity, but could materially impact our results of operations and cash flows in the period in which any fines, settlements or judgments are accrued or paid, respectively.

Item 1B. *UNRESOLVED STAFF COMMENTS*

None.

Item 2. *PROPERTIES*

Our principal properties include the following:

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

(1) We have an agreement with the Ferrero Group for the use of a warehouse and distribution facility of which the Company has been deemed to be the owner for accounting purposes.

In addition to the locations indicated above, we also own or lease several other properties and buildings worldwide which we use for manufacturing, sales, distribution and administrative functions. Our facilities are well maintained and generally have adequate capacity to accommodate seasonal demands, changing product mixes and certain additional growth. The largest facilities are located in Hershey and Lancaster, Pennsylvania; Monterrey, Mexico; and Stuarts Draft, Virginia. We continually improve these facilities to incorporate the latest technologies.

Item 3. ***LEGAL PROCEEDINGS***

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

Subsequently, 13 civil lawsuits were filed in Canada and 91 civil lawsuits were filed in the United States against the Company. The lawsuits were instituted on behalf of direct purchasers of our products as well as indirect purchasers that purchase our products for use or for resale. Several other chocolate and confectionery companies were named as defendants in these lawsuits as they also were the subject of investigations and/or inquiries by the government entities referenced above. The cases seek recovery for losses suffered as a result of alleged conspiracies in restraint of trade in connection with the pricing practices of the defendants. The Canadian civil cases were settled in 2012. Hershey Canada, Inc. reached a settlement agreement with the Competition Bureau of Canada through their Leniency Program with regard to an inquiry into alleged violations of the Canadian *Competition Act* in the sale and supply of chocolate products sold in Canada by members of the confectionery industry. On June 21, 2013, Hershey Canada, Inc. pleaded guilty to one count of price fixing related to communications with competitors in Canada in 2007 and paid a fine of approximately $4.0 million. Hershey Canada, Inc. had promptly reported the conduct to the Competition Bureau, cooperated fully with its investigation and did not implement the planned price increase that was the subject of the 2007 communications.

With regard to the U.S. lawsuits, the Judicial Panel on Multidistrict Litigation assigned the cases to the U.S. District Court for the Middle District of Pennsylvania. Plaintiffs are seeking actual and treble damages against the Company and other defendants based on an alleged overcharge for certain, or in some cases all chocolate products sold in the U.S. between December 2002 and December 2007 and certain plaintiff groups have alleged damages that extend beyond the alleged conspiracy period. The lawsuits have been proceeding on different scheduling tracks for different groups of plaintiffs.

Defendants have briefed summary judgment against the direct purchaser plaintiffs that have not sought class certification (the “Opt-Out Plaintiffs”) and those that have (the “Direct Purchaser Class Plaintiffs”). The Direct Purchaser Class Plaintiffs were granted class certification in December 2012. Liability, fact and expert discovery in the Opt-Out Plaintiffs’ and Direct Purchaser Class Plaintiffs’ cases has been completed. The hearing on summary judgment for the Direct Purchaser Class Plaintiffs, combined with the summary judgment hearing for the Opt-Out Plaintiffs, was held on October 7, 2013. A decision is expected in the near term. Putative class plaintiffs that purchased product indirectly for resale (the “Indirect Purchasers for Resale”) have moved for class certification. A briefing schedule has not been finalized. Putative class plaintiffs that purchased product indirectly for use (the “Indirect End Users”) may seek class certification after summary judgment against the Direct Purchaser Class Plaintiffs and the Opt-Out Plaintiffs has been resolved. No trial date has been set for any group of plaintiffs. The Company will continue to vigorously defend against these lawsuits.

Competition and antitrust law investigations can be lengthy and violations are subject to civil and/or criminal fines and other sanctions. Class action civil antitrust lawsuits are expensive to defend and could result in significant judgments, including in some cases, payment of treble damages and/or attorneys' fees to the successful plaintiff. Additionally, negative publicity involving these proceedings could affect our Company's brands and reputation, possibly resulting in decreased demand for our products. These possible consequences, in our opinion, are currently not expected to materially impact our financial position or liquidity, but could materially impact our results of operations and cash flows in the period in which any fines, settlements or judgments are accrued or paid, respectively.

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

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

Not applicable.

PART II

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

We paid $393.8 million in cash dividends on our Common Stock and Class B Common Stock ("Class B Stock") in 2013 and $341.2 million in 2012. The annual dividend rate on our Common Stock in 2013 was $1.81 per share.

On January 30, 2014, our Board of Directors declared a quarterly dividend of $0.485 per share of Common Stock payable on March 14, 2014, to stockholders of record as of February 24, 2014. It is the Company's 337th consecutive quarterly Common Stock dividend. A quarterly dividend of $0.435 per share of Class B Stock also was declared.

Our Common Stock is listed and traded principally on the New York Stock Exchange ("NYSE") under the ticker symbol "HSY." Approximately 229.8 million shares of our Common Stock were traded during 2013. The Class B Stock is not publicly traded.

The closing price of our Common Stock on December 31, 2013, was $97.23. There were 35,859 stockholders of record of our Common Stock and 6 stockholders of record of our Class B Stock as of December 31, 2013.

Information regarding dividends paid and the quarterly high and low market prices for our Common Stock and dividends paid for our Class B Stock for the two most recent fiscal years is disclosed in *Note 20, Quarterly Data*.

Unregistered Sales of Equity Securities and Use of Proceeds

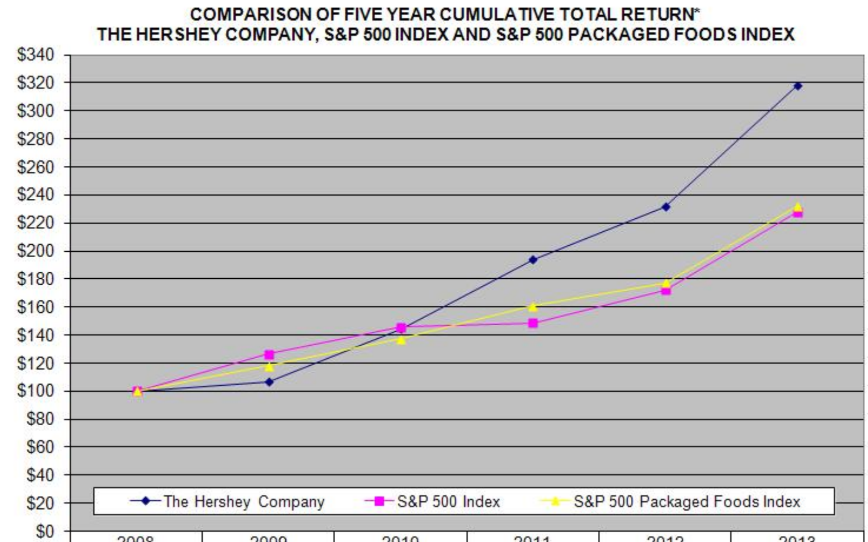
None.

Issuer Purchases of Equity Securities

There were no purchases of our Common Stock during the three months ended December 31, 2013. In April 2011, our Board of Directors approved a $250 million share repurchase program. As of December 31, 2013, $125.1 million remained available for repurchases of our Common Stock under this program.

Performance Graph

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



	2008	2009	2010	2011	2012	2013
The Hershey Company	$100	$106	$144	$194	$232	$318
S&P 500 Index	$100	$126	$146	$149	$172	$228
S&P 500 Packaged Foods Index	$100	$118	$137	$161	$177	$232

*Hypothetical $100 invested on December 31, 2008 in Hershey Common Stock, S&P 500 Index and S&P 500 Packaged Foods Index, assuming reinvestment of dividends.

Item 6. *SELECTED FINANCIAL DATA*

SIX-YEAR CONSOLIDATED FINANCIAL SUMMARY
All dollar and share amounts in thousands except market price and per share statistics

	5-Year Compound Growth Rate	2013	2012	2011	2010	2009	2008
Summary of Operations							
Net Sales	6.8 %	$ **7,146,079**	6,644,252	6,080,788	5,671,009	5,298,668	5,132,768
Cost of Sales	2.7 %	$ **3,865,231**	3,784,370	3,548,896	3,255,801	3,245,531	3,375,050
Selling, Marketing and Administrative	12.4 %	$ **1,922,508**	1,703,796	1,477,750	1,426,477	1,208,672	1,073,019
Business Realignment and Impairment Charges (Credits), Net	(27.7)%	$ **18,665**	44,938	(886)	83,433	82,875	94,801
Interest Expense, Net	(2.0)%	$ **88,356**	95,569	92,183	96,434	90,459	97,876
Provision for Income Taxes	19.0 %	$ **430,849**	354,648	333,883	299,065	235,137	180,617
Net Income	21.4 %	$ **820,470**	660,931	628,962	509,799	435,994	311,405
Net Income Per Share:							
—Basic—Class B Stock	21.7 %	$ **3.39**	2.73	2.58	2.08	1.77	1.27
—Diluted—Class B Stock	21.6 %	$ **3.37**	2.71	2.56	2.07	1.77	1.27
—Basic—Common Stock	21.7 %	$ **3.76**	3.01	2.85	2.29	1.97	1.41
—Diluted—Common Stock	21.6 %	$ **3.61**	2.89	2.74	2.21	1.90	1.36
Weighted-Average Shares Outstanding:							
—Basic—Common Stock		**163,549**	164,406	165,929	167,032	167,136	166,709
—Basic—Class B Stock		**60,627**	60,630	60,645	60,708	60,709	60,777
—Diluted		**227,203**	228,337	229,919	230,313	228,995	228,697
Dividends Paid on Common Stock	8.3 %	$ **294,979**	255,596	228,269	213,013	198,371	197,839
Per Share	8.7 %	$ **1.81**	1.56	1.38	1.28	1.19	1.19
Dividends Paid on Class B Stock	8.7 %	$ **98,822**	85,610	75,814	70,421	65,032	65,110
Per Share	8.8 %	$ **1.63**	1.41	1.25	1.16	1.07	1.07
Depreciation	(6.0)%	$ **166,544**	174,788	188,491	169,677	157,996	227,183
Advertising	29.3 %	$ **582,354**	480,016	414,171	391,145	241,184	161,133
Salaries and wages	2.7 %	$ **735,889**	709,621	676,482	641,756	613,568	645,456
Year-end Position and Statistics							
Capital Additions	4.3 %	$ **323,551**	258,727	323,961	179,538	126,324	262,643
Capitalized Software Additions	6.1 %	$ **27,360**	19,239	23,606	21,949	19,146	20,336
Total Assets	8.1 %	$ **5,357,488**	4,754,839	4,407,094	4,267,627	3,669,926	3,629,614
Short-term Debt and Current Portion of Long-term Debt	(19.8)%	$ **166,875**	375,898	139,673	285,480	39,313	501,504
Long-term Portion of Debt	3.6 %	$ **1,795,142**	1,530,967	1,748,500	1,541,825	1,502,730	1,505,954
Stockholders' Equity	35.2 %	$ **1,616,052**	1,048,373	880,943	945,896	768,634	358,239
Full-time Employees		**12,600**	12,100	11,800	11,300	12,100	12,800
Stockholders' Data							
Outstanding Shares of Common Stock and Class B Stock at Year-end		**223,895**	223,786	225,206	227,030	227,998	227,035
Market Price of Common Stock at Year-end	22.9 %	$ **97.23**	72.22	61.78	47.15	35.79	34.74
Price Range During Year (high)		$ **100.90**	74.64	62.26	52.10	42.25	44.32
Price Range During Year (low)		$ **73.51**	59.49	46.24	35.76	30.27	32.10

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

EXECUTIVE OVERVIEW

Results for the year ended December 31, 2013 were strong with increases in net sales, earnings per share and profitability despite continued macroeconomic challenges. Net sales increased 7.6% compared with 2012 due to sales volume increases in the United States and key international markets as we continued our focus on core brands and innovation. Advertising expense increased 21.3% for the year, supporting core brands along with new product launches. Net income and earnings per share-diluted also increased at greater rates than our long-term growth targets. The investments we have made in both productivity and cost savings resulted in a business model that is more efficient and effective, enabling us to deliver predictable, consistent and achievable marketplace and financial performance. We continue to generate strong cash flow from operations and our financial position remains solid.

Adjusted Non-GAAP Financial Measures

Our "Management's Discussion and Analysis of Financial Condition and Results of Operations" section includes certain measures of financial performance that are not defined by U.S. generally accepted accounting principles ("GAAP"). For each of these non-GAAP financial measures, we are providing below (1) the most directly comparable GAAP measure; (2) a reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure; (3) an explanation of why our management believes these non-GAAP measures provide useful information to investors; and (4) additional purposes for which we use these non-GAAP measures.

We believe that the disclosure of these non-GAAP measures provides investors with a better comparison of our year-to-year operating results. We exclude the effects of certain items from Income before Interest and Income Taxes ("EBIT"), EBIT margin, Net Income and Income per Share-Diluted-Common Stock ("EPS") when we evaluate key measures of our performance internally, and in assessing the impact of known trends and uncertainties on our business. We also believe that excluding the effects of these items provides a more balanced view of the underlying dynamics of our business.

Adjusted non-GAAP financial measures exclude the impacts of charges or credits recorded during the last four years associated with our business realignment initiatives and impairment charges. Non-service-related pension expenses also are excluded for each of the last four years, along with acquisition closing, integration and transaction costs, and a gain on the sale of certain non-core trademark licensing rights in 2011.

Non-service-related pension expenses include interest costs, the expected return on pension plan assets, the amortization of actuarial gains and losses, and certain curtailment and settlement losses or credits. Non-service-related pension expenses may be very volatile from year-to-year as a result of changes in interest rates and market returns on pension plan assets. Therefore, we have excluded non-service-related pension expense from our results in accordance with GAAP. We believe that non-GAAP financial results excluding non-service-related pension expenses will provide investors with a better understanding of the underlying profitability of our ongoing business. We believe that the service cost component of our total pension benefit costs closely reflects the operating costs of our business and provides for a better comparison of our operating results from year-to-year. Our most significant defined benefit pension plans were closed to most new participants after 2007, resulting in ongoing service costs that are stable and predictable.

For the years ended December 31,	2013			2012		
In millions of dollars except per share amounts	EBIT	Net Income	EPS	EBIT	Net Income	EPS
Results in accordance with GAAP	**$ 1,339.7**	**$ 820.5**	**$ 3.61**	$ 1,111.1	$ 660.9	$ 2.89
Adjustments:						
Business realignment charges included in cost of sales (“COS”)	**0.4**	**0.2**	**—**	36.4	23.7	0.10
Non-service-related pension expense included in COS	**5.4**	**3.3**	**0.02**	8.6	5.3	0.03
Acquisition costs included in COS	**0.3**	**0.2**	**—**	4.1	3.0	0.01
Business realignment charges included in selling, marketing and administrative (“SM&A”)	**—**	**—**	**—**	2.4	1.6	0.01
Non-service-related pension expense included in SM&A	**5.5**	**3.3**	**0.01**	12.0	7.4	0.03
Acquisition costs included in SM&A	**3.8**	**5.2**	**0.03**	9.3	6.2	0.03
Business realignment and impairment charges, net	**18.6**	**11.6**	**0.05**	45.0	31.9	0.14
Adjusted non-GAAP results	**$ 1,373.7**	**$ 844.3**	**$ 3.72**	$ 1,228.9	$ 740.0	$ 3.24

For the years ended December 31,	2011			2010		
In millions of dollars except per share amounts	EBIT	Net Income	EPS	EBIT	Net Income	EPS
Results in accordance with GAAP	$ 1,055.0	$ 628.9	$ 2.74	$ 905.3	$ 509.8	$ 2.21
Adjustments:						
Business realignment charges included in COS	45.1	28.4	0.12	13.7	8.4	0.04
Non-service-related pension expense included in COS	—	—	—	0.9	0.6	—
Business realignment charges included in SM&A	5.0	3.0	0.01	1.5	0.9	—
Non-service-related pension expense included in SM&A	2.8	2.0	0.01	5.0	3.2	0.02
Gain on sale of trademark licensing rights included in SM&A	(17.0)	(11.1)	(0.05)	—	—	—
Business realignment and impairment (credits) charges, net	(0.9)	(0.5)	—	83.4	68.6	0.30
Adjusted non-GAAP results	$ 1,090.0	$ 650.7	$ 2.83	$ 1,009.8	$ 591.5	$ 2.57

Key Annual Performance Measures	Adjusted Non-GAAP Results 2013	2012	2011
Increase in Net Sales	**7.6%**	9.3%	7.2%
Increase in adjusted EBIT	**11.8%**	12.7%	7.9%
Improvement in adjusted EBIT Margin in basis points (“bps”)	**70bps**	60bps	10bps
Increase in adjusted EPS	**14.8%**	14.5%	10.1%

SUMMARY OF OPERATING RESULTS

Analysis of Selected Items from Our GAAP Income Statement

For the years ended December 31,	2013	2012	2011	Percent Change Increase (Decrease) 2013-2012	2012-2011
In millions of dollars except per share amounts					
Net Sales	**$ 7,146.0**	$ 6,644.3	$ 6,080.8	7.6 %	9.3%
Cost of Sales	**3,865.2**	3,784.4	3,548.9	2.1	6.6
Gross Profit	**3,280.8**	2,859.9	2,531.9	14.7	13.0
Gross Margin	***45.9%***	*43.0%*	*41.6%*		
SM&A Expense	**1,922.5**	1,703.8	1,477.8	12.8	15.3
SM&A Expense as a percent of sales	***26.9%***	*25.6%*	*24.3%*		
Business Realignment and Impairment Charges (Credits), Net	**18.6**	45.0	(0.9)	(58.5)	N/A
EBIT	**1,339.7**	1,111.1	1,055.0	20.6	5.3
EBIT Margin	***18.7%***	*16.7%*	*17.4%*		
Interest Expense, Net	**88.4**	95.6	92.2	(7.5)	3.7
Provision for Income Taxes	**430.8**	354.6	333.9	21.5	6.2
Effective Income Tax Rate	***34.4%***	*34.9%*	*34.7%*		
Net Income	**$ 820.5**	$ 660.9	$ 628.9	24.1	5.1
Net Income Per Share—Diluted	**$ 3.61**	$ 2.89	$ 2.74	24.9	5.5

Net Sales

2013 compared with 2012

Net sales increased 7.6% in 2013 compared with 2012 due primarily to sales volume increases. Sales volume increases of 7.8% reflected core brand sales increases and incremental sales of new products in the U.S. and our international businesses. Higher sales of *Brookside* products contributed approximately 1.3% to the net sales increase. These increases were partially offset by the unfavorable impact of foreign currency exchange rates which reduced net sales by approximately 0.3%. Net sales in U.S. dollars for our businesses outside of the U.S. and Canada increased approximately 15.7% in 2013 compared with 2012, reflecting sales volume increases primarily in our focus markets of China, Mexico and Brazil. Net sales increases for our international businesses were offset somewhat by the impact of unfavorable foreign currency exchange rates.

2012 compared with 2011

Net sales increased 9.3% in 2012 compared with 2011 due to net price realization and sales volume increases in the U.S. and for our international businesses. Net price realization contributed approximately 5.7% to the net sales increase. Sales volume increased net sales by approximately 2.2% due primarily to sales of new products in the U.S. The Brookside acquisition contributed approximately 1.9% to the net sales increase. These increases were partially offset by the unfavorable impact of foreign currency exchange rates which reduced net sales by approximately 0.5%.

Excluding incremental sales from the Brookside acquisition, net sales in the U.S. increased approximately 7.1% compared with 2011, primarily reflecting net price realization, along with sales volume increases from the introduction of new products. Net sales in U.S. dollars for our businesses outside of the U.S. increased approximately 9.1% in 2012 compared with 2011, reflecting sales volume increases and net price realization. Net sales increases for our international businesses were offset somewhat by the impact of unfavorable foreign currency exchange rates.

Key U.S. Marketplace Metrics

For the 52 weeks ended December 31,	2013	2012	2011
Consumer Takeaway Increase	**6.3%**	5.7%	7.8%
Market Share Increase	**1.1**	0.6	0.8

Consumer takeaway and the change in market share for 2013 and 2012 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, including Wal-Mart Stores, Inc., and convenience stores.

Consumer takeaway for 2011 is provided for channels of distribution accounting for approximately 80% of our U.S. confectionery retail business. These channels of distribution include food, drug, mass merchandisers, including Wal-Mart Stores, Inc., and convenience stores. The change in market share for 2011 is provided for channels measured by syndicated data which include sales in the food, drug, convenience store and mass merchandiser classes of trade, excluding sales of Wal-Mart Stores, Inc.

Cost of Sales and Gross Margin

2013 compared with 2012

Cost of sales increased 2.1% in 2013 compared with 2012. The impact of sales volume increases and supply chain cost inflation together increased cost of sales by approximately 9.4%. Lower input costs, supply chain productivity improvements and a favorable sales mix reduced cost of sales by approximately 6.3%. Business realignment and impairment charges of $0.4 million were included in cost of sales in 2013, compared with $36.4 million in the prior year, reducing cost of sales by 1.0%.

Gross margin increased by 2.9 percentage points in 2013 compared with 2012. Reduced input costs, supply chain productivity improvements, a favorable sales mix and lower fixed costs as a percent of sales together improved gross margin by 3.9 percentage points. These improvements were partially offset by supply chain cost inflation which reduced gross margin by 1.6 percentage points. The impact of lower business realignment and impairment charges recorded in 2013 compared with 2012 increased gross margin by 0.6 percentage points.

2012 compared with 2011

The cost of sales increase of 6.6% in 2012 compared with 2011 was primarily due to higher input costs, the impact of sales volume increases and higher supply chain costs which together increased cost of sales by approximately 7.1%. The Brookside acquisition further increased cost of sales by approximately 2.0%. Supply chain productivity improvements reduced cost of sales by approximately 2.5%. Business realignment and impairment charges of $36.4 million were included in cost of sales in 2012, compared with $45.1 million in the prior year.

Gross margin increased by 1.4 percentage points in 2012 compared with 2011, primarily as a result of price realization and supply chain productivity improvements which together improved gross margin by 4.1 percentage points. These improvements were substantially offset by higher input and supply chain costs which reduced gross margin by a total of 2.9 percentage points. The impact of lower business realignment and impairment charges recorded in 2012 compared with 2011 increased gross margin by 0.2 percentage points.

Selling, Marketing and Administrative

2013 compared with 2012

Selling, marketing and administrative expenses increased $218.7 million or 12.8% in 2013. Contributing to the overall increase was a 19.7% increase in advertising, consumer promotions and other marketing expenses to support core brands and the introduction of new products in the U.S. and international markets. Advertising expenses increased 21.3% compared with 2012. Additionally, selling and administrative expenses increased 8.8% primarily as a result of higher employee-related expenses, increased incentive compensation costs, legal fees and increased marketing research expenses, along with the write-off of certain assets associated with the remodeling of increased office space. There were minimal business realignment charges included in SM&A in 2013 compared with $2.5 million in 2012.

2012 compared with 2011

Selling, marketing and administrative expenses increased $226.0 million or 15.3% in 2012. The increase was primarily a result of increased advertising, marketing research and consumer promotion expenses, higher employee-related expenses, increased incentive compensation costs and expenses associated with the Brookside acquisition. In addition, selling, marketing and administrative costs were reduced in 2011 by a $17.0 million gain on the sale of non-core trademark licensing rights. Advertising expense increased approximately 15.9% compared with 2011. Business realignment charges of $2.5 million were included in selling, marketing and administrative expenses in 2012 compared with $5.0 million in 2011.

Business Realignment and Impairment Charges

In June 2010, we announced Project Next Century (the “Next Century program”) as part of our ongoing efforts to create an advantaged supply chain and competitive cost structure. As part of the program, production was transitioned from the Company's century-old facility at 19 East Chocolate Avenue in Hershey, Pennsylvania, to an expanded West Hershey facility, which was built in 1992. Production from the 19 East Chocolate Avenue plant, as well as a portion of the workforce, was fully transitioned to the West Hershey facility during 2012.

We estimate that the Next Century program will incur total pre-tax charges and non-recurring project implementation costs of $190 million to $200 million. As of December 31, 2013, total costs of $190.4 million have been recorded over the last four years for the Next Century program. Total costs of $16.8 million were recorded during 2013. Total costs of $76.3 million were recorded in 2012, total costs of $43.4 million were recorded in 2011 and total costs of $53.9 million were recorded in 2010.

During 2009, we completed our comprehensive, supply chain transformation program initiated in 2006 (the “global supply chain transformation program”).

In December 2012, the Company recorded non-cash asset impairment charges of approximately $7.5 million, primarily associated with the write off of goodwill and other intangible assets of Tri-US, Inc., a subsidiary in which we held a controlling interest.

Charges (credits) associated with business realignment initiatives and impairment recorded during 2013, 2012 and 2011 were as follows:

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Cost of sales			
Next Century program	**$ 402**	$ 36,383	$ 39,280
Global supply chain transformation program	**—**	—	5,816
Total cost of sales	**402**	36,383	45,096
Selling, marketing and administrative - Next Century program	**18**	2,446	4,961
Business realignment and impairment charges, net			
Next Century program:			
Pension settlement loss	**—**	15,787	—
Plant closure expenses	**16,387**	20,780	8,620
Employee separation costs (credits)	**—**	914	(9,506)
India voluntary retirement program	**2,278**	—	—
Tri-US, Inc. asset impairment charges	**—**	7,457	—
Total business realignment and impairment charges (credits), net	**18,665**	44,938	(886)
Total net charges associated with business realignment initiatives and impairment	**$ 19,085**	$ 83,767	$ 49,171

Next Century Program

Plant closure expenses of $16.4 million were recorded during 2013, primarily related to costs associated with the demolition of a former manufacturing facility.

The charge of $36.4 million recorded in cost of sales during 2012 related primarily to start-up costs and accelerated depreciation of fixed assets over a reduced estimated remaining useful life associated with the Next Century program. A charge of $2.4 million was recorded in selling, marketing and administrative expenses during 2012 for project administration related to the Next Century program. The level of lump sum withdrawals during 2012 from one of the Company's pension plans by employees retiring or leaving the Company, primarily under the Next Century program, resulted in a non-cash pension settlement loss of $15.8 million. Expenses of $20.8 million were recorded in 2012 primarily related to costs associated with the closure of a manufacturing facility and the relocation of production lines.

The charge of $39.3 million recorded in cost of sales during 2011 related primarily to accelerated depreciation of fixed assets over a reduced estimated remaining useful life associated with the Next Century program. A charge of $5.0 million was recorded in selling, marketing and administrative expenses during 2011 for project administration related to the Next Century program. Plant closure expenses of $8.6 million were recorded in 2011 primarily related to costs associated with the relocation of production lines. Employee separation costs were reduced by $9.5 million during 2011, which consisted of an $11.2 million credit reflecting lower expected costs related to voluntary and involuntary terminations at the two manufacturing facilities and a net benefits curtailment loss of $1.7 million also related to the employee terminations.

Global Supply Chain Transformation Program

The charge of $5.8 million recorded in 2011 was due to a decline in the estimated net realizable value of two properties being held for sale.

Tri-US, Inc. Impairment Charges

In February 2011, we acquired a 49% interest in Tri-US, Inc. of Boulder, Colorado, a company that manufactured, marketed and sold nutritional beverages under the "*mix1*" brand name. We invested $5.8 million and accounted for this investment using the equity method until January 2012. In January 2012, we made an additional investment of $6.0 million in Tri-US, Inc., resulting in a controlling ownership interest of approximately 69%. In December 2012, the Board of Directors of Tri-US, Inc. decided to immediately cease operations and dissolve the company as a result of operational difficulties, quality issues and competitive constraints. It was determined that investments necessary to continue the business would not generate a sufficient return. Accordingly, in December 2012, the Company recorded non-cash asset impairment charges of approximately $7.5 million, primarily associated with the write off of goodwill and other intangible assets. These charges excluded the portion of the losses attributable to the noncontrolling interests.

Liabilities Associated with Business Realignment Initiatives

As of December 31, 2013, there was no remaining liability balance relating to the Next Century program. We made payments against the liabilities recorded for the Next Century program of $7.6 million in 2013 and $12.8 million in 2012 related to employee separation and project administration costs.

Income Before Interest and Income Taxes and EBIT Margin

2013 compared with 2012

EBIT increased in 2013 compared with 2012 as a result of higher gross profit and lower business realignment charges, partially offset by higher selling, marketing and administrative expenses. Pre-tax net business realignment and impairment charges of $19.1 million were recorded in 2013 compared with $83.8 million recorded in 2012.

EBIT margin increased from 16.7% in 2012 to 18.7% in 2013 as a result of higher gross margin and lower business realignment charges, partially offset by higher selling, marketing and administrative expenses as a percent of sales. The net impact of business realignment, impairment and acquisition charges recorded in 2013 reduced EBIT margin by 0.3 percentage points. Net business realignment and impairment charges recorded in 2012 reduced EBIT margin by 1.3 percentage points.

2012 compared with 2011

EBIT increased in 2012 compared with 2011 as a result of higher gross profit, substantially offset by higher selling, marketing and administrative expenses, and business realignment and impairment charges. Pre-tax net business realignment and impairment charges of $83.8 million were recorded in 2012 compared with $49.2 million recorded in 2011.

EBIT margin decreased from 17.4% in 2011 to 16.7% in 2012 primarily as a result of higher selling, marketing and administrative expenses as a percent of sales and the impact of higher business realignment and impairment costs which more than offset the increase in gross margin. EBIT margin in 2012 was reduced by 0.3 percentage points compared with 2011 as a result of the gain on the sale of trademark licensing rights recorded in 2011. The net impact of business realignment, impairment and acquisition charges recorded in 2012 reduced EBIT margin by 1.3 percentage points. Net business realignment and impairment charges recorded in 2011 reduced EBIT margin by 0.8 percentage points.

Interest Expense, Net

2013 compared with 2012

Net interest expense in 2013 was lower than in 2012 primarily as a result of lower short-term borrowings, partially offset by a decrease in capitalized interest and higher interest expense on long-term debt.

2012 compared with 2011

Net interest expense in 2012 was higher than in 2011 primarily as a result of higher short-term borrowings and a decrease in capitalized interest, partially offset by lower interest expense on long-term debt.

Income Taxes and Effective Tax Rate

2013 compared with 2012

Our effective income tax rate was 34.4% for 2013 compared with 34.9% for 2012. The decrease in the effective income tax rate in 2013 reflected lower state income taxes, which were higher in 2012 as a result of the impact of certain state tax legislation, and an increase in deductions associated with certain foreign tax jurisdictions, partially offset by a higher benefit in 2012 resulting from the completion of tax audits.

2012 compared with 2011

Our effective income tax rate was 34.9% for 2012 compared with 34.7% for 2011. The effective income tax rate was slightly higher in 2012 primarily reflecting the impact of tax rates associated with business realignment and impairment charges recorded in 2012 compared with 2011 and the mix of the Company's income among various tax jurisdictions.

Net Income and Net Income Per Share

2013 compared with 2012

Earnings per share-diluted increased $0.72, or 24.9% in 2013 compared with 2012. Net income in 2013 was reduced by $11.8 million, or $0.05 per share-diluted, as a result of net business realignment and impairment charges and, in 2012, was reduced by $57.2 million, or $0.25 per share-diluted. In 2013, net income was reduced by $6.6 million, or $0.03 per share-diluted, as a result of non-service-related pension expenses. Non-service-related pension expenses reduced net income by $12.7 million, or $0.06 per share-diluted in 2012. Excluding the impact of business realignment and impairment charges and non-service-related pension expenses from both periods and the acquisition closing, integration and transaction costs of $5.4 million, or $0.03 per share-diluted, in 2013, and $9.2 million, or $0.04 per share-diluted, in 2012, adjusted earnings per share-diluted increased $0.48 per share, or 14.8% in 2013 compared with 2012.

2012 compared with 2011

Earnings per share-diluted increased $0.15, or 5.5% in 2012 compared with 2011. Net income in 2012 was reduced by $57.2 million, or $0.25 per share-diluted, as a result of net business realignment and impairment charges. Net income was reduced by $9.2 million, or $0.04 per share-diluted, in 2012 as a result of closing and integration costs for the Brookside acquisition and by $12.7 million or $0.06 per share-diluted related to non-service-related pension expenses in 2012. In 2011, net income was increased by $11.1 million, or $0.05 per share-diluted, as a result of the gain on sale of trademark licensing rights and reduced by $30.9 million, or $0.13 per share-diluted, as a result of net business realignment and impairment charges. Non-service-related pension expenses reduced net income by $2.0 million, or $0.01 per share-diluted in 2011. Excluding the impact of business realignment and impairment charges and non-service-related pension expenses from both periods, the acquisition closing and integration costs in 2012 and the gain on the sale of trademark licensing rights in 2011, adjusted earnings per share-diluted increased $0.41 per share, or 14.5% in 2012 compared with 2011.

FINANCIAL CONDITION

Our financial condition remained strong during 2013 reflecting strong cash flow from operations.

Business Acquisitions

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

In January 2012, we acquired all of the outstanding stock of Brookside Foods Ltd. (“Brookside”), a privately held confectionery company based in Abbottsford, British Columbia, Canada. As part of this transaction, we acquired two production facilities located in British Columbia and Quebec. The Brookside product line is primarily sold in the U.S. and Canada in a take-home re-sealable pack type.

Our financial statements reflect the final accounting for the Brookside acquisition. The purchase price for the acquisition was approximately $172.9 million. The purchase price allocation of the Brookside acquisition is as follows:

In thousands of dollars	Purchase Price Allocation	Estimated Useful Life in Years
Goodwill	$ 67,974	Indefinite
Trademarks	60,253	25
Other intangibles[(1)]	51,057	6 to 17
Other assets, net of liabilities assumed of $18.7 million	21,673	
Non-current deferred tax liabilities	(28,101)	
Purchase Price	$ 172,856	

(1) Includes customer relationships, patents and covenants not to compete.

The excess purchase price over the estimated value of the net tangible and identifiable intangible assets was recorded to goodwill. The goodwill is not expected to be deductible for tax purposes.

We included results subsequent to the acquisition date in the consolidated financial statements. If we had included the results of the acquisition in the consolidated financial statements for each of the periods presented, the effect would not have been material.

Assets

A summary of our assets is as follows:

December 31,	2013	2012
In thousands of dollars		
Current assets	**$ 2,487,334**	$ 2,113,485
Property, plant and equipment, net	**1,805,345**	1,674,071
Goodwill and other intangibles	**771,805**	802,716
Deferred income taxes	**—**	12,448
Other assets	**293,004**	152,119
Total assets	**$ 5,357,488**	$ 4,754,839

- The change in current assets from 2012 to 2013 was primarily due to the following:
  - Higher cash and cash equivalents in 2013 reflecting strong cash flow from operations;
  - An increase in accounts receivable reflecting higher sales in December 2013 compared with December 2012;
  - An increase in total inventories primarily reflecting higher finished goods inventories necessary to support anticipated sales levels of everyday items and the introduction of new products; and
  - A decrease in current deferred income tax assets primarily reflecting the impact of the change in value of derivative instruments, particularly interest rate swap agreements.
- Higher property, plant and equipment in 2013, reflecting capital additions of $323.6 million, partly offset by depreciation expense of $166.5 million.
- A decrease in non-current deferred tax assets as a result of the change in the funded status of our pension plans.
- A decrease in goodwill and other intangibles primarily due to the effect of foreign currency translation.
- An increase in other assets primarily due to a receivable for an anticipated U.S. and Canada Competent Authority resolution of various proposed tax adjustments, the improvement in the funded status of our pension plans and the value of interest rate swap agreements at the end of the year.

Liabilities

A summary of our liabilities is as follows:

December 31,	2013	2012
In thousands of dollars		
Current liabilities	**$ 1,408,022**	$ 1,471,110
Long-term debt	**1,795,142**	1,530,967
Other long-term liabilities	**434,068**	668,732
Deferred income taxes	**104,204**	35,657
Total liabilities	**$ 3,741,436**	$ 3,706,466

- Changes in current liabilities from 2012 to 2013 were primarily the result of the following:
  - Higher accounts payable reflecting an increase in amounts payable for marketing programs as well as capital expenditures, partially offset by the timing of payments associated with inventory deliveries to support manufacturing requirements;
  - Higher accrued liabilities related to marketing and trade promotion programs, partially offset by lower liabilities associated with the Next Century program;
  - An increase in accrued income taxes reflecting the impact of proposed tax adjustments in Canada associated with business realignment charges and transfer pricing;
  - An increase in short-term debt primarily associated with an increase in short-term borrowings for Canada and Mexico, partially offset by the repayment of short-term debt in India; and
  - A decrease in the current portion of long-term debt reflecting the repayment of $250 million of 5.0% Notes in 2013.
- An increase in long-term debt reflecting the issuance of $250 million of 2.625% Notes due in May 2023.
- A decrease in other long-term liabilities primarily due to the change in the funded status of our pension plans.
- An increase in deferred income taxes primarily reflecting the tax effect of the change in the funded status of our pension plans.

Capital Structure

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

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

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

Noncontrolling Interests in Subsidiaries

In May 2007, we entered into an agreement with Godrej Beverages and Foods, Ltd., a consumer goods, confectionery and food company, to manufacture and distribute confectionery products, snacks and beverages across India. Under the agreement, we owned a 51% controlling interest in Godrej Hershey Ltd. The noncontrolling interests in Godrej Hershey Ltd. were included in the equity section of the Consolidated Balance Sheets. In September 2012, we acquired the remaining 49% interest in Godrej Hershey Ltd. for approximately $15.8 million. Since the Company had a controlling interest in Godrej Hershey Ltd., the difference between the amount paid and the carrying amount of the noncontrolling interest of $10.3 million was recorded as a reduction to additional paid-in capital and the noncontrolling interest in Godrej Hershey Ltd. was eliminated as of September 30, 2012.

We own a 51% controlling interest in Hershey do Brasil under a cooperative agreement with Pandurata Netherlands B.V. ("Bauducco"), a leading manufacturer of baked goods in Brazil whose primary brand is Bauducco. During 2013 and 2012, the Company contributed cash of approximately $3.1 million to Hershey do Brasil and Bauducco contributed approximately $2.9 million. The noncontrolling interest in Hershey do Brasil is included in the equity section of the Consolidated Balance Sheets.

The decrease in noncontrolling interests in subsidiaries from $11.6 million as of December 31, 2012 to $11.2 million as of December 31, 2013 reflected the impact of the noncontrolling interests' share of losses of these entities and currency translation adjustments, partially offset by the impact of the cash contributed by Bauducco. The share of losses pertaining to the noncontrolling interests in subsidiaries was $1.7 million for the year ended December 31, 2013, $9.6 million for the year ended December 31, 2012 and $7.4 million for the year ended December 31, 2011. This was reflected in selling, marketing and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows from Operating Activities

Our cash flows provided from (used by) operating activities were as follows:

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Net income	**$ 820,470**	$ 660,931	$ 628,962
Depreciation and amortization	**201,033**	210,037	215,763
Stock-based compensation and excess tax benefits	**5,571**	16,606	29,471
Deferred income taxes	**7,457**	13,785	33,611
Gain on sale of trademark licensing rights, net of tax	**—**	—	(11,072)
Non-cash business realignment and impairment charges	**—**	38,144	34,660
Contributions to pension and other benefit plans	**(57,213)**	(44,208)	(31,671)
Working capital	**(29,391)**	(2,133)	(116,909)
Changes in other assets and liabilities	**240,478**	201,665	(194,948)
Net cash provided from operating activities	**$ 1,188,405**	$ 1,094,827	$ 587,867

- Over the past three years, total cash provided from operating activities was approximately $2.9 billion.
- Depreciation and amortization expenses decreased in 2013, in comparison with 2012, primarily due to lower accelerated depreciation charges related to the Next Century program, offset somewhat by higher capital additions in 2013. Depreciation and amortization expenses decreased in 2012, as compared with 2011, principally as the result of lower accelerated depreciation charges related to the Next Century program, somewhat offset by higher depreciation and amortization charges related to the Brookside acquisition. No significant accelerated depreciation expense was recorded in 2013 compared with approximately $15.3 million recorded in 2012 and $33.0 million recorded in 2011. Depreciation and amortization expenses represent non-cash items that impacted net income and are reflected in the consolidated statements of cash flows to reconcile cash flows from operating activities.
- The deferred income tax provision in 2013 was lower than in 2012 primarily as a result of a foreign deferred income tax benefit in 2013 reflecting higher deferred tax assets related to advertising and promotion reserves, partially offset by an increase in the federal deferred income tax provision associated principally with higher deferred tax liabilities related to inventories. The deferred income tax provision was lower in 2012 than in 2011 primarily as a result of the lower tax impact associated with bonus depreciation resulting from reduced capital expenditures in 2012 for the Next Century program. Deferred income taxes represent non-cash items that impacted net income and are reflected in the consolidated statements of cash flows to reconcile cash flows from operating activities.
- During the third quarter of 2011, we recorded an $11.1 million gain, net of tax, on the sale of certain non-core trademark licensing rights.
- We contributed $133.1 million to our pension and other benefit plans over the past three years to improve the funded status of our domestic plans and to pay benefits under our non-funded pension plans and other benefit plans.

- Over the three-year period, cash provided from working capital tended to fluctuate due to the timing of sales and cash collections during December of each year and working capital management practices, including initiatives implemented to reduce working capital. The decrease in cash used by accounts receivable in 2013 was associated with timing of sales and cash collections during December 2013 compared with December 2012. Cash used by changes in inventories in 2013 primarily resulted from higher finished goods inventory levels at the end of 2013 to support anticipated sales levels of everyday items and the introduction of new products, along with the impact of the lower adjustment to LIFO. Cash provided from changes in accounts payable in 2013 were associated with the timing of payments for inventory deliveries and marketing programs. Cash provided from changes in inventories in 2012 resulted from lower inventory levels which were higher at the end of 2011 in anticipation of the transition of production under the Next Century program. Changes in cash used by inventories in 2011 was primarily associated with increases in inventory levels in anticipation of the transition of production under the Next Century program, along with higher inventories to support seasonal sales.
- During the three-year period, cash provided from or used by changes in other assets and liabilities reflected the effect of hedging transactions and the impact of business realignment initiatives, along with the related tax effects. Cash provided from changes in other assets and liabilities in 2013 compared with 2012 was primarily associated with the effect of business realignment and impairment charges and the timing of payments associated with selling and marketing programs of $92.5 million, partially offset by the impact of changes in various accrued liabilities and hedging transactions of $53.7 million. Cash provided from changes in other assets and liabilities in 2012 compared with cash used by changes in other assets and liabilities in 2011 primarily reflected the effect of hedging transactions of $304.2 million, the effect of changes in deferred and accrued income taxes of $44.1 million and business realignment initiatives of $46.8 million.
- Taxable income and related tax payments in 2013 reflected the increase in income for the year. Taxable income and related tax payments in 2012 and 2011 were reduced primarily by bonus depreciation tax deductions driven by capital expenditures associated with the Next Century program. This was offset somewhat by increases in income taxes paid associated with higher income.

Cash Flows from Investing Activities

Our cash flows provided from (used by) investing activities were as follows:

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Capital additions	**$ (323,551)**	$ (258,727)	$ (323,961)
Capitalized software additions	**(27,360)**	(19,239)	(23,606)
Proceeds from sales of property, plant and equipment	**15,331**	453	312
Proceeds from sale of trademark licensing rights	**—**	—	20,000
Loan to affiliate	**(16,000)**	(23,000)	(7,000)
Business acquisitions	**—**	(172,856)	(5,750)
Net cash used by investing activities	**$ (351,580)**	$ (473,369)	$ (340,005)

- Capital additions in 2013 for the construction of a new manufacturing facility in Malaysia totaled $40.0 million. Capital additions associated with our Next Century program in 2013 were $11.8 million, in 2012 were $74.7 million, and in 2011 were $179.4 million. Other capital additions were primarily related to purchases of manufacturing equipment for new products and the improvement of manufacturing efficiency.
- Capitalized software additions were primarily for ongoing enhancement of our information systems.
- We anticipate total capital expenditures, including capitalized software, of approximately $355 million to $375 million in 2014 of which $120 million to $130 million is associated with the construction of the manufacturing facility in Malaysia.
- The loans to affiliate during the three-year period were associated with financing the expansion of manufacturing capacity under our manufacturing agreement in China with Lotte Confectionery Company LTD.
- In January 2012, the Company acquired Brookside for approximately $172.9 million.

Cash Flows from Financing Activities

Our cash flows provided from (used by) financing activities were as follows:

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Net change in short-term borrowings	**$ 54,351**	$ 77,698	$ 10,834
Long-term borrowings	**250,595**	4,025	249,126
Repayment of long-term debt	**(250,761)**	(99,381)	(256,189)
Proceeds from lease financing agreement	**—**	—	47,601
Cash dividends paid	**(393,801)**	(341,206)	(304,083)
Exercise of stock options and excess tax benefits	**195,651**	295,473	198,408
Net contributions from (payments to) noncontrolling interests	**2,940**	(12,851)	—
Repurchase of Common Stock	**(305,564)**	(510,630)	(384,515)
Net cash used by financing activities	**$ (446,589)**	$ (586,872)	$ (438,818)

- In addition to utilizing cash on hand, we use short-term borrowings (commercial paper and bank borrowings) to fund seasonal working capital requirements and ongoing business needs. The reduction in short-term borrowings in 2013 was associated with our international businesses. The increase in short-term borrowings in 2012 was primarily associated with the Brookside acquisition and our international businesses, partially offset by repayments of Godrej Hershey debt. Additional information on short-term borrowings is included under Borrowing Arrangements below.
- In May 2013, we issued $250 million of 2.625% Notes due in 2023 and, in November 2011, we issued $250 million of 1.5% Notes due in 2016. The long-term borrowings in 2013 and 2011 were issued under shelf registration statements on Form S-3 described under Registration Statements below.
- In April 2013, we repaid $250 million of 5.0% Notes due in 2013 and, in August 2012, we repaid $92.5 million of 6.95% Notes due in 2012. Additionally, in September 2011, we repaid $250.0 million of 5.3% Notes due in 2011.
- In September 2011, we entered into a sale and leasing agreement for the 19 East Chocolate Avenue manufacturing facility. Based on the leasing agreement, we are deemed to be the owner of the property for accounting purposes. We received net proceeds of $47.6 million and recorded a lease financing obligation of $50.0 million under the leasing agreement.

- Equity contributions of $2.9 million were received from the noncontrolling interests in Hershey do Brasil in 2013. In May 2007, we entered into an agreement with Godrej Beverages and Foods, Ltd., a consumer goods, confectionery and food company, to manufacture and distribute confectionery products, snacks and beverages across India. Under the agreement, we owned a 51% controlling interest in Godrej Hershey Ltd. In September 2012, we acquired the remaining 49% interest in Godrej Hershey Ltd. for approximately $15.8 million. Payments to noncontrolling interests associated with Godrej Hershey Ltd. in 2012 were partially offset by equity contributions of $2.9 million by the noncontrolling interests in Hershey do Brasil in 2012.
- We paid cash dividends of $295.0 million on our Common Stock and $98.8 million on our Class B Stock in 2013.
- Cash used for the repurchase of Common Stock was partially offset by cash received from the exercise of stock options and the impact of excess tax benefits from stock-based compensation.

Repurchases and Issuances of Common Stock

For the years ended December 31,	2013		2012		2011	
In thousands	Shares	Dollars	Shares	Dollars	Shares	Dollars
Shares repurchased under authorized programs:						
Open market repurchases	—	$ —	2,054	$ 124,931	1,903	$ 100,015
Shares repurchased to replace reissued shares	**3,656**	**305,564**	5,599	385,699	5,179	284,500
Total share repurchases	**3,656**	**305,564**	7,653	510,630	7,082	384,515
Shares issued for stock-based compensation programs	**(3,765)**	**(156,502)**	(6,233)	(210,924)	(5,258)	(177,654)
Net change	**(109)**	**$ 149,062**	1,420	$ 299,706	1,824	$ 206,861

- We intend to repurchase shares of Common Stock in order to replace Treasury Stock shares issued for exercised stock options and other stock-based compensation. The value of shares purchased in a given period will vary based on stock options exercised over time and market conditions.
- In April 2011, our Board of Directors approved a $250 million authorization to repurchase shares of our Common Stock. As of December 31, 2013, $125.1 million remained available for repurchases of our Common Stock.

Cumulative Share Repurchases and Issuances

A summary of cumulative share repurchases and issuances is as follows:

	Shares	Dollars
	In thousands	
Shares repurchased under authorized programs:		
Open market repurchases	61,393	$ 2,209,377
Repurchases from the Milton Hershey School Trust	11,918	245,550
Shares retired	(1,056)	(12,820)
Total repurchases under authorized programs	72,255	2,442,107
Privately negotiated purchases from the Milton Hershey School Trust	67,282	1,501,373
Shares repurchased to replace reissued shares	44,995	2,208,116
Shares issued for stock-based compensation programs and employee benefits	(48,525)	(1,443,866)
Total held as Treasury Stock as of December 31, 2013	136,007	$ 4,707,730

Borrowing Arrangements

We maintain debt levels we consider prudent based on our cash flow, interest coverage ratio and percentage of debt to capital. We use debt financing to lower our overall cost of capital which increases our return on stockholders' equity.

- In October 2011, we entered into a new five-year agreement establishing an unsecured revolving credit facility to borrow up to $1.1 billion, with an option to increase borrowings by an additional $400 million with the consent of the lenders.
- In November 2013, the five-year agreement entered into in October 2011 was amended. The amendment reduced the amount of borrowings available under the unsecured revolving credit facility to $1.0 billion, with an option to increase borrowings by an additional $400 million with the consent of the lenders, and extended the termination date to November 2018. As of December 31, 2013, $1.0 billion was available to borrow under the agreement and no borrowings were outstanding. The unsecured revolving credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. As of December 31, 2013, we complied with all of these covenants. We may use these funds for general corporate purposes, including commercial paper backstop and business acquisitions.
- In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. As of December 31, 2013, we could borrow up to approximately $290.3 million in various currencies under the lines of credit and as of December 31, 2012, we could borrow up to $176.7 million.

Registration Statements

- In May 2009, we filed a shelf registration statement on Form S-3 that registered an indeterminate amount of debt securities. This registration statement was effective immediately upon filing under Securities and Exchange Commission regulations governing "well-known seasoned issuers" (the "2009 WKSI Registration Statement").
- In November 2011, we issued $250 million of 1.50% Notes due November 1, 2016 and, in December 2010, we issued $350 million of 4.125% Notes due December 1, 2020. The Notes were issued under the 2009 WKSI Registration Statement.
- The 2009 WKSI Registration Statement expired in May 2012. Accordingly, in May 2012, we filed a new registration statement on Form S-3 (the "2012 WKSI Registration Statement") to replace the 2009 WKSI Registration Statement. The registration statement filed in May 2012 registered an indeterminate amount of debt securities effective immediately.
- In May 2013, we issued $250 million of 2.625% Notes due May 1, 2023. The Notes were issued under the 2012 WKSI Registration Statement.
- Proceeds from the debt issuances and any other offerings under the the 2012 WKSI Registration Statement may be used for general corporate requirements. These may include reducing existing borrowings, financing capital additions, and funding contributions to our pension plans, future business acquisitions and working capital requirements.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2013, our contractual cash obligations by year were as follows:

	Payments Due by Year In thousands of dollars						
Contractual Obligations	2014	2015	2016	2017	2018	Thereafter	Total
Unconditional Purchase Obligations	$ 1,381,600	$ 651,900	$ 48,300	$ 6,400	$ —	$ —	$ 2,088,200
Lease Obligations	36,669	11,521	10,819	7,563	2,184	1,580	70,336
Minimum Pension Plan Funding Obligations	3,559	2,746	2,712	2,782	2,556	2,433	16,788
Long-term Debt	914	251,433	501,331	878	411	1,041,089	1,796,056
Total Obligations	$ 1,422,742	$ 917,600	$ 563,162	$ 17,623	$ 5,151	$ 1,045,102	$ 3,971,380

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

Purchase Obligations

We enter into certain obligations for the purchase of raw materials. These obligations are primarily in the form of forward contracts for the purchase of raw materials from third-party brokers and dealers. These contracts minimize the effect of future price fluctuations by fixing the price of part or all of these purchase obligations. Total obligations for each year presented above consisted of fixed price contracts for the purchase of commodities and unpriced contracts that were valued using market prices as of December 31, 2013.

The cost of commodities associated with the unpriced contracts is variable as market prices change over future periods. We mitigate the variability of these costs to the extent we have entered into commodities futures contracts or other commodity derivative instruments to hedge our costs for those periods. Increases or decreases in market prices are offset by gains or losses on commodities futures contracts or other commodity derivative instruments. This applies to the extent that we have hedged the unpriced contracts as of December 31, 2013 and in future periods by entering into commodities futures contracts. Taking delivery of and making payments for the specific commodities for use in the manufacture of finished goods satisfies our obligations under the forward purchase contracts. For each of the three years in the period ended December 31, 2013, we satisfied these obligations by taking delivery of and making payment for the specific commodities.

Lease Obligations

Lease obligations include the minimum rental commitments under non-cancelable operating leases primarily for offices, retail stores, warehouse and distribution facilities, and certain equipment.

In September 2013, we entered into an agreement to lease land for the construction of the new confectionery manufacturing plant in Johor, Malaysia. The lease term is 99 years and obligations under the terms of the lease require a payment of approximately $24.0 million in 2014, which is included in Lease Obligations in the Contractual Obligations table.

Minimum Pension Plan Funding Obligations

Our policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 (“ERISA”), federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans. Minimum pension plan funding obligations include our current assumptions and estimates of the minimum required contributions to our defined benefit pension plans through 2019. For more information, see *Note 14, Pension and Other Post-Retirement Benefit Plans*.

Long-term Debt

Long-term debt is comprised primarily of obligations associated with the issuance of unsecured long-term debt instruments. Additional information with regard to long-term debt is contained in *Note 12, Long-Term Debt*.

In February 2012, we entered into agreements with the Ferrero Group (“Ferrero”), an international packaged goods company, forming an alliance to mutually benefit from various warehousing, co-packing, transportation and procurement services in North America. The initial terms of the agreements are 10 years, with three renewal periods, each with a term of 10 years. The agreements include the construction of a warehouse and distribution facility in Brantford, Ontario, Canada for the mutual use of the Company and Ferrero. Ferrero was responsible for construction of the warehouse and we were responsible for development and implementation of related information systems. Over the term of the agreements, costs associated with the warehouse construction and the information systems will essentially be shared equally.

During 2012, Ferrero made payments of approximately $36.0 million and we made payments of approximately $5.1 million for construction of the facility. During 2013, Ferrero made payments of approximately $5.6 million and we made payments of approximately $6.3 million for the construction of the facility. Because we were involved with the design of the facility and made payments during the construction period, the Company has been deemed to be the owner of the warehouse and distribution facility for accounting purposes. As a result, we recorded a total of $41.1 million in construction in progress as of December 31, 2012, including the payments made by Ferrero, the legal owner of the facility. A corresponding financing obligation of $36.0 million was recorded as of December 31, 2012, reflecting the amount paid by Ferrero. As of December 31, 2013, our property, plant and equipment, net included $53.0 million related to this facility and our long-term debt included $42.6 million related to the financing obligation.

Plant Construction Obligations

In December 2013, we entered into an agreement for the construction of the new confectionery manufacturing plant in Malaysia. The total cost of construction is expected to be approximately $240 million. The plant is expected to begin operations during the second quarter of 2015.

Asset Retirement Obligations

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

Income Tax Obligations

We base our deferred income taxes, accrued income taxes and provision for income taxes upon income, statutory tax rates, the legal structure of our Company and interpretation of tax laws. We are regularly audited by federal, state and foreign tax authorities. From time to time, these audits result in assessments of additional tax. We maintain reserves for such assessments. We adjust the reserves based upon changing facts and circumstances, such as receiving audit assessments or clearing of an item for which a reserve has been established. Assessments of additional tax require cash payments. For more information, see Income Taxes beginning on page 47 under Use of Estimates and Other Critical Accounting Policies. The amount of tax obligations is not included in the table of contractual cash obligations by year on page 34 because we are unable to reasonably predict the ultimate amount or timing of settlement of our reserves for income taxes.

Acquisition Agreement

In December 2013, we entered into an agreement to acquire all of the outstanding shares of Shanghai Golden Monkey Food Joint Stock Co., Ltd. (“SGM”), a privately held confectionery company based in Shanghai, China. SGM manufactures, markets and distributes *Golden Monkey* branded products, including candy, chocolates, protein-based products and snack foods, in China. The purchase price of approximately $584 million will be paid in cash of approximately $498 million and the assumption of approximately $86 million of net debt. Eighty percent of the purchase price will be paid in mid-2014, with the remaining twenty percent to be paid one year from the date of the initial payment. The acquisition is subject to government and regulatory approvals and customary closing conditions.

ACCOUNTING POLICIES AND MARKET RISKS ASSOCIATED WITH DERIVATIVE INSTRUMENTS

We use certain derivative instruments to manage 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.

We enter into interest rate swap agreements and foreign exchange forward contracts and options for periods consistent with related underlying exposures. These derivative instruments do not constitute positions independent of those exposures.

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

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

Accounting Policies Associated with Derivative Instruments

We report the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument as a component of other comprehensive income. We reclassify the effective portion of the gain or loss on these derivative instruments into income in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument resulting from hedge ineffectiveness, if any, must be recognized currently in earnings.

Fair value hedges pertain to derivative instruments that qualify as a hedge of exposures to changes in the fair value of a firm commitment or assets and liabilities recognized on the balance sheet. For fair value hedges, our policy is to record the gain or loss on the derivative instrument in earnings in the period of change together with the offsetting loss or gain on the hedged item. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value.

As of December 31, 2013, we designated and accounted for all derivative instruments as cash flow hedges, except for out of the money options contracts on certain commodities. These included interest rate swap agreements, foreign exchange forward contracts and options, commodities futures and options contracts, and other commodity derivative instruments. Additional information regarding accounting policies associated with derivative instruments is contained in *Note 6, Derivative Instruments and Hedging Activities*.

The information below summarizes our market risks associated with long-term debt and derivative instruments outstanding as of December 31, 2013. Note 1, Note 6 and Note 7 to the Consolidated Financial Statements provide additional information.

Long-term Debt

The table below presents the principal cash flows and related interest rates by maturity date for long-term debt, including the current portion, as of December 31, 2013. We determined the fair value of long-term debt based upon quoted market prices for the same or similar debt issues.

	Maturity Date							
	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
In thousands of dollars except for rates								
Long-term Debt	$914	$251,433	$501,331	$878	$411	$1,041,089	$1,796,056	$1,947,023
Interest Rate	7.7%	4.9%	3.5%	6.9%	5.1%	5.1%	4.6%	

We calculated the interest rates on variable rate obligations using the rates in effect as of December 31, 2013.

Interest Rate Swaps

In order to manage interest rate exposure, the Company, from time to time, enters into interest rate swap agreements. In April 2012, the Company entered into forward starting interest rate swap agreements to hedge interest rate exposure related to the anticipated $250 million of term financing expected to be executed during 2013 to repay $250 million of 5.0% Notes maturing in April 2013. The weighted-average fixed rate on these forward starting swap agreements was 2.4%. In May 2012, the Company entered into forward starting interest rate swap agreements to hedge interest rate exposure related to the anticipated $250 million of term financing expected to be executed during 2015 to repay $250 million of 4.85% Notes maturing in August 2015. The weighted-average fixed rate on these forward starting swap agreements is 2.7%.

The forward starting swap agreements entered into in April 2012 matured in March 2013, resulting in a realized loss of approximately $9.5 million. Also, in March 2013, we entered into forward starting swap agreements to continue to hedge interest rate exposure related to the term financing expected to be executed in 2013. The weighted-average fixed rate on the forward starting swap agreements was 2.1%.

In May 2013, we terminated the forward starting swap agreements which were entered into in March 2013 to hedge the anticipated execution of term financing. The swap agreements were terminated upon the issuance of the 2.625% Notes due May 1, 2023, resulting in cash payments of $0.2 million in May 2013. Losses on these swap agreements are included in accumulated other comprehensive loss and are being amortized as an increase to interest expense over the term of the Notes.

The fair value of interest rate swap agreements was an asset of $22.7 million as of December 31, 2013. Our risk related to interest rate swap agreements is limited to the cost of replacing such agreements at prevailing market rates. As of December 31, 2013, the potential net loss associated with interest rate swap agreements resulting from a hypothetical near-term adverse change in interest rates of ten percent was approximately $8.0 million.

In March 2009, we entered into forward starting interest rate swap agreements to hedge interest rate exposure related to the anticipated $250 million of term financing expected to be executed during 2011. In September 2011, the forward starting interest rate swap agreements which were entered into in March 2009 matured, resulting in cash payments by the Company of approximately $26.8 million. Also in September 2011, we entered into forward starting swap agreements to continue to hedge interest rate exposure related to the term financing. These swap agreements were terminated upon the issuance of the 1.5% Notes due November 1, 2016, resulting in cash payments by the Company of $2.3 million in November 2011. The losses on these swap agreements are being amortized as an increase to interest expense over the term of the Notes.

For more information see *Note 6, Derivative Instruments and Hedging Activities*.

Foreign Exchange Forward Contracts and Options

We enter into foreign currency forward exchange contracts and options to hedge transactions denominated in foreign currencies. These transactions are primarily purchase commitments or forecasted purchases associated with the construction of a manufacturing facility, equipment, raw materials and finished goods denominated in foreign currencies. We also may hedge payment of forecasted intercompany transactions with our subsidiaries outside of the United States. These contracts reduce currency risk from exchange rate movements. We generally hedge foreign currency price risks for periods from 3 to 24 months.

Foreign exchange forward contracts and options are effective as hedges of identifiable foreign currency commitments or forecasted transactions. We designate our foreign exchange forward contracts as cash flow hedging derivatives. The fair value of these contracts is classified as either an asset or liability on the Consolidated Balance Sheets. We record gains and losses on these contracts as a component of other comprehensive income and reclassify them into earnings in the same period during which the hedged transaction affects earnings.

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

December 31,	2013		2012	
	Contract Amount	Primary Currencies	Contract Amount	Primary Currencies
In millions of dollars				
Foreign exchange forward contracts to purchase foreign currencies	**$ 158.4**	**Malaysian ringgits Swiss francs Euros**	$ 17.1	Euros British pound sterling
Foreign exchange forward contracts to sell foreign currencies	**$ 2.8**	**Japanese yen**	$ 57.8	Canadian dollars

Foreign exchange forward contracts for the purchase of Malaysian ringgits and certain other currencies are associated with the construction of the manufacturing facility in Malaysia.

The fair value of foreign exchange forward contracts is the amount of the difference between the contracted and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign exchange forward 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.

A summary of the fair value and market risk associated with foreign exchange forward contracts is as follows:

December 31,	2013	2012
In millions of dollars		
Fair value of foreign exchange forward contracts, net — asset	**$ 3.2**	$ 1.2
Potential net loss associated with foreign exchange forward contracts resulting from a hypothetical near-term adverse change in market rates of ten percent	**$ 12.9**	$ 7.9

Our risk related to foreign exchange forward contracts is limited to the cost of replacing the contracts at prevailing market rates.

Commodities—Price Risk Management and Futures Contracts

Our most significant raw material requirements include cocoa products, sugar, dairy products, peanuts and almonds. For more information on our major raw material requirements, see Raw Materials on page 5. The cost of cocoa products and prices for related futures contracts and costs for certain other raw materials historically have been subject to wide fluctuations attributable to a variety of factors. These factors include:

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

We use futures and options contracts and other commodity derivative instruments in combination with forward purchasing of cocoa products, sugar, corn sweeteners, natural gas and certain dairy products primarily to reduce the risk of future price increases and provide visibility to future costs. Currently, active futures contracts are not available for use in pricing our other major raw material requirements, primarily peanuts and almonds. We attempt to minimize the effect of future price fluctuations related to the purchase of raw materials by using forward purchasing to cover future manufacturing requirements generally for 3 to 24 months. However, the dairy futures markets are not as developed as many of the other commodities futures markets and, therefore, it is difficult to hedge our costs for dairy products by entering into futures contracts or other derivative instruments to extend coverage for long periods of time. We use diesel swap futures contracts to minimize price fluctuations associated with our transportation costs. Our commodity procurement practices are intended to reduce the risk of future price increases and provide visibility to future costs, but also may potentially limit our ability to benefit from possible price decreases. Our costs for major raw materials will not necessarily reflect market price fluctuations primarily because of our forward purchasing and hedging practices.

During 2013, the average cocoa futures contract prices decreased compared with 2012 and traded in a range between $0.97 and $1.26 per pound, based on the IntercontinentalExchange futures contract. Cocoa production was moderately lower in 2013 and global demand was slightly higher which produced a small deficit in cocoa supplies over the past year. Despite the small reduction in global cocoa inventories, the global stocks to use ratio remains above 40% and is considered normal.

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

	Cocoa Futures Contract Prices (dollars per pound)				
	2013	**2012**	**2011**	**2010**	**2009**
Annual Average	**$ 1.09**	$ 1.07	$ 1.34	$ 1.36	$ 1.28
High	**1.26**	1.17	1.55	1.53	1.52
Low	**0.97**	1.00	0.99	1.26	1.10

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

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

The Food, Conservation and Energy Act of 2008, impacted the prices of sugar, corn, peanuts and dairy products in 2013 because it set price support levels for these commodities.

During 2013, prices for fluid dairy milk ranged from a low of $0.18 to a high of $0.22 per pound, on a class II fluid milk basis. Drought in New Zealand in early 2013 created a global shortfall in dairy production.

The price of sugar is subject to price supports under U.S. farm legislation. Such legislation establishes import quotas and duties to support the price of sugar. As a result, sugar prices paid by users in the U.S. are currently higher than prices on the world sugar market. Ideal weather in the North American sugar-growing regions caused prices to trade lower during 2013. As a result, refined sugar prices have decreased compared to 2012, trading lower in a range from $0.36 to $0.30 per pound.

Peanut prices in the U.S. began the year around $0.46 per pound and increased during the year to $0.55 per pound. Price increases were driven by a reduced crop of 1.95 million tons, down 42% from 2012, which was a record crop year. In addition, the prices were buoyed by the entrance of the Chinese into the U.S. peanut market in the first quarter of 2013. Almond prices began the year at $2.95 per pound and increased to $3.39 per pound during the year driven by a decrease in almond production of approximately 2% versus 2012.

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

Commodity Position Sensitivity Analysis

The following sensitivity analysis reflects our market risk to a hypothetical adverse market price movement of 10%, based on our net commodity positions at four dates spaced equally throughout the year. Our net commodity positions consist of the amount of futures contracts we hold over or under the amount of futures contracts we need to price unpriced physical forward contracts for the same commodities. Inventories, fixed-price forward contracts and anticipated purchases not yet under contract were not included in the sensitivity analysis calculations. We define a loss, for purposes of determining market risk, as the potential decrease in fair value or the opportunity cost resulting from the hypothetical adverse price movement. The fair values of net commodity positions reflect quoted market prices or estimated future prices, including estimated carrying costs corresponding with the future delivery period.

For the years ended December 31,	**2013**		**2012**	
	Fair Value	**Market Risk (Hypothetical 10% Change)**	**Fair Value**	**Market Risk (Hypothetical 10% Change)**
In millions of dollars				
Highest long position	**$ (29.3)**	**$ 2.9**	$ 35.8	$ 3.6
Lowest long position	**(249.4)**	**24.9**	(167.2)	16.7
Average position (long)	**(105.6)**	**10.6**	(44.0)	4.4

Decreases or increases in fair values from 2012 to 2013 primarily reflected changes in net commodity positions. The negative positions primarily resulted as unpriced physical forward contract futures requirements exceeded the amount of commodities futures that we held at certain points in time during the years.

USE OF ESTIMATES AND OTHER CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with GAAP. In various instances, GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe that our most critical accounting policies and estimates relate to the following:

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

Management has discussed the development, selection and disclosure of critical accounting policies and estimates with the Audit Committee of our Board of Directors. While we base estimates and assumptions on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. We discuss our significant accounting policies in *Note 1, Summary of Significant Accounting Policies*.

Accrued Liabilities

Accrued liabilities requiring the most difficult or subjective judgments include liabilities associated with marketing promotion programs and potentially unsaleable products.

Liabilities associated with marketing promotion programs

We recognize the costs of marketing promotion programs as a reduction to net sales along with a corresponding accrued liability based on estimates at the time of revenue recognition.

Information on our promotional costs and assumptions is as follows:

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Promotional costs	**$ 995.7**	$ 949.3	$ 945.9

- We determine the amount of the accrued liability by:
  - Analysis of programs offered;
  - Historical trends;
  - Expectations regarding customer and consumer participation;
  - Sales and payment trends; and
  - Experience with payment patterns associated with similar, previously offered programs.
- The estimated costs of these programs are reasonably likely to change in the future due to changes in trends with regard to customer and consumer participation, particularly for new programs and for programs related to the introduction of new products.
- Reasonably possible near-term changes in the most material assumptions regarding the cost of promotional programs could result in changes within the following range:
  - A reduction in costs of approximately $9.9 million; and
  - An increase in costs of approximately $2.5 million.
- Changes in these assumptions would affect net sales and income before income taxes.
- Over the three-year period ended December 31, 2013, actual promotion costs have not deviated from the estimated amounts by more than approximately 3%.
- Reasonably possible near-term changes in estimates related to the cost of promotional programs would not have a material impact on our liquidity or capital resources.

Liabilities associated with potentially unsaleable products

- At the time of sale, we estimate a cost for the possibility that products will become aged or unsaleable in the future. The estimated cost is included as a reduction to net sales.
- A related accrued liability is determined using statistical analysis that incorporates historical sales trends, seasonal timing and sales patterns, and product movement at retail.
- Estimates for costs associated with unsaleable products may change as a result of inventory levels in the distribution channel, current economic trends, changes in consumer demand, the introduction of new products and changes in trends of seasonal sales in response to promotional programs.
- Over the three-year period ended December 31, 2013, costs associated with aged or unsaleable products have amounted to approximately 2% of gross sales.
- Reasonably possible near-term changes in the most material assumptions regarding the estimates of such costs would have increased or decreased net sales and income before income taxes in a range from $0.5 million to $1.0 million.
- Over the three-year period ended December 31, 2013, actual costs have not deviated from our estimates by more than approximately 4%.
- Reasonably possible near-term changes in the estimates of costs associated with unsaleable products would not have a material impact on our liquidity or capital resources.

Pension and Other Post-Retirement Benefits Plans

Overview

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

We fund domestic pension liabilities in accordance with the limits imposed by ERISA, federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans. We broadly diversify our pension plan assets, consisting primarily of domestic and international common stocks and fixed income securities. Short-term and long-term liabilities associated with benefit plans are primarily determined based on actuarial calculations. These calculations consider payroll and employee data, including age and years of service, along with actuarial assumptions at the date of the financial statements. We take into consideration long-term projections with regard to economic conditions, including interest rates, return on assets and the rate of increase in compensation levels. With regard to liabilities associated with post-retirement benefit plans that provide health care and life insurance, we take into consideration the long-term annual rate of increase in the per capita cost of the covered benefits. We review the discount rate assumptions and revise them annually. The expected long-term rate of return on assets assumption ("asset return assumption") for funded plans is of a longer duration and revised only when long-term asset return projections demonstrate that need.

Pension Plans

Our pension plan costs and related assumptions were as follows:

For the years ended December 31	2013	2012	2011
In millions of dollars			
Service cost and amortization of prior service cost	**$ 31.8**	$ 31.6	$ 31.1
Interest cost, expected return on plan assets and amortization of net loss	**11.2**	16.7	2.8
Administrative expenses	**0.7**	0.5	0.6
Net periodic pension benefit cost	**$ 43.7**	$ 48.8	$ 34.5
Assumptions:			
Average discount rate assumptions—net periodic benefit cost calculation	**3.7 %**	4.5 %	5.2%
Average discount rate assumptions—benefit obligation calculation	**4.5 %**	3.7 %	4.5%
Asset return assumptions	**7.75 %**	8.0 %	8.0%

Net Periodic Pension Benefit Costs

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

The decrease in net periodic pension benefit cost from 2012 to 2013 was primarily due to the lower interest cost in the current year. Our service cost and prior service cost amortization is expected to be approximately $4.8 million lower in 2014. Interest cost, expected return on plan assets and amortization of net loss is expected to decrease in 2014 by $13.8 million due primarily to the 2013 actual return on plan assets, which exceeded the expected long-term return on plan assets assumption, and the higher discount rate. For more information, see *Note 14, Pension and Other Post-Retirement Benefit Plans*.

Actuarial gains and losses may arise when actual experience differs from assumed experience or when we revise the actuarial assumptions used to value the plans' obligations. We only amortize the unrecognized net actuarial gains and losses in excess of 10% of a respective plan's projected benefit obligation, or the fair market value of assets, if greater. The estimated recognized net actuarial loss component of net periodic pension benefit expense for 2014 is $23.0 million. The 2013 recognized net actuarial loss component of net periodic pension benefit expense was $40.4 million. Projections beyond 2013 are dependent on a variety of factors such as changes to the discount rate and the actual return on pension plan assets.

Average Discount Rate Assumption—Net Periodic Benefit Cost

The discount rate represents the estimated rate at which we could effectively settle our pension benefit obligations. In order to estimate this rate for 2011 to 2013, a single effective rate of discount was determined by our actuaries after discounting the pension obligation's cash flows using the spot rate of matching duration from the Towers Watson RATE:Link 40/90 discount curve.

The use of a different discount rate assumption can significantly affect net periodic benefit cost:

- A one-percentage point decrease in the discount rate assumption would have increased 2013 net periodic pension benefit expense by $5.7 million.
- A one-percentage point increase in the discount rate assumption would have decreased 2013 net periodic pension benefit expense by $5.0 million.

Average Discount Rate Assumption—Benefit Obligations

The discount rate assumption to be used in calculating the amount of benefit obligations is determined in the same manner as the average discount rate assumption used to calculate net periodic benefit cost as described above. We increased our 2013 discount rate assumption due to the increasing interest rate environment consistent with the duration of our pension plan liabilities.

The use of a different discount rate assumption can significantly affect the amount of benefit obligations:

- A one-percentage point decrease in the discount rate assumption would have increased the December 31, 2013 pension benefits obligations by $108.2 million.
- A one-percentage point increase in the discount rate assumption would have decreased the December 31, 2013 pension benefits obligations by $92.6 million.

Asset Return Assumptions

For 2014, we reduced the expected return on plan assets assumption to 7.0% from the 7.75% assumption used during 2013, reflecting lower expected future returns on plan assets resulting from a reduction of the pension asset allocation to equity securities. We based the expected return on plan assets component of net periodic pension benefit cost on the fair market value of pension plan assets. To determine the expected return on plan assets, we consider the current asset allocations, as well as historical and expected returns on the categories of plan assets. The historical geometric average return over the 26 years prior to December 31, 2013 was approximately 8.7%. The actual return on assets was as follows:

For the years ended December 31,	2013	2012	2011
Actual return on assets	**16.7%**	13.2%	0.8%

The use of a different asset return assumption can significantly affect net periodic benefit cost:

- A one-percentage point decrease in the asset return assumption would have increased 2013 net periodic pension benefit expense by $9.5 million.
- A one-percentage point increase in the asset return assumption would have decreased 2013 net periodic pension benefit expense by $9.4 million.

Our investment policies specify ranges of allocation percentages for each asset class. The ranges for the domestic pension plans were as follows:

Asset Class	Allocation Range
Equity securities	55% – 75%
Debt securities	25% – 45%
Cash and certain other investments	0% – 5%

As of December 31, 2013, actual allocations were within the specified ranges. We expect the level of volatility in pension plan asset returns to be in line with the overall volatility of the markets and weightings within the asset classes. As of December 31, 2013 and 2012, the benefit plan fixed income assets were invested primarily in conventional instruments benchmarked to the Barclays Capital U.S. Aggregate Bond Index or the U.S. Long Government/Credit Index.

For 2013 and 2012, minimum funding requirements for the plans were not material. However, we made contributions of $32.3 million in 2013 and $21.4 million in 2012, including $25.0 million in 2013 to improve the funded status of our domestic plans in addition to contributions to pay benefits under our non-qualified pension plans in both years. These contributions were fully tax deductible. A one-percentage point change in the funding discount rate would not have changed the 2013 minimum funding requirements significantly for the domestic plans. For 2014, minimum funding requirements for our pension plans are approximately $3.6 million and we expect to make additional contributions of approximately $22.0 million to improve the funded status of our domestic plans.

Post-Retirement Benefit Plans

Other post-retirement benefit plan costs and related assumptions were as follows:

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Net periodic other post-retirement benefit cost	**$ 12.5**	$ 15.1	$ 16.2
Assumptions:			
Average discount rate assumption	**3.7%**	4.5%	5.2%

The use of a different discount rate assumption can significantly affect net periodic other post-retirement benefit cost:

- A one-percentage point decrease in the discount rate assumption would have decreased 2013 net periodic other post-retirement benefit cost by $1.4 million.
- A one-percentage point increase in the discount rate assumption would have increased 2013 net periodic other post-retirement benefit cost by $1.2 million.

For the post-retirement benefit plans, a decrease in the discount rate assumption would result in a decrease in benefit cost because of the lower interest cost which would more than offset the impact of the lower discount rate assumption on the post-retirement benefit obligation.

Other post-retirement benefit obligations and assumptions were as follows:

December 31,	2013	2012
In millions of dollars		
Other post-retirement benefit obligation	**$ 270.9**	$ 318.4
Assumptions:		
Benefit obligations discount rate assumption	**4.5%**	3.7%

- A one-percentage point decrease in the discount rate assumption would have increased the December 31, 2013 other post-retirement benefits obligations by $28.6 million.
- A one-percentage point increase in the discount rate assumption would have decreased the December 31, 2013 other post-retirement benefits obligations by $23.6 million.

Goodwill and Other Intangible Assets

We classify intangible assets into 3 categories: (1) intangible assets with finite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill.

Our intangible assets with finite lives consist primarily of certain trademarks, customer-related intangible assets and patents obtained through business acquisitions. We are amortizing trademarks with finite lives over their estimated useful lives of approximately 25 years. We are amortizing customer-related intangible assets over their estimated useful lives of approximately 15 years. We are amortizing patents over their remaining legal lives of approximately 5 years. We conduct impairment tests when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Undiscounted cash flow analyses are used to determine if an impairment exists. If an impairment is determined to exist, the loss is calculated based on the estimated fair value of the assets.

Our intangible assets with indefinite lives consist of trademarks obtained through business acquisitions. We do not amortize existing trademarks whose useful lives were determined to be indefinite. We conduct impairment tests for other intangible assets with indefinite lives and goodwill at the beginning of the fourth quarter of each year, or when circumstances arise that indicate a possible impairment might exist.

We evaluate our trademarks with indefinite lives for impairment by comparing their carrying amount to their estimated fair value. The fair value of trademarks is calculated using a “relief from royalty payments” methodology. This approach involves a two-step process. In the first step, we estimate reasonable royalty rates for each trademark. In the second step, we apply these royalty rates to a net sales stream and discount the resulting cash flows to determine fair value. This fair value is then compared with the carrying value of each trademark. If the estimated fair value is less than the carrying amount, we record an impairment charge to reduce the asset to its estimated fair value. The estimates of future cash flows are generally based on past performance of the brands and reflect net sales projections and assumptions for the brands that we use in current operating plans. We also consider assumptions that market participants may use. Such assumptions are subject to change due to changing economic and competitive conditions.

We use a two-step process to evaluate goodwill for impairment. In the first step, we compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. We estimate the fair value of the reporting unit based on discounted future cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit’s goodwill by allocating the reporting unit’s fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference.

The assumptions we use to estimate fair value are based on the past performance of each reporting unit and reflect the projections and assumptions that we use in current operating plans. We also adjust the assumptions, if necessary, to estimates that we believe market participants would use. Such assumptions are subject to change due to changing economic and competitive conditions.

Based on our annual impairment evaluations, we determined that no goodwill or other intangible assets were impaired as of December 31, 2013 and December 31, 2012. The assumptions used to estimate fair value were based on the past performance of the reporting unit as well as the projections incorporated in our current operating plans. Significant assumptions and estimates included in our current operating plans were associated with sales growth, profitability, and related cash flows, along with cash flows associated with taxes and capital spending. The discount rate used to estimate fair value was risk adjusted in consideration of the economic conditions of the reporting unit. We also considered assumptions that market participants may use. By their nature, these projections and assumptions are uncertain. Potential events and circumstances that could have an adverse effect on our assumptions include the unavailability of raw or packaging materials or significant cost increases, pricing constraints and possible disruptions to our supply chain.

Commodities Futures and Options Contracts

We use futures and options contracts and other commodity derivative instruments in combination with forward purchasing of cocoa products and other commodities primarily to reduce the effect of future price increases and provide visibility to future costs. Additional information with regard to accounting policies associated with commodities futures and options contracts and other derivative instruments is contained in *Note 6, Derivative Instruments and Hedging Activities*.

Our gains (losses) on cash flow hedging derivatives were as follows:

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Net after-tax gains (losses) on cash flow hedging derivatives	**$ 72.3**	$ (0.9)	$ (107.7)
Reclassification adjustments from accumulated other comprehensive loss to income	**5.8**	60.0	(12.5)
Hedge ineffectiveness gains (losses) recognized in income, before tax	**3.2**	0.7	(2.0)

l We reflected reclassification adjustments related to gains or losses on commodities futures and options contracts and other commodity derivative instruments in cost of sales.

l No gains or losses on commodities futures and options contracts resulted because we discontinued a hedge due to the probability that the forecasted hedged transaction would not occur.

l We recognized no components of gains or losses on commodities futures and options contracts in income due to excluding such components from the hedge effectiveness assessment.

The amount of net gains on cash flow hedging derivatives, including interest rate swap agreements, foreign exchange forward 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 $22.5 million after tax as of December 31, 2013. This amount was primarily associated with commodities futures contracts.

Income Taxes

We base our deferred income taxes, accrued income taxes and provision for income taxes upon income, statutory tax rates, the legal structure of our Company and interpretation of tax laws. We are regularly audited by federal, state and foreign tax authorities. From time to time, these audits result in assessments of additional tax. We maintain reserves for such assessments. We adjust the reserves based upon changing facts and circumstances, such as receiving audit assessments or clearing of an item for which a reserve has been established. Assessments of additional tax require cash payments.

We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly, we recognize the amount of tax benefit that has a greater than 50% likelihood of being ultimately realized upon settlement. We believe it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. Valuation allowances are recorded for deferred income taxes when it is more likely than not that a tax benefit will not be realized. Valuation allowances are primarily associated with temporary differences related to advertising and promotions, and tax loss carryforwards from operations in various foreign tax jurisdictions. Future changes in judgment and estimates related to the expected ultimate resolution of uncertain tax positions will affect income in the quarter of such change.

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

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state), Canada and Mexico. U.S., Canadian and Mexican federal audit issues typically involve the timing of deductions and transfer pricing adjustments. During the first quarter of 2013, the U.S. Internal Revenue Service (“IRS”) commenced its audit of our U.S. income tax returns for 2009 through 2011, and we expect the audit to conclude in 2014. Tax examinations by various state taxing authorities could be conducted for years beginning in 2010. We are no longer subject to Canadian federal income tax examinations by the Canada Revenue Agency (“CRA”) for years before 2007. During the third quarter of 2013, the CRA notified us that it will be conducting an audit of our Canadian income tax returns for 2010 through 2012, and we expect the audit to commence in the first quarter of 2014. During the fourth quarter of 2013, the CRA concluded its audit for 2007 through 2009 and issued a letter to us indicating proposed adjustments primarily associated with business realignment charges and transfer pricing. As of December 31, 2013, we recorded accrued income taxes of approximately $70.6 million related to the proposed adjustments. We provided notice to the U.S. Competent Authority and the CRA provided notice to the Canada Competent Authority of the likely need for their assistance to resolve the proposed adjustments. Accordingly, as of December 31, 2013, we recorded a non-current receivable of approximately $63.9 million associated with the anticipated resolution of the proposed adjustments by the Competent Authority of each country. We are no longer subject to Mexican federal income tax examinations by the Servicio de Administracion Tributaria (“SAT”) for years before 2008. We work with the IRS, the CRA, and the SAT to resolve proposed audit adjustments and to minimize the amount of adjustments. We do not anticipate that any potential tax adjustments will have a significant impact on our financial position or results of operations.

We reasonably expect reductions in the liability for unrecognized tax benefits of approximately $81.2 million within the next 12 months due to proposed adjustments and settlements associated with tax audits and the expiration of statutes of limitations.

OUTLOOK

The outlook section contains a number of forward-looking statements, all of which are based on current expectations. Because actual results may differ materially from those contained in the forward-looking statements, investors should not place undue reliance on forward-looking statements, and 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 report. Refer to Risk Factors beginning on page 9 for information concerning the key risks to achieving our future performance goals.

Our results for 2013 were strong, with solid financial and marketplace results. We have a solid position in the marketplace and we are responding to retail customer needs to drive overall category growth.

We have consumer-driven initiatives planned for 2014 that we believe will continue to drive net sales growth across our businesses. We expect net sales growth of 5% to 7%, including the impact of foreign currency exchange rates. Net sales increases are expected to be driven by core brand volume growth and innovation in the U.S. and international markets, complemented by in-store merchandising, programming and advertising. Net sales gains from innovation include the introduction of *Hershey's* Spreads, *Lancaster* Soft Crèmes Caramels and *York* Minis, in addition to the introduction of a *Brookside* instant consumable pack-type, *Brookside* Crunchy Clusters, *Hershey's Kisses* Deluxe in China and the continued rollout of our five global brands in key international markets. We expect innovation to contribute meaningfully to our net sales growth in 2014. Our international business is on track, and we expect net sales outside the U.S. and Canada to increase toward the top end of our 15% to 20% target, on a percentage basis versus 2013.

We have good visibility into our cost structure, except for costs of dairy products which cannot be effectively hedged. We expect gross margin to increase in 2014, driven by productivity and cost savings initiatives, along with a favorable sales mix. We do not expect input cost deflation in 2014. Therefore, we expect 2014 gross margin on a reported basis to increase about 60 basis points, with expansion of adjusted gross margin expected to be around 50 basis points. As a result, we anticipate that earnings per share-diluted in accordance with GAAP will increase 11% to 14% in 2014 compared with 2013. Growth in adjusted earnings per share-diluted is expected to be in the 9% to 11% range, as reflected in the reconciliation of reported to adjusted earnings per share-diluted projections provided below.

Advertising and related consumer marketing is expected to increase mid to high single-digits, on a percentage basis versus last year. Selling, marketing and administrative expenses, excluding advertising and related consumer marketing, are expected to increase at a more modest rate in 2014 as we build on the investments in go-to-market capabilities established over the last few years, as well as consumer knowledge-based projects related to our Insights Driven Performance initiatives.

NOTE: In the Outlook above, we have provided income measures excluding certain items, in addition to net income determined in accordance with GAAP. These non-GAAP financial measures are used in evaluating results of operations for internal purposes. These non-GAAP measures are not intended to replace the presentation of financial results in accordance with GAAP. Rather, the Company believes exclusion of such items provides additional information to investors to facilitate the comparison of past and present operations.

In 2013, the Company recorded GAAP charges of $19.0 million, or $0.05 per share-diluted, attributable to the Next Century program. Non-service related pension expense of $10.9 million, or $0.03 per share-diluted, was recorded in 2013. In 2013, the Company recorded pre-tax acquisition costs of $4.1 million, or $0.03 per share-diluted, primarily related to the agreement to acquire all of the outstanding shares of SGM.

In 2014, the Company expects to record GAAP charges of about $7.0 million to $9.0 million, or $0.02 to $0.03 per share-diluted. Charges associated with the Next Century program are expected to be $0.01 to $0.02 per share-diluted. Acquisition closing, integration and transaction charges related to SGM are expected to be $0.02 to $0.03 per share-diluted. Non-service related pension income is expected to be approximately $0.01 to $0.02 per share-diluted, in 2014.

Below is a reconciliation of 2012 and 2013 and projected 2014 earnings per share-diluted in accordance with GAAP to non-GAAP 2012 and 2013 adjusted earnings per share-diluted and projected adjusted earnings per share-diluted for 2014:

	2012	**2013**	**2014 (Projected)**
Reported EPS-Diluted	$2.89	$3.61	$4.02 - $4.11
Acquisition closing, integration and transaction charges	0.04	0.03	0.02 - 0.03
Total Business Realignment and Impairment Charges	0.25	0.05	0.01 - 0.02
Non-service related pension expense (income)	0.06	0.03	(0.01) - (0.02)
Adjusted EPS-Diluted	$3.24	$3.72	$4.05 - $4.13

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

Required information about market risk is included in the section entitled “Accounting Policies and Market Risks Associated with Derivative Instruments,” found on pages 36 through 41.

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
Responsibility for Financial Statements	51
Report of Independent Registered Public Accounting Firm	52
Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011	53
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	54
Consolidated Balance Sheets as of December 31, 2013 and 2012	55
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	56
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012 and 2011	57
Notes to Consolidated Financial Statements	58

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The 2013, 2012 and 2011 financial statements have been audited by KPMG LLP, an independent registered public accounting firm. KPMG LLP's report on our financial statements is included on page 52.

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

John P. Bilbrey
Chief Executive Officer

David W. Tacka
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
The Hershey Company:

We have audited the accompanying consolidated balance sheets of The Hershey Company and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2013. In connection with our audits of the consolidated financial statements, we also have audited the related consolidated financial statement schedule. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework* (*1992 edition*) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hershey Company and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Also in our opinion, The Hershey Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework* (*1992 edition*) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG LLP

New York, New York
February 21, 2014

THE HERSHEY COMPANY

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31,	2013	2012	2011
In thousands of dollars except per share amounts			
Net Sales	**$ 7,146,079**	$ 6,644,252	$ 6,080,788
Costs and Expenses:			
Cost of sales	**3,865,231**	3,784,370	3,548,896
Selling, marketing and administrative	**1,922,508**	1,703,796	1,477,750
Business realignment and impairment charges (credits), net	**18,665**	44,938	(886)
Total costs and expenses	**5,806,404**	5,533,104	5,025,760
Income before Interest and Income Taxes	**1,339,675**	1,111,148	1,055,028
Interest expense, net	**88,356**	95,569	92,183
Income before Income Taxes	**1,251,319**	1,015,579	962,845
Provision for income taxes	**430,849**	354,648	333,883
Net Income	**$ 820,470**	$ 660,931	$ 628,962
Net Income Per Share—Basic—Class B Common Stock	**$ 3.39**	$ 2.73	$ 2.58
Net Income Per Share—Diluted—Class B Common Stock	**$ 3.37**	$ 2.71	$ 2.56
Net Income Per Share—Basic—Common Stock	**$ 3.76**	$ 3.01	$ 2.85
Net Income Per Share—Diluted—Common Stock	**$ 3.61**	$ 2.89	$ 2.74
Cash Dividends Paid Per Share:			
Common Stock	**$ 1.81**	$ 1.560	$ 1.38
Class B Common Stock	**1.63**	1.412	1.25

The notes to consolidated financial statements are an integral part of these statements.

THE HERSHEY COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Net Income	**$ 820,470**	$ 660,931	$ 628,962
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	**(26,003)**	7,714	(21,213)
Pension and post-retirement benefit plans	**166,403**	(9,634)	(85,823)
Cash flow hedges:			
Gains (losses) on cash flow hedging derivatives	**72,334**	(868)	(107,713)
Reclassification adjustments	**5,775**	60,043	(12,515)
Total other comprehensive income (loss), net of tax	**218,509**	57,255	(227,264)
Comprehensive income	**$ 1,038,979**	$ 718,186	$ 401,698

The accompanying notes are an integral part of these consolidated financial statements.

THE HERSHEY COMPANY
CONSOLIDATED BALANCE SHEETS

December 31,	2013	2012
In thousands of dollars		
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 1,118,508**	$ 728,272
Accounts receivable—trade, net	**477,912**	461,383
Inventories	**659,541**	633,262
Deferred income taxes	**52,511**	122,224
Prepaid expenses and other	**178,862**	168,344
Total current assets	**2,487,334**	2,113,485
Property, Plant and Equipment, Net	**1,805,345**	1,674,071
Goodwill	**576,561**	588,003
Other Intangibles	**195,244**	214,713
Deferred Income Taxes	**—**	12,448
Other Assets	**293,004**	152,119
Total assets	**$ 5,357,488**	$ 4,754,839
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 461,514**	$ 441,977
Accrued liabilities	**699,722**	650,906
Accrued income taxes	**79,911**	2,329
Short-term debt	**165,961**	118,164
Current portion of long-term debt	**914**	257,734
Total current liabilities	**1,408,022**	1,471,110
Long-term Debt	**1,795,142**	1,530,967
Other Long-term Liabilities	**434,068**	668,732
Deferred Income Taxes	**104,204**	35,657
Total liabilities	**3,741,436**	3,706,466
Stockholders' Equity:		
The Hershey Company Stockholders' Equity		
Preferred Stock, shares issued: none in 2013 and 2012	**—**	—
Common Stock, shares issued: 299,281,527 in 2013 and 299,272,927 in 2012	**299,281**	299,272
Class B Common Stock, shares issued: 60,620,217 in 2013 and 60,628,817 in 2012	**60,620**	60,629
Additional paid-in capital	**664,944**	592,975
Retained earnings	**5,454,286**	5,027,617
Treasury—Common Stock shares, at cost: 136,007,023 in 2013 and 136,115,714 in 2012	**(4,707,730)**	(4,558,668)
Accumulated other comprehensive loss	**(166,567)**	(385,076)
The Hershey Company stockholders' equity	**1,604,834**	1,036,749
Noncontrolling interests in subsidiaries	**11,218**	11,624
Total stockholders' equity	**1,616,052**	1,048,373
Total liabilities and stockholders' equity	**$ 5,357,488**	$ 4,754,839

The notes to consolidated financial statements are an integral part of these balance sheets.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Cash Flows Provided from (Used by) Operating Activities			
Net income	**$ 820,470**	$ 660,931	$ 628,962
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	**201,033**	210,037	215,763
Stock-based compensation expense	**53,967**	50,482	43,468
Excess tax benefits from stock-based compensation	**(48,396)**	(33,876)	(13,997)
Deferred income taxes	**7,457**	13,785	33,611
Gain on sale of trademark licensing rights, net of tax of $5,962	**—**	—	(11,072)
Non-cash business realignment and impairment charges	**—**	38,144	34,660
Contributions to pension and other benefits plans	**(57,213)**	(44,208)	(31,671)
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable—trade, net	**(16,529)**	(50,470)	(9,438)
Inventories	**(26,279)**	26,598	(115,331)
Accounts payable	**13,417**	21,739	7,860
Other assets and liabilities	**240,478**	201,665	(194,948)
Net Cash Provided from Operating Activities	**1,188,405**	1,094,827	587,867
Cash Flows Provided from (Used by) Investing Activities			
Capital additions	**(323,551)**	(258,727)	(323,961)
Capitalized software additions	**(27,360)**	(19,239)	(23,606)
Proceeds from sales of property, plant and equipment	**15,331**	453	312
Proceeds from sale of trademark licensing rights	**—**	—	20,000
Loan to affiliate	**(16,000)**	(23,000)	(7,000)
Business acquisitions	**—**	(172,856)	(5,750)
Net Cash (Used by) Investing Activities	**(351,580)**	(473,369)	(340,005)
Cash Flows Provided from (Used by) Financing Activities			
Net increase in short-term debt	**54,351**	77,698	10,834
Long-term borrowings	**250,595**	4,025	249,126
Repayment of long-term debt	**(250,761)**	(99,381)	(256,189)
Proceeds from lease financing agreement	**—**	—	47,601
Cash dividends paid	**(393,801)**	(341,206)	(304,083)
Exercise of stock options	**147,255**	261,597	184,411
Excess tax benefits from stock-based compensation	**48,396**	33,876	13,997
Payments to noncontrolling interests	**—**	(15,791)	—
Contributions from noncontrolling interests	**2,940**	2,940	—
Repurchase of Common Stock	**(305,564)**	(510,630)	(384,515)
Net Cash (Used by) Financing Activities	**(446,589)**	(586,872)	(438,818)
Increase (Decrease) in Cash and Cash Equivalents	**390,236**	34,586	(190,956)
Cash and Cash Equivalents as of January 1	**728,272**	693,686	884,642
Cash and Cash Equivalents as of December 31	**$ 1,118,508**	$ 728,272	$ 693,686
Interest Paid	**$ 92,551**	$ 100,269	$ 97,892
Income Taxes Paid	**373,902**	327,230	292,315

The notes to consolidated financial statements are an integral part of these statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

In thousands of dollars	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance as of January 1, 2011	$ —	$ 299,195	$ 60,706	$ 434,865	$ 4,383,013	$ (4,052,101)	$ (215,067)	$ 35,285	$ 945,896
Net income					628,962				628,962
Other comprehensive loss							(227,264)		(227,264)
Dividends:									
Common Stock, $1.38 per share					(228,269)				(228,269)
Class B Common Stock, $1.25 per share					(75,814)				(75,814)
Conversion of Class B Common Stock into Common Stock		74	(74)						—
Incentive plan transactions				(15,844)		14,306			(1,538)
Stock-based compensation				40,439					40,439
Exercise of stock options				31,357		163,348			194,705
Repurchase of Common Stock						(384,515)			(384,515)
Noncontrolling interests in subsidiaries								(11,659)	(11,659)
Balance as of December 31, 2011	—	299,269	60,632	490,817	4,707,892	(4,258,962)	(442,331)	23,626	880,943
Net income					660,931				660,931
Other comprehensive income							57,255		57,255
Dividends:									
Common Stock, $1.56 per share					(255,596)				(255,596)
Class B Common Stock, $1.412 per share					(85,610)				(85,610)
Conversion of Class B Common Stock into Common Stock		3	(3)						—
Incentive plan transactions				(24,230)		12,379			(11,851)
Stock-based compensation				49,175					49,175
Exercise of stock options				88,258		198,545			286,803
Repurchase of Common Stock						(510,630)			(510,630)
Purchase of noncontrolling interest in subsidiary				(11,045)				(4,746)	(15,791)
Noncontrolling interests in subsidiaries								(7,256)	(7,256)
Balance as of December 31, 2012	—	299,272	60,629	592,975	5,027,617	(4,558,668)	(385,076)	11,624	1,048,373
Net income					820,470				820,470
Other comprehensive income							218,509		218,509
Dividends:									
Common Stock, $1.81 per share					(294,979)				(294,979)
Class B Common Stock, $1.63 per share					(98,822)				(98,822)
Conversion of Class B Common Stock into Common Stock		9	(9)						—
Incentive plan transactions				(29,333)		21,268			(8,065)
Stock-based compensation				52,465					52,465
Exercise of stock options				48,837		135,234			184,071
Repurchase of Common Stock						(305,564)			(305,564)
Noncontrolling interests in subsidiaries								(406)	(406)
Balance as of December 31, 2013	$ —	$ 299,281	$ 60,620	$ 664,944	$ 5,454,286	$ (4,707,730)	$ (166,567)	$ 11,218	$ 1,616,052

The notes to consolidated financial statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are discussed below and in other notes to the consolidated financial statements.

Principles of Consolidation

Our consolidated financial statements include the accounts of the Company 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 minority shareholders do not have substantive participating rights, we have significant control over an entity through contractual or economic interests in which we are the primary beneficiary or we have the power to direct the activities that most significantly impact the entity's economic performance. For information on our noncontrolling interests see *Note 4, Noncontrolling Interests in Subsidiaries*.

Equity Investments

We use the equity method of accounting when we have a 20% to 50% interest in other companies and exercise significant influence. Under the equity method, original investments are recorded at cost and adjusted by our share of undistributed earnings or losses of these companies. Total equity investments were $39.9 million as of December 31, 2013, and $39.2 million as of December 31, 2012. Equity investments are included in other assets in the Consolidated Balance Sheets. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. In May 2007, we entered into a manufacturing agreement in China with Lotte Confectionery Company, LTD. to produce Hershey products and certain Lotte products for the markets in Asia, particularly China. We own a 44% interest in this entity. We made loans to this affiliate of the Company of $16.0 million in 2013, $23.0 million in 2012 and $7.0 million in 2011 to finance the expansion of manufacturing capacity.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Critical accounting estimates involved in applying our accounting policies are those that require management to make assumptions about matters that are highly uncertain at the time the accounting estimate was made and those for which different estimates reasonably could have been used for the current period. Critical accounting estimates are also those which are reasonably likely to change from period to period and would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Our most critical accounting estimates pertain to accounting policies for accrued liabilities, pension and other post-retirement benefit plans, goodwill and other intangible assets, commodities futures and options contracts, and income taxes.

These estimates and assumptions are based on management’s best judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. Volatile credit, equity, foreign currency, commodity and energy markets, and changing macroeconomic conditions have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Revenue Recognition

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

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

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

Cost of Sales

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

Selling, Marketing and Administrative

Selling, marketing and administrative expenses represent costs incurred in generating revenues and in managing our business. Such costs include advertising and other marketing expenses, salaries, employee benefits, incentive compensation, research and development, travel, office expenses, amortization of capitalized software and depreciation of administrative facilities.

Cash Equivalents

Cash equivalents consist of highly liquid debt instruments, time deposits and money market funds with original maturities of 3 months or less. The fair value of cash and cash equivalents approximates the carrying amount.

Commodities Futures and Options Contracts

We enter into commodities futures and options contracts and other commodity derivative instruments to reduce the effect of price fluctuations associated with the purchase of raw materials, energy requirements and transportation services. We report the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument as a component of other comprehensive income and reclassify such gains or losses into earnings in the same period or periods during which the hedged transactions affect earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings.

For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment (referred to as a fair value hedge), the gain or loss must be recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value.

All derivative instruments which we are currently utilizing are designated and accounted for as cash flow hedges, except for out of the money options contracts on certain commodities. These include commodities futures and options contracts and other commodity derivative instruments. Additional information with regard to accounting policies associated with derivative instruments is contained in *Note 6, Derivative Instruments and Hedging Activities.*

Property, Plant and Equipment

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

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

Asset Retirement Obligations

Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction or development and normal operation of a long-lived asset. We assess asset retirement obligations on a periodic basis. We recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. We capitalize associated asset retirement costs as part of the carrying amount of the long-lived asset.

Goodwill and Other Intangible Assets

We classify intangible assets into 3 categories: (1) intangible assets with finite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill.

Our intangible assets with finite lives consist primarily of certain trademarks, customer-related intangible assets and patents obtained through business acquisitions. We are amortizing trademarks with finite lives over their estimated useful lives of approximately 25 years. We are amortizing customer-related intangible assets over their estimated useful lives of approximately 15 years. We are amortizing patents over their remaining legal lives of approximately 5 years. We conduct impairment tests when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Undiscounted cash flow analyses are used to determine if an impairment exists. If an impairment is determined to exist, the loss is calculated based on the estimated fair value of the assets.

Our intangible assets with indefinite lives consist of trademarks obtained through business acquisitions. We do not amortize existing trademarks whose useful lives were determined to be indefinite. We conduct impairment tests for other intangible assets with indefinite lives and goodwill at the beginning of the fourth quarter of each year, or when circumstances arise that indicate a possible impairment might exist.

We evaluate our trademarks with indefinite lives for impairment by comparing their carrying amount to their estimated fair value. The fair value of trademarks is calculated using a "relief from royalty payments" methodology. This approach involves a two-step process. In the first step, we estimate reasonable royalty rates for each trademark. In the second step, we apply these royalty rates to a net sales stream and discount the resulting cash flows to determine fair value. This fair value is then compared with the carrying value of each trademark. If the estimated fair value is less than the carrying amount, we record an impairment charge to reduce the asset to its estimated fair value. The estimates of future cash flows are generally based on past performance of the brands and reflect net sales projections and assumptions for the brands that we use in current operating plans. We also consider assumptions that market participants may use. Such assumptions are subject to change due to changing economic and competitive conditions.

We use a two-step process to evaluate goodwill for impairment. In the first step, we compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. We estimate the fair value of the reporting unit based on discounted future cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference.

The assumptions we use to estimate fair value are based on the past performance of each reporting unit and reflect the projections and assumptions that we use in current operating plans. We also adjust the assumptions, if necessary, to estimates that we believe market participants would use. Such assumptions are subject to change due to changing economic and competitive conditions.

We provide more information on intangible assets in *Note 18, Supplemental Balance Sheet Information.*

Comprehensive Income

We report comprehensive income (loss) on the Consolidated Statements of Comprehensive Income and accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. Additional information regarding comprehensive income is contained in *Note 9, Comprehensive Income*.

We translate results of operations for foreign entities using the average exchange rates during the period. For foreign entities, assets and liabilities are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Resulting translation adjustments are recorded as a component of other comprehensive income (loss), “Foreign Currency Translation Adjustments.”

Changes to the balances of the unrecognized prior service cost and the unrecognized net actuarial loss, net of income taxes, associated with our pension and post-retirement benefit plans are recorded as a component of other comprehensive income (loss), “Pension and Post-retirement Benefit Plans.” Additional information regarding accounting policies associated with benefit plans is contained in *Note 14, Pension and Other Post-Retirement Benefit Plans*.

Gains and losses on cash flow hedging derivatives, to the extent effective, are included in other comprehensive income (loss), net of related tax effects. Reclassification adjustments reflecting such gains and losses are recorded in income in the same period during which the hedged transactions affect earnings. Additional information with regard to accounting policies associated with derivative instruments is contained in *Note 6, Derivative Instruments and Hedging Activities*.

Interest Rate Swaps

In order to manage interest rate exposure, from time to time, we enter into interest rate swap agreements. Interest rate swap agreements are designated as cash flow hedging derivatives and the fair value of such agreements is recorded on the Consolidated Balance Sheets as either an asset or a liability. Additional information with regard to accounting policies associated with derivative instruments is contained in *Note 6, Derivative Instruments and Hedging Activities*.

Foreign Exchange Forward Contracts and Options

We enter into foreign exchange forward contracts and options to hedge transactions denominated in foreign currencies. These transactions are primarily related to firm commitments or forecasted purchases associated with the construction of a manufacturing facility, equipment, certain raw materials and finished goods. We also hedge payment of forecasted intercompany transactions with our subsidiaries outside of the United States. These contracts reduce currency risk from exchange rate movements.

Foreign exchange forward contracts and options are designated as cash flow hedging derivatives and the fair value of such contracts is recorded on the Consolidated Balance Sheets as either an asset or a liability. Additional information with regard to accounting policies for derivative instruments, including foreign exchange forward contracts and options, is contained in *Note 6, Derivative Instruments and Hedging Activities*.

License Agreements

We own various registered and unregistered trademarks and service marks, and have rights under licenses to use various trademarks that are of material importance to our business. We also grant trademark licenses to third parties to produce and sell pantry items, flavored milks and various other products primarily under the *HERSHEY'S* and *REESE'S* brand names.

Research and Development

We expense research and development costs as incurred. Research and development expense was $47.6 million in 2013, $39.0 million in 2012 and $33.2 million in 2011. The increase in research and development expenses in 2013 was primarily related to the Asia Innovation Center which opened in May 2013. Research and development expense is included in selling, marketing and administrative expenses.

Advertising

We expense advertising costs as incurred. Advertising expense, which is included in selling, marketing and administrative expenses, was $582.4 million in 2013, $480.0 million in 2012 and $414.2 million in 2011. Prepaid advertising expense as of December 31, 2013 was $8.4 million and as of December 31, 2012 was $9.5 million.

Computer Software

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

The unamortized amount of capitalized software was $56.5 million as of December 31, 2013 and was $50.5 million as of December 31, 2012. We amortize software costs using the straight-line method over the expected life of the software, generally 3 to 5 years. Accumulated amortization of capitalized software was $277.9 million as of December 31, 2013 and $256.1 million as of December 31, 2012.

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

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

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2013-11–Income Taxes (Topic 740): *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (a consensus of the FASB Emerging Issues Task Force) ("ASU No. 2013-11"). ASU No. 2013-11 provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU No. 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU No. 2013-11 will not have a significant impact on our consolidated financial statements.

2. BUSINESS ACQUISITIONS

Acquisitions of businesses are accounted for as purchases and, accordingly, their results of operations 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.

In December 2013, we entered into an agreement to acquire all of the outstanding shares of Shanghai Golden Monkey Food Joint Stock Co., Ltd. ("SGM"), a privately held confectionery company based in Shanghai, China. SGM manufactures, markets and distributes *Golden Monkey* branded products, including candy, chocolates, protein-based products and snack foods, in China. The purchase price of approximately $584 million will be paid in cash of approximately $498 million and the assumption of approximately $86 million of net debt. Eighty percent of the outstanding shares of SGM will be acquired in mid-2014, with the remaining twenty percent of the shares to be acquired one year from that date. The transaction is subject to government and regulatory approvals and customary closing conditions.

In January 2012, we acquired all of the outstanding stock of Brookside Foods Ltd. ("Brookside"), a privately held confectionery company based in Abbottsford, British Columbia, Canada. As part of this transaction, we acquired two production facilities located in British Columbia and Quebec. The Brookside product line is primarily sold in the U.S. and Canada in a take-home re-sealable pack type.

Our financial statements reflect the final accounting for the Brookside acquisition. The purchase price for the acquisition was approximately $172.9 million. The purchase price allocation of the Brookside acquisition is as follows:

In thousands of dollars	Purchase Price Allocation	Estimated Useful Life in Years
Goodwill	$ 67,974	Indefinite
Trademarks	60,253	25
Other intangibles(1)	51,057	6 to 17
Other assets, net of liabilities assumed of $18.7 million	21,673	
Non-current deferred tax liabilities	(28,101)	
Purchase price	$ 172,856	

(1) Includes customer relationships, patents and covenants not to compete.

The excess purchase price over the estimated value of the net tangible and identifiable intangible assets was recorded to goodwill. The goodwill is not expected to be deductible for tax purposes.

We included results of the Brookside business subsequent to the acquisition date in the consolidated financial statements. If we had included the results of the business in the consolidated financial statements for each of the periods presented, the effect would not have been material.

3. BUSINESS REALIGNMENT AND IMPAIRMENT CHARGES

In June 2010, we announced Project Next Century (the "Next Century program") as part of our ongoing efforts to create an advantaged supply chain and competitive cost structure. As part of the program, production was transitioned from the Company's century-old facility at 19 East Chocolate Avenue in Hershey, Pennsylvania, to an expanded West Hershey facility, which was built in 1992. Production from the 19 East Chocolate Avenue plant, as well as a portion of the workforce, was fully transitioned to the West Hershey facility during 2012.

We estimate that the Next Century program will incur pre-tax charges and non-recurring project implementation costs of $190 million to $200 million. As of December 31, 2013, total costs of $190.4 million have been recorded over the last four years for the Next Century program. Total costs of $16.8 million were recorded during 2013. Total costs of $76.3 million were recorded in 2012, costs of $43.4 million were recorded in 2011 and total costs of $53.9 million were recorded in 2010.

During 2009, we completed our comprehensive, three-year supply chain transformation program (the "global supply chain transformation program").

In December 2012, the Company recorded non-cash asset impairment charges of approximately $7.5 million, primarily associated with the write off of goodwill and other intangible assets of Tri-US, Inc., a subsidiary in which we held a controlling interest.

Charges (credits) associated with business realignment initiatives and impairment recorded during 2013, 2012 and 2011 were as follows:

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Cost of sales			
Next Century program	**$ 402**	$ 36,383	$ 39,280
Global supply chain transformation program	**—**	—	5,816
Total cost of sales	**402**	36,383	45,096
Selling, marketing and administrative - Next Century program	**18**	2,446	4,961
Business realignment and impairment charges, net			
Next Century program:			
Pension settlement loss	**—**	15,787	—
Plant closure expenses	**16,387**	20,780	8,620
Employee separation costs (credits)	**—**	914	(9,506)
India voluntary retirement program	**2,278**	—	—
Tri-US, Inc. asset impairment charges	**—**	7,457	—
Total business realignment and impairment charges (credits), net	**18,665**	44,938	(886)
Total net charges associated with business realignment initiatives and impairment	**$ 19,085**	$ 83,767	$ 49,171

Next Century Program

Plant closure expenses of $16.4 million were recorded during 2013, primarily related to costs associated with the demolition of a former manufacturing facility.

The charge of $36.4 million recorded in cost of sales during 2012 related primarily to start-up costs and accelerated depreciation of fixed assets over a reduced estimated remaining useful life associated with the Next Century program. A charge of $2.4 million was recorded in selling, marketing and administrative expenses during 2012 for project administration related to the Next Century program. The level of lump sum withdrawals during 2012 from one of the Company's pension plans by employees retiring or leaving the Company, primarily under the Next Century program, resulted in a non-cash pension settlement loss of $15.8 million. Expenses of $20.8 million were recorded in 2012 primarily related to costs associated with the closure of a manufacturing facility and the relocation of production lines.

The charge of $39.3 million recorded in cost of sales during 2011 related primarily to accelerated depreciation of fixed assets over a reduced estimated remaining useful life associated with the Next Century program. A charge of $5.0 million was recorded in selling, marketing and administrative expenses during 2011 for project administration related to the Next Century program. Plant closure expenses of $8.6 million were recorded in 2011 primarily related to costs associated with the relocation of production lines. Employee separation costs were reduced by $9.5 million during 2011, which consisted of an $11.2 million credit reflecting lower expected costs related to voluntary and involuntary terminations at the two manufacturing facilities and a net benefits curtailment loss of $1.7 million also related to the employee terminations.

Global Supply Chain Transformation Program

The charge of $5.8 million recorded in 2011 was due to a decline in the estimated net realizable value of two properties being held for sale.

Tri-US, Inc. Impairment Charges

In February 2011, we acquired a 49% interest in Tri-US, Inc. of Boulder, Colorado, a company that manufactured, marketed and sold nutritional beverages under the "*mix1*" brand name. We invested $5.8 million and accounted for this investment using the equity method until January 2012. In January 2012, we made an additional investment of $6.0 million in Tri-US, Inc., resulting in a controlling ownership interest of approximately 69%. In December 2012, the board of directors of Tri-US, Inc. decided to immediately cease operations and dissolve the company as a result of operational difficulties, quality issues and competitive constraints. It was determined that investments necessary to continue the business would not generate a sufficient return. Accordingly, in December 2012, the Company recorded non-cash asset impairment charges of approximately $7.5 million, primarily associated with the write off of goodwill and other intangible assets. These charges excluded the portion of the losses attributable to the noncontrolling interests.

Liabilities Associated with Business Realignment Initiatives

As of December 31, 2013, there was no remaining liability balance relating to the Next Century program. We made payments against the liabilities recorded for the Next Century program of $7.6 million in 2013 and $12.8 million in 2012 related to employee separation and project administration costs.

4. NONCONTROLLING INTERESTS IN SUBSIDIARIES

In May 2007, we entered into an agreement with Godrej Beverages and Foods, Ltd., a consumer goods, confectionery and food company, to manufacture and distribute confectionery products, snacks and beverages across India. Under the agreement, we owned a 51% controlling interest in Godrej Hershey Ltd. The noncontrolling interests in Godrej Hershey Ltd. were included in the equity section of the Consolidated Balance Sheets. In September 2012, we acquired the remaining 49% interest in Godrej Hershey Ltd. for approximately $15.8 million. Since the Company had a controlling interest in Godrej Hershey Ltd., the difference between the amount paid and the carrying amount of the noncontrolling interest of $10.3 million was recorded as a reduction to additional paid-in capital and the noncontrolling interest in Godrej Hershey Ltd. was eliminated as of September 30, 2012.

We own a 51% controlling interest in Hershey do Brasil under a cooperative agreement with Pandurata Netherlands B.V. ("Bauducco"), a leading manufacturer of baked goods in Brazil whose primary brand is Bauducco. In both 2013 and 2012, the Company contributed cash of approximately $3.1 million to Hershey do Brasil and Bauducco contributed approximately $2.9 million. The noncontrolling interest in Hershey do Brasil is included in the equity section of the Consolidated Balance Sheets.

The decrease in noncontrolling interests in subsidiaries from $11.6 million as of December 31, 2012 to $11.2 million as of December 31, 2013 reflected the impact of the noncontrolling interests' share of losses of these entities and currency translation adjustments, partially offset by the impact of the cash contributed by Bauducco. The share of losses pertaining to the noncontrolling interests in subsidiaries was $1.7 million for the year ended December 31, 2013, $9.6 million for the year ended December 31, 2012 and $7.4 million for the year ended December 31, 2011. This was reflected in selling, marketing and administrative expenses.

5. COMMITMENTS AND CONTINGENCIES

We enter into certain obligations for the purchase of raw materials. These obligations are primarily in the form of forward contracts for the purchase of raw materials from third-party brokers and dealers. These contracts minimize the effect of future price fluctuations by fixing the price of part or all of these purchase obligations. Total obligations for each year consisted of fixed price contracts for the purchase of commodities and unpriced contracts that were valued using market prices as of December 31, 2013.

The cost of commodities associated with the unpriced contracts is variable as market prices change over future periods. We mitigate the variability of these costs to the extent that we have entered into commodities futures contracts or other commodity derivative instruments to hedge our costs for those periods. Increases or decreases in market prices are offset by gains or losses on commodities futures contracts or other commodity derivative instruments. Taking delivery of and making payments for the specific commodities for use in the manufacture of finished goods satisfies our obligations under the forward purchase contracts. For each of the three years in the period ended December 31, 2013, we satisfied these obligations by taking delivery of and making payment for the specific commodities.

As of December 31, 2013, we had entered into purchase agreements with various suppliers. Subject to meeting our quality standards, the purchase obligations covered by these agreements were as follows as of December 31, 2013:

Purchase Obligations	**2014**	**2015**	**2016**	**2017**
In millions of dollars				
Purchase obligations	$ 1,381.6	$ 651.9	$ 48.3	$ 6.4

We have commitments under various lease obligations. Future minimum payments under lease obligations with a remaining term in excess of one year were as follows as of December 31, 2013:

Lease Obligations	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**
In millions of dollars						
Future minimum rental payments	$ 36.7	$ 11.5	$ 10.8	$ 7.6	$ 2.2	$ 1.6

Future minimum rental payments reflect commitments under non-cancelable operating leases primarily for offices, retail stores, warehouse and distribution facilities, and certain equipment. In September 2013, we entered into an agreement to lease land for the construction of a new confectionery manufacturing plant in Johor, Malaysia. The lease term is 99 years and obligations under the terms of the lease require a payment of approximately $24.0 million in 2014 which is included in future minimum rental payments above.

In December 2013, we entered into an agreement for the construction of the new confectionery manufacturing plant in Malaysia. The total cost of construction is expected to be approximately $240 million. The plant is expected to begin operations during the second quarter of 2015.

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

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

Subsequently, 13 civil lawsuits were filed in Canada and 91 civil lawsuits were filed in the United States against the Company. The lawsuits were instituted on behalf of direct purchasers of our products as well as indirect purchasers that purchase our products for use or for resale. Several other chocolate and confectionery companies were named as defendants in these lawsuits as they also were the subject of investigations and/or inquiries by the government entities referenced above. The cases seek recovery for losses suffered as a result of alleged conspiracies in restraint of trade in connection with the pricing practices of the defendants. The Canadian civil cases were settled in 2012. Hershey Canada, Inc. reached a settlement agreement with the Competition Bureau of Canada through their Leniency Program with regard to an inquiry into alleged violations of the Canadian *Competition Act* in the sale and supply of chocolate products sold in Canada by members of the confectionery industry. On June 21, 2013, Hershey Canada, Inc. pleaded guilty to one count of price fixing related to communications with competitors in Canada in 2007 and paid a fine of approximately $4.0 million. Hershey Canada, Inc. had promptly reported the conduct to the Competition Bureau, cooperated fully with its investigation and did not implement the planned price increase that was the subject of the 2007 communications.

With regard to the U.S. lawsuits, the Judicial Panel on Multidistrict Litigation assigned the cases to the U.S. District Court for the Middle District of Pennsylvania. Plaintiffs are seeking actual and treble damages against the Company and other defendants based on an alleged overcharge for certain, or in some cases all chocolate products sold in the U.S. between December 2002 and December 2007 and certain plaintiff groups have alleged damages that extend beyond the alleged conspiracy period. The lawsuits have been proceeding on different scheduling tracks for different groups of plaintiffs.

Defendants have briefed summary judgment against the direct purchaser plaintiffs that have not sought class certification (the "Opt-Out Plaintiffs") and those that have (the "Direct Purchaser Class Plaintiffs"). The Direct Purchaser Class Plaintiffs were granted class certification in December 2012. Liability, fact and expert discovery in the Opt-Out Plaintiffs' and Direct Purchaser Class Plaintiffs' cases has been completed. The hearing on summary judgment for the Direct Purchaser Class Plaintiffs, combined with the summary judgment hearing for the Opt-Out Plaintiffs, was held on October 7, 2013. A decision is expected in the near term. Putative class plaintiffs that purchased product indirectly for resale (the "Indirect Purchasers for Resale") have moved for class certification. A briefing schedule has not been finalized. Putative class plaintiffs that purchased product indirectly for use (the "Indirect End Users") may seek class certification after summary judgment against the Direct Purchaser Class Plaintiffs and the Opt-Out Plaintiffs has been resolved. No trial date has been set for any group of plaintiffs. The Company will continue to vigorously defend against these lawsuits.

Competition and antitrust law investigations can be lengthy and violations are subject to civil and/or criminal fines and other sanctions. Class action civil antitrust lawsuits are expensive to defend and could result in significant judgments, including in some cases, payment of treble damages and/or attorneys' fees to the successful plaintiff. Additionally, negative publicity involving these proceedings could affect our Company's brands and reputation, possibly resulting in decreased demand for our products. These possible consequences, in our opinion, are currently not expected to materially impact our financial position or liquidity, but could materially impact our results of operations and cash flows in the period in which any fines, settlements or judgments are accrued or paid, respectively.

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

6. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We classify derivatives as assets or liabilities on the balance sheet. Accounting for the change in fair value of the derivative depends on:

- Whether the instrument qualifies for, and has been designated as, a hedging relationship; and
- The type of hedging relationship.

There are three types of hedging relationships:

- Cash flow hedge;
- Fair value hedge; and
- Hedge of foreign currency exposure of a net investment in a foreign operation.

As of December 31, 2013 and 2012, all of our derivative instruments were classified as cash flow hedges, except for out of the money options contracts on certain commodities.

The amount of net gains on derivative instruments, including interest rate swap agreements, foreign exchange forward 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 $22.5 million after tax as of December 31, 2013. This amount was primarily associated with commodities futures contracts.

Objectives, Strategies and Accounting Policies Associated with Derivative Instruments

We use certain derivative instruments to manage 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.

We enter into interest rate swap agreements and foreign exchange forward contracts and options for periods consistent with related underlying exposures. These derivative instruments do not constitute positions independent of those exposures.

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

In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We mitigate this risk by entering into 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.

Interest Rate Swaps

In order to manage interest rate exposure, from time to time, we enter into interest rate swap agreements. We include gains and losses on interest rate swap agreements in other comprehensive income. We recognize the gains and losses on interest rate swap agreements as an adjustment to interest expense in the same period as the hedged interest payments affect earnings. We classify cash flows from interest rate swap agreements as net cash provided from operating activities on the Consolidated Statements of Cash Flows. Our risk related to the swap agreements is limited to the cost of replacing the agreements at prevailing market rates.

Foreign Exchange Forward Contracts and Options

We enter into foreign currency forward exchange contracts and options to hedge transactions primarily related to commitments and forecasted purchases associated with the construction of a manufacturing facility, equipment, raw materials and finished goods denominated in foreign currencies. We may also hedge payment of forecasted intercompany transactions with our subsidiaries outside of the United States. These contracts reduce currency risk from exchange rate movements. We generally hedge foreign currency price risks for periods from 3 to 24 months.

Foreign exchange forward contracts and options are effective as hedges of identifiable foreign currency commitments or forecasted transactions. Since there is a direct relationship between the foreign currency derivatives and the foreign currency denomination of the transactions, the derivatives are highly effective in hedging cash flows related to transactions denominated in the corresponding foreign currencies. We designate our foreign exchange forward contracts and options as cash flow hedging derivatives.

These contracts meet the criteria for cash flow hedge accounting treatment. We classify the fair value of foreign exchange forward contracts as prepaid expenses and other current assets, other non-current assets, accrued liabilities or other long-term liabilities on the Consolidated Balance Sheets. We report the offset to the foreign exchange forward contracts and options contracts in accumulated other comprehensive loss, net of income taxes. We record gains and losses on these contracts as a component of other comprehensive income and reclassify them into earnings in the same period during which the hedged transactions affect earnings. For hedges associated with the construction of a manufacturing facility and the purchase of equipment, we designate the related cash flows as net cash flows (used by) provided from investing activities on the Consolidated Statements of Cash Flows. We classify cash flows from other foreign exchange forward contracts and options as net cash provided from operating activities.

As of December 31, 2013, the fair value of foreign exchange forward contracts and options with gains totaled $3.4 million and the fair value of foreign exchange forward contracts and options with losses totaled $0.2 million. Over the last three years the volume of activity for foreign exchange forward contracts to purchase foreign currencies ranged from a contract amount of $17.1 million to $158.4 million. Over the same period, the volume of activity for foreign exchange forward contracts to sell foreign currencies ranged from a contract amount of $2.8 million to $192.8 million.

Commodities Futures and Options Contracts

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. Commodities futures and options contracts and other commodity derivative instruments are highly effective in hedging price risks for our raw material requirements, energy requirements and transportation costs. Because our commodities futures and in the money options contracts and other commodity derivative instruments meet hedge accounting requirements, we account for them as cash flow hedges. Accordingly, we include gains and losses on hedging instruments in other comprehensive income. We recognize gains and losses in cost of sales in the same period that we record the hedged raw material requirements in cost of sales. The time value for out of the money commodities options contracts is recorded as an asset or liability, with the changes in value recorded currently in income.

We use exchange traded futures contracts to hedge price fluctuations of unpriced physical forward purchase contracts, as well as forecasted purchases for which we have not entered into unpriced physical forward purchase contracts. Fixed-price physical forward purchase contracts are accounted for as “normal purchases and sales” contracts and, therefore, are not accounted for as derivative instruments. On a daily basis, we receive or make cash transfers reflecting changes in the value of exchange-traded futures contracts (unrealized gains and losses). As mentioned above, such gains and losses are included as a component of other comprehensive income. The cash transfers offset higher or lower cash requirements for payment of future invoice prices for raw materials, energy requirements and transportation costs.

Over the last three years our total annual volume of futures and options traded in conjunction with commodities hedging strategies ranged from approximately 45,000 to 60,000 contracts. We use futures and options contracts and other non-exchange traded commodity derivative instruments in combination with forward purchasing of cocoa products, sugar, corn sweeteners, natural gas and certain dairy products, primarily to reduce the risk of future price increases and provide visibility to future costs. Our commodity procurement practices are intended to reduce the risk of future price increases and provide visibility to future costs, but also may potentially limit our ability to benefit from possible price decreases.

Hedge Effectiveness—Commodities

We perform an assessment of hedge effectiveness for commodities futures and options contracts and other commodity derivative instruments on a quarterly basis or more frequently as necessary. Because of the rollover strategy used for commodities futures contracts, as required by futures market conditions, some ineffectiveness may result in hedging forecasted manufacturing requirements. This occurs as we switch futures contracts from nearby contract positions to contract positions that are required to fix the price of anticipated manufacturing requirements. Hedge ineffectiveness may also result from variability in basis differentials associated with the purchase of raw materials for manufacturing requirements. We record the ineffective portion of gains or losses on commodities futures and options contracts currently in cost of sales.

The prices of commodities futures contracts reflect delivery to the same locations where we take delivery of the physical commodities. Therefore, there is no ineffectiveness resulting from differences in location between the derivative and the hedged item.

Financial Statement Location and Amounts Pertaining to Derivative Instruments

The fair value of derivative instruments in the Consolidated Balance Sheet as of December 31, 2013 was as follows:

Balance Sheet Caption	Interest Rate Swap Agreements	Foreign Exchange Forward Contracts and Options	Commodities Futures and Options Contracts
In thousands of dollars			
Prepaid expense and other current assets	$ —	$ 2,672	$ 4,306
Other assets	$ 22,745	$ 751	$ —
Accrued liabilities	$ —	$ —	$ 129
Other long-term liabilities	$ —	$ 198	$ —

The fair value of derivative instruments in the Consolidated Balance Sheet as of December 31, 2012 was as follows:

Balance Sheet Caption	Interest Rate Swap Agreements	Foreign Exchange Forward Contracts and Options	Commodities Futures and Options Contracts
In thousands of dollars			
Prepaid expense and other current assets	$ —	$ 2,119	$ —
Accrued liabilities	$ 12,502	$ 917	$ 2,010
Other long-term liabilities	$ 922	$ —	$ —

The fair value of the interest rate swap agreements represents the difference in the present values of cash flows calculated at the contracted interest rates and at current market interest rates at the end of the period. We calculate the fair value of interest rate swap agreements quarterly based on inputs derived from observable market data.

The fair value of foreign exchange forward contracts and options is the amount of the difference between the contracted and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign exchange forward contracts and options on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences.

As of December 31, 2013, prepaid expense and other current assets associated with commodities futures and options contracts reflected the fair value of options contracts for certain commodities. As of December 31, 2013 and 2012, accrued liabilities associated with commodities futures and options contracts were primarily related to net cash transfers payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. We make or receive cash transfers to or from commodity futures brokers on a daily basis reflecting changes in the market value of futures contracts on the IntercontinentalExchange or various other exchanges.

The effect of derivative instruments on the Consolidated Statements of Income for the year ended December 31, 2013 was as follows:

Cash Flow Hedging Derivatives	Interest Rate Swap Agreements	Foreign Exchange Forward Contracts and Options	Commodities Futures and Options Contracts
In thousands of dollars			
Gains (losses) recognized in other comprehensive income (“OCI”) (effective portion)	$ 27,534	$ 4,049	$ 84,746
Gains (losses) reclassified from accumulated OCI into income (effective portion) (a)	$ (3,606)	$ 2,641	$ (8,400)
Gains recognized in income (ineffective portion) (b)	$ —	$ —	$ 3,241

The effect of derivative instruments on the Consolidated Statements of Income for the year ended December 31, 2012 was as follows:

Cash Flow Hedging Derivatives	Interest Rate Swap Agreements	Foreign Exchange Forward Contracts and Options	Commodities Futures and Options Contracts
In thousands of dollars			
Gains (losses) recognized in other comprehensive income ("OCI") (effective portion)	$ (13,424)	$ 47	$ 12,834
Gains (losses) reclassified from accumulated OCI into income (effective portion) (a)	$ (3,605)	$ (2,488)	$ (90,900)
Gains recognized in income (ineffective portion) (b)	$ —	$ —	$ 670

(a) Gains (losses) reclassified from accumulated OCI into income were included in cost of sales for commodities futures and options contracts and other commodity derivative instruments and for foreign exchange forward contracts and options designated as hedges of purchases of inventory. Other gains and losses for foreign exchange forward contracts and options were included in selling, marketing and administrative expenses. Other gains and losses for interest rate swap agreements were included in interest expense.

(b) Gains recognized in income were included in cost of sales for commodities futures and options contracts.

Gains recognized currently in income were related to the ineffective portion of the hedging relationship. We recognized no components of gains and losses on cash flow hedging derivatives in income due to excluding such components from the hedge effectiveness assessment.

7. FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of December 31, 2013 and December 31, 2012, because of the relatively short maturity of these instruments.

The carrying value of long-term debt, including the current portion, was $1,796.1 million as of December 31, 2013, compared with a fair value of $1,947.0 million based on quoted market prices for the same or similar debt issues. The carrying value of long-term debt, including the current portion, was $1,788.7 million as of December 31, 2012 compared with a fair value of $2,060.8 million.

Interest Rate Swaps

In order to manage interest rate exposure, the Company, from time to time, enters into interest rate swap agreements. In April 2012, the Company entered into forward starting interest rate swap agreements to hedge interest rate exposure related to the anticipated $250 million of term financing expected to be executed during 2013 to repay $250 million of 5.0% Notes maturing in April 2013. The weighted-average fixed rate on these forward starting swap agreements was 2.4%. In May 2012, the Company entered into forward starting interest rate swap agreements to hedge interest rate exposure related to the anticipated $250 million of term financing expected to be executed during 2015 to repay $250 million of 4.85% Notes maturing in August 2015. The weighted-average fixed rate on these forward starting swap agreements is 2.7%.

The forward starting swap agreements entered into in April 2012 matured in March 2013, resulting in a realized loss of approximately $9.5 million. Also in March 2013, we entered into forward starting swap agreements to continue to hedge interest rate exposure related to the term financing expected to be executed in 2013. The weighted-average fixed rate on the forward starting swap agreements was 2.1%.

In May 2013, we terminated the forward starting swap agreements which were entered into in March 2013 to hedge the anticipated execution of term financing. The swap agreements were terminated upon the issuance of the 2.625% Notes due May 1, 2023, resulting in cash payments of $0.2 million in May 2013. Losses on these swap agreements are included in accumulated other comprehensive loss and are being amortized as an increase to interest expense over the term of the Notes.

The fair value of interest rate swap agreements was an asset of $22.7 million as of December 31, 2013. The Company's risk related to interest rate swap agreements is limited to the cost of replacing such agreements at prevailing market rates.

In March 2009, we entered into forward starting interest rate swap agreements to hedge interest rate exposure related to the anticipated $250 million of term financing expected to be executed during 2011. In September 2011, the forward starting interest rate swap agreements which were entered into in March 2009 matured, resulting in cash payments by the Company of approximately $26.8 million. Also in September 2011, we entered into forward starting swap agreements to continue to hedge interest rate exposure related to the term financing. These swap agreements were terminated upon the issuance of the 1.5% Notes due November 1, 2016, resulting in cash payments by the Company of $2.3 million in November 2011. The losses on the swap agreements are being amortized as an increase to interest expense over the term of the Notes.

For more information see *Note 6, Derivative Instruments and Hedging Activities*.

Foreign Exchange Forward Contracts

For information on the objectives, strategies and accounting polices related to our use of foreign exchange forward contracts, see *Note 6, Derivative Instruments and Hedging Activities*.

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

December 31,	2013		2012	
	Contract Amount	Primary Currencies	Contract Amount	Primary Currencies
In millions of dollars				
Foreign exchange forward contracts to purchase foreign currencies	**$ 158.4**	**Malaysian ringgits Swiss francs Euros**	$ 17.1	Euros British pound sterling
Foreign exchange forward contracts to sell foreign currencies	**$ 2.8**	**Japanese Yen**	$ 57.8	Canadian dollars

Foreign exchange forward contracts for the purchase of Malaysian ringgits and certain other currencies are associated with the construction of the manufacturing facility in Malaysia.

The fair value of foreign exchange forward contracts is included in prepaid expenses and other current assets, other non-current assets, accrued liabilities or other long-term liabilities, as appropriate.

The combined fair value of our foreign exchange forward contracts included in prepaid expenses and other current assets, other non-current assets, accrued liabilities or other long-term liabilities on the Consolidated Balance Sheets was as follows:

December 31,	2013	2012
In millions of dollars		
Fair value of foreign exchange forward contracts, net — asset	**$ 3.2**	$ 1.2

8. FAIR VALUE ACCOUNTING

We follow a fair value measurement hierarchy to price certain assets or liabilities. The fair value is determined based on inputs or assumptions that market participants would use in pricing the asset or liability. These assumptions consist of (1) observable inputs - market data obtained from independent sources, or (2) unobservable inputs - market data determined using the Company's own assumptions about valuation.

We prioritize the inputs to valuation techniques, with the highest priority being given to Level 1 inputs and the lowest priority to Level 3 inputs, as defined below:

- Level 1 Inputs – quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs – quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices that are observable; and inputs that are derived from or corroborated by observable market data by correlation; and
- Level 3 Inputs – unobservable inputs used to the extent that observable inputs are not available. These reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

We use certain derivative instruments to manage interest rate, foreign currency exchange rate and commodity market price risk exposures, all of which are recorded at fair value based on quoted market prices or rates.

A summary of our derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2013, is as follows:

Description	Fair Value as of December 31, 2013	Quoted Prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In thousands of dollars				
Derivative assets	**$ 54,254**	**$ 28,086**	**$ 26,168**	**$ —**
Derivative liabilities	**$ 24,107**	**$ 23,909**	**$ 198**	**$ —**

As of December 31, 2013, Level 1 derivative assets were related to the fair value of options contracts for certain commodities and cash transfers receivable on commodities futures contracts with gains resulting from the change in quoted market prices on the last trading day for the period. As of December 31, 2013, Level 1 derivative liabilities were related to cash transfers payable on commodities futures contracts with losses resulting from the change in quoted market prices on the last trading day for the period.

As of December 31, 2013, Level 2 derivative assets were related to the fair value of interest rate swap agreements and foreign exchange forward contracts and options with gains. Level 2 derivative liabilities were related to the fair value of foreign exchange forward contracts and options with losses. The fair value of the interest rate swap agreements represents the difference in the present values of cash flows calculated at the contracted interest rates and at current market interest rates at the end of the period. We calculate the fair value of interest rate swap agreements quarterly based on inputs derived from observable market data. The fair value of foreign exchange forward contracts and options is the amount of the difference between the contracted and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign exchange forward contracts and options on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences.

A summary of our derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2012, is as follows:

Description	Fair Value as of December 31, 2012	Quoted Prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In thousands of dollars				
Derivative assets	$ 39,175	$ 37,056	$ 2,119	$ —
Derivative liabilities	$ 53,407	$ 39,066	$ 14,341	$ —

As of December 31, 2012, Level 1 derivative assets were related to cash transfers receivable on commodities futures contracts with gains resulting from the change in quoted market prices on the last trading day for the period. As of December 31, 2012, Level 1 derivative liabilities were related to cash transfers payable on commodities futures contracts with losses resulting from the change in quoted market prices on the last trading day for the period.

As of December 31, 2012, Level 2 derivative assets were related to the fair value of foreign exchange forward contracts and options with gains. Level 2 derivative liabilities were related to the fair value of interest rate swap agreements and foreign exchange forward contracts and options with losses.

9. COMPREHENSIVE INCOME

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

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

For the year ended December 31, 2012	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
In thousands of dollars			
Net income			$ 660,931
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 7,714	$ —	7,714
Pension and post-retirement benefit plans	(15,159)	5,525	(9,634)
Cash flow hedges:			
Losses on cash flow hedging derivatives	(543)	(325)	(868)
Reclassification adjustments	96,993	(36,950)	60,043
Total other comprehensive income	$ 89,005	$ (31,750)	57,255
Comprehensive income			$ 718,186

For the year ended December 31, 2011	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
In thousands of dollars			
Net income			$ 628,962
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ (21,213)	$ —	(21,213)
Pension and post-retirement benefit plans	(137,918)	52,095	(85,823)
Cash flow hedges:			
Losses on cash flow hedging derivatives	(175,011)	67,298	(107,713)
Reclassification adjustments	(20,282)	7,767	(12,515)
Total other comprehensive loss	$ (354,424)	$ 127,160	(227,264)
Comprehensive income			$ 401,698

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

December 31,	2013	2012
In thousands of dollars		
Foreign currency translation adjustments	**$ (16,830)**	$ 9,173
Pension and post-retirement benefit plans, net of tax	**(199,634)**	(366,037)
Cash flow hedges, net of tax	**49,897**	(28,212)
Total accumulated other comprehensive loss	**$ (166,567)**	$ (385,076)

10. INTEREST EXPENSE

Net interest expense consisted of the following:

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Long-term debt and lease obligations	**$ 84,604**	$ 81,203	$ 85,543
Short-term debt	**8,654**	23,084	17,051
Capitalized interest	**(1,744)**	(5,778)	(7,814)
Interest expense, gross	**91,514**	98,509	94,780
Interest income	**(3,158)**	(2,940)	(2,597)
Interest expense, net	**$ 88,356**	$ 95,569	$ 92,183

11. 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 3 months or less. In October 2011, we entered into a new five-year agreement establishing an unsecured revolving credit facility to borrow up to $1.1 billion, with an option to increase borrowings by an additional $400 million with the consent of the lenders. In November 2013, the five-year agreement entered into in October 2011 was amended. The amendment reduced the amount of borrowings available under the unsecured revolving credit facility to $1.0 billion, with an option to increase borrowings by an additional $400 million with the consent of the lenders, and extended the termination date to November 2018. As of December 31, 2013, $1.0 billion was available to borrow under the agreement and no borrowings were outstanding.

The unsecured committed revolving credit agreement contains a financial covenant whereby the ratio of (a) pre-tax income from operations from the most recent four fiscal quarters to (b) consolidated interest expense for the most recent four fiscal quarters may not be less than 2.0 to 1.0 at the end of each fiscal quarter. The credit agreement contains customary representations and warranties and events of default. Payment of outstanding advances may be accelerated, at the option of the lenders, should we default in our obligation under the credit agreement. As of December 31, 2013, we complied with all customary affirmative and negative covenants and the financial covenant pertaining to our credit agreement. There were no significant compensating balance agreements that legally restricted these funds.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. Our credit limit in various currencies was $290.3 million in 2013 and $176.7 million in 2012. These lines permit us to borrow at the banks' prime commercial interest rates, or lower. We had short-term foreign bank loans against these lines of credit for $166.0 million in 2013 and $118.2 million in 2012.

The maximum amount of our short-term borrowings during 2013 was $166.0 million. The weighted-average interest rate on short-term borrowings outstanding was 1.9% as of December 31, 2013 and 3.5% as of December 31, 2012.

We pay commitment fees to maintain our lines of credit. The average fee during 2013 was less than 0.1% per annum of the commitment.

We maintain a consolidated cash management system that includes overdraft positions in certain accounts at several banks. We have the contractual right of offset for the accounts with overdrafts. These offsets reduced cash and cash equivalents by $3.7 million as of December 31, 2013 and $2.8 million as of December 31, 2012.

12. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31,	2013	2012
In thousands of dollars		
5.00% Notes due 2013	**$ —**	$ 250,000
4.85% Notes due 2015	**250,000**	250,000
5.45% Notes due 2016	**250,000**	250,000
1.50% Notes due 2016	**250,000**	250,000
4.125% Notes due 2020	**350,000**	350,000
8.8% Debentures due 2021	**100,000**	100,000
2.625% Notes due 2023	**250,000**	—
7.2% Debentures due 2027	**250,000**	250,000
Other obligations, net of unamortized debt discount	**96,056**	88,701
Total long-term debt	**1,796,056**	1,788,701
Less—current portion	**914**	257,734
Long-term portion	**$ 1,795,142**	$ 1,530,967

In April 2013, we repaid $250.0 million of 5.0% Notes due in 2013. In May 2013, we issued $250.0 million of 2.625% Notes due in 2023. The Notes were issued under a shelf registration statement on Form S-3 filed in May 2012 that registered an indeterminate amount of debt securities.

The increase in other obligations was primarily associated with the financing obligation under the agreement with the Ferrero Group for the construction of a warehouse and distribution facility. The initial term of the agreement is 10 years, with three renewal periods, each with a term of 10 years.

Aggregate annual maturities during the next five years are as follows:

- 2014 — $0.9 million
- 2015 — $251.4 million
- 2016 — $501.3 million
- 2017 — $0.9 million
- 2018 — $0.4 million

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

13. INCOME TAXES

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

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Domestic	**$ 1,252,208**	$ 980,176	$ 904,418
Foreign	**(889)**	35,403	58,427
Income before income taxes	**$ 1,251,319**	$ 1,015,579	$ 962,845

The foreign loss before income taxes for 2013 primarily reflected increased investments in advertising and other marketing programs, knowledge-based consumer insights, brand building and route-to-market capabilities. The foreign income before income taxes in 2011 included a $17.0 million gain on the sale of non-core trademark licensing rights.

Our provision for income taxes was as follows:

For the years ended December 31,	2013	2012	2011
In thousands of dollars			
Current:			
Federal	**$ 372,649**	$ 299,122	$ 254,732
State	**47,980**	36,187	32,174
Foreign	**2,763**	5,554	13,366
Current provision for income taxes	**423,392**	340,863	300,272
Deferred:			
Federal	**11,334**	5,174	37,160
State	**2,212**	1,897	(1,005)
Foreign	**(6,089)**	6,714	(2,544)
Deferred income tax provision	**7,457**	13,785	33,611
Total provision for income taxes	**$ 430,849**	$ 354,648	$ 333,883

The increase in the federal deferred tax provision in 2013 was primarily due to higher deferred tax liabilities associated with inventories in 2013 compared with 2012. The foreign deferred tax benefit in 2013 principally reflected higher deferred tax assets related to advertising and promotion reserves. The deferred income tax provision in 2012 and 2011 primarily reflected the tax effect of bonus depreciation, although to a lesser extent in 2012, partially reduced by the tax effect of charges for the Next Century program.

The income tax benefit associated with stock-based compensation of $48.8 million and $30.2 million for the years ended December 31, 2013 and 2012, respectively, reduced accrued income taxes on the Consolidated Balance Sheets. We credited additional paid-in capital to reflect these excess income tax benefits.

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

December 31,	2013	2012
In thousands of dollars		
Deferred tax assets:		
Post-retirement benefit obligations	**$ 101,674**	$ 119,140
Accrued expenses and other reserves	**119,387**	112,760
Stock-based compensation	**47,324**	51,388
Derivative instruments	**—**	23,822
Pension	**—**	72,374
Lease financing obligation	**19,065**	19,035
Accrued trade promotion reserves	**39,234**	30,594
Net operating loss carryforwards	**39,606**	48,455
Other	**11,754**	3,643
Gross deferred tax assets	**378,044**	481,211
Valuation allowance	**(87,159)**	(74,021)
Total deferred tax assets	**290,885**	407,190
Deferred tax liabilities:		
Property, plant and equipment, net	**201,224**	210,406
Acquired intangibles	**64,249**	63,585
Inventories	**33,885**	23,335
Derivative instruments	**33,779**	—
Pension	**8,037**	—
Other	**1,404**	10,849
Total deferred tax liabilities	**342,578**	308,175
Net deferred tax (liabilities) assets	**$ (51,693)**	$ 99,015
Included in:		
Current deferred tax assets, net	**$ 52,511**	$ 122,224
Non-current deferred tax assets, net	**—**	12,448
Non-current deferred tax liabilities, net	**(104,204)**	(35,657)
Net deferred tax (liabilities) assets	**$ (51,693)**	$ 99,015

We believe that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. Changes in deferred tax assets and deferred tax liabilities for derivative instruments reflected the tax impact on net gains as of December 31, 2013 and on net losses as of December 31, 2012. Changes in deferred tax assets and deferred tax liabilities for pension resulted from the tax impact of the improved funded status of our pension plans as of December 31, 2013 compared with December 31, 2012. The valuation allowances as of December 31, 2013 and 2012 were primarily related to temporary differences principally associated with advertising and promotions, along with tax loss carryforwards from operations in various foreign tax jurisdictions. Additional information on income tax benefits and expenses related to components of accumulated other comprehensive loss is provided in *Note 9, Comprehensive Income*.

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

For the years ended December 31,	2013	2012	2011
Federal statutory income tax rate	**35.0 %**	35.0 %	35.0 %
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	**2.8**	3.2	2.4
Qualified production income deduction	**(2.6)**	(2.5)	(2.2)
Business realignment and impairment charges and gain on sale of trademark licensing rights	**0.1**	0.2	(0.1)
International operations	**(0.4)**	(0.1)	(0.6)
Other, net	**(0.5)**	(0.9)	0.2
Effective income tax rate	**34.4 %**	34.9 %	34.7 %

The decrease in the effective income tax rate in 2013 from state income taxes reflected the comparison to the rate in 2012 which was higher as a result of the impact of certain state tax legislation. The reduction in the effective income tax rate from international operations resulted from an increase in deductions associated with certain foreign tax jurisdictions. These decreases were partially offset by other changes which reduced the effective income tax rate to a greater extent in 2012 as a result of tax benefits resulting from the completion of tax audits.

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

December 31,	2013	2012
In thousands of dollars		
Balance at beginning of year	**$ 51,520**	$ 53,553
Additions for tax positions taken during prior years	**58,246**	11,335
Reductions for tax positions taken during prior years	**(5,776)**	(5,478)
Additions for tax positions taken during the current year	**5,523**	5,750
Settlements	**—**	(5,234)
Expiration of statutes of limitations	**(5,550)**	(8,406)
Balance at end of year	**$ 103,963**	$ 51,520

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $31.7 million as of December 31, 2013 and $30.8 million as of December 31, 2012.

We report accrued interest and penalties related to unrecognized tax benefits in income tax expense. We recognized a tax expense of $15.4 million in 2013, and a tax benefit of $5.3 million in 2012 and $0.3 million in 2011 for interest and penalties. Accrued interest and penalties were $23.7 million as of December 31, 2013, and $8.4 million as of December 31, 2012.

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

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state), Canada and Mexico. U.S., Canadian and Mexican federal audit issues typically involve the timing of deductions and transfer pricing adjustments. During the first quarter of 2013, the U.S. Internal Revenue Service ("IRS") commenced its audit of our U.S. income tax returns for 2009 through 2011, and we expect the audit to conclude in 2014. Tax examinations by various state taxing authorities could be conducted for years beginning in 2010. We are no longer subject to Canadian federal income tax examinations by the Canada Revenue Agency ("CRA") for years before 2007. During the third quarter of 2013, the CRA notified us that it will be conducting an audit of our Canadian income tax returns for 2010 through 2012, and we expect the audit to commence in the first quarter of 2014. During the fourth quarter of 2013, the CRA concluded its audit for 2007 through 2009 and issued a letter to us indicating proposed adjustments primarily associated with business realignment charges and transfer pricing. As of December 31, 2013, we recorded accrued income taxes of approximately $70.6 million related to the proposed adjustments. We provided notice to the U.S. Competent Authority and the CRA provided notice to the Canada Competent Authority of the likely need for their assistance to resolve the proposed adjustments. Accordingly, as of December 31, 2013, we recorded a non-current receivable of approximately $63.9 million associated with the anticipated resolution of the proposed adjustments by the Competent Authority of each country. We are no longer subject to Mexican federal income tax examinations by the Servicio de Administracion Tributaria ("SAT") for years before 2008. We work with the IRS, the CRA, and the SAT to resolve proposed audit adjustments and to minimize the amount of adjustments. We do not anticipate that any potential tax adjustments will have a significant impact on our financial position or results of operations.

We reasonably expect reductions in the liability for unrecognized tax benefits of approximately $81.2 million within the next 12 months due to proposed adjustments and settlements associated with tax audits and the expiration of statutes of limitations.

As of December 31, 2013, we had approximately $121.3 million of undistributed earnings of our international subsidiaries. We intend to continue to reinvest earnings outside the U.S. for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings.

14. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

We sponsor a number of defined benefit pension plans. Our policy is to fund domestic pension liabilities in accordance with the limits imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"), federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans.

We have two post-retirement benefit plans: health care and life insurance. The health care plan is contributory, with participants' contributions adjusted annually. The life insurance plan is non-contributory.

Obligations and Funded Status

A summary of the changes in benefit obligations and plan assets is as follows:

December 31,	Pension Benefits 2013	Pension Benefits 2012	Other Benefits 2013	Other Benefits 2012
In thousands of dollars				
Change in benefit obligation				
Projected benefits obligation at beginning of year	**$ 1,237,778**	$ 1,156,756	**$ 318,415**	$ 318,536
Service cost	**31,339**	30,823	**1,094**	1,172
Interest cost	**43,962**	49,909	**10,747**	13,258
Plan amendments	**55**	2	**—**	—
Actuarial (gain) loss	**(100,872)**	112,700	**(33,412)**	7,916
Curtailment	**(8,833)**	—	**—**	—
Settlement	**(319)**	(49,876)	**—**	—
Currency translation and other	**(5,976)**	1,903	**(1,030)**	370
Benefits paid	**(76,642)**	(64,439)	**(24,877)**	(22,837)
Projected benefits obligation at end of year	**1,120,492**	1,237,778	**270,937**	318,415
Change in plan assets				
Fair value of plan assets at beginning of year	**988,167**	961,421	**—**	—
Actual return on plan assets	**152,976**	118,073	**—**	—
Employer contribution	**32,336**	21,371	**24,877**	22,837
Settlement	**(319)**	(49,876)	**—**	—
Currency translation and other	**(4,533)**	1,617	**—**	—
Benefits paid	**(76,642)**	(64,439)	**(24,877)**	(22,837)
Fair value of plan assets at end of year	**1,091,985**	988,167	**—**	—
Funded status at end of year	**$ (28,507)**	$ (249,611)	**$ (270,937)**	$ (318,415)

The accumulated benefit obligation for all defined benefit pension plans was $1.1 billion as of December 31, 2013 and $1.2 billion as of December 31, 2012.

We made total contributions to the pension plans of $32.3 million during 2013, including contributions of $25.0 million to improve the funded status of our domestic plans. In 2012, we made total contributions of $21.4 million to the pension plans. For 2014, minimum funding requirements for our pension plans are approximately $3.6 million and we expect to make additional contributions of approximately $22.0 million to improve the funded status of our domestic plans.

Amounts recognized in the Consolidated Balance Sheets consisted of the following:

December 31,	Pension Benefits 2013	Pension Benefits 2012	Other Benefits 2013	Other Benefits 2012
In thousands of dollars				
Other assets	**$ 32,533**	$ —	**$ —**	$ —
Accrued liabilities	**(10,198)**	(9,396)	**(25,477)**	(26,181)
Other long-term liabilities	**(50,842)**	(240,215)	**(245,460)**	(292,234)
Total	**$ (28,507)**	$ (249,611)	**$ (270,937)**	$ (318,415)

Amounts recognized in accumulated other comprehensive loss, net of tax, consisted of the following:

	Pension Benefits		Other Benefits	
December 31,	**2013**	**2012**	**2013**	**2012**
In thousands of dollars				
Actuarial net (loss) gain	**$ (215,702)**	$ (362,039)	**$ 13,107**	$ (6,320)
Net prior service credit (cost)	**5,698**	5,539	**(2,737)**	(3,217)
Total	**$ (210,004)**	$ (356,500)	**$ 10,370**	$ (9,537)

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

December 31,	**2013**	**2012**
In thousands of dollars		
Projected benefit obligation	**$ 76,801**	$ 1,237,238
Accumulated benefit obligation	**64,340**	1,185,214
Fair value of plan assets	**15,760**	987,643

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income

Net periodic benefit cost for our pension and other post-retirement plans consisted of the following:

	Pension Benefits			Other Benefits		
For the years ended December 31,	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
In thousands of dollars						
Service cost	**$ 31,339**	$ 30,823	$ 30,059	**$ 1,094**	$ 1,172	$ 1,333
Interest cost	**43,962**	49,909	52,960	**10,747**	13,258	14,967
Expected return on plan assets	**(73,128)**	(72,949)	(78,161)	**—**	—	—
Amortization of prior service cost (credit)	**422**	731	1,002	**618**	619	(255)
Amortization of net loss (gain)	**40,397**	39,723	28,004	**(73)**	(101)	(71)
Administrative expenses	**692**	545	653	**75**	120	244
Net periodic benefit cost	**43,684**	48,782	34,517	**12,461**	15,068	16,218
Curtailment (credit) loss	**(364)**	—	1,826	**—**	—	(174)
Settlement loss	**18**	19,676	46	**—**	—	—
Total amount reflected in earnings	**$ 43,338**	$ 68,458	$ 36,389	**$ 12,461**	$ 15,068	$ 16,044

A portion of the pension settlement loss recorded in 2012, totaling approximately $15.8 million, and the curtailment loss recorded in 2011 were associated with the Next Century program. The settlement losses recorded in 2011 were associated with one of our international businesses. We discuss the Next Century program in *Note 3, Business Realignment and Impairment Charges*.

Amounts recognized in other comprehensive loss (income) and net periodic benefit cost before tax for our pension and other post-retirement plans consisted of the following:

	Pension Benefits			Other Benefits		
For the years ended December 31,	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
In thousands of dollars						
Actuarial net (gain) loss	**$ (230,605)**	$ 8,536	$ 120,401	**$ (33,165)**	$ 7,952	$ 11,216
Prior service (credit) cost	**(613)**	(716)	(1,313)	**(632)**	(613)	7,614
Total recognized in other comprehensive (income) loss	**$ (231,218)**	$ 7,820	$ 119,088	**$ (33,797)**	$ 7,339	$ 18,830
Total recognized in net periodic benefit cost and other comprehensive (income) loss	**$ (187,534)**	$ 56,602	$ 153,605	**$ (21,336)**	$ 22,407	$ 35,048

The estimated amounts for the defined benefit pension plans and the post-retirement benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are as follows (in thousands):

	Pension Plans	Post-Retirement Benefit Plans
Amortization of net actuarial loss (gain)	$ 22,952	$ (109)
Amortization of prior service (credit) cost	$ (668)	$ 618

Assumptions

Certain weighted-average assumptions used in computing the benefit obligations as of December 31, 2013 and 2012 were as follows:

	Pension Benefits		Other Benefits	
	2013	**2012**	**2013**	**2012**
Discount rate	**4.5%**	3.7%	**4.5%**	3.7%
Rate of increase in compensation levels	**4.0%**	4.0%	**N/A**	N/A

For measurement purposes as of December 31, 2013, we assumed an 8.5% annual rate of increase in the per capita cost of covered health care benefits for 2014, grading down to 5.0% by 2019.

For measurement purposes as of December 31, 2012, we assumed a 9.1% annual rate of increase in the per capita cost of covered health care benefits for 2013, grading down to 5.0% by 2019.

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

	Pension Benefits			Other Benefits		
For the years ended December 31,	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Discount rate	**3.7%**	4.5%	5.2%	**3.7%**	4.5%	5.2%
Expected long-term return on plan assets	**7.75%**	8.0%	8.0%	**N/A**	N/A	N/A
Rate of compensation increase	**4.0%**	4.1%	4.1%	**N/A**	N/A	N/A

We based the asset return assumption of 7.75% for 2013, 8.0% for 2012 and 8.0% for 2011 on current and expected asset allocations, as well as historical and expected returns on the plan asset categories. For 2014, we reduced the expected return on plan assets assumption to 7.0% from the 7.75% assumption used during 2013, reflecting lower expected future returns on plan assets resulting from a reduction of the pension plan asset allocation to equity securities. The historical geometric average return over the 26 years prior to December 31, 2013, was approximately 8.7%.

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

Impact of assumed health care cost trend rates	One-Percentage Point Increase	One-Percentage Point (Decrease)
In thousands of dollars		
Effect on total service and interest cost components	$ 172	$ (152)
Effect on post-retirement benefit obligation	4,132	(3,697)

Plan Assets

We broadly diversify our pension plan assets across domestic and international common stock and fixed income asset classes. Our asset investment policies specify ranges of asset allocation percentages for each asset class. The ranges for the domestic pension plans were as follows:

Asset Class	Target Allocation 2013
Equity securities	55% - 75%
Debt securities	25% - 45%
Cash and certain other investments	0% - 5%

As of December 31, 2013, actual allocations were within the specified ranges. We expect the level of volatility in pension plan asset returns to be in line with the overall volatility of the markets within each asset class.

The following table sets forth by level, within the fair value hierarchy, pension plan assets at their fair value as of December 31, 2013:

In thousands of dollars	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total assets measured at fair value as of December 31, 2013
Cash and cash equivalents	$ 657	$ 22,998	$ —	$ 23,655
Equity securities:				
U.S. all-cap (a)	64,949	137,385	—	202,334
U.S. large-cap (b)	144,254	—	—	144,254
U.S. small/mid-cap	33,145	—	—	33,145
International all-cap (c)	136,892	3,062	—	139,954
Global all-cap (d)	181,702	—	—	181,702
Fixed income securities:				
U.S. government/agency	109,995	34,907	—	144,902
Corporate bonds (e)	57,735	34,616	—	92,351
Collateralized obligations (f)	56,016	22,350	—	78,366
International government/ corporate bonds (g)	14,018	37,304	—	51,322
Total Investments	$ 799,363	$ 292,622	$ —	$ 1,091,985

The following table sets forth by level, within the fair value hierarchy, pension plan assets at their fair value as of December 31, 2012:

In thousands of dollars	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs(Level 2)	Significant other unobservable inputs (Level 3)	Total assets measured at fair value as of December 31, 2012
Cash and cash equivalents	$ 933	$ 34,027	$ —	$ 34,960
Equity securities:				
U.S. all-cap (a)	50,596	104,102	—	154,698
U.S. large-cap (b)	107,934	—	—	107,934
U.S. small/mid-cap	24,816	—	—	24,816
International all-cap (c)	111,834	2,938	—	114,772
Global all-cap (d)	229,044	—	—	229,044
Domestic real estate	24,892	—	—	24,892
Fixed income securities:				
U.S. government/agency	76,009	27,984	—	103,993
Corporate bonds (e)	38,001	19,691	—	57,692
Collateralized obligations (f)	61,853	27,012	—	88,865
International government/corporate bonds (g)	13,432	33,069	—	46,501
Total Investments	$ 739,344	$ 248,823	$ —	$ 988,167

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

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

Investment objectives for our domestic plan assets are:

- To optimize the long-term return on plan assets at an acceptable level of risk;
- To maintain a broad diversification across asset classes;
- To maintain careful control of the risk level within each asset class; and
- To focus on a long-term return objective.

We believe that there are no significant concentrations of risk within our plan assets as of December 31, 2013. We comply with ERISA rules and regulations and we prohibit investments and investment strategies not allowed by ERISA. We do not permit direct purchases of our Company’s securities or the use of derivatives for the purpose of speculation. We invest the assets of non-domestic plans in compliance with laws and regulations applicable to those plans.

Cash Flows

Information about the expected cash flows for our pension and other post-retirement benefit plans is as follows:

	Expected Benefit Payments					
In thousands of dollars	2014	2015	2016	2017	2018	2019-2023
Pension Benefits	$ 67,617	$ 64,641	$ 69,085	$ 101,765	$ 83,559	$ 544,322
Other Benefits	25,491	24,690	23,796	22,411	20,843	85,699

Multiemployer Pension Plan

With the acquisition of Brookside Foods Ltd. in January 2012, we began participation in the Bakery and Confectionery Union and Industry Canadian Pension Fund, a trustee-managed multiemployer defined benefit pension plan. We currently have approximately 110 employees participating in the plan and contributions were not significant in 2013 and 2012. Our obligation during the term of the collective bargaining agreement is limited to remitting the required contributions to the plan.

15. SAVINGS PLANS

The Company sponsors several defined contribution plans to provide retirement benefits to employees. Contributions to The Hershey Company 401(k) Plan and similar plans for non-domestic employees are based on a portion of eligible pay up to a defined maximum. All matching contributions were made in cash. Expense associated with the defined contribution plans was $43.3 million in 2013, $39.8 million in 2012 and $35.8 million in 2011.

16. CAPITAL STOCK AND NET INCOME PER SHARE

We had 1,055,000,000 authorized shares of capital stock as of December 31, 2013. Of this total, 900,000,000 shares were designated as Common Stock, 150,000,000 shares as Class B Common Stock ("Class B Stock") and 5,000,000 shares as Preferred Stock. Each class has a par value of one dollar per share. As of December 31, 2013, a combined total of 359,901,744 shares of both classes of common stock had been issued of which 223,894,721 shares were outstanding. No shares of the Preferred Stock were issued or outstanding during the 3-year period ended December 31, 2013.

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

Class B Stock can be converted into Common Stock on a share-for-share basis at any time. During 2013, 8,600 shares of Class B Stock were converted into Common Stock. During 2012, 3,225 shares were converted and during 2011, 74,377 shares were converted.

Milton Hershey School Trust

Hershey Trust Company, as trustee for the benefit of Milton Hershey School and as direct owner of investment shares, held 12,902,721 shares of our Common Stock as of December 31, 2013. As trustee for the benefit of Milton Hershey School, Hershey Trust Company held 60,612,012 shares of the Class B Stock as of December 31, 2013, and was entitled to cast approximately 80% of all of the votes entitled to be cast on matters requiring the vote of both classes of our common stock voting together. Hershey Trust Company, as Trustee for the benefit of Milton Hershey School, or any successor trustee, or Milton Hershey School, as appropriate, must approve any issuance of shares of Common Stock or other action that would result in it not continuing to have voting control of our Company.

Changes in outstanding Common Stock for the past 3 years were as follows:

For the years ended December 31,	2013	2012	2011
Shares issued	**359,901,744**	359,901,744	359,901,744
Treasury shares at beginning of year	**(136,115,714)**	(134,695,826)	(132,871,512)
Stock repurchases:			
Repurchase programs	**—**	(2,054,354)	(1,902,753)
Stock-based compensation programs	**(3,655,830)**	(5,598,537)	(5,179,028)
Stock issuances:			
Stock-based compensation programs	**3,764,521**	6,233,003	5,257,467
Treasury shares at end of year	**(136,007,023)**	(136,115,714)	(134,695,826)
Net shares outstanding at end of year	**223,894,721**	223,786,030	225,205,918

Basic and Diluted Earnings Per Share were computed based on the weighted-average number of shares of the Common Stock and the Class B Stock outstanding as follows:

For the years ended December 31,	**2013**	**2012**	**2011**
In thousands except per share amounts			
Net income	**$ 820,470**	$ 660,931	$ 628,962
Weighted-average shares—Basic			
Common Stock	**163,549**	164,406	165,929
Class B Stock	**60,627**	60,630	60,645
Total weighted-average shares—Basic	**224,176**	225,036	226,574
Effect of dilutive securities:			
Employee stock options	**2,476**	2,608	2,565
Performance and restricted stock units	**551**	693	780
Weighted-average shares—Diluted	**227,203**	228,337	229,919
Earnings Per Share—Basic			
Common Stock	**$3.76**	$3.01	$2.85
Class B Stock	**$3.39**	$2.73	$2.58
Earnings Per Share—Diluted			
Common Stock	**$3.61**	$2.89	$2.74
Class B Stock	**$3.37**	$2.71	$2.56

For the year ended December 31, 2013, approximately 1.8 million stock options were not included in the diluted earnings per share calculation because the exercise price was higher than the average market price of the Common Stock for the year. Therefore, the effect would have been antidilutive. In 2012, 3.5 million stock options were not included and, in 2011, 6.9 million stock options were not included in the diluted earnings per share calculation because the effect would have been antidilutive.

17. STOCK COMPENSATION PLANS

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

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

The EICP also provides for the deferral of stock-based compensation awards by participants if approved by the Compensation and Executive Organization Committee of our Board and if in accordance with an applicable deferred compensation plan of the Company. Currently, the Compensation and Executive Organization Committee has authorized the deferral of performance stock unit and restricted stock unit awards by certain eligible employees under the Company's Deferred Compensation Plan. Our Board has authorized our non-employee directors to defer any portion of their cash retainer, committee chair fees and restricted stock units awarded after 2007 that they elect to convert into deferred stock units under our Directors' Compensation Plan. As of December 31, 2013, 68.5 million shares were authorized and approved by our stockholders for grants under the EICP.

In July 2004, we announced a worldwide stock option grant under the Broad Based Stock Option Plan. This grant provided over 13,000 eligible employees with 100 non-qualified stock options. The stock options were granted at a price of $46.44 per share, have a term of 10 years and vested on July 19, 2009.

The following table summarizes our compensation costs:

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Total compensation amount charged against income for stock compensation plans, including stock options, performance stock units and restricted stock units	**$ 54.0**	$ 50.5	$ 43.5
Total income tax benefit recognized in Consolidated Statements of Income for share-based compensation	**$ 18.5**	$ 17.5	$ 15.1

Compensation costs for stock compensation plans are primarily included in selling, marketing and administrative expense.

The increase in share-based compensation expense from 2012 to 2013 resulted primarily from an increase in the compensation amount upon which the number of stock-based awards was based. The increase in share-based compensation expense from 2011 to 2012 was due to certain adjustments associated with accounting for PSUs and the impact of the forfeiture of unvested awards due to participant changes which reduced expense in 2011.

Stock Options

The exercise price of each option awarded under the EICP equals the closing price of our Common Stock on the New York Stock Exchange on the date of grant. Prior to the initial approval by our stockholders of the EICP on April 17, 2007, the exercise price of stock options granted under the former Key Employee Incentive Plan was determined as the closing price of our Common Stock on the New York Stock Exchange on the trading day immediately preceding the date the stock options were granted. Each option has a maximum term of 10 years. Grants of stock options provide for pro-rated vesting primarily over four years. We recognize expense for stock options based on the straight-line method as of the grant date fair value.

The following table summarizes our compensation costs for stock options:

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Compensation amount charged against income for stock options	**$ 21.4**	$ 19.3	$ 22.5

The increase in compensation cost from 2012 to 2013 was driven by an increase in the compensation amount upon which the number of stock options granted in 2013 was based. The decrease in compensation cost from 2011 to 2012 was primarily driven by the impact of the forfeitures of unvested awards due to participant changes during 2012 and 2011.

A summary of the status of our Company's stock options and changes during the last three years follows:

	2013		2012		2011	
Stock Options	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**10,553,914**	**$48.08**	14,540,442	$44.86	17,997,082	$42.21
Granted	**1,779,109**	**$81.95**	2,110,945	$60.89	2,191,627	$51.62
Exercised	**(3,315,990)**	**$45.25**	(5,870,607)	$44.55	(4,875,122)	$38.30
Forfeited	**(356,697)**	**$64.38**	(226,866)	$52.02	(773,145)	$43.90
Outstanding at end of year	**8,660,336**	**$55.47**	10,553,914	$48.08	14,540,442	$44.86
Options exercisable at year-end	**4,290,416**	**$46.45**	5,320,775	$45.74	8,453,362	$46.95
Weighted-average fair value of options granted during the year (per share)	**$ 14.51**		$ 10.60		$ 9.97	

The following table sets forth information about the weighted-average fair value of options granted to employees during each year using the Black-Scholes option-pricing model and the weighted-average assumptions used for such grants:

For the years ended December 31,	2013	2012	2011
Dividend yields	2.2%	2.4%	2.7%
Expected volatility	22.2%	22.4%	22.5%
Risk-free interest rates	1.4%	1.5%	2.8%
Expected lives in years	6.6	6.6	6.5

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

The following table summarizes the intrinsic value of our stock options:

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Intrinsic value of options exercised	**$ 135.4**	$ 130.2	$ 81.3

The aggregate intrinsic value of options outstanding as of December 31, 2013 was $352.7 million. The aggregate intrinsic value of exercisable options as of December 31, 2013 was $213.4 million.

As of December 31, 2013, there was $20.5 million of total unrecognized compensation cost related to non-vested stock option compensation arrangements granted under the EICP. We expect to recognize that cost over a weighted-average period of 2.4 years.

The following table summarizes information about stock options outstanding as of December 31, 2013:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding as of 12/31/13	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable as of 12/31/13	Weighted-Average Exercise Price
$33.40 - $39.26	**2,514,127**	**5.0**	**$ 37.19**	**2,000,140**	**$ 36.66**
$39.57 - $60.10	**2,503,703**	**5.1**	**$ 51.94**	**1,595,372**	**$ 52.14**
$60.68 - $91.65	**3,642,506**	**7.9**	**$ 70.51**	**694,904**	**$ 61.58**
$33.40 - $91.65	**8,660,336**	**6.3**	**$ 55.47**	**4,290,416**	**$ 46.45**

Performance Stock Units and Restricted Stock Units

Under the EICP, we grant PSUs to selected executives and other key employees. Vesting is contingent upon the achievement of certain performance objectives. We grant PSUs over 3-year performance cycles. If we meet targets for financial measures at the end of the applicable 3-year performance cycle, we award the full number of shares to the participants. For each PSU granted from 2011 through 2013, 50% of the target award was a market-based total shareholder return component and 50% of the target award was comprised of performance-based components. The performance scores for 2011 through 2013 grants of PSUs can range from 0% to 250% of the targeted amounts.

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

In 2013, 2012 and 2011, we awarded RSUs to certain executive officers and other key employees under the EICP. We also awarded restricted stock units quarterly to non-employee directors.

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

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Compensation amount charged against income for performance and restricted stock units	**$ 32.6**	$ 31.2	$ 21.0

Compensation expense for performance and restricted stock units was lower in 2011 resulting primarily from certain adjustments associated with the accounting for PSUs. In addition, the decrease in compensation expense in 2011 resulted from the impact of the forfeiture of unvested awards due to participant changes during 2011.

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

For the years ended December 31,	2013	2012	2011
Units granted	**395,862**	503,761	543,596
Weighted-average fair value at date of grant	**$ 88.49**	$ 64.99	$ 58.28
Monte Carlo simulation assumptions:			
Estimated values	**$ 55.49**	$ 35.62	$ 37.79
Dividend yields	**2.0%**	2.5%	2.7%
Expected volatility	**17.1%**	20.0%	28.8%

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

A summary of the status of our Company's performance stock units and restricted stock units as of December 31, 2013 and the change during 2013 follows:

Performance Stock Units and Restricted Stock Units	2013	Weighted-average grant date fair value for equity awards or market value for liability awards
Outstanding at beginning of year	**1,720,577**	**$56.71**
Granted	**395,862**	**$88.49**
Performance assumption change	**176,534**	**$84.27**
Vested	**(754,991)**	**$50.33**
Forfeited	**(126,583)**	**$71.80**
Outstanding at end of year	**1,411,399**	**$72.43**

The table above excludes PSU awards for 29,596 units as of December 31, 2013 and 40,812 units as of December 31, 2012 for which the measurement date has not yet occurred for accounting purposes.

As of December 31, 2013, there was $39.1 million of unrecognized compensation cost relating to non-vested PSUs and RSUs. We expect to recognize that cost over a weighted-average period of 2.1 years.

For the years ended December 31,	2013	2012	2011
In millions of dollars			
Intrinsic value of share-based liabilities paid, combined with the fair value of shares vested	**$ 62.6**	$ 37.3	$ 36.6

The higher amount in 2013 was primarily due to the higher stock price at distribution in 2013 as compared with 2012 and 2011.

Deferred PSUs, deferred RSUs, deferred directors' fees and accumulated dividend amounts totaled 608,457 units as of December 31, 2013.

We did not have any stock appreciation rights that were outstanding as of December 31, 2013.

18. SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts Receivable—Trade

In the normal course of business, we extend credit to customers that satisfy pre-defined credit criteria, based upon the results of our recurring financial account reviews and our evaluation of current and projected economic conditions. Our primary concentrations of credit risk are associated with Wal-Mart Stores, Inc. and McLane Company, Inc. McLane Company, Inc. is one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers. As of December 31, 2013, McLane Company, Inc. accounted for approximately 17.3% of our total accounts receivable. Wal-Mart Stores, Inc. accounted for approximately 14.5% of our total accounts receivable as of December 31, 2013. No other customer accounted for more than 10% of our year-end accounts receivable. We believe that we have little concentration of credit risk associated with the remainder of our customer base. Accounts Receivable-Trade, as shown on the Consolidated Balance Sheets, were net of allowances and anticipated discounts of $14.3 million as of December 31, 2013 and $15.2 million as of December 31, 2012.

Inventories

We value the majority of our inventories in the U.S. under the last-in, first-out (“LIFO”) method. The remainder of our inventories in the U.S. and inventories for our international businesses are valued at the lower of first-in, first-out (“FIFO”) cost or market. Inventories include material, labor and overhead. LIFO cost of inventories valued using the LIFO method was $314.9 million as of December 31, 2013 and $331.7 million as of December 31, 2012. The net impact of LIFO acquisitions and liquidations during 2013 was not material. We stated inventories at amounts that did not exceed realizable values. Total inventories were as follows:

December 31,	2013	2012
In thousands of dollars		
Raw materials	**$ 226,978**	$ 256,969
Goods in process	**79,861**	78,292
Finished goods	**517,968**	496,981
Inventories at FIFO	**824,807**	832,242
Adjustment to LIFO	**(165,266)**	(198,980)
Total inventories	**$ 659,541**	$ 633,262

Property, Plant and Equipment

The property, plant and equipment balance included construction in progress of $273.1 million as of December 31, 2013 and $217.5 million as of December 31, 2012. As of December 31, 2012, construction in progress included $41.1 million associated with payments made by Ferrero under an agreement for the construction of a warehouse and distribution facility of which the Company has been deemed to be the owner for accounting purposes. Major classes of property, plant and equipment were as follows:

December 31,	2013	2012
In thousands of dollars		
Land	**$ 96,334**	$ 92,916
Buildings	**956,890**	878,527
Machinery and equipment	**2,726,170**	2,589,183
Property, plant and equipment, gross	**3,779,394**	3,560,626
Accumulated depreciation	**(1,974,049)**	(1,886,555)
Property, plant and equipment, net	**$ 1,805,345**	$ 1,674,071

During 2012, we recorded accelerated depreciation of property, plant and equipment of $15.3 million associated with the Next Century program.

Goodwill and Other Intangible Assets

Goodwill and intangible assets were as follows:

December 31,	2013	2012
In thousands of dollars		
Unamortized intangible assets:		
Goodwill balance at beginning of year	$ **588,003**	$ 516,745
Effect of foreign currency translation	**(11,442)**	3,284
Acquisitions	**—**	67,974
Goodwill balance at end of year	$ **576,561**	$ 588,003
Trademarks with indefinite lives	$ **81,465**	$ 81,465
Amortized intangible assets, gross:		
Trademarks	**64,436**	68,490
Customer-related	**72,094**	74,790
Intangible asset associated with cooperative agreement with Bauducco	**13,683**	13,683
Patents	**19,278**	20,018
Effect of foreign currency translation	**(9,256)**	(6,470)
Total other intangible assets, gross	**241,700**	251,976
Accumulated amortization:		
Trademarks	**(5,190)**	(2,250)
Customer-related	**(26,853)**	(22,990)
Intangible asset associated with cooperative agreement with Bauducco	**(7,379)**	(6,294)
Patents	**(9,737)**	(7,411)
Effect of foreign currency translation	**2,703**	1,682
Total accumulated amortization	**(46,456)**	(37,263)
Other intangibles	$ **195,244**	$ 214,713

In January 2012, we acquired all of the outstanding stock of Brookside, a privately held confectionery company based in Abbotsford, British Columbia, Canada. For more information, see *Note 2, Business Acquisitions.*

Accumulated impairment losses associated with goodwill were $70.1 million as of December 31, 2013, and 2012. Accumulated impairment losses associated with trademarks were $46.7 million as of December 31, 2013, and 2012.

The useful lives of certain trademarks were determined to be indefinite and, therefore, we are not amortizing these assets. We amortize customer-related intangible assets over their estimated useful lives of approximately 15 years. We amortize trademarks with finite lives over their estimated useful lives of 25 years. We amortize patents over their remaining legal lives of approximately 5 years. Total amortization expense for other intangible assets was $10.8 million in 2013, $10.6 million in 2012 and $4.6 million in 2011.

Estimated annual amortization expense for other intangible assets over the next five years is as follows:

Annual Amortization Expense	2014	2015	2016	2017	2018
In thousands of dollars					
Estimated amortization expense	$ 10,452	$ 9,916	$ 9,913	$ 9,245	$ 8,151

Accrued Liabilities

Accrued liabilities were as follows:

December 31,	2013	2012
In thousands of dollars		
Payroll, compensation and benefits	**$ 245,641**	$ 236,598
Advertising and promotion	**348,966**	289,221
Other	**105,115**	125,087
Total accrued liabilities	**$ 699,722**	$ 650,906

Other Long-term Liabilities

Other long-term liabilities were as follows:

December 31,	2013	2012
In thousands of dollars		
Post-retirement benefits liabilities	**$ 245,460**	$ 292,234
Pension benefits liabilities	**50,842**	240,215
Other	**137,766**	136,283
Total other long-term liabilities	**$ 434,068**	$ 668,732

19. SEGMENT INFORMATION

We operate as a single reportable segment in manufacturing, marketing, selling and distributing our products under more than 80 brand names. Our two operating segments comprise geographic regions including North America, including the United States and Canada, and International which includes Latin America, Asia, Europe, Africa and exports to these regions. We market our products in approximately 70 countries worldwide.

For segment reporting purposes, we aggregate the operations of North America and International to form one reportable segment. We base this aggregation on similar economic characteristics, products and services; production processes; types or classes of customers; distribution methods; and the similar nature of the regulatory environment in each location.

The percentage of total consolidated net sales for businesses outside of the United States was 16.6% for 2013, 16.2% for 2012 and 15.7% for 2011. The percentage of total consolidated assets outside of the United States as of December 31, 2013 was 19.4%, and 20.5% as of December 31, 2012.

Sales to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, exceeded 10% of total net sales in each of the last three years, totaling $1.8 billion in 2013, $1.5 billion in 2012 and $1.4 billion in 2011. McLane Company, Inc. is the primary distributor of our products to Wal-Mart Stores, Inc.

20. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

Year 2013	**First**	**Second**	**Third**	**Fourth**
In thousands of dollars except per share amounts				
Net sales	**$ 1,827,426**	**$ 1,508,514**	**$ 1,853,886**	**$ 1,956,253**
Gross profit	**849,337**	**718,574**	**855,551**	**857,386**
Net income	**241,906**	**159,504**	**232,985**	**186,075**
Class B Common Stock:				
Net income per share—Basic	**1.00**	**0.66**	**0.96**	**0.77**
Net income per share—Diluted[(a)]	**0.99**	**0.66**	**0.95**	**0.76**
Dividends paid per share	**0.38**	**0.38**	**0.435**	**0.435**
Common Stock:				
Net income per share—Basic	**1.11**	**0.73**	**1.07**	**0.85**
Net income per share—Diluted	**1.06**	**0.70**	**1.03**	**0.82**
Dividends paid per share	**0.42**	**0.42**	**0.485**	**0.485**
Market Price				
High	**87.53**	**91.25**	**97.69**	**100.90**
Low	**73.51**	**85.25**	**89.17**	**91.04**

Year 2012	**First**	**Second**	**Third**	**Fourth**
In thousands of dollars except per share amounts				
Net sales	$ 1,732,064	$ 1,414,444	$ 1,746,709	$ 1,751,035
Gross profit	743,396	618,521	742,757	755,208
Net income	198,651	135,685	176,716	149,879
Class B Common Stock:				
Net income per share—Basic	0.82	0.56	0.73	0.62
Net income per share—Diluted	0.81	0.55	0.73	0.62
Dividends paid per share	0.344	0.344	0.344	0.380
Common Stock:				
Net income per share—Basic[(a)]	0.91	0.62	0.80	0.69
Net income per share—Diluted	0.87	0.59	0.77	0.66
Dividends paid per share	0.38	0.38	0.38	0.42
Market Price				
High	61.94	72.03	73.16	74.64
Low	59.49	59.81	70.09	68.85

(a) Quarterly income per share amounts do not total to the annual amount due to changes in weighted-average shares outstanding during the year.

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

None.

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

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2013. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's report on the Company's internal control over financial reporting appears on the following page. There has been no change during the most recent fiscal quarter in the Company's internal control over financial reporting identified in connection with its evaluation that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control–Integrated Framework (1992 edition)*. Based on this assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective based on those criteria.

John P. Bilbrey ***Chief Executive Officer***	**David W. Tacka** ***Chief Financial Officer***

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

None.

PART III

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

The names, ages, positions held with our Company, periods of service as a director, principal occupations, business experience and other directorships of directors and nominees for director of our Company, together with a discussion of the specific experience, qualifications, attributes and skills that led the Board to conclude that the director or nominee should serve as a director at this time, are located in the Proxy Statement in the section entitled “Proposal No. 1—Election of Directors,” following the question “Who are the nominees?,” which information is incorporated herein by reference.

Our Executive Officers as of February 7, 2014

Name	Age	Positions Held During the Last Five Years
Humberto P. Alfonso	56	President, International (May 2013); Executive Vice President, Chief Financial Officer and Chief Administrative Officer (September 2011); Senior Vice President, Chief Financial Officer (July 2007)
John P. Bilbrey	57	President and Chief Executive Officer (June 2011); Executive Vice President, Chief Operating Officer (November 2010); Senior Vice President, President Hershey North America (December 2007)
Michele G. Buck	52	President, North America (May 2013); Senior Vice President, Chief Growth Officer (September 2011); Senior Vice President, Global Chief Marketing Officer (December 2007)
Richard M. McConville	60	Vice President, Chief Accounting Officer (July 2012); Corporate Controller (June 2011); Director, International Controller, International Commercial Group (April 2007)
Terence L. O’Day	64	Senior Vice President, Chief Supply Chain Officer (May 2013); Senior Vice President, Global Operations (December 2008)
David W. Tacka	60	Senior Vice President, Chief Financial Officer (May 2013); Vice President, Special Projects (July 2012); Vice President, Chief Accounting Officer (February 2004)
Leslie M. Turner (1)	56	Senior Vice President, General Counsel and Secretary (July 2012)
Kevin R. Walling (2)	48	Senior Vice President, Chief Human Resources Officer (November 2011); Senior Vice President, Chief People Officer (June 2011)
D. Michael Wege	51	Senior Vice President, Chief Growth and Marketing Officer (May 2013); Senior Vice President, Chief Commercial Officer (September 2011); Senior Vice President, Chocolate Strategic Business Unit (December 2010);Vice President, U.S. Chocolate (April 2008)
Waheed Zaman (3)	53	Senior Vice President, Chief Corporate Strategy and Administrative Officer (August 2013); Senior Vice President, Chief Administrative Officer (April 2013)

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

(1) Ms. Turner was elected Senior Vice President, General Counsel and Secretary effective July 9, 2012. Prior to joining our Company she was Chief Legal Officer of Coca-Cola North America (June 2008), and Associate General Counsel, Coca-Cola Company Bottling Investments Group (January 2006).

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

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

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

Information regarding the identification of the Audit Committee as a separately-designated standing committee of the Board and information regarding the status of one or more members of the Audit Committee being an “audit committee financial expert” is located in the Proxy Statement in the section entitled “Governance of the Company,” following the question “What are the committees of the Board and what are their functions?,” which information is incorporated herein by reference.

Reporting of any inadvertent late filings under Section 16(a) of the Securities Exchange Act of 1934, as amended, is located in the section of the Proxy Statement entitled “Section 16(a) Beneficial Ownership Reporting Compliance.” This information is incorporated herein by reference.

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

Item 11. ***EXECUTIVE COMPENSATION***

Information regarding compensation of each of the named executive officers, including our Chief Executive Officer, and the Compensation Committee Report are set forth in the section of the Proxy Statement entitled “Executive Compensation,” which information is incorporated herein by reference. Information regarding compensation of our directors is located in the section of the Proxy Statement entitled “Director Compensation,” which information is incorporated herein by reference.

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

(a) Information concerning ownership of our voting securities by certain beneficial owners, individual nominees for director, the named executive officers, including persons serving as our Chief Executive Officer and Chief Financial Officer, and directors and executive officers as a group, is set forth in the section entitled “Ownership of the Company’s Securities” in the Proxy Statement, which information is incorporated herein by reference.

(b) The following table provides information about all of the Company's equity compensation plans as of December 31, 2013:

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)			
Stock Options	8,535,735	$ 55.60	
Performance Stock Units and Restricted Stock Units	1,411,399	N/A	
Subtotal	9,947,134		16,088,632
Equity compensation plans not approved by security holders(2)			
Stock Options	124,601	$ 46.44	—
Total	10,071,735	$ 55.47 (3)	16,088,632

(1) Column (a) includes stock options, performance stock units and restricted stock units granted under the stockholder-approved EICP. Of the securities available for future issuances under the EICP in column (c), 9,929,709 are available for awards of stock options and 6,158,923 are available for full-value awards such as performance stock units, performance stock, restricted stock units, restricted stock and other stock-based awards. Securities available for future issuance of full-value awards may also be used for stock option awards. As of December 31, 2013, 29,596 performance stock units were excluded from the number of securities remaining available for issuance in column (c) because the measurement date had not yet occurred

for accounting purposes. For more information, see *Note 17, Stock Compensation Plans*, of the Notes to Consolidated Financial Statements.

(2) Column (a) includes 124,601 stock options outstanding that were granted under the Broad Based Stock Option Plan. In July 2004, we announced a worldwide stock option grant under the Broad Based Stock Option Plan, which provided over 13,000 eligible employees with a grant of 100 non-qualified stock options each. The stock options were granted at a price of $46.44 per share which equates to 100% of the fair market value of our Common Stock on the date of grant (determined as the closing price on the New York Stock Exchange on the trading day immediately preceding the date the stock options were granted) and vested on July 19, 2009. No additional awards may be made under the Broad Based Stock Option Plan or Directors' Compensation Plan.

(3) Weighted-average exercise price of outstanding stock options only.

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

Information regarding transactions with related persons is located in the section of the Proxy Statement entitled “Certain Transactions and Relationships” and information regarding director independence is located in the section of the Proxy Statement entitled “Governance of the Company” following the question, “Which directors are independent, and how does the Board make that determination?,” which information is incorporated herein by reference.

Item 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES***

Information regarding “Principal Accountant Fees and Services,” including the policy regarding pre-approval of audit and non-audit services performed by our Company’s independent auditors, is located in the section entitled “Information About Our Independent Auditors” in the Proxy Statement, which information is incorporated herein by reference.

PART IV

Item 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

Item 15(a)(1): Financial Statements

The audited consolidated financial statements of the Company and its subsidiaries and the Report of the Independent Registered Public Accounting Firm thereon, as required to be filed with this report, are located under Item 8 of this report.

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

Schedule II—Valuation and Qualifying Accounts (see Page 109) for our Company and its subsidiaries for the years ended December 31, 2013, 2012 and 2011 is filed as required by Item 15(c).

We omitted other schedules which were not applicable or not required, or because we provided the required information in the consolidated financial statements or the notes to consolidated financial statements.

We omitted the financial statements of our parent company because we are primarily an operating company and there are no significant restricted net assets of consolidated and unconsolidated subsidiaries.

Item 15(a)(3): Exhibits

The following items are attached or incorporated by reference in response to Item 15(c):

Plans of acquisition, reorganization, arrangement, liquidation or succession

2.1 Share Purchase Agreement by and among Shanghai Golden Monkey Food Joint Stock Co., LTD. and Hershey Netherlands B.V., a wholly-owned subsidiary of the Company, as of December 18, 2013, is attached hereto and filed as Exhibit 2.1.

Articles of Incorporation and By-laws

3.1 The Company’s Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended April 3, 2005. The By-laws, as amended and restated as of February 21, 2012, are incorporated by reference from Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed February 24, 2012.

Instruments defining the rights of security holders, including indentures

4.1 The Company has issued certain long-term debt instruments, no one class of which creates indebtedness exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. These classes consist of the following:

1) 4.850% Notes due 2015

2) 5.450% Notes due 2016

3) 1.500% Notes due 2016

4) 4.125% Notes due 2020

5) 8.8% Debentures due 2021

6) 2.625% Notes due 2023

7) 7.2% Debentures due 2027

8) Other Obligations

We will furnish copies of the above debt instruments to the Commission upon request.

Material contracts

10.1	Kit Kat and Rolo License Agreement (the “License Agreement”) between the Company and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit 10(a) to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1980. The License Agreement was amended in 1988 and the Amendment Agreement is incorporated by reference from Exhibit 19 to the Company’s Quarterly Report on Form 10-Q for the quarter ended July 3, 1988. The License Agreement was assigned by Rowntree Mackintosh Confectionery Limited to Société des Produits Nestlé SA as of January 1, 1990. The Assignment Agreement is incorporated by reference from Exhibit 19 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1990.
10.2	Peter Paul/York Domestic Trademark & Technology License Agreement between the Company and Cadbury Schweppes Inc. (now Cadbury Ireland Limited) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company’s Current Report on Form 8-K dated September 8, 1988. This agreement was assigned by the Company to its wholly-owned subsidiary, Hershey Chocolate & Confectionery Corporation.
10.3	Cadbury Trademark & Technology License Agreement between the Company and Cadbury Limited (now Cadbury UK Limited) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company’s Current Report on Form 8-K dated September 8, 1988. This agreement was assigned by the Company to its wholly-owned subsidiary, Hershey Chocolate & Confectionery Corporation.
10.4	Trademark and Technology License Agreement between Huhtamäki and the Company dated December 30, 1996, is incorporated by reference from Exhibit 10 to the Company’s Current Report on Form 8-K dated February 26, 1997. This agreement was assigned by the Company to its wholly-owned subsidiary, Hershey Chocolate & Confectionery Corporation. The agreement was amended and restated in 1999 and the Amended and Restated Trademark and Technology License Agreement is incorporated by reference from Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
10.5	Five Year Credit Agreement dated as of October 14, 2011, among the Company and the banks, financial institutions and other institutional lenders listed on the respective signature pages thereof (“Lenders”), Bank of America, N.A., as administrative agent for the Lenders, JPMorgan Chase Bank, N.A., as syndication agent, Citibank, N.A. and PNC Bank, National Association, as documentation agents, and Bank of America Merrill Lynch, J.P. Morgan Securities LLC, Citigroup Global Markets, Inc. and PNC Capital Markets LLC, as joint lead arrangers and joint book managers is incorporated by reference from Exhibit 10.1 to the Company's current Report on Form 8-K, filed October 20, 2011.
10.6	Amendment No. 1 to Credit Agreement dated as of November 12, 2013, among the Company, the banks, financial institutions and other institutional lenders who are parties to the Five Year Credit Agreement and Bank of America, N.A., as agent, is attached hereto and filed as Exhibit 10.6.
10.7	Master Innovation and Supply Agreement between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed July 19, 2007.
10.8	First Amendment to Master Innovation and Supply Agreement between the Company and Barry Callebaut, AG, dated April 14, 2011, is incorporated by reference from Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the quarter ended July 3, 2011.
10.9	Supply Agreement for Monterrey, Mexico, between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed July 19, 2007.

Executive Compensation Plans and Management Contracts

10.10 The Company's Equity and Incentive Compensation Plan, amended and restated February 22, 2011, and approved by our stockholders on April 28, 2011, is incorporated by reference from Appendix B to the Company's proxy statement filed March 15, 2011.

10.11 Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 24, 2012.

10.12 The Company's Executive Benefits Protection Plan (Group 3A), Amended and Restated as of June 27, 2012, is incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.

10.13 The Company's Deferred Compensation Plan, Amended and Restated as of June 27, 2012, is incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.

10.14 Executive Confidentiality and Restrictive Covenant Agreement, adopted as of February 16, 2009, is incorporated by reference from Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

10.15 Employee Confidentiality and Restrictive Covenant Agreement, amended as of February 18, 2013, is incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

10.16 The Company's Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, is incorporated by reference from Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

10.17 First Amendment to the Company's Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, is incorporated by reference from Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

10.18 The Company's Compensation Limit Replacement Plan, Amended and Restated as of January 1, 2009, is incorporated by reference from Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

10.19 The Company's Directors' Compensation Plan, Amended and Restated as of December 2, 2008, is incorporated by reference from Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

10.20 Form of Notice of Special Award of Restricted Stock Units is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K, filed June 16, 2011.

10.21 Executive Employment Agreement with John P. Bilbrey, dated as of August 7, 2012, is incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.

10.22 Form of Notice of Award of Performance Stock Units is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 24, 2012.

10.23 The Long-Term Incentive Program Participation Agreement is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 18, 2005.

Broad Based Equity Compensation Plans

10.24 The Company's Broad Based Stock Option Plan, as amended, is incorporated by reference from Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

Other Exhibits

12.1	Computation of ratio of earnings to fixed charges statement
	A computation of ratio of earnings to fixed charges for the fiscal years ended December 31, 2013, 2012, 2011, 2010 and 2009 is attached hereto and filed as Exhibit 12.1.
21.1	Subsidiaries of the Registrant
	A list setting forth subsidiaries of the Company is attached hereto and filed as Exhibit 21.1.
23.1	Independent Auditors' Consent
	The consent dated February 21, 2014 to the incorporation of reports of the Company's Independent Auditors is attached hereto and filed as Exhibit 23.1.
31.1	Certification of John P. Bilbrey, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, is attached hereto and filed as Exhibit 31.1.
31.2	Certification of David W. Tacka, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, is attached hereto and filed as Exhibit 31.2.
32.1	Certification of John P. Bilbrey, Chief Executive Officer, and David W. Tacka, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is attached hereto and furnished as Exhibit 32.1.
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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 21st day of February, 2014.

THE HERSHEY COMPANY
(Registrant)

By: /S/ DAVID W. TACKA

David W. Tacka

Chief Financial Officer

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

Signature	Title	Date
/S/ JOHN P. BILBREY **(John P. Bilbrey)**	Chief Executive Officer and Director	February 21, 2014
/S/ DAVID W. TACKA **(David W. Tacka)**	Chief Financial Officer	February 21, 2014
/S/ RICHARD M. MCCONVILLE **(Richard M. McConville)**	Chief Accounting Officer	February 21, 2014
/S/ PAMELA M. ARWAY **(Pamela M. Arway)**	Director	February 21, 2014
/S/ ROBERT F. CAVANAUGH **(Robert F. Cavanaugh)**	Director	February 21, 2014
/S/ CHARLES A. DAVIS **(Charles A. Davis)**	Director	February 21, 2014
/S/ MARY KAY HABEN **(Mary Kay Haben)**	Director	February 21, 2014
/S/ ROBERT M. MALCOLM **(Robert M. Malcolm)**	Director	February 21, 2014
/S/ JAMES M. MEAD **(James M. Mead)**	Director	February 21, 2014
/S/ JAMES E. NEVELS **(James E. Nevels)**	Director	February 21, 2014
/S/ ANTHONY J. PALMER **(Anthony J. Palmer)**	Director	February 21, 2014
/S/ THOMAS J. RIDGE **(Thomas J. Ridge)**	Director	February 21, 2014
/S/ DAVID L. SHEDLARZ **(David L. Shedlarz)**	Director	February 21, 2014

THE HERSHEY COMPANY AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2013, 2012 and 2011

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
In thousands of dollars					
Year Ended December 31, 2013:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply [(a)]					
Accounts Receivable—Trade, Net	$ 10,435	$ 154,092	$ —	$ (154,283)	$ 10,244
Year Ended December 31, 2012:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply [(a)]					
Accounts Receivable—Trade, Net	$ 14,977	$ 134,972	$ —	$ (139,514)	$ 10,435
Year Ended December 31, 2011:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply [(a)]					
Accounts Receivable—Trade, Net	$ 15,190	$ 135,147	$ —	$ (135,360)	$ 14,977

(a) Includes allowances for doubtful accounts and anticipated discounts.

CERTIFICATION

I, John P. Bilbrey, certify that:

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

John P. Bilbrey
Chief Executive Officer
February 21, 2014

CERTIFICATION

I, David W. Tacka, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

David W. Tacka
Chief Financial Officer
February 21, 2014

EXECUTION COPY

SHARE PURCHASE AGREEMENT

BY AND AMONG

SHANGHAI ZHAOSHI INDUSTRIAL INVESTMENT CO., LTD.

ZHAO QISAN

ZHAO DONGWANG

ZHAO DONGMING

SHANGHAI GOLDEN MONKEY FOOD JOINT STOCK CO., LTD.

AND

HERSHEY NETHERLANDS B.V.

As of December 18, 2013

Table of Contents

Article 1	General Provisions	2
1.1	Definitions	2
1.2	Construction	13
Article 2	Sale and Purchase of Shares	14
2.1	Purchase Price for the Shares	14
2.2	Dividends	14
2.3	The First Tranche	14
2.4	The Second Tranche	15
Article 3	Adjustment for Net Working Capital Difference and Net Debt Difference	16
3.1	Purpose of Adjustment	16
3.2	The Post-Closing Adjustment Statement	16
3.3	Payment of the Post-Closing Adjustment Amount	17
3.4	Determination of Post-Closing Adjustment Amount	17
Article 4	Conduct Pending the First Closing	18
4.1	Access to Information and Assistance with Integration	18
4.2	Conduct of Business	19
4.3	Continuing Disclosure	20
4.4	Pre-Closing Verification	21
4.5	Working Hour System	21
Article 5	Conditions Precedent to the First Closing	21
5.1	Conditions Precedent to All Parties' Obligations	21
5.2	Conditions Precedent to the Buyer's Obligations	22
5.3	Conditions Precedent to the Seller's and Founder's Obligations	25
Article 6	The First Closing	26
6.1	Date and Venue	26
6.2	Preparation for First Closing	26
6.3	Seller's and Founder's Obligation at the First Closing	27
6.4	Buyer's Obligation at the First Closing	29
6.5	Parties' Acknowledgements	29
Article 7	The Second Closing	30
7.1	Date and Venue	30
7.2	Buyer's Obligation at the Second Closing	30
7.3	Seller's Obligation at the Second Closing	30
Article 8	Representations and Warranties	31
8.1	Representations and Warranties Relating to Seller and Founder	31
8.2	Representations and Warranties Relating to the Target Group	33
8.3	Buyer's Representations and Warranties	43
8.4	Reliance	43
Article 9	Non-Competition	44
9.1	Non-Competition	44
Article 10	Restriction on Use of Intellectual Property	45
10.1	Trademark License	45
10.2	Restriction on Use of Intellectual Property	46
Article 11	Other Covenants	47
11.1	Founder's Consulting Services	47
11.2	Management Bonus Scheme	47

11.3	Restrictions on Transfer, Lock-up	47
11.4	Filings, Authorizations and Consents	48
11.5	Reasonable Efforts and Assistance	48
11.6	Taxes, Fees and Expense	49
11.7	Press Release and Public Announcements	49
11.8	Establishment of Owned Retail Stores	49
11.9	Waiver of Claims to Intellectual Property	50
11.10	Compliance Program and Internal Controls	50
11.11	Permits	50
Article 12	Indemnification Obligations	50
12.1	Parties' Respective Indemnification Obligations	50
12.2	Procedures Relating to Indemnification	52
12.3	Indemnity Escrow	52
12.4	Manner of Payment	53
12.5	Buyer's Discretion	53
Article 13	Termination and Expiration	53
13.1	Termination of Agreement before the First Closing Date	54
13.2	Effect of Termination	54
13.3	Expiry of this Agreement	54
Article 14	Miscellaneous	54
14.1	Severability	54
14.2	Governing Law	54
14.3	Dispute Resolution	54
14.4	Notices	56
14.5	Effectiveness	57
14.6	Amendment	58
14.7	Waiver	58
14.8	Interest on the Shortfall	58
14.9	Specific Performance	58
14.10	Rights Cumulative	58
14.11	Successors and Assignment	58
14.12	No Third Party Beneficiaries	58
14.13	Entire Agreement	58
14.14	Recitals, Exhibits and Schedules	59
14.15	Counterparts	59
14.16	Language	59

Exhibit A EXISTING OWNERSHIP OF THE COMPANY
Exhibit B CORPORATE DETAILS OF THE TARGET GROUP
Exhibit C ORGANIZATIONAL CHART OF THE TARGET GROUP
Exhibit D DISCLOSURE SCHEDULES
Exhibit E AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF THE COMPANY
Exhibit F TEMPLATE ADJUSTMENT STATEMENT
Exhibit G COMPLIANCE PROGRAM
Exhibit H MANAGEMENT ACCOUNTS
Exhibit I AUDITED CONSOLIDATED ACCOUNTS
Exhibit J SERVICE AGREEMENTS
Exhibit K FORM OF SHARE TRANSFER AGREEMENT FOR SECOND TRANCHE SHARES

Exhibit L MANAGEMENT BONUS SCHEME
Exhibit M RETENTION, CONFIDENTIALITY, NON-COMPETE & LOCK-UP AGREEMENT
Exhibit N ESCROW AGREEMENTS
Exhibit O KEY EMPLOYEES
Exhibit P STANDARD DISTRIBUTION AGREEMENT AND CREDIT TERMS
Exhibit Q SHAREHOLDERS AGREEMENT
Exhibit R LIST OF MACHINERY, EQUIPMENT AND FACILITIES OF EACH TARGET GROUP MEMBER AS OF DECEMBER 31, 2012
Exhibit S PERMITS
Exhibit T PRE-CLOSING ACCESS
Exhibit U PACKAGING/LABELING REMEDIATION MEASURES
Exhibit V COMPLIANCE INITIATIVE
Exhibit W TRADEMARK LICENSE AGREEMENT
Exhibit X MAP OF SHANGHAI DORMITORIES

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this "Agreement") is entered into by and among the following Parties as of December 18, 2013:

Shanghai Zhaoshi Industrial Investment Co., Ltd., a limited liability company duly established and validly existing under the Laws of the PRC and with its registered address at 5100 Hu'nan Road, Pudong New District, Shanghai, the PRC (the "Seller"):

Zhao Qisan (PRC Identification Card No. 412728194869186833), a PRC citizen (the "Founder"):

Zhao Dongwang (PRC Identification Card No. 412728197311276819), a PRC citizen;

Zhao Dongming (PRC Identification Card No. 412728197703026859), a PRC citizen (together with the Founder and Zhao Dongwang, the "Seller Shareholders", and each individually a "Seller Shareholder"):

Shanghai Golden Monkey Food Joint Stock Co., Ltd. (the "Company"), a joint stock company duly established and validly existing under the Laws of the PRC and with its registered address at 5100 Hu'nan Road, Pudong New District, Shanghai, the PRC; and

Hershey Netherlands B.V., a private limited liability company duly established and validly existing under the Laws of the Netherlands and with its registered address at Prins Bernhardplein 200,1097 JB Amsterdam, the Netherlands ("Buyer").

The Buyer, the Seller, the Company and the Seller Shareholders may hereinafter be referred to collectively as the "Parties" and each individually as a "Party".

RECITALS

WHEREAS, the Target Group is engaged in the production and sale of confectionery, chocolate, bean curd and snack products;

WHEREAS, as of the date of this Agreement, the equity ownership of the Company is as set forth in Exhibit A hereto;

WHEREAS, in accordance with the terms and conditions set forth herein, Seller and Founder desire to perform certain internal restructuring of the Company so as to become the owners of one-hundred percent (100%) of the issued and outstanding shares in the capital of the Company (the "Shares", par value RMB 1 per Share) and then sell and transfer all such Shares (360,000,000 in total) to the Buyer in two (2) tranches; and

WHEREAS, the Buyer desires to purchase and accept from the Seller and Founder all of the Shares upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements set forth in this Agreement, and other good and valuable consideration, the adequacy and receipt of which are hereby expressly acknowledged, the Parties hereby agree as follows:

Article 1 General Provisions

1.1 Definitions. Except as otherwise provided under the terms of this Agreement, the following terms shall have the following meanings (where the terms are listed in alphabetical order in the English version of this Agreement and in the sequential order of *pin yin* in the Chinese version of this Agreement):

"Affiliate" shall mean: (i) with respect to any Target Group Member, a "related party" as defined in "*Accounting Standards for Business Enterprises No. 36 - Related Parties Disclosures"* published by the PRC Ministry of Finance; (ii) with respect to the Buyer, any person who, directly or indirectly, controls, or is controlled by, or is under common control with the Buyer; and (iii) with respect to any natural person, such person's adult lineal relatives and any entity that is directly or indirectly controlled by such natural person or his/her lineal relative.

"Agreement" shall have the meaning set forth in the Preamble.

"AIC" shall mean the Administration of Industry and Commerce for the City of Shanghai.

"Amended and Restated Articles of Association" shall mean the amended and restated Articles of Association of the Company in the form agreed and set out in Exhibit E.

"Anti-Corruption Laws" shall mean any and all anti-bribery and/or anti-corruption laws of any jurisdiction, such as all anti-bribery and/or anti-corruptions Laws of the PRC, the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, as well as any international anti-bribery and/or anti-corruption conventions.

"Business Day" shall mean any day on which licensed banks in the PRC, Hong Kong, the Netherlands, New York are open for business, excluding any Saturday, Sunday, and legal holidays in the PRC, Hong Kong, the Netherlands or New York.

"Buyer" shall have the meaning set forth in the Preamble.

"Buyer Designee" shall have the meaning set forth in Article 2.4(a).

"Buyer Indemnitee" or "Buyer Indemnitees" shall have the meaning set forth in Article 12.1(a).

“Buyer’s Post-Closing Adjustment Statement” shall have the meaning set forth in Article 3.2(a).

“Cash” shall mean, with respect to the Target Group on a consolidated basis the aggregate amount of (i) cash on hand, *plus* (ii) cash equivalents, *plus* (iii) cash credited to a bank account and readily available, *plus* (iv) the fair market value of marketable securities and investments in money market funds that are readily available, *minus* (v) the amounts of cash in transit, unpaid checks, drafts and wire transfers issued by any Target Group Member, and *minus* (vi) any cash not in the physical possession of the Company or not held in an account solely in the name of the Company.

“Claim Notice” shall have the meaning set forth in Article 12.2(a).

“Company Transaction Expenses” shall mean, except as otherwise expressly set forth in this Agreement, all costs and expenses incurred by or on behalf of any Target Group Member in connection with the negotiation, preparation or execution of this Agreement or any documents or agreements contemplated hereby or the performance or consummation of the transactions contemplated hereby.

“Competitors” shall mean, collectively, the persons who engage in Competitive Business; and “Competitor” means any one of them.

“Competitive Business” shall mean any production, distribution, sale, marketing, research and/or development of, or any other activity relating to, any and all food and beverage products.

“Compliance Leaders” shall mean, collectively, the Company's new Chief Financial Officer, Chief Compliance Officer and Chief Counsel, all of whom shall be appointed by the Buyer in accordance with the Shareholders Agreement.

“Compliance Program” shall mean the legal and regulatory compliance protocol applicable to the entire Target Group, a summary of which is attached hereto as Exhibit G.

“Confidentiality Agreement” shall mean the Confidentiality Agreement to be entered into by the Parties on mutually agreed terms prior to the First Closing Date.

“Consulting Services” shall have the meaning set forth in Article 11.1(a).

"Contract" shall mean any legally binding contract, agreement, arrangement, lease, license, commitment, understanding, franchise, warranty, guaranty, mortgage, note, bond, option, warrant, right or other instrument or consensual obligation.

"Debt" of any person means, without duplication, (i) the principal, interest and all associated costs in respect of indebtedness for borrowed money; (ii) all deferred payment obligations; (iii) all capitalized lease obligations; (iv) all guarantee and surety obligations; (v) all accrued and unpaid Tax obligations; (vi) all fines and/or penalties levied by Governmental Authorities; (vii) all unpaid obligations arising from litigation or third party claims; (viii) all advances to suppliers and customers that have been outstanding for a period longer than six (6) months; (ix) all accrued Liabilities not fully reflected in such person's consolidated balance sheet; and (x) any other items that are substantially similar to or arising from the foregoing (i) to (ix).

"Disclosure Schedules" shall mean the disclosure schedules attached hereto as Exhibit D.

"Dispute" shall mean any dispute, controversy or claim arising out of or relating to this Agreement, its interpretation, validity, performance, enforceability, breach or termination.

"Dispute Notice" shall have the meaning set forth in Article 14.3.

"Due Diligence Documents" shall have the meaning set forth in Article 8.1(g).

"EHS Law" shall mean any Law, Governmental Order or other requirement of any nature whatsoever applicable to any Target Group Member or its business and operations that relates to: (A) the prevention of harm to or protection of the environment, including, without limitation, (i) emissions, discharges, releases or threatened releases of any Hazardous Materials into land, soil, ambient air, water and atmosphere, (ii) the generation, treatment, storage, transportation, disposal or other handling of any Hazardous Materials, and (iii) the health and safety of persons as such matters relate to Hazardous Materials; (B) health and safety in the workplace and of employees and other persons related to any Target Group Member or its business and operations .

"Encumbrance" shall mean any encumbrance or restriction with respect to any right or interest, including, without limitation, any mortgage, lien, security, pledge or other restriction. The term "Encumber" shall have meanings correlative to the foregoing.

"Excess Damages" shall have the meaning set forth in Article 12.2(c).

“First Closing” shall have the meaning set forth in Article 6.1(a).

“First Closing Date” shall have the meaning set forth in Article 6.1(b).

“First Closing Net Debt” shall mean the Net Debt as of the First Closing Date.

“First Closing Net Working Capital” shall mean the Net Working Capital as of the First Closing Date.

“First Tranche” shall have the meaning set forth in Article 2.3(a).

“First Tranche Payment” shall have the meaning set forth in Article 2.3(c).

“First Tranche Shares” shall have the meaning set forth in Article 2.3(a).

"Founder” shall have the meaning set forth in the Preamble.

“Governmental Authority” shall mean any nation or government, any national, central, federal, state, provincial, municipal, local or other political subdivision thereof, and any department, ministry, agency, commission, bureau, court, tribunal, entity, instrumentality, authority or other body exercising executive, judicial, fiscal, legislative, regulatory, taxing or administrative functions of or pertaining to government.

“Government Official” shall mean any person engaged in public duty in a government agency, including without limitation (i) any elected or appointed official or employee of a government, at any level, including national or local government entities, members of legislative, administrative, and judicial bodies, and employees of government agencies; (ii) any officer or employee of government-owned or government-controlled entities, including state-owned entities that operate in the commercial sector, such as an employee at a state-owned company; (iii) any officer or employee of a public international organization (such as the United Nations, the World Bank or the International Monetary Fund); (iv) any person acting in an official capacity for a government, government agency, or state-owned enterprise (for example, someone who has been given authority by a government entity to carry out official responsibilities); and (v) any political party, official of a political party, and any candidate for political office.

“Governmental Order” shall mean any order, writ, judgment, injunction, decree, ruling, assessment, stipulation or determination entered or issued by any Governmental Authority, or a final arbitration award issued by an arbitral tribunal of competent jurisdiction.

"Hazardous Materials" shall mean any material, substance or condition that is defined as "hazardous" by any EHS Law or is subject to regulation under any EHS Law, including all pollutants, chemicals, contaminants, wastes (including, but not limited to, waste water, gas or solid waste), radioactive materials and any other infectious, carcinogenic, ignitable, corrosive, reactive, toxic or otherwise hazardous substances or materials (whether solids, liquids or gases).

"Hershey" shall mean The Hershey Company.

"Historical Non-Compliance" shall mean, in respect of any Target Group Member at any time prior to the First Closing Date, any violation of any Law applicable to such Target Group Member, howsoever arising (including as a result of its IPO Restructuring), together with all obligations, expenses, Taxes, fines, penalties, remediation and other Liabilities arising out of any such non-compliance or violation or incurred by any Target Group Member in connection therewith.

"HKIAC" shall mean the Hong Kong International Arbitration Centre.

"Indemnified Party" shall have the meaning set forth in Article 12.2(a).

"Indemnifying Party" shall have the meaning set forth in Article 12.2(a).

"Indemnity Escrow Amount" shall mean an amount equal to five percent (5%) of the Purchase Price.

"Independent Accountant" shall mean PricewaterhouseCoopers (PwC).

"Intellectual Property" shall mean all intellectual property in any jurisdiction, in and pertaining to any (i) patents (including invention, utility model and design patents) and patent applications; (ii) trademarks, trade names, service marks, service names, corporate names, domain names, trade images and all other protectable identifiers of source, including all goodwill associated therewith, and registrations and applications for registration thereof; (iii) copyrights, works of authorship, database rights and design rights, whether or not registered, and registrations and applications for registration thereof; and (iv) trade secrets, know-how and other proprietary confidential information.

“Interim Period” shall mean the period commencing on the First Closing Date and ending on the earlier of: (i) the Second Closing Date; or (ii) the first (1st) anniversary of the First Closing Date.

“IPO Restructuring” shall mean a series of transactions conducted since 2007 by and among the Company, Shanghai Golden Monkey Group Co., Ltd., a limited liability company established under the Laws of the PRC and with its registered address at 5100 Hu'nan Road, Pudong New District, Shanghai, the PRC) and certain of their respective Affiliates whereby certain assets and subsidiaries of Shanghai Golden Monkey Group Co., Ltd. were transferred to the Company and/or Target Subsidiaries and became part of the Target Group.

“Key Employees” shall mean each of the Seller Shareholders, Mr. Wang Baogen and such other employees of any Target Group Member as are agreed and set out in Exhibit O.

“Knowledge” shall mean, when used in respect of each of the Seller, Seller Shareholders and Target Group Members, the best of the knowledge of any of the Seller, Seller Shareholders and Target Group Members, in each case after due and careful inquiry.

“Law” shall mean any central, federal, state, provincial, municipal, local or foreign laws, treaties, constitutions, statutes, codes, judicial decisions, judgments, rules, regulations, ordinances, circulars, administrative measures, edicts, interpretations, Governmental Orders or other pronouncement of or enacted, adopted, promulgated or applied by any Governmental Authority having the effect of law.

“Liability” shall mean any debt, liability or obligation that is recognizable under applicable Law, including all costs, expenses and Taxes relating thereto.

“Liaison Offices” shall mean all those outlets as set forth in Exhibit C and all other outlets operated pursuant to authorization (whether in writing or otherwise) by the Company.

“Long Stop Date” shall mean the date that is nine (9) months after the date hereof, or such later date as may be agreed in writing by all Parties.

“Long Term Loans” shall mean long term (with a maturity term longer than one-year) bank loans, inclusive of all accrued and unpaid interest and charges.

“Loss” or “Losses” shall mean liabilities, losses, damages, claims, demands, payments, fines, awards, judgments, penalties suffered or incurred by the Party concerned, and related costs, Taxes, interests, attorneys' fees, court costs, expenses of litigation, arbitration or other expenses; and for the avoidance of doubt, (i) any amount of Losses to any Target Group Member other than the Company shall be deemed to result in and attribute to the Company an amount of Losses that is equal to the amount of Losses to such Target Group Member; and (ii) any amount of Losses to the Company at any given time shall be deemed to result in and attribute to each Buyer an amount of Losses that is equal to the amount of Losses to the Company multiplied by such Buyer's ownership percentage of all of the Company's Shares at that time.

"Management Accounts" shall mean the unaudited balance sheets, unaudited profit and loss statements and unaudited cash flow statements of the Target Group on a consolidated basis for: (i) the calendar years ended December 31, 2010, 2011 and 2012; (ii) the calendar months ended January 31, 2013, February 28, 2013, March 31, 2013 and April 30, 2013; and (iii) the 8-month period ended August 31, 2013, in each case together with any notes thereto, all of which are prepared in accordance with PRC GAAP consistently applied throughout, as set forth in Exhibit H attached hereto.

"Material Adverse Effect" shall mean any event, circumstance or occurrence that, when taken individually or in the aggregate, has or could reasonably be expected to have, a material adverse effect, on (i) the business, assets, properties, reputation, results of operations, prospects or condition (financial or otherwise) of the Company, or (ii) the ability of any Party, as the case may be, to carry out its obligations hereunder or to consummate the First Tranche and/or Second Tranche.

"Material Contract" shall mean (i) any Contract to which any Target Group Member is a party or by which any Target Group Member or its assets are bound, which has an aggregate contract value of RMB two (2) million or more; (ii) any Contracts between any Target Group Member and any of its top twenty (20) suppliers and top twenty (20) customers, all OEM suppliers, measured by Contract value, volume or revenue; (iii) any credit facility Contract, loan Contract, guarantee Contract or any other financing or security Contract or document by which any Target Group Member and/or any Target Group Asset is bound, regardless of the value of such Contract; and (iv) any Contracts restricting or otherwise affecting in any material respect the ability of any Target Group Member to compete in any line of business, industry or geographical area.

"Minority Shareholders" shall mean all shareholders of record of the Company prior to the First Closing Date, other than the Seller and Founder.

"Necessary Regulatory Approvals" shall mean all necessary regulatory approvals from competent Governmental Authorities so as to enable the consummation of the First Tranche and/or Second Tranche, as the case may be, which shall include without limitation approvals by the Ministry of Commerce of China and/or its local counterparts.

"Net Debt" shall mean, for the Target Group on a consolidated basis, the absolute value of the sum of: (i) Cash, *less* (ii) Short Term Loans, *less* (iii) Long Term Loans, *less* (iv) dividends payable as reflected in Target Group's accounts or declared to be payable but not so reflected, and (v) *plus* (if net gains) or *less* (if net losses) net gains or net losses on hedging transactions relating to commodities, interest rate(s) and/or foreign exchange(s).

"Net Debt Difference" shall mean an amount equal to: RMB 522,172,000 *minus* First Closing Net Debt.

"Net Working Capital" shall mean, for the Target Group on a consolidated basis: (i) accounts receivable, *plus* (ii) owned inventory, *plus* (iii) prepayments made, *plus* (iv) other receivables (including but not limited to loans to suppliers and Affiliate(s) outside the Target Group), *less* (v) advances from customers, *less* (vi) accounts payable, *less* (vii) accrued staff costs, *less* (viii) accrued Taxes payable, and *less* (ix) other payables (including but not limited to Company Transaction Expenses).

"Net Working Capital Difference" shall mean an amount equal to: First Closing Net Working Capital *minus* RMB 645,243,000.

"Non-Compete Period shall have the meaning set forth in Article 9.1(a).

"Non-Target-Group Entity" shall mean any entity that is controlled by any Seller Shareholder but is not a Target Group Member.

"Offshore Escrow Account" shall mean an escrow account denominated in RMB that is opened in the Buyer's name at The Hongkong and Shanghai Banking Corporation (Hongkong office) in accordance with the Offshore Escrow Agreement.

"Offshore Escrow Agent" shall mean The Hongkong and Shanghai Banking Corporation (Hongkong office).

"Offshore Escrow Agreement" shall mean the escrow agreement in the form agreed and set out in Part 1 of Exhibit N.

"Onshore Escrow Account" shall mean a "designated RMB account for mergers and acquisitions transaction" opened in the Seller's name at HSBC Bank (China) Company Limited (Shanghai branch), which has been duly approved by the People's Bank of China and/or SAFE to: (a) receive the Offshore Escrow Agent's remittance of the First Tranche Payment, and (b) hold the Indemnity Escrow Amount in accordance with the Onshore Escrow Agreement.

"Onshore Escrow Agent" shall mean HSBC Bank (China) Company Limited.

"Onshore Escrow Agreement" shall mean the escrow agreement in the form agreed and set out in Part 2 of Exhibit N.

"Owned Real Properties" shall have the meaning set forth in Article 8.2(b)(i).

"Parties" and "Party" shall have the meaning set forth in the Preamble.

"Permits" shall mean all permits, licenses, concessions, grants, franchises, registrations, variances, authorizations, consents, orders, certificates, inspections, certifications and/or approvals required by and/or otherwise made available by any Governmental Authority.

"Personal Properties" shall have the meaning set forth in Article 8.2(c).

"Personal Properties Audit List" shall have the meaning set forth in Article 4.4(b).

"Post-Closing Adjustment Amount" shall mean an amount (positive or negative) equal to the sum of: (i) Net Working Capital Difference, *plus* (ii) Net Debt Difference, subject to determination in accordance with Article 3.

"Post-Closing Adjustment Determination Date" shall mean the date on which the Post-Closing Adjustment Amount shall be deemed to be final and binding on the Parties pursuant to Article 3.2(c) or Article 3.2(d), as the case may be.

"PRC" or "China" shall mean the People's Republic of China, excluding, for the sole purpose of this Agreement, Hong Kong, Macau and Taiwan.

"PRC GAAP" shall mean the generally accepted accounting principles then in effect in the PRC, which shall be, as of the date hereof, the Accounting Standards for Business Enterprises issued by the PRC Ministry of Finance dated February 15, 2006, effective as of January 1, 2007.

"Pre-Closing Audit List" shall mean collectively: (i) the Personal Properties Audit List and (ii) Schedule 8.2(b)(i) of the Disclosure Schedules.

"Pre-Closing Restructuring" shall mean the due acquisition by Seller and/or Founder of all the Shares held by the Minority Shareholders prior to the First Closing Date, as a result of which the Seller shall own 359,999,999 Shares and the

Founder shall own 1 Share, collectively representing 100% of all Shares.

"Primary Key Employees" shall mean Mr. Zhao Qisan, Mr. Zhao Dongwang, Mr. Zhao Dongming and Mr. Wang Baogen.

"Prohibited Fund" shall have the meaning set forth in Article 8.2(r).

"Prohibited Payments" shall mean the offer, authorization, payment or giving of any bribe, rebate, payoff, influence payment, kickback or other payment or gift of money or anything of value in a manner prohibited by Anti-Corruption Laws, whether such payment is to be made prior to or after the First Closing Date, to any government department or Government Official, any royal family member or any family member or other person who is connected or associated personally or professionally with any of the foregoing that is prohibited under any Anti-Corruption Law that is or will upon First Closing be applicable to any of the Buyer, Seller, Seller Shareholders or Target Group Member, or otherwise for the purpose of influencing any act or decision of such payee in his official capacity, inducing such payee to do or omit to do any act in violation of his lawful duty, securing business or any improper advantage or inducing such payee to use his influence with a Governmental Authority to affect or influence any act or decision of such Governmental Authority.

"Proposed Settlement" shall have the meaning set forth in Article 12.2(c).

"Purchase Price" shall have the meaning set forth in Article 2.1.

"Real Property" and "Real Properties" shall have the meaning set forth in Article 8.2(b)(i).

"Real Property Leases" shall have the meaning set forth in Article 8.2(b)(1).

"Registration Application" shall mean collectively the duly completed registration application and all related materials to be submitted jointly by the Buyer, Seller and Founder (or their respective Representatives) to AIC on the First Closing Date so as to reflect: (1) the Buyer's ownership of the First Tranche Shares; (2) the Company's adoption of the Amended and Restated Articles of Association; (3) the Company's new legal representative as nominated by the Buyer; and (4) the issuance of the Company's new business license, stating the Company's new enterprise type as a "foreign invested joint stock company" and the Company's new name as "Shanghai Hershey Golden Monkey Food Joint Stock Co., Ltd".

"Related Party Transaction" shall mean any transaction or other contractual obligations by and among any Target Group Member and its Affiliate(s).

"Representatives" of a person shall mean the directors, officers, employees, advisors, consultants, representatives and agents of such person.

"Retention. Confidentiality. Non-Compete & Lock-up Agreement" shall mean an agreement to be entered into by and between each Key Employee and the Company in the form agreed and set out in Exhibit M.

"RMB or "Renminbi" shall mean the legal currency of the PRC.

"SAFE" shall mean the State Administration of Foreign Exchange of the PRC.

"Second Closing" shall have the meaning set forth in Article 7.1(c).

"Second Closing Date" shall have the meaning set forth in Article 7.1(c).

"Second Tranche" shall have the meaning set forth in Article 2.3(a).

"Second Tranche Payment" shall have the meaning set forth in Article 2.4(b).

"Second Tranche Shares" shall have the meaning set forth in Article 2.4(a).

"Second Tranche Transaction Documents" shall have the meaning set forth in Article 7.1(a).

"Secondary Key Employees" shall mean all Key Employees other than the Primary Key Employees.

"Seller" shall have the meaning set forth in the Preamble.

"Seller's Post-Closing Adjustment Statement" shall have the meaning set forth in Article 3.2(b).

"Seller Indemnitee" or "Seller Indemnitees" shall have the meaning set forth in Article 12.1(b).

“Seller Shareholders” and “Seller Shareholder” shall have the meaning set forth in the Preamble.

“Service Agreements” shall mean agreements by and among certain Target Group Members and Affiliates of the Seller and/or Non-Target-Group Entity relating to the supply of raw materials and others, each in the form agreed and set out in Exhibit J attached hereto.

“Shanghai Dormitories” shall mean the buildings and land as depicted in Exhibit X.

“Shares” shall have the meaning set forth in the Recitals.

“Shareholders Agreement” shall mean the Shareholders Agreement entered into by and among the Seller, the Buyer and the Seller Shareholders, in the form agreed and set out in Exhibit Q attached hereto.

“Short Term Loans" shall mean short term (with a maturity term no longer than one-year) bank loans, inclusive of all accrued and unpaid interest and charges.

“Target Group” shall mean collectively the Company, the Target Subsidiaries and their respective branches and Liaison Offices.

“Target Group Assets” shall mean, collectively, all assets and properties owned by any Target Group Member, tangible or intangible, fixed or floating, together with goodwill.

“Target Group Member” shall mean any member of the Target Group.

“Target Intellectual Property” shall mean any and all Intellectual Property owned by any Target Group Member and/or used by any Target Group Member in the operation of its business as currently conducted, including without limitation any and all trademarks and/or trade names owned and/or used by any Target Group Member containing the characters “Golden Monkey” and/or “Munching Monkey”.

“Target Subsidiaries” shall mean, collectively, Shenyang Golden Monkey Food Co., Ltd., Xianyang Golden Monkey Food Co., Ltd., Shenqiu Yudong Golden Monkey

Halal Food Co., Ltd., Zhoukou Golden Monkey Food Co., Ltd. and Zhalantun Genghis Khan Golden Monkey Dairy Co., Ltd.; and "Target Subsidiary" means any one of them.

"Tax" or "Taxes" shall mean any and all tax and administrative charges of any type (including but not limited to income tax, business tax, value-added tax, customs duties and stamp duties), together with any related interest and penalties, imposed by any Governmental Authority in accordance with applicable Law.

"Tax Authority" shall mean any relevant Governmental Authority with competent jurisdiction with respect to Tax.

"Template Adjustment Statement" shall mean a statement of the Target Group's financial position in the form agreed and set out in Exhibit F.

"Trade Debt" shall mean any "short-term accounts payables" (as defined under PRC GAAP) incurred by any Target Group Member in its ordinary course of business.

"Trademark License Agreements" shall have the meaning set forth in Article 10.1.

"Trading Sub" shall mean Shanghai Golden Monkey International Trading Co., Ltd.

"Transfer" shall mean any transfer, sale, exchange, assignment, pledge, creation of encumbrance or disposal by any means by any Party, whether directly, indirectly (including without limitation through a transfer of shares of the entity holding the relevant interests), voluntarily, involuntarily, by operation of Law or pursuant to a merger, consolidation or similar business combination or otherwise, of all or any part of such Party's equity securities or any interests or powers associated with such equity securities to any third party; and words and phrases such as "to Transfer", "Transferring" or "Transferred" shall be construed correlatively.

"Transaction Agreements" shall mean this Agreement, the Shareholders Agreement, the Amended and Restated Articles of Association, the Onshore Escrow Agreement, the Offshore Escrow Agreement, the Confidentiality Agreement and the Service Agreements.

"USA" shall mean the United States of America.

"US GAAP" shall mean the generally accepted accounting principles in effect from time to time in the USA.

"Working Hour System" shall mean a "comprehensive" working hour system for employees that is allowed under applicable Laws of the PRC.

1.2 Construction. For purposes of this Agreement, except where the context otherwise requires:

(a) The term "person" includes any natural person, legal person, self-proprietorship, trust or partnership.

(b) The term "control", when used with respect to any given person, means the power or authority, whether exercised or not, to direct or cause the direction of the business, management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon the ownership of, or the power to direct the vote of, more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such person or power to control the composition of a majority of the board of directors or partners of such person. The terms "controlled" and "controlling" have meanings correlative to the foregoing.

(c) References to a Party include its successors and permitted assignees in accordance with Article 14.11.

(d) The term "third party" shall mean any person other than the Parties hereto.

(e) References to "days" other than "Business Days" mean calendar days (if, however, an action or obligation is due to be undertaken by or on a day other than a Business Day, i.e., a Saturday, Sunday or public holiday in the PRC, Hong Kong, the Netherlands or New York, then that action or obligation will be deemed to be due on the next following Business Day).

(f) Prior to the First Closing Date, all references herein to "applicable Law" when used in relation to a Target Group Member or Seller Shareholder shall be limited to the Laws of the PRC.

(g) The table of contents and headings contained herein are for convenience only and shall not affect the construction of the terms represented thereby.

(h) The Parties have participated jointly in the negotiation and drafting of this Agreement, and no presumption or burden of proof shall be imposed in favor of or against any Party by virtue of such Party's authorship of any of the provisions of this Agreement; provided however, that Exhibit A, Exhibit B, Exhibit C, Exhibit D, Exhibit H, Exhibit I, Exhibit P, and Exhibit R have been prepared exclusively by the Seller and Seller Shareholders, who shall bear joint and several liability to the Buyer for any misstatement or inaccuracy contained therein.

Article 2 Sale and Purchase of Shares

2.1 Purchase Price for the Shares. The aggregate purchase price for all the Shares (the "Purchase Price") shall be RMB 3,021,000,000, which is equal to an enterprise value for the Company of RMB 3,543,172,000 *less* a Net Debt of RMB 522,172,000.

2.2 Dividends. The Buyer, the Seller and the Seller Shareholders hereby confirm and agree that:

(a) Prior to the First Closing Date, other than the Company's distribution of no more than thirty percent (30%) of its consolidated distributable net profits for the fiscal year 2013 to its shareholders as dividends for the fiscal year 2013, neither the Seller nor any Seller Shareholder shall claim for, agree to make, or cause the Company to make, any distribution of any assets to the Company's shareholders unless such distribution has been otherwise approved by the Buyer in writing in advance.

(b) The Company shall, on or prior to the Second Closing Date and subject to applicable Laws, declare and distribute one hundred percent (100%) of its consolidated distributable net profits for the fiscal year 2014 to the Seller and Buyer as dividends for the fiscal year 2014 in proportion to their respective shareholding in the Company. For the avoidance of doubt, Seller shall be entitled to receive twenty percent (20%) of such dividends and Buyer shall be entitled to eighty percent (80%) of such dividends.

(c) The Company shall, after having duly completed an audit of its consolidated results for the fiscal year 2015 in accordance with applicable Laws and paid all Taxes due in respect of its net profits for the fiscal year 2015, declare and distribute thirty percent (30%) of its consolidated distributable net profits for the fiscal year 2015 to its shareholders as dividends, provided that Seller shall in no event receive more than receive twenty percent (20%) of such dividends multiplied by a fraction, the numerator of which is the number of calendars elapsed between January 1, 2015 and the Second Closing Date and the denominator of which is 365.

2.3 The First Tranche.

(a) Subject to the terms and conditions of this Agreement, the Seller and the Founder hereby agree to collectively sell, transfer and assign to the Buyer, and Buyer hereby agrees to purchase and accept from the Seller and the Founder, at the First Closing, 288,000,000 Shares (representing eighty-percent (80%) of all the Shares, the "First Tranche Shares", including the Shares already owned by the Seller as of the date hereof and certain Shares to be acquired by the Seller and Founder upon consummation of the Pre-Closing Restructuring) and all rights, title, interests and benefits attached thereto under the Company's articles of association, pursuant to applicable Laws, free and clear from any and all Encumbrances (the "First Tranche").

(b) Out of the First Tranche Shares, 287,999,999 Shares shall be sold by Seller to Buyer and one (1) Share shall be sold by Founder to Buyer.

(c) The portion of the Purchase Price payable by the Buyer at the First Closing in consideration for the First Tranche Shares (the "First Tranche Payment") shall be RMB 2,416,800,000, of which RMB 8.4 shall belong to the Founder and RMB 2,416,799,911.6 shall belong to the Seller.

2.4 The Second Tranche.

(a) Subject to the terms and conditions of this Agreement, the Seller hereby agrees to sell, transfer and assign to the Buyer and an Affiliate of Hershey to be designated by the Buyer (the "Buyer Designee"), and Buyer hereby agrees on behalf of itself and the Buyer Designee to purchase and accept from the Seller, at the Second Closing, 72,000,000 Shares (which constitute part of the Shares to be acquired by the Seller upon consummation of the Pre-Closing Restructuring, representing twenty-percent (20%) of all the Shares, the "Second Tranche Shares") and all rights, title, interests and benefits attached thereto under the Company's articles of association, pursuant to applicable Laws, free and clear from any and all Encumbrances (the "Second Tranche").

(b) Out of the Second Tranche Shares, 71,999,999 Shares shall be sold by Seller to Buyer and one (1) Share shall be sold by Seller to the Buyer Designee.

(c) The portion of the Purchase Price payable by the Buyer and Buyer Designee at the Second Closing in consideration for the Second Tranche Shares (the "Second Tranche Payment") shall be RMB 604,200,000, of which RMB 604,199,991.6 shall be paid by the Buyer and RMB 8.4 shall be paid by the Buyer Designee.

(d) The Parties intend for, and shall cause the Second Closing to occur on or as close to the first (1st) anniversary of the First Closing Date as the obtaining of any Necessary Regulatory Approvals to permit the Second Closing to occur by competent Governmental Authorities shall allow, in each case free and clear of any conditions.

(e) Each of the Parties hereby expressly acknowledges and agrees that the terms of the Second Tranche as set forth in this Article 2.4 and elsewhere in this Agreement (including but not limited to Article 7) have been fairly and fully negotiated in good faith and hereby irrevocably waives any and all right or claim under any applicable Law to revise, alter or otherwise challenge the adequacy or fairness of the Second Tranche Payment as full consideration for the Second Tranche Shares and/or other terms of the Second Tranche as set out in this Agreement. The Seller and the Seller Shareholders shall diligently cooperate with the Buyer to properly consummate the Second Tranche in accordance with the terms of this Agreement.

Article 3 Adjustment for Net Working Capital Difference and Net Debt Difference

3.1 Purpose of Adjustment. Each of the Parties hereby acknowledges and agrees that the Purchase Price assumes the Target Group has as of the First Closing Date: (a) a level of Net Working Capital equal to 645,243,000 and (b) no more than RMB 522,172,000 in Net Debt, both as represented by the Seller and Seller Shareholders as the Net Working Capital and Net Debt in the Management Accounts as of 31 August 2013. As such, to the extent the Target Group has any Net Working Capital Difference and Net Debt Difference as of the First Closing Date, there shall be an adjustment payment equal to the Post-Closing Adjustment Amount that is payable either from the Seller and Founder to the Buyer, or vice versa, in each case calculated pursuant to this Article 3.

3.2 The Post-Closing Adjustment Statement.

(a) The Buyer shall within three (3) months after the First Closing Date, provide to the Seller a written statement (the "Buyer's Post-Closing Adjustment Statement") setting forth the financial position of the Company as of the First Closing Date. The Buyer's Post-Closing Adjustment Statement shall be in the form of the Template Adjustment Statement as attached hereto as Exhibit F and set forth in reasonable detail (including the process of calculating the adjustment and the resultant amount) the Buyer's good faith calculation of the Post-Closing Adjustment Amount using the actual settlement figures and account dispositions for Cash, Long Term Loans, Short Term Loans, accounts receivable, inventory, prepayments and other receivables, accounts payable, accrued expenses, and other payables, being those metrics relevant to the calculation of Net Debt and Net Working Capital, each in accordance with PRC GAAP.

(b) If the Seller disagrees with the Buyer's Post-Closing Adjustment Statement, the Seller shall be entitled to provide to the Buyer a written statement (the "Seller's Post-Closing Adjustment Statement") not later than forty-five (45) calendar days after its receipt of the Buyer's Post-Closing Adjustment Statement, setting forth in reasonable detail all items disputed by the Seller together with the Seller's proposed changes thereto, including the Seller's calculation of the Post-Closing Adjustment Amount, and an explanation (in reasonable detail) of the basis on which such changes are proposed.

(c) If:

(i) by written notice to the Buyer, the Seller accepts the Buyer's Post-Closing Adjustment Statement; or

(ii) the Seller fails to provide the Buyer with the Seller's Post-Closing Adjustment Statement within forty five (45) Business Days after receipt of the Buyer's Post-Closing Adjustment Statement;

the Buyer's Post-Closing Adjustment Statement shall be deemed to be final and binding on the Parties as of the date on which the earlier of the events set out in Article 3.2(c)(i) and Article 3.2(c)(ii) occurs and the Post-Closing Adjustment Amount as set forth therein shall be deemed to be final and binding on the Parties and be deemed to be the final Post-Closing Adjustment Amount.

(d) If the Seller's Post-Closing Adjustment Statement is provided to the Buyer within forty five (45) Business Days after receipt of the Buyer's Post-Closing Adjustment Statement, then the Seller and the Buyer shall negotiate in good faith and attempt to reach an agreement on all items disputed by the Seller as set forth in the Seller's Post-Closing Adjustment Statement. If, after fifteen (15) Business Days following the Buyer's receipt of the Seller's Post-Closing Adjustment Statement, the Seller and the Buyer have not agreed in writing as to the resolution of all items disputed by the Seller as set forth in the Seller's Post-Closing Adjustment Statement, then the Seller and the Buyer shall submit such items in dispute to the Independent Accountant for resolution in accordance with Article 3.4. If the Seller and the Buyer have agreed in writing as to the resolution of all items disputed by the Seller as set forth in the Seller's Post-Closing Adjustment Statement or (as the case may be) all such items disputed by the Seller have been determined by the Independent Accountant pursuant to Article 3.4(d), then the Seller's Post-Closing Adjustment Statement shall be amended as necessary to reflect the agreement between the Parties or (as the case be) the determination by the Independent Accountant. Such amended Seller's Post-Closing Adjustment Statement shall be deemed to be final and binding on the Parties as of the date on which the agreement between the Parties is reached or (as the case may be) the date on which the Independent Accountant delivers the report referred to in Article 3.4(d) to the Parties and the recalculated Post-Closing Adjustment Amount as set forth in such amended Seller's Post-Closing Adjustment Statement shall be deemed to be final and binding on the Parties and be deemed to be the final Post-Closing Adjustment Amount.

3.3 Payment of the Post-Closing Adjustment Amount. The Post-Closing Adjustment Amount shall be paid within seven (7) Business Days after the Post-Closing Adjustment Determination Date, whereby:

(a) if the Post-Closing Adjustment Amount is a positive amount, the Buyer (or, at Buyer's sole and absolute discretion, a Buyer's designee) shall pay to the Seller and the Founder directly by wire transfer of funds into an account jointly designated in writing by the Seller and the Founder an amount equal to the Post-Closing Adjustment Amount; or

(b) if the Post-Closing Adjustment Amount is a negative amount, the Seller and the Founder shall jointly pay to the Buyer (or, at Buyer's sole and absolute discretion, a Buyer's designee) by way of release from the Escrow Account (to the extent sufficient to cover this amount) or directly by wire transfer of funds into an account designated in writing by the Buyer (or, at Buyer's sole and absolute discretion, a Buyer's designee) an amount equal to the absolute value of the Post-Closing Adjustment Amount, provided that it shall be in the Buyer's sole and absolute discretion to decide whether such payment shall be made directly by the Seller and the Founder by wire transfer or by way of a release from the Escrow Account pursuant to the Escrow Agreement.

3.4 Determination of Post-Closing Adjustment Amount.

(a) The Parties each agree that it shall not engage, directly or indirectly, or agree to engage, the Independent Accountant to perform any auditing services for such Party unless and until all items disputed by the Seller as set forth in the Seller's Post-Closing Adjustment Statement (including, for the avoidance of doubt, the calculation of the disputed items set forth in the Seller's Post-Closing Adjustment Statement) have been resolved and the final Post-Closing Adjustment Amount has been determined pursuant to this Article 3.

(b) The Seller and Buyer shall, within ten (10) Business Days after either of such Parties requests by written notice to the other, jointly engage and instruct the Independent Accountant to review this Agreement, the Seller's Post-Closing Adjustment Statement and the Buyer's Post-Closing Adjustment Statement for the purpose of resolving all items disputed by the Seller as set forth in the Seller's Post-Closing Adjustment Statement (including, for the avoidance of doubt, the calculation of the disputed items set forth in the Seller's Post-Closing Adjustment Statement). If either the Seller or Buyer refuses or neglects to take or delays in taking steps for such joint engagement and instruction within the aforesaid ten (10) Business Day period, the other Party is entitled (and is hereby authorized by the first mentioned Party) to engage and instruct the Independent Accountant for and on behalf of both the Seller and Buyer.

(c) The scope of the disputes to be resolved by the Independent Accountant pursuant to an engagement under this Article 3 is limited to the items disputed by the Seller as set forth in the Seller's Post-Closing Adjustment Statement, and the Independent Accountant is not to make any other determinations.

(d) The Independent Accountant shall deliver to the Seller and the Buyer, barring exceptional circumstances within one (1) month from the engagement date, a report setting forth its decision on the items disputed by the Seller as set forth in the Seller's Post-Closing Adjustment Statement together with the calculation of the disputed items. The report delivered by the Independent Accountant and the calculations of the disputed items as determined by the Independent Accountant shall be deemed to be final, non-appealable and binding on the Parties as of the date on which the Independent Accountant delivers the report to the Parties.

(e) The Independent Accountant shall act as an expert, and not as an arbitrator.

(f) The Seller and the Buyer shall each bear fifty percent (50%) of the fees and expenses of the Independent Accountant incurred for the purposes of this Article 3.

(g) The Parties shall promptly comply with all reasonable requests by the Independent Accountant for all information, books, records and similar items relating to the calculation of Post-Closing Adjustment Amount.

Article 4 Conduct Pending the First Closing

4.1 Access to Information and Assistance with Integration. From the date hereof to the First Closing Date, the Seller and Seller Shareholders shall each, and shall cause each Target Group Member to, so long as doing so would not result in any undue interference with its respective business and operations:

(a) provide the Representatives of the Buyer as specified in Exhibit T free and full access during normal business hours to all of the premises, assets, debts, accounts, books and records of such Target Group Member for the purposes specified in Exhibit T, and shall permit such Representatives of the Buyer to take copies of such accounts, books, records or other documentation and the opportunity to discuss the business, management, operations and financial status of such Target Group Member with employees, auditors and other advisors of such Target Group Member; and

(b) cooperate with and provide prompt and adequate assistance to the Buyer and its Representatives in making all contacts and attending all meetings with relevant Governmental Authorities and related personnel as the Buyer may reasonably request prior to the First Closing Date.

4.2 Conduct of Business. From the date hereof to the First Closing Date, except for actions reasonably required to be taken by the Company in order to satisfy the conditions set forth under Article 5.2, the Seller and Seller Shareholders shall not take and shall jointly and severally cause each Target Group Member to operate its business in compliance with all applicable Laws and not take any of the following actions without the prior express written consent of the Buyer:

(a) purchase, sell, transfer, assign, lease, license, Encumber or otherwise dispose of any assets, entity or business other than in the ordinary course of business;

(b) other than in the ordinary course of business and in full compliance with applicable Laws, enter into, terminate, renew, extend, vary, amend or modify any Contract (or a series of Contracts with the same party or parties or in respect of the same subject matter), or assume any obligations, commitments or Liabilities (or a series of obligations, commitments or Liabilities arising from the same subject matter and/or transaction);

(c) other than in the ordinary course of business and in full compliance with applicable Laws, enter into, terminate, renew, extend, vary, amend or modify any lease of real property involving a term of more than twelve (12) months or rental obligations exceeding RMB 50,000 per month;

(d) alter, amend or vary any Target Group Member's business scope as set forth on its business license;

(e) incur or assume any Debt outside the ordinary course of business or that is in excess of RMB 15 million for any single transaction or RMB 50 million for all transactions on an aggregate basis;

(f) except for any changes required by applicable PRC Laws and conducted in accordance with market practice or in the ordinary course of business of such Target Group Member, alter the rate of compensation for any of its employees, carry through a general salary increase, or otherwise enter into or amend any employment, consulting, or management services agreement;

(g) participate in any acquisition, merger, consolidation, joint venture, partnership or restructuring activities (including downsizing of the company's workforce);

(h) alter such Target Group Member's registered capital or equity holding structure, or create, allot, issue or sell any Shares, equity interests, or any loan capital or securities convertible into equity interest, or any option or right to subscribe in respect of any shares, equity interests, or any convertible loan capital or securities;

(i) provide any loan, credit facility (including any credit terms extended to distributors and/or resellers) for an amount exceeding RMB 15 million for any single transaction or RMB 90 million for all transactions on an aggregate basis;

(j) make any new investment or increase any existing investment in fixed assets for an amount exceeding RMB 30 million for any single transaction or RMB 100 million for all transactions on an aggregate basis;

(k) except as otherwise provided for in this Agreement, amend any articles of association of such Target Group Member or adopt any resolutions inconsistent therewith;

(1) take any other action that would reasonably be expected to have a Material Adverse Effect, or refrain from taking any actions that would be reasonably necessary to prevent a Material Adverse Effect;

(m) make, offer to make, promise to make or authorize to be made any Prohibited Payment;

(n) enter into any new Related Party Transaction that is: (i) not in the ordinary course of such Target Group Member's business, (ii) not on standard market terms that are at least as favorable to the relevant Target Group Member as what such Target Group Member would have obtained from an independent third party; or (iii) not strictly on an arm's length basis;

(o) enter into any assignment or license agreement with, or agree to any application or registration by, any third party of any Intellectual Property that is identical or confusingly similar to any Target Intellectual Property;

(p) cancel, terminate or fail to renew any existing insurance policy;

(q) supply, produce, market, distribute and/or sell any product or service that infringes upon the Intellectual Property of any third party and/or is in breach of any applicable Laws; or

(r) agree, conditionally or otherwise, to do any of the foregoing.

4.3 Continuing Disclosure. From the date hereof to the First Closing Date, the Seller and each Seller Shareholder shall, as soon as practicable:

(a) fully and accurately disclose to the Buyer any event, circumstance or matter that would reasonably be expected to (i) cause a Material Adverse Effect on such Target Group Member, its assets, business, operations or financial condition, or (ii) otherwise constitute a breach of, or be inconsistent with, any of the representations or warranties given by the Seller in Article 8;

(b) inform the Buyer of (i) any termination or variation of, or any amendment to, any Material Contract, or (ii) any written claim by any third party against such Target Group Member in respect of any Material Contract the amount of which exceeds RMB 1,000,000; and

(c) notify the Buyer in the event of (i) any resignation of any Key Employee, (ii) any event or incident causing any Target Group Member's production to be suspended except for normal maintenance, or (iii) any lawsuit, arbitration, administrative proceeding, investigation or notice from any Governmental Authority or any third party against or involving any Target Group Member.

The performance by the Seller and Seller Shareholders of the aforesaid continuing disclosure obligations shall not exempt or exonerate any of their Liabilities caused by any misrepresentation or omission or any breach of any representations or warranties under Article 8.

4.4 Pre-Closing Verification.

(a) During a period of twenty (20) Business Days leading to the First Closing Date, the Buyer may reasonably request the Seller and/or Seller Shareholders to provide adequate information so as to verify the due completion by Seller and/or Seller Shareholders of all relevant conditions precedent to the First Closing as set out in Article 5, and the Seller and Seller Shareholders shall each provide prompt and diligent assistance to the Buyer in this regard.

(b) No later than five (5) Business Days after the PRC Ministry of Commerce issues its official approval of the First Tranche, the Seller and Seller Shareholders shall provide to Buyer a list of the Target Group's anticipated levels of owned inventory, equipment, machinery and facilities as of the First Closing Date (the "Personal Properties Audit List"), which list shall: (i) be determined in good faith by the Seller and Seller Shareholders; (ii) contain reasonably sufficient details with respect to, among other things, the category, conditions, amount and aging of the Target Group's inventory, equipment, machinery and facilities; and (iii) in any event have at least the same level of specificity as that in Exhibit R hereof.

4.5 Working Hour System.

The Company shall, on behalf of the entire Target Group, duly submit application(s) for implementing the Working Hour System to relevant Governmental Authorities for approval within twenty (20) Business Days after the date hereof.

Article 5 Conditions Precedent to the First Closing

5.1 Conditions Precedent to All Parties' Obligations. The respective obligations of the Parties to proceed with the First Closing and perform their respective obligations under Article 6 are conditional upon and subject to the satisfaction, on or prior to the Long Stop Date, of the conditions that:

(a) there shall not be any applicable Law in effect making illegal the consummation of the First Tranche or Second Tranche, and there shall not be any final and non-appealable Governmental Order in effect prohibiting or restricting the consummation of the First Tranche or the Second Tranche;

(b) the Buyer having conducted a physical audit of the Target Group's Real Properties, machinery, equipment, facilities and inventory by reference to the Pre-Closing Audit List and the results of such audit are consistent with the said list in all material respects;

(c) the Parties having duly entered into the management bonus scheme as set forth in Exhibit L:

(d) there having been no fact, event, change, development, condition, occurrence or circumstances that has had or would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and

(e) all tasks set out in Article 6.2(c) and 6.2(d) having been duly completed in accordance with applicable Laws.

5.2 Conditions Precedent to the Buyer's Obligations. The obligation of the Buyer to proceed with the First Closing and perform its obligations under Article 6 is conditional upon and subject to the satisfaction, or the express waiver in writing by the Buyer, on or prior to the Long Stop Date, of each of the following conditions:

(a) Seller and Founder having duly delivered to the Buyer:

(i) within five (5) Business Days after the date hereof:

(A) copies of share certificates issued by the Company to the Minority Shareholders attesting to their respective ownership of the relevant Shares as listed in Exhibit A. and

(B) a copy of the Company's shareholder register reflecting the existing ownership of the Company as set forth in Exhibit A; and

(ii) prior to any submission of any application in respect of the First Tranche to the PRC Ministry of Commerce:

(A) termination agreement of the share subscription agreement between each Minority Shareholder and the Company;

(B) evidence showing cancellation of share certificates issued to the Minority Shareholders in respect of their ownership of the relevant Shares as listed in Exhibit A;

(C) issuance by the Company of a new share certificate to the Seller (representing 359,999,999 Shares of the Company out of 360,000,000 Shares) and the Founder (representing 1 Share of the Company out of 360,000,000 Shares), and the revised shareholder register of the Company reflecting their respective ownership of such said Shares; and

(D) resolutions of the Company's shareholders adopting the amended and restated articles of association of the Company, which articles reflect the ownership of the Company by the Seller and Founder as set out in the preceding Article 5.2(a)(ii)(C).

(b) the Seller, the Company and each Seller Shareholder having performed and complied with all agreements, undertakings, obligations and covenants required by this Agreement to be performed or complied with by such Party at or prior to the First Closing;

(c) the Buyer having received each of the closing deliverables set forth in Article 6.3 on the First Closing Date;

(d) any and all approvals necessary to permit the First Closing to occur by competent Governmental Authorities having been duly obtained, in each case free and clear of any conditions, including without limitation: (A) approvals by the PRC National Development and Reform Commission and the PRC Ministry of Commerce of the First Tranche; and (B) preliminary approval by the Shanghai Administration of Industry and Commerce of the Company's change of its name from "Shanghai Golden Monkey Food Joint Stock Co., Ltd." to "Shanghai Hershey Golden Monkey Food Joint Stock Co., Ltd.";

(e) all consents, approvals and/or waivers from third parties as set forth in Schedule 8.2(w) of the Disclosure Schedules having been duly obtained and be in full force and effect as of the First Closing Date;

(f) each Key Employee having entered into a Retention, Confidentiality, Non-Compete & Lock-up Agreement in the form agreed and set out in Exhibit M:

(g) except for Related Party Transactions by or among only the Target Group Members and except as otherwise incorporated in the Service Agreements, each Target Group Member having duly terminated without any further Liability to any Target Group Member all Related Party Transactions and all related balances having been duly settled;

(h) each Target Group Member having obtained the Permits as set forth in Part 1 of Exhibit S in accordance with applicable Laws;

(i) the Trademark License Agreements having been duly executed by all relevant parties thereto;

(j) except with respect to those Non-Target-Group Entities who are licensees under the Trademark License Agreements and only to the extent provided in such agreements, the Seller and the Seller Shareholders having caused all other Non-Target-Group Entities to remove any and all references to “Golden Monkey” from their respective corporate names, trade names and trademarks;

(k) except as otherwise provided in the Trademark License Agreements, each of the Non-Target-Group Entities having duly transferred to the Company, for zero consideration, any and all trademark(s) it owns that may be identical or confusingly similar to any Target Intellectual Property;

(l) Shenqiu Yudong Golden Monkey Halal Food Co., Ltd. having duly transferred the use right of the land currently located at the northwest corner of the premises (with an approximate area of 11,000 square meters) to an unrelated third party purchaser on fair market terms pursuant to applicable Law and with no residual Liability to any Target Group Member;

(m) each Target Group Member having adopted by board resolution the Compliance Program for implementation commencing immediately upon the First Closing Date;

(n) each of the Company and Target Subsidiaries having duly obtained an *"Approval for the implementation of alternative working hour system by an enterprise"* from competent Governmental Authorities so as to implement the Working Hour System on all employees of the production line immediately upon the First Closing Date;

(o) the Seller having produced a written certificate to the Buyer stating that no Target Group Member is conducting (whether directly, indirectly, by way of employment or otherwise) any of its business through underage persons;

(p) Seller having produced sufficient evidence that the Company has duly terminated any and all agreement(s) (whether written, oral, binding or non-binding) with third parties regarding the establishment of any business that may be competitive to that of the Target Group, including without limitation the Company's letter of intent with Shandong Longlive Bio-Tech Co. Ltd regarding the establishment of a joint venture to produce chewing gum and the Company's Strategic Cooperation Framework Agreement with Shandong Futian Technology Group Co., Ltd. regarding the establishment of joint ventures to produce xylitol and snack foods;

(q) the Company having duly spun off Shanghai Golden Monkey International Trading Co., in accordance with applicable Laws such that all Target Group Members have ceased to hold any direct or indirect ownership interest in such entity and no Target Group Member remains subject to any Liability relating to such entity;

(r) the Seller and each Seller Shareholder having diligently conducted such activities and effected such changes as are necessary to ensure that all of the ingredients, packaging and labeling of the Target Group's products shall be in full compliance with applicable Laws prior to the First Closing Date, including appropriate considerations of the packaging/labeling remediation measures set out in Exhibit U:

(s) the Company having prepared, closed and delivered management accounts for the Target Group on a consolidated basis as of the First Closing Date in accordance with PRC GAAP;

(t) the Seller and the Seller Shareholders having duly obtained from each Non-Target-Group Entity an irrevocable undertaking to the effect that such Non-Target-Group Entity shall not, and shall cause its Affiliates not to, engage in any Competitive Business before the second anniversary of the Second Closing Date except as otherwise permitted under Article 9.1(e), in each case issued to Buyer by the relevant Non-Target-Group Entity;

(u) the Company having duly entered into a binding lease agreement on terms and conditions agreeable to the Buyer with respect to the new warehouse(s) and/or logistics center(s) being constructed near the site of Shenqiu Yudong Golden Monkey Halal Food Co., Ltd.;

(v) the Shanghai Dormitories and the land on which the Shanghai Dormitories are located having been duly transferred by the Company to Shanghai Golden Monkey Group Co., Ltd. in accordance with applicable Law and all Taxes relating to such transfer having been duly paid by the transferee;

(w) the Company having duly terminated its lease with Shanghai Golden Monkey Group Co., Ltd. with respect to certain warehouse(s) in Shanghai and the Seller and Seller Shareholders having provided all reasonable assistance to the Buyer and the Company so as to enable the Company to procure suitable alternative arrangements to meet the Company's warehousing requirements; and

(x) the Seller and Founder having delivered to the Buyer a certificate jointly executed by the Seller and Founder confirming that all conditions set forth in this Article 5.2 have been duly satisfied (unless otherwise expressly waived by the Buyer) in accordance with this Agreement.

5.3 Conditions Precedent to the Seller's and Founder's Obligations. The obligation of the Seller and Founder to proceed with the First Closing and perform their respective obligations under Article 6 is conditional upon and subject to the satisfaction, or the express waiver in writing by the Seller and Founder, on or prior to the Long Stop Date, of each of the following conditions:

(a) each of the representations and warranties made by the Buyer under Article 8 being true, accurate and not misleading as of the date hereof and as of the First Closing Date unless otherwise expressly provided herein;

(b) the Buyer having performed and complied with all agreements, undertakings, obligations and covenants required by this Agreement to be performed or complied with by the Buyer at or prior to the First Closing Date;

(c) the Buyer having taken all necessary corporate actions for, and obtained all necessary internal approvals (i.e. board resolutions as required under its constitutional documents and approvals by its chief executive officer) duly authorizing, the execution and performance of this Agreement and the consummation of the First Tranche;

(d) any and all approvals necessary to permit the First Closing to occur by competent Governmental Authorities having been duly obtained, in each case free and clear of any conditions;

(e) the Buyer having delivered to the Seller a copy or copies, certified by a director or the legal counsel of the Buyer to be copies, of the minutes of the board meetings or the written resolutions of the board of directors of the Buyer and Hershey resolving that the First Tranche be approved and authorizing the execution and performance by the Buyer of the Transaction Agreements and the consummation of the First Tranche;

(f) the Buyer having delivered to the Seller an original counterpart of each of the Transaction Agreements to which the Buyer is a party, duly executed by the Buyer, as applicable;

(g) the Seller having received each of the closing deliverables set forth in Article 6.4;

(h) no later than thirty (30) Business Days after the date hereof, the Buyer having delivered to the Seller an account statement duly issued by a bank in the USA which shows that the Buyer has sufficient funds in the relevant account to make the payments contemplated hereunder; and

(i) the Buyer having duly deposited the First Tranche Payment into the Offshore Escrow Account no later than five (5) Business Days after the PRC Ministry of Commerce has issued its official approval of the First Tranche.

Article 6 The First Closing

6.1 Date and Venue.

(a) Subject to all of the conditions set forth in Article 5 having been satisfied (save to the extent waived in accordance with this Agreement or those conditions that by their nature are to be satisfied at the First Closing), the closing of the First Tranche (the "First Closing" shall occur within five (5) Business Days after the date on which the last of the conditions set forth in Article 5 has been satisfied or waived (other than those conditions that by their nature are to be satisfied at the First Closing).

(b) The date on which the First Closing occurs shall be referred to as the "First Closing Date", provided, however, that: (i) in no event shall the First Closing Date be later than the Long Stop Date; and (ii) the First Closing Date shall be a Business Day.

(c) The First Closing shall take place at the headquarter office of the Company, 5100 Hu'nan Road, Pudong New District, Shanghai, the PRC, commencing at 10:00 a.m. (Shanghai local time) on the First Closing Date.

6.2 Preparation for First Closing.

(a) The Parties shall execute the Offshore Escrow Agreement and Onshore Escrow Agreement simultaneously with the execution of this Agreement.

(b) No later than five (5) Business Days after the PRC Ministry of Commerce issues its official approval of the First Tranche, the Buyer shall remit the First Tranche Payment to the Offshore Escrow Account and the Offshore Escrow Agent shall immediately send written notice to the Seller and Founder upon its receipt of such funds.

(c) Promptly after receiving the Offshore Escrow Agent's notice referenced in Article 6.2(b), the Seller and Seller Shareholders shall diligently cooperate with the Buyer to:

(i) prepare and execute all documents and materials required to be part of the Registration Application;

(ii) duly hold a shareholders' meeting and adopt the Amended and Restated Articles of Association;

(iii) submit the Registration Application on behalf of the Company to AIC and obtain from AIC an official receipt of acceptance of the Registration Application;

(iv) obtain from the AIC a new business license attesting to the Buyer's ownership of the First Tranche Shares, the identity of the Company's new legal representative as nominated by the Buyer, the Company's new enterprise type as a "foreign invested joint stock company" and the Company's new name as "Shanghai Hershey Golden Monkey Food Joint Stock Co., Ltd."; and

(v) obtain from the AIC a registered copy of the Company's Amended and Restated Articles of Association reflecting the results of the First Tranche contemplated by this Agreement and affixed with AIC's filing seals.

(d) Promptly after completion of all steps set forth in Article 6.2(c), the Seller and Founder shall duly apply for and obtain permission for relevant Governmental Authorities to establish the Onshore Escrow Account in accordance with applicable Laws.

6.3 Seller's and Founder's Obligation at the First Closing. Subject to the satisfaction (save to the extent waived the Seller in accordance with this Agreement) of each of the conditions set forth in Articles 5.1 and 5.3, at the First Closing, the Seller and Founder shall deliver, or cause to be delivered, to the Buyer all of the following documents or instruments:

(a) share certificates then held by the Seller and the Founder attesting to their respective ownership of the relevant First Tranche Shares;

(b) proper entry into the Company's share registry attesting that Buyer has become the owners of the First Tranche Shares as of the First Closing Date in accordance with Article 2.3(b);

(c) a new share certificate issued by the Company attesting to Buyer's ownership of the First Tranche Shares in accordance with Article 2.3(b);

(d) evidence that all share certificates previously issued by the Company to its shareholders, other than those evidencing that the Seller will continue to own the Second Tranche Shares until the completion of the Second Closing, have been duly cancelled;

(e) written resignation and/or appointment, as applicable, of each director, supervisor and/or officer of a Target Group Member to be appointed or replaced pursuant to the Shareholders Agreement on the First Closing Date, in each case effective as of the First Closing Date;

(f) written resolutions of the board of directors of the Company and Seller, and/or (if required under applicable Law) written resolutions of the shareholders of the Company and Seller, resolving that:

(i) both the First Tranche and Second Tranche are approved, and authorizing the execution and performance by the Company and Seller of each of the Transaction Agreements to which the Company and/or Seller is a party and any document to which the Company and/or Seller may become a party in order to consummate the Second Tranche;

(ii) the resignations as set forth in Article 6.3(e) be acknowledged, and such persons as may be designated by the Buyer pursuant to Shareholders Agreement be appointed as directors and/or officers of relevant Target Group Member(s) effective immediately upon the aforesaid resignations becoming effective; and

(iii) all of the existing signatories, authorities and passwords to all of the bank accounts of each Target Group Member be revoked, and the new signatories, authorities and passwords as determined and designated by the Buyer be appointed and/or adopted, with immediate effect upon the First Closing Date;

(g) all applications, registration forms, instruments and other documents required under PRC Law to be filed with relevant Governmental Authorities in the PRC for the purposes of changing the Company's directors, supervisor and/or officers to such persons designated by the Buyer pursuant to the Shareholders Agreement, duly executed (but undated) by the Company, the Seller and/or the Founder, as applicable, or their respective authorized Representatives;

(h) the complete set of company stamps, chops and seals (including, without limitation, common stamp, stamps for contractual purpose, financial stamps and legal representative stamps) belonging to each of the Target Group Members, which shall then be kept in the custody of persons designated under the Shareholders Agreement;

(i) the amended and restated articles of associations and other relevant constitutional documentation of each of the Target Subsidiaries, revised in a manner consistent with the terms of the Amended and Restated Articles of Association;

(j) if and where applicable, the original of any power of attorney under which any document to be delivered to the Buyer under this Article 6.3 has been executed;

(k) any and all other documents and instruments that are necessary to give full effect to the transfer of the First Tranche Shares to the Buyer;

(1) an original counterpart of each of the Transaction Agreements duly executed by the Seller, each Seller Shareholder, each Target Group Member and/or each Non-Target-Group Entity, as applicable;

(m) jointly instruct (together with the Buyer) in writing the Offshore Escrow Agent to release the First Tranche Payment from the Offshore Escrow Account and remit the same to the Onshore Escrow Account;

(n) together with the Buyer, execute the joint release instruction under the Onshore Escrow Agreement and cause the Company to prepare and execute all necessary documentation required by relevant Governmental Authorities such that the Onshore Escrow Agent will be allowed to release from the Onshore Escrow Account and into an account jointly designated by the Seller and Founder an amount equal to the First Tranche Payment *less* the Indemnity Escrow Amount; and

(o) such other closing deliverables as the Buyer may reasonably request.

6.4 Buyer's Obligation at the First Closing. Subject to applicable Law and the satisfaction (save to the extent waived by the Buyer in accordance with this Agreement) of each of the conditions set forth in Articles 5.1 and 5.2, the Buyer shall, at the First Closing:

(a) jointly instruct (together with the Seller) in writing the Offshore Escrow Agent to release the First Tranche Payment from the Offshore Escrow Account and remit the same to the Onshore Escrow Account; and

(b) together with the Seller, execute the joint release instruction under the Onshore Escrow Agreement and cause the Company to prepare and execute all necessary documentation required by relevant Governmental Authorities such that the Onshore Escrow Agent will be allowed to release from the Onshore Escrow Account and into an account jointly designated by the Seller and Founder an amount equal to the First Tranche Payment *less* the Indemnity Escrow Amount.

6.5 Parties' Acknowledgements.

(a) Buyer hereby expressly acknowledges and agrees that the Seller and Seller Shareholders shall be entitled to unwind the completion of the items in Articles 6.2(c) and 6.3 if Buyer breaches its obligations under Article 6.4.

(b) The Parties hereby expressly acknowledge and agree that the Indemnity Escrow Amount shall remain in the Onshore Escrow Account for a period of eighteen (18) months after the First Closing Date for purposes of satisfying the indemnification obligations as provided in Article 12, at the end of which period any balance remaining out of the Indemnity Escrow Amount, net of funds required to be held by the Onshore Escrow Agent pending outstanding indemnification claims under Article 12, shall be released by the Onshore Escrow Agent and into an account jointly designated by the Seller and Founder.

Article 7 The Second Closing

7.1 Date and Venue.

(a) No later than the ninth (9^{th}) month after the First Closing Date, each of the Buyer, Buyer Designee and Seller shall sign (and each Seller Shareholder shall cause the Seller to sign) the share transfer document for the Second Tranche Shares in the form agreed and set out in Exhibit K hereto, together with any other documents and agreements as may be required by applicable Law to effectuate the transfer of the Second Tranche Shares by the Seller to the Buyer and the Buyer Designee (the "Second Tranche Transaction Documents").

(b) Immediately upon the execution of the Second Tranche Transaction Documents, the Parties shall diligently cooperate to seek and obtain, in each case as quickly as possible, all Necessary Regulatory Approvals to consummate the Second Tranche.

(c) The closing of the Second Tranche (the "Second Closing") shall take place on a date (the "Second Closing Date") that is within five (5) Business Days after the date on which all Necessary Regulatory Approvals for the Second Tranche to occur have been duly obtained.

(d) The Second Closing shall take place at the headquarter office of the Company, 5100 Hu'nan Road, Pudong New District, Shanghai, the PRC, commencing at 10:00 a.m. (Shanghai local time) on the Second Closing Date.

7.2 Buyer's Obligation at the Second Closing. On the Second Closing Date, Buyer shall directly wire the Second Tranche Payment to the Onshore Escrow Account.

7.3 Seller's Obligation at the Second Closing. On the Second Closing Date, the Seller shall deliver, or cause to be delivered, to the Buyer all of the following documents or instruments:

(a) proper entry into the Company's share registry attesting that the Buyer and the Buyer Designee have become the owners of the Second Tranche Shares as of the Second Closing Date in accordance with Article 2.4(b);

(b) new share certificates issued by the Company attesting to Buyer's and Buyer Designee's respective ownership of the Second Tranche Shares in accordance with Article 2.4(b);

(c) evidence that all share certificates previously issued to shareholders other than the Buyer and Buyer Designee have been duly cancelled;

(d) written resignation of each director, supervisor and/or officer of a Target Group Member whose position shall be eliminated or who shall be replaced by a designee and/or nominee of the Buyer pursuant to the Shareholders Agreement, in each case duly executed and effective prior to or immediately upon the Second Closing Date;

(e) all applications, registration forms, instruments and other documents required under the PRC Law to be filed with relevant Governmental Authorities in the PRC for the purposes of changing the Company's directors, supervisor and/or officers to such persons designated by the Buyer pursuant to the Shareholders Agreement, duly executed (but undated) by the Company, the Seller and/or the Founders, as applicable, or their respective authorized Representatives; and

(f) any and all other documents and instruments that are necessary to give full effect to the transfer of the Second Tranche Shares to the Buyer and the Buyer Designee.

Article 8 Representations and Warranties

8.1 Representations and Warranties Relating to Seller and Founder. The Seller and Seller Shareholders, jointly and severally, represent and warrant to the Buyer that, ***except as fairly disclosed and adequately and specifically described in each individual section of the Disclosure Schedules to the contrary,*** each of the following statements is true, accurate and not misleading as of the date hereof and will be true, accurate and not misleading as of the First Closing Date. The Seller and Seller Shareholders accept sole and exclusive responsibility for the preparation and production of the Disclosure Schedules and the content, accuracy and completeness of the disclosures therein and no discussions with the Buyer and/or Buyer's Representatives in connection therewith shall affect this unqualified agreement and understanding.

(a) Ownership of the Shares.

(i) As of the date hereof, all shareholders of the Company and their respective ownership of the Shares are set forth in Exhibit A hereto. Each such shareholder has legal and valid title to the number of Shares as set out beside its name, free and clear from any and all Encumbrances. All information set forth in Exhibit A hereto is true, accurate and not misleading.

(ii) As of the First Closing Date, there are no shareholders of the Company other than the Seller and the Founder, where the Seller shall be the sole, record and beneficial owners of 359,999,999 Shares and the Founder shall be the sole, record and beneficial owner of one (1) Share, collectively representing 100% of the Shares, in each case with legal and valid title to the relevant Shares and free and clear from any and all Encumbrances.

(iii) Immediately prior to the Seller's transfer of the Second Tranche Shares to the Buyer, the Seller shall be the sole, record and beneficial owner of the Second Tranche Shares, with legal and valid title with respect to such Shares, free and clear from any and all Encumbrances.

(iv) Except for this Agreement, there is no Contract by which the Seller, the Founder, the Company or any Target Group Asset is bound, including but not limited to: (A) any Contract relating to the sale, purchase, redemption, exchange, registration, voting or transfer of any Shares; (B) any Contract relating to any investment by, in or otherwise relating to the Company; or (C) any Contract or any cooperation intent or understanding evidenced by any written document relating to any joint venture, amalgamation or similar cooperation involving the Company.

(v) Each of the Seller and Founder has the requisite power and authority to sell their respective portions of the First Tranche Shares on the First Closing Date, and the Seller has the requisite power and authority to sell the Second Tranche Shares on to the Second Closing Date, in each case in accordance with this Agreement and such delivery to the Buyer will convey to the Buyer legal and valid title to such First Tranche Shares and the Second Tranche Shares, free and clear of any and all Encumbrances.

(b) Power and Authority. The Seller and Founder each has the requisite capacity and authority under applicable Law to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the First Tranche and the Second Tranche in accordance with this Agreement.

(c) Binding Effect. Upon due execution by the Parties, this Agreement constitutes a valid, binding, and enforceable legal obligation of the Seller and the Founder, provided that, for the avoidance of doubt, the First Tranche and the Second Tranche may not be consummated without having obtained all necessary approvals by competent Governmental Authorities in accordance with applicable Law.

(d) No Violation. Neither the execution and delivery of this Agreement nor the full performance of the Seller's, each Seller Shareholder's and each Target Group Member's obligations hereunder will: (i) violate any Law or policy of any Governmental Authority applicable to the Seller, any Seller Shareholder, any Target Group Member or any Target Group Asset, (ii) violate or breach, or otherwise constitute or give rise to (with the giving of notice or passage of time or both) a default under, any Contract or other obligation by which the Seller, any Seller Shareholder, any Target Group Member or any Target Group Asset is bound; or (iii) give any lender, distributor, supplier or customer of any Target Group Member a right to unilaterally terminate or modify the terms of its existing Contract, arrangement or relationship with such Target Group Member.

(e) Consents and Approvals. Schedule 8.1(e) of the Disclosure Schedules sets forth all the consents and/or approvals by, as well as notices to and/or filings with, any Governmental Authority that are required in order for the Seller and Seller Shareholders to consummate the transactions as contemplated hereunder.

(f) No Other Interests. Other than the Shares, none of the Seller or Seller Shareholders owns or controls (whether directly or indirectly) any equity interests or securities or rights convertible to or exchangeable for any equity interests, or any voting rights in any Competitor. None of the Seller or Seller Shareholders provides any consulting, advisory, management or other services to, has granted any license for any Intellectual Property, where such license remains valid and effective, or has any other business relationship with, any Competitor.

(g) Quality of Information.

(i) All books, records, Contracts, receipts, Permits and other documents that the Seller and/or Founder, either directly or through its Representatives and Target Group Members, provides to the Buyer in connection with the transaction contemplated hereunder, including, without limitation, to facilitate the Buyer's legal, financial, commercial, Tax, technical, human resources or environmental due diligence on the Company (collectively, the "Due Diligence Documents") are either originals or true and complete copies of the originals of such books, records, Contracts, receipts, permits or documents.

(ii) All Due Diligence Documents are true and accurate in all material respects, and no Due Diligence Document contains any material omission, misleading or false statement, information or materials.

(iii) All information contained in or referred to in Article 8.1, Article 8.2 and the Disclosure Schedules is true, complete and accurate, is not misleading in any respect, and does not omit any material fact. Except to the extent fully, fairly and specifically set out in the Disclosure Schedules and the Management Accounts, no Target Group Member has any Debt or Liabilities.

8.2 Representations and Warranties Relating to the Target Group. The Seller, the Seller Shareholders and the Company jointly and severally represent and warrant to the Buyer that, ***except as fairly disclosed and adequately and specifically described in the Disclosure Schedules to the contrary***, each of the following statements is true, accurate and not misleading as of the date hereof and will be true, accurate and not misleading as of the First Closing Date:

(a) Organization, Existence and Capitalization of the Target Group.

(i) The Company is a domestic joint stock company duly established and validly existing under the Laws of the PRC.

(ii) Each Target Subsidiary is a limited liability company duly established and validly existing under the Laws of the PRC.

(iii) The information set forth in Exhibit B is true and accurate and not misleading as of the date hereof and as of the First Closing Date.

(iv) Exhibit C accurately depicts the organizational structure of the Target Group, including but not limited to the identities of the Company, the Target Subsidiaries and their respective ownership of branches and Liaison Offices.

(v) Except as depicted in Exhibit C, no Target Group Member owns or controls, directly or indirectly, any equity interests or securities or rights convertible to or exchangeable for any equity interests, or any voting rights, in any person.

(vi) No Target Group Member has granted any proxy, general or special power of attorney or other similar instrument to any person that would permit such person to bind any Target Group Member for any commitments.

(vii) No Target Group Member has initiated or is otherwise subject to any proceeding for winding up, dissolution or termination of corporate existence. No receiver, manager or anyone in a similar capacity has been appointed in respect of any Target Group Asset or the operations of any Target Group Member, and no circumstance which may reasonably be expected to result in such appointment has arisen.

(b) Real Property.

(i) Schedule 8.2(b)(i) of the Disclosure Schedules sets forth a correct and complete list of: (A) all real property owned by each Target Group Member (the "Owned Real Properties"), (B) all leases of real property by each Target Group Member (the "Real Property Leases" and, together with the Owned Real Properties, being referred to herein individually as a "Real Property" and collectively as the "Real Properties"); (C) the respective legally mandated and actual uses of the Real Properties; and (D) titles, certificates, licenses and permits that are held, being applied for and/or unobtainable in respect of the Real Properties.

(ii) Each Target Group Member has legal and valid title to all of its Owned Real Properties free and clear of all and any Encumbrances. With respect to each of the Owned Real Properties, the relevant Target Group Member has duly obtained all necessary title certificates and state-owned land use right certificates and paid in full all necessary land use right grant fees, and has obtained all building title certificates (where applicable) as required under applicable Laws.

(iii) Each Real Property Lease to which a Target Group Member is a party is legal and valid and has been performed by all the parties thereto without any default.

(iv) No Real Property is subject to any actual or threatened condemnation, penalty, change of zoning, order of demolishment or reconstruction or any similar action by any Governmental Authority, or circumstances of utilities shortage or interruptions.

(v) No Target Group Member has granted any outstanding options, rights of first offer, rights of refusal or similar preemptive rights to purchase or lease any of the Real Properties, or any portion thereof or interest therein (other than any such rights in favor of a Target Group Member). There are no Contracts granting to any person the right of use to or occupancy of any portion of the Real Properties.

(vi) The Real Properties include all land, buildings, structures, easements and other rights and interests that are reasonably necessary for use by the Target Group in the operation of its business and operations as conducted as of the date hereof.

(c) Personal Property. Exhibit R contains a correct and complete list of all machinery, equipment and facilities of each Target Group Member as of December 31, 2012, which, together with inventory and other personal properties and assets of each Target Group Member, constitute all of the Target Group's personal properties (the "Personal Properties") as of the date hereof. Each Target Group Member has legal and valid title to its Personal Properties, in each case free and clear of any and all Encumbrances. The Personal Properties are in good operating condition and repair other than normal wear and tear. No Target Group Member is in default under, and has not received any written notice of, any default or any event that with notice or lapse of time, or both, would constitute a default, by such Target Group Member under any agreement relating to any such Personal Property.

(d) Other Assets.

(i) Beside the Real Properties and Personal Properties, each Target Group Member also has legal and valid title to, or the lawful right to use, all other assets used in its business and operations, free and clear of all and any Encumbrances.

(ii) All provisions and/or reserves required to be established by each Target Group Member in accordance with applicable Law and PRC GAAP have been established and reasonably reflected in the Management Accounts.

(e) Sufficiency of Assets. The Target Group owns, or has the right to use, all assets necessary to conduct its business as it is conducted on the date hereof.

(f) Intellectual Property.

(i) The Company has legal and valid title to all Target Intellectual Property, including without limitation all as set forth in Schedule 8.2(f) of the Disclosure Schedules, free and clear of any Encumbrances. Each element of Target Intellectual Property is legal and valid. Except for the Company, no Target Group Member owns any Target Intellectual Property.

(ii) The Company has neither committed nor omitted any act or thing that would adversely affect the validity, distinctiveness or enforceability of any Target Intellectual Property or the right of any Target Group Member to use the same.

(iii) The Target Intellectual Property constitutes all the Intellectual Property that is necessary for the Target Group to conduct its current operations.

(iv) None of the Target Intellectual Property: (A) infringes on the rights of any third party, (B) is the subject of any ongoing, pending or threatened proceeding, investigation or claim, or (C) is being infringed by any third party.

(v) Other than the Company, none of the Seller, Seller Shareholders and their respective Affiliates (including all Non-Target-Group Entities) owns, is using, has the right to use, or is applying for the right to use any Intellectual Property that is identical or confusingly similar to any Target Intellectual Property.

(vi) All software, networks and systems maintained and/or used by each Target Group Member have been duly licensed and sold by, and with all fees and costs duly paid to, their rightful owners in accordance with applicable Laws and each Target Group Member has taken all reasonable actions to protect the integrity, security and continued operation of its software, networks and systems, and there have been no material violations, outages or interruptions of same under any applicable Law, contract or licensing arrangement.

(vii) All documentation in connection with the official recognition of "Golden Monkey" as a "China Well-known Trademark" ("Golden Monkey) in 2002 by competent Governmental Authorities, together with all trademark opposition and/or cancellation applications initiated by any Target Group Member in connection with the aforesaid trademark, has been provided by the Company to the Buyer.

(g) Permits and Licenses.

(i) Schedule 8.2(g) of the Disclosure Schedules sets forth a correct and complete list of all Permits currently held by each Target Group Member in connection with its operations. Each of such Permits has been obtained in accordance with applicable Laws and is legal and valid. No suspension, cancellation, revocation, surrender, adverse variation of or failure to extend any of such Permits is pending or threatened to the Knowledge of the Seller, any Seller Shareholder or any Target Group Member, and no such Permit will be suspended, cancelled, revoked, surrendered, adversely varied or not be extended as a result of the First Tranche or Second Tranche.

(ii) Part 1 and Part 2 of Exhibit S sets forth a correct and complete list of all Permits not yet obtained by each Target Group Member in connection with its operations. All such Permits are capable of being granted in accordance with applicable Laws and neither Seller, any Seller Shareholder nor any Target Group Member is aware of any reason why any such Permit would not be granted by the relevant Governmental Authority, provided that any failure to obtain any such Permit will not, in any event, expose any Target Group Member or its Representatives to criminal liability or termination or suspension of any Target Group Member's use of any material production facility, machinery or equipment or otherwise result in a Material Adverse Effect.

(iii) The Permits set forth in Schedule 8.2(g) of the Disclosure Schedules and Part 1 and Part 2 of Exhibit S are the only Permits required by the Target Group to conduct its operations as conducted at the date hereof in accordance with applicable Laws.

(h) No Undisclosed Debt or Liabilities. Except as and to the extent set fully, fairly and specifically in the Disclosure Schedules and the Management Accounts, no Target Group Member has any Debt or Liabilities other than Trade Debt. None of the Seller, Seller Shareholders or Target Group Members has been or is in default under any note, debt, corporate bond, pledge, charge, mortgage, guarantee, undertaking or any Contract with respect to any Debt or Encumbrance that has caused or could reasonably be expected to cause any Material Adverse Effect on any Target Group Member. No Short Term Loan or Long Term Loan has been obtained by or granted to the Company pursuant to or because of any misrepresentation or non-disclosure of the Company or any Target Group Member and all applicable Laws and requirements and conditions of all Government Authorities have been complied with in connection with the application for and granting of all Long Term Loans and Short Term Loans. None of the Target Group Members has any undisclosed or un-accrued Liabilities.

(i) Related Party Transactions. A full list of all agreements between and/or among Target Group Members and/or their respective Affiliates and/or their respective directors, officers and employees is set forth in Schedule 8.2(i) of the Disclosure Schedules. All transactions pursuant to such agreements have been conducted on an arm's length basis and on fair market terms and there are no unsettled balances arising from any other transaction conducted outside of these agreements prior to the First Closing Date.

(j) Accounts. Books and Records.

(i) The books of account and financial records of each Target Group Member, including but not limited to the Company's audited consolidated accounts for the fiscal years 2010, 2011 and 2012 as set forth in Exhibit I, have been prepared in accordance with PRC GAAP consistently applied and present in all respects a full, complete and accurate view of the state of affairs and the financial position and performance of the relevant Target Group Member as of the respective dates and for the respective periods thereof.

(ii) The Management Accounts: (A) are prepared in accordance with the requirements of applicable Law and PRC GAAP consistently applied throughout; and (B) present, in all material respects, a true view of, the state of affairs and the financial position of the Target Group as of the dates thereof. Since the date of the Company's latest audited consolidated accounts in accordance with PRC GAAP, no Target Group Member has entered into any financing arrangement or incurred any new Debt (other than Trade Debt), except for the arrangements that have been fully, fairly and specifically disclosed in the Management Accounts.

(iii) All transaction by each Target Group Member have been executed pursuant to due authorization from management and duly recorded in conformity with PRC GAAP.

(iv) Schedule 8.2(j)(iv) of the Disclosure Schedules sets forth a complete list of (A) all the accounts opened or held in the name of any Target Group Member; (B) all the accounts jointly opened or held by any Target Group Member and a third party; and (C) all the accounts opened or held in the name of a third party on behalf of any Target Group Member.

(v) All funds in the accounts opened or held in the name of any Target Group Member belong exclusively to such Target Group Member and no funds belonging to any Target Group Member are held in accounts jointly opened with a third party or accounts opened in the name of a third party.

(k) Litigation. There is no existing, pending or, to the Knowledge of the Seller, any Seller Shareholder or any Target Group Member, threatened claim, litigation, arbitration, legal dispute or other judicial proceedings by any third party, nor any investigation, proceeding or action by any Governmental Authority, against any Target Group Member or concerning any Target Group Asset that involves a monetary value in excess of RMB 500,000 individually or RMB 20,000,000 in the aggregate.

(l) EHS Matters. No Target Group Member is required by any Governmental Order or applicable Law to undertake any remedial, corrective, clean-up and/or restoration actions.

(m) Material Contracts. Each Material Contract to which a Target Group Member is a party is legal and valid, and all the parties thereto have duly performed their respective obligations thereunder without any default. No party to any Material Contract has exercised any termination rights with respect thereto; and no party has given notice of any dispute, repudiation or nullification with respect to any Material Contract. No term of any Material Contract is void or voidable for any reason.

(n) Employees and Benefits.

(i) Schedule 8.2(n)(i) of the Disclosure Schedules sets forth a list of all employees of each Target Group Member as of the date hereof and a complete list of all documents relating to or specifying the benefits of such employees (including any bonus plans, retirement schemes, medical benefits or any other material benefits).

(ii) There is no ongoing strike, walkout, lockout, work stoppage or other similar event organized by any employees of any Target Group Member.

(iii) Save for any benefits as set forth in Schedule 8.2(n)(i) of the Disclosure Schedules, neither the execution of this Agreement, the consummation of the First Tranche or the Second Tranche, nor any merger, consolidation, sale of assets, change of control or similar transaction involving any Target Group Member would entitle any employee of any Target Group Member to any new or additional payment, benefit or other right whatsoever.

(iv) No Target Group Member has any outstanding Liability arising from or in connection with any work-related injuries or medical conditions suffered by any of its employees.

(o) Compliance with the Laws. Each Target Group Member has complied with all applicable Laws in its conduct of business and operations, except for any Historical Non-compliance that, whether individually or in the aggregate, has not caused, is not causing or will not cause any Material Adverse Effect.

(p) Taxes.

(i) Each Target Group Member has fully complied with all applicable Laws relating to Taxes.

(ii) All Tax returns, filings or reporting required to be filed with relevant Tax administration authorities by any Target Group Member before the First Closing Date have been timely filed or will be timely filed on or before the First Closing Date.

(iii) All such Tax returns, filings and reports are true, complete and correct in all material respects and were prepared in compliance with all applicable Laws. None of the Target Group Member is currently the beneficiary of any extension of time within which to file any Tax returns.

(iv) Any Taxes relating to any Target Group Member have been properly accrued and recorded in the books of account of the relevant Target Group Member in accordance with applicable Law and PRC GAAP.

(v) None of the Seller, Seller Shareholders or the Target Group Members is presently subject to, or has been subject to in the past twelve (12) months, any legal proceedings, audit, examination or investigation by any Governmental Authority relating to Taxes, and, to the Knowledge of the Seller, each Seller Shareholder and each Target Group Member, there are no disputes regarding Tax pending, likely or threatened, nor are there any facts or circumstances in existence which may give rise to any such dispute.

(vi) To the Knowledge of the Seller, each Seller Shareholder and each Target Group Member, no claim has been made by a Governmental Authority in a jurisdiction where any Target Group Member does not file Tax returns that any Target Group Member is or may be subject to taxation by that jurisdiction.

(vii) Schedule 8.2(p)(vii) of the Disclosure Schedules sets forth all preferential treatments, exemptions, concessions, reductions, subsidies, offsets, holidays, refunds or other incentives or reliefs from any Governmental Authorities relating to Taxes that are enjoyed by any Target Group Member, together with all relevant details and obligations.

(viii) Each Target Group Member has, in all material aspects, retained, to the extent applicable, all Tax returns, filings and reports, Tax payment certificates, Tax calculations, evidence of payment of Taxes, and all related correspondences, filings and submissions to, notices received from and correspondence with any Tax authorities or customs.

(ix) Each Target Group Member is in possession of sufficient information (including, without limitation, any records, invoices and information that form part of its Tax or accounting records) to enable it and/or its Representatives to compute its Liability to Tax insofar as such Liability depends on any transaction, matter or event occurring on or before the First Closing Date.

(q) Absence of Certain Changes or Events.

(i) Since the date of the Company's latest consolidated accounts that have been audited in accordance with PRC GAAP, each Target Group Member has conducted its operations only in accordance with applicable Law.

(ii) Since the date of the Company's latest consolidated accounts that have been audited in accordance with PRC GAAP, except as expressly permitted under Article 2.2(a) or otherwise expressly consented to by the Buyer in writing, no Target Group Member has made any declaration, authorization or payment of any dividends or other distributions of assets.

(r) Ethical Practices. None of the Seller, Seller Shareholders or the Target Group Members has, directly or indirectly or via any Representative, Liaison Office or other third party, established or maintained, or promised to establish or maintain, a secret or unrecorded fund (a "Prohibited Fund"), or made any false or fictitious entries or failed to make full and accurate disclosure in any books or records of any Target Group Member relating to any Prohibited Fund.

(s) Insurance. Schedule 8.2(s) of the Disclosure Schedules contains a true, complete and correct list, as of the date hereof, of all insurance policies or agreements that insure the business, operations and affairs of the Target Group Members and:

(i) the Target Group Members are the sole insured and beneficiary of such insurance policies;

(ii) all premiums under such policies have been paid when due and all such policies are in full force and effect; and

(iii) none of the Target Group Members has received any notice that any of its insurance policies may be canceled or terminated or coverage thereunder avoided.

(t) Products.

(i) Each Target Group Member has duly completed all product recalls or post-sale warnings relating to a product designed, manufactured or sold by it in compliance with applicable Laws and with no residual Liability to any Target Group Member.

(ii) None of the Seller and Seller Shareholders is aware of any issue or circumstance which would cause any of the products of any Target Group Member to be unsafe or unfit for human consumption, nor has any Target Group Member been notified of any legal or governmental proceeding pending or threatened in relation to the safety or quality of such products.

(u) Liaison Offices.

(i) Except as set forth in Schedule 8.2(u) of the Disclosure Schedules, there are no Liaison Office employees hired personally by any Liaison Office director; and

(ii) The Company maintains sound bookkeeping practices for all Liaison

Offices which is supervised by accountants from the Company's headquarters.

(v) Accounts Receivable, Inventory and Distributors. Except as set forth in Schedule 8.2(v) of the Disclosure Schedules:

(i) All accounts receivable of any Target Group Member are accounts receivable arising from the sale of products in the ordinary course of business, valid and payable from third parties, and are not subject to any Encumbrance. To the Knowledge of the Seller, each Seller Shareholder and each Target Group Member, no significant amount of such account receivables will be deemed to be bad debts or otherwise uncollectible.

(ii) Inventory of any Target Group Member is in compliance with statutory and (if applicable) contractually agreed quality standards and is usable or salable in the ordinary course of business. All inventory of each Target Group Member has been and is located at the warehouses of such Target Group Member and has not been consigned to, or held on consignment from any third party.

(iii) All products supplied to distributors by each Target Group Member are in compliance with statutory and (if applicable) contractually agreed quality standards, usable or salable in the ordinary course of business and in compliance with all applicable Laws in all respects. There are no circumstances known to the Seller or the Seller Shareholders that would lead to the reasonable expectation that a material amount of such products will be returned by distributors.

(iv) Each relevant Target Group Member has duly entered into a written distribution contracts with all of its distributors, which are valid, binding and enforceable against the relevant distributor. A copy of such standard contract and all terms relating to credit or loans granted to distributors and with respect to the return of product are set out in Exhibit P. No Target Group Member has granted any forgiveness of any loan granted to any distributor or agreed to allow distributors to return product sold to distributors, except in the case of a defect in quality.

(v) All account receivables from the distributors of Target Group Members are collectible in the ordinary course of business and no account receivable from any distributor is more than three (3) months overdue.

(vi) With respect to each Target Group Member, not more than four percent (4%) of all products supplied to any distributor in the last 12 months have been returned by such distributor at any time for any reason.

(vii) All loans and credits extended to distributors by each Target Group Member have definitive terms, are collectible and have been fully collected upon the expiration of the relevant loan or credit term.

(viii) To the Knowledge of the Seller, each Seller Shareholder and each Target Group Member, each distributor of the Target Group's products: (x) is duly licensed under applicable Laws to engage in distribution activities that it has conducted or purports to conduct with respect to Target Group's products; (y) is and has at all times been in compliance with all applicable Laws that impact its business with the Target Group.

(ix) To the Knowledge of the Seller, each Seller Shareholder and each Target Group Member, none of the distributors of the Target Group's products has, directly or indirectly: (x) violated or is in violation of any Anti-Corruption Laws applicable to it; (y) made, undertaken, offered to make, promised to make or authorized any Prohibited Payment to any customer or Government Official; or (z) is subject to any existing, pending or threatened claim, litigation, arbitration or other judicial proceedings or administrative proceedings or actions relating to Target Group's products.

(w) Third Party Consents. Schedule 8.2(w) of the Disclosure Schedules set forth all consents, approvals and/or waivers from third parties (other than approvals by and filings with Governmental Authorities) that are required in order for the Seller, Seller Shareholders and Target Group Members to consummate the transactions contemplated hereunder.

(x) Non-Target-Group Entities. Schedule 8.2(x) of the Disclosure Schedules sets forth a complete and accurate list of all Non-Target-Group Entities and their respective duly authorized business scopes.

8.3 Buyer's Representations and Warranties. The Buyer represents and warrants to the Seller and the Founder that each of the following statements is true, accurate and not misleading as of the date hereof and will be true, accurate and not misleading as of the First Closing Date (except to the extent the representation or warranty refers specifically only to the First Closing Date):

(a) Organization and Existence. The Buyer is a company duly incorporated and validly existing under the Laws of the Netherlands.

(b) Power and Authority. The Buyer has the requisite capacity and authority under its constitutional documents and applicable Law to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the First Tranche and Second Tranche in accordance with this Agreement. The execution, delivery and performance by the Buyer of this Agreement has been duly authorized by all necessary corporate action on behalf of the Buyer.

(c) Binding Effect. Upon due execution by the Parties, this Agreement constitutes a valid, binding, and enforceable legal obligation of the Buyer, provided that, for the avoidance of doubt, the First Tranche and Second Tranche may not be consummated without having obtained all necessary approvals by competent Governmental Authorities in accordance with applicable Law.

(d) No Violation. Neither the execution and delivery of this Agreement nor the performance by the Buyer of its obligations hereunder will violate or breach, or otherwise constitute or give rise to (with the giving of notice or passage of time or both) a default under any of the terms or provisions of (i) the constitutional documents of the Buyer, (ii) any material Contract, commitment, or other obligation to which the Buyer is a party or by which the Buyer or any of its respective assets are bound, (iii) any Governmental Order applicable to the Buyer or by which the Buyer or any of its respective assets are bound, or (iv) any applicable Law, except, with respect to Clauses (ii), (iii) and (iv) of this Article 8.3(d), for any violation, breach or default which would not reasonably be expected to individually or in the aggregate, have a Material Adverse Effect on the ability of the Buyer to perform its obligations hereunder or to consummate the First Tranche or Second Tranche .

8.4 Reliance. Each of the Parties acknowledges that each of the other Parties has entered into this Agreement on the basis of and in reliance upon, among other things, the representations and warranties relating to each other in this Article 8 and has been induced by, among other things, such representations and warranties to enter into this Agreement.

Article 9 Non-Competition

9.1 Non-Competition

(a) Each of Seller and Seller Shareholders hereby covenants that, except as otherwise permitted by the Service Agreements and Article 9.1(e), for so long as it beneficially owns, directly or indirectly, any Share in the Company or is otherwise engaged in any employment, consultancy, advisory, representative or any other similar relationship with the Company and for a period of two (2) years thereafter, it will not directly or indirectly (including through any family relative), and will cause its Affiliates (whether or not existing at the time of the execution of this Agreement, and including each Non-Target-Group Entity) to not directly or indirectly:

(i) engage or invest in, own, manage, operate, control, transfer or license any Intellectual Property to, or participate in the ownership, management, operation or control of, be associated with, or in any manner whatsoever be connected with any Competitive Business or any Competitor in the PRC; or

(ii) solicit or induce any employee, consultant, advisor, representative, officer or director of any Target Group Member to engage in any Competitive Business or otherwise participate in any activity prohibited by the foregoing Article 9.1(a)(i) or to terminate their services or employment with the Target Group Member.

(b) Each of Seller and Seller Shareholders hereby covenants to cause each Key Employee, for so long as such Key Employee remains employed with any Target Group Member and for (i) a period of two (2) years thereafter in the case of Primary Key Employees, or (ii) a period one (1) year thereafter in the case of Secondary Key Employees, not to engage in, directly or indirectly, any of the activities set forth in Articles 9.1(a)(i) and 9.1(a)(ii), in each case subject to Article 9.1(e).

(c) Each of Seller and Seller Shareholders hereby acknowledges and agrees that the Company and Buyer shall have the right to seek specific performance by and/or other injunction relief against each of Seller and Seller Shareholders for any breach by such person of the obligations set out in Article 9.1(a) in addition to any and all other remedies available under applicable Law.

(d) For the avoidance of doubt, the obligations of Seller and Seller Shareholders under Articles 9.1(a) are separate from, independent of and in addition to any and all of their respective obligations (whether relating to non-competition or otherwise) in their capacities as officers, employees, representatives and/or agents of any Target Group Member.

(e) For the avoidance of doubt, none of the following activities shall be deemed to constitute a breach of the non-compete obligations set forth in Article 9.1(a), so long as such activity does not violate any other provision of the Transaction Agreements (including but not limited to Article 10.1 below and the trademark license agreement(s) referenced therein):

(i) the production and sale of Xylitol as an ingredient by Shenqiu Golden Monkey Sugar Co., Ltd.;

(ii) the operation of a single supermarket located at 1st Floor, Suite 118, 183 Heli West Road, Hangtou Town, Pudong New District, Shanghai by Shanghai Golden Monkey Supermarket Co., Ltd."

(iii) the production and sale of cocoa as an ingredient by Shanghai Golden Monkey Group Wuxi Cocoa Co., Ltd.; and

(iv) the supply and sale of fresh milk by Zhoukou Yuda Culturing Service Development Co., Ltd.

Article 10 Restriction on Use of Intellectual Property

10.1 Trademark License. Prior to the First Closing Date, the Parties shall cause the Company to enter into various trademark license agreement(s) in accordance with applicable Laws and in the agreed form as set out in Exhibit W hereof (collectively, the "Trademark License Agreements"), whereby the Company licenses on a revocable basis certain "Golden Monkey" trademarks owned by the Company for zero consideration:

(a) to Shanghai Golden Monkey Group Co. Ltd. for the sole purpose of including the "Golden Monkey" characters in its company name;

(b) to Shanghai Golden Monkey Group Wuxi Cocoa Co., Ltd. for the sole purposes of including the "Golden Monkey" characters in its company name;

(c) to Shanghai Golden Monkey Real Estate Development Co., Ltd. for the sole purposes of including the "Golden Monkey" characters in its company name and solely in connection with its business of real estate development;

(d) to Shanghai Golden Monkey Supermarket Co., Ltd. for the sole purposes of including the "Golden Monkey" characters in its company and the operation of a single supermarket located at 1st Floor, Suite 118, 183 Heli West Road, Hangtou Town, Pudong New District, Shanghai;

(e) to Shenqiu Golden Monkey Sugar Co., Ltd. for the sole purposes of including the "Golden Monkey" characters in its company name and solely in connection with its business of supplying Xylitol as an ingredient;

(f) to Shenqiu Yudong Golden Monkey Logistics Co., Ltd. for the sole purposes of including the "Golden Monkey" characters in its company name and solely in connection with its business of supplying logistics services; and

(g) to Shanghai Golden Monkey International Trading Co., for the sole purpose of including the "Golden Monkey" characters in its company name.

10.2 Restriction on Use of Intellectual Property.

(a) Except as otherwise permitted under this Agreement, each of Seller and Seller Shareholders hereby covenants that it will not, and will cause each of their respective Affiliates (whether or not existing at the time of the execution of this Agreement, and including each Non-Target-Group Entity) not to, at any time, directly or indirectly use, acquire, register, license or otherwise make use of (including without limitation using as a part of any domain name) any Intellectual Property that is identical or confusingly similar to: (a) any Target Intellectual Property, and/or (b) any Intellectual Property that is owned and/or used by the Buyer, Hershey and/or their respective Affiliates.

(b) Except as otherwise permitted under this Agreement, each of Seller and Seller Shareholders hereby covenants that it will cause each Key Employee not to, at any time prior to the consummation of the Second Tranche or during the period of Founder's consultancy to the Company pursuant to Article 11.1 below, directly or indirectly use, acquire, register, license or otherwise make use of (including without limitation using as a part of any domain name) any Intellectual Property that is identical or confusingly similar to: (a) any Target Intellectual Property, and/or (b) any Intellectual Property that is owned and/or used by the Buyer, Hershey and/or their respective Affiliates.

(c) In the event that any of Seller or Seller Shareholders or their respective Affiliates shall desire to make any use (in addition to that expressly permitted under this Agreement) of any Intellectual Property that is identical or confusingly similar to (a) any Target Intellectual Property, and/or (b) any Intellectual Property that is owned and/or used by Buyer and or their respective Affiliates, then it shall submit a written application to the Company with respect thereto and shall not make any such use without having obtained the prior written consent of the Company. It is agreed that the Company shall have sole and absolute discretion as to whether any such use will be permitted and that, in the event that any such use is permitted, it shall, in each case, be subject to the execution of an agreement substantially in the form of the Trademark License Agreements.

(d) For the avoidance of doubt, no license or other rights to use or obtain any interest in Intellectual Property owned by Hershey or its Affiliates are granted to any Party or any of their Affiliates or to anyone else by virtue of this Agreement or any other Transaction Agreement or otherwise howsoever.

Article 11 Other Covenants

11.1 Founder's Consulting Services.

(a) The Founder shall provide the following services (the "Consulting Services") to the Buyer and the Target Group for a period of one (1) year following the Second Closing Date:

(i) providing active guidance, training and assistance to the Target Group's executive management to ensure the Company's smooth and efficient transition into a wholly-owned subsidiary of Hershey;

(ii) maintaining and fostering the goodwill of the Target Group's distribution network, supply chain and key customers ;

(iii) assisting the Target Group in building relationships with Governmental Authorities and Government Officials in full compliance with applicable Laws;

(iv) keeping the Target Group abreast of trends and developments in China's confectionery industry and providing strategy recommendations; and

(v) such other consulting and advisory services as may be reasonably requested by the Company from time to time.

(b) The Founder hereby expressly acknowledges and agrees that his duties to the Company as a consultant under this Article 11 shall be deemed akin to those of a fiduciary of the Company and, as such, he shall:

(i) diligently perform the Consulting Services in good faith;

(ii) perform the Consulting Services in compliance with all applicable Laws and Company policies and in accordance with the terms and conditions specified in this Agreement; and

11.2 Management Bonus Scheme. The Parties shall implement, with effect from the First Closing Date, the management bonus scheme as set forth in Exhibit L.

11.7 Restrictions on Transfer: Lock-up.

(a) Other than a Transfer by the Seller to the Buyer of the Second Tranche Shares pursuant to the Second Tranche as set forth in this Agreement, the Seller shall not effectuate any Transfer of any of its Second Tranche Shares without the Buyer's prior written consent.

(b) Each Seller Shareholder hereby covenants to not, prior to the consummation of the Second Tranche as set forth in this Agreement: (a) Transfer any of his direct and/or indirect shares or equity interest in the Seller; or (b) cause, allow or otherwise participate in any transaction or series of transactions that would result in, whether directly or indirectly, a change in control of the Seller.

11.4 Filings, Authorizations and Consents.

(a) Each Party shall, as promptly as practicable, take all commercially reasonable actions and use its best efforts to make requisite filings, applications and registrations and to obtain requisite approvals, authorizations and consents, in connection with the First Tranche, the Second Tranche, the matters contemplated under this Agreement and any updating of Permits of the Company reflecting the Company's new name during the Interim Period.

(b) Each Party shall exercise the utmost good faith in coordinating and cooperating with the other Parties in applying for and obtaining all Necessary Regulatory Approvals. For the avoidance of doubt, none of the Parties shall in any event without first affording the other Parties a reasonable opportunity for participation or comment: (a) submit any application, filing or other material to any Governmental Authority in connection with the First Tranche or the Second Tranche; or (b) engage in any meeting, discussion or any other communication with any Governmental Authority in relation to the First Tranche or the Second Tranche.

(c) Notwithstanding the foregoing, nothing in this Agreement shall require, or be construed to require, Buyer or any of its Affiliates to agree to: (i) sell, hold, divest, discontinue or limit, at any time, any assets, businesses or interests of Buyer, the Company or any of their respective Affiliates; (ii) any conditions relating to, or changes or restrictions in, the operations of any assets, businesses or interests of Buyer, the Company or any of their respective Affiliates; or (iii) any material modification or waiver of the terms and conditions of this Agreement.

11.5 Reasonable Efforts and Assistance.

(a) Without prejudice to Article 11.4, each Party shall use (and shall cause its Affiliates to use) all commercially reasonable efforts to take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to cause the conditions set forth in Article 5 to be satisfied as promptly as practicable and to consummate in the most expeditious manner practicable the transactions contemplated under this Agreement; and each Party shall, and shall cause its Affiliates to, refrain from taking any action that would reasonably be expected to prevent or delay the performance by any Party of any of its covenants, obligations, undertakings or agreements hereunder.

(b) The Seller and Seller Shareholders shall cause the relevant Non-Target-Group Entities to duly implement the terms of the Service Agreements.

(c) The Seller and Seller Shareholders shall provide to the Buyer all assistance and support reasonably requested by the Buyer to enable the Buyer to comply with its financial and/or Tax reporting obligations under applicable Law or Governmental Order.

(d) The Parties agree to, from time to time and before or after the First Closing Date and/or Second Closing Date, give such further assurance, provide such further information, take such further actions, and execute and deliver such further documents and/or instruments as are, in each case, within its power to provide and to use their respective best efforts to cause their respective Affiliates to provide as may be reasonably necessary to give full effect to the provisions of this Agreement.

11.6 Taxes. Fees and Expense.

(a) Except as otherwise expressly provided hereunder, whether or not the First Closing and/or the Second Closing occurs, each Party shall be solely responsible for all of its own costs and expenses incurred in connection with this Agreement, including without limitation any fees and expenses of counsel, advisors, experts or other agents, in each case, incidental to or in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereunder.

(b) Except as otherwise provided hereunder or agreed expressly among the Parties, each Party shall be solely responsible for all Taxes accruing to such Party arising from this Agreement under all applicable Law and shall promptly pay such Taxes when due (which obligation shall, for the avoidance of doubt and without limitation, include the Seller's and Founder's obligation to promptly pay all Taxes due to relevant Tax Authorities in the PRC in respect of its receipt of any Post-Closing Adjustment Amount), provided that:

(i) each Party shall be entitled to perform its obligations of Tax deduction and/or withholding with respect to any payment made under this Agreement in accordance with applicable Laws, and such deducted and/or withheld amounts shall be treated as having been paid to the relevant payee; and

(ii) to the extent that any Party has performed any obligation of Tax deduction, withholding and/or payment as mentioned above, it shall provide to the relevant payee reasonable evidence of its payment of such deducted and/or withheld amounts to the relevant Tax Authority on behalf of the payee within twenty (20) Business Days after such payment has been made.

(c) For the avoidance of doubt, the Seller and the Buyer shall each pay fifty percent (50%) of all stamp duties arising from this Agreement or any other Transaction Agreement or any transactions contemplated thereunder pursuant to applicable Laws.

11.7 Press Release and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter or any content of this Agreement without the prior written approval of the other Parties; provided, however, Buyer may make any public disclosure as required by applicable Law or any stock exchange (in which case the Buyer, as applicable, will notify the Seller contemporaneously with making the disclosure).

11.8 Establishment of Owned Retail Stores. After the First Closing Date, the Parties shall cause the Target Group to duly establish and operate at least two (2) retail stores that will conduct direct-to-market sale of the Target Group's products, which stores shall be wholly owned by one or more Target Group Members.

11.9 Waiver of Claims to Intellectual Property. To the fullest extent permitted by applicable Laws, and except as otherwise provided in the Trademark License Agreements to the contrary, each of the Seller and Seller Shareholders hereby, with effect from the First Closing Date, expressly, irrevocably and unconditionally waives and relinquishes all rights, interests and/or claims owned by such Party with respect to any and all Target Intellectual Property.

11.10 Compliance Program and Internal Controls.

(a) Following the First Closing Date, the Buyer may implement remediation and/or improvement measures with respect to the existing business, operational, financial, accounting, compliance, risk control, internal control and/or such other policies of the Target Group, so as to ensure the compliance by each Target Group Member with all applicable Laws, including, without limitation the Sarbanes Oxley Act of the USA, accounting and auditing requirements in the USA, and the listing rules of any stock exchange relating to corporate governance which are applicable to the Buyer and Hershey, and Seller and Seller Shareholders shall provide prompt and diligent cooperation and assistance in implementing such measures. Following the First Closing Date, each of Seller and Seller Shareholders shall promptly take and/or cause to be taken all actions proposed by Buyer and/or are otherwise necessary to assist the Buyer to procure that the Target Group's information system be configured to provide the data necessary to: (i) meet the financial reporting and manufacturing requirements of the Buyer and Hershey, and (ii) all relevant PRC and US accounting requirements including PRC GAAP and US GAAP and the Sarbanes Oxley Act of the USA.

(a) Each of Seller and Seller Shareholders expressly agrees not to directly or indirectly make, reimburse or promise to make or reimburse any Prohibited Payment, and will diligently cooperate with the Buyer to procure that each Target Group Member and its directors, officers and employees will not directly or indirectly make, reimburse or promise to make or reimburse any Prohibited Payment.

(b) Each of Seller and Seller Shareholders hereby covenants that it will, and will cause all Key Employees to, diligently carry out all such tasks and at such times as set forth in Exhibit V hereto.

11.11 Permits. Seller and Seller Shareholders shall jointly and severally take all actions to procure, as soon as possible and in no event later than the Second Closing Date, all those Permits listed on Part 2 of Exhibit S in accordance with applicable Laws.

Article 12 Indemnification Obligations

12.1 Parties' Respective Indemnification Obligations.

(a) Indemnification bv Seller and Seller Shareholders. Subject to statutes of limitations under applicable Laws, the Seller and Seller Shareholders shall jointly and severally indemnify and hold harmless the Buyer and its Affiliates and their respective Representatives (collectively, the "Buyer Indemnitees", and individually each a "Buyer Indemnitee",) from and against all Losses resulting from, arising out of or relating to the following:

(i) a breach of any representation or warranty contained in Article 8.1 and 8.2;

(ii) a breach of any covenant or obligation to be performed by any of the Seller and Seller Shareholders under this Agreement;

(iii) a breach of any covenant or obligation to be performed by any Target Group Member on or prior to the First Closing Date;

(iv) any Historical Non-Compliance of any Target Group Member

(whether disclosed or not disclosed to the Buyer at any time or in any format);

(v) any failure of any Target Group Member to hold and/or obtain any required Permits in accordance with applicable Laws (whether disclosed or not disclosed to the Buyer at any time or in any format, and including without any limitation all Permits listed in Part 3 of Exhibit S);

(vi) any and all Liabilities or obligations incurred by any Target Group Member that have not been fairly and adequately disclosed in Disclosure Schedules and/or the Management Accounts;

(vii) any and all unpaid Taxes of any Target Group Member that are payable with respect to the period prior to the First Closing Date pursuant to applicable Laws and/or Governmental Orders;

(viii) any and all Liabilities or obligations arising out of any "original equipment manufacturing" (OEM) arrangement involving any Target Group Member and any third party producer who did not possess the requisite qualifications to engage in the relevant OEM production; and

(ix) any and all Liabilities or obligations arising out of the supply, production, marketing, distribution and/or sale prior to the First Closing Date by any Target Group Member of any product or service that infringes upon the Intellectual Property of any third party and/or is in breach of any applicable Laws.

Indemnification by the Buyer. The Buyer shall indemnify the Seller and Seller Shareholders and their respective Affiliates and Representatives (collectively, the "Seller Indemnitees", and individually each a "Seller Indemnitee") and hold harmless each Seller Indemnitee from and against all Losses, resulting from, arising out of or relating to:

(i) the breach of any representation or warranty made by the Buyer in Article 8; or

(ii) a breach of any covenant or obligation to be performed by the Buyer under this Agreement.

12.2 Procedures Relating to Indemnification.

(a) Any Party seeking indemnification under this Article 12 (an "Indemnified Party") for itself or for any Buyer Indemnitee or Seller Indemnitee, shall, promptly after its awareness of the cause of that indemnification, give the Party or Parties from whom indemnification is being sought (an "Indemnifying Party") a written notice (a "Claim Notice") of any event or matter which such Indemnified Party has determined to or would reasonably be expected to give rise to a right of indemnification under this Article 12, stating in reasonable detail, to the extent available, the nature of the claim, the facts and circumstances with respect to the subject matter of such claim, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; provided, however, that for the avoidance of doubt, the failure to provide such notice shall not release the

Indemnifying Party from any of its obligations under this Article 12 except to the extent the Indemnifying Party is prejudiced by such failure.

(b) If the Indemnifying Party does not, within thirty (30) days from its receipt of the Claim Notice, deliver a Dispute Notice to the Indemnified Party in accordance with Article 14.3(a) disputing such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim. If the Indemnifying Party has, within thirty (30) days from its receipt of the Claim Notice, delivered a Dispute Notice to the Indemnified Party in accordance with Article 14.3(a), then the Indemnifying Party and the Indemnified Party shall proceed in accordance with Article 14.3.

(c) Buyer shall discuss with Founder plans to resolve any third party claim against the Company which would result in claims under Article 12.1(a). All such claims against the Company shall be resolved by the Company. When resolving such claims, the Company shall make reasonable efforts to mitigate its Losses in accordance with its obligations under applicable Laws. In the event that the Founder procures a valid settlement offer to the Company from the third party claimant which complies with all applicable Laws (a "Proposed Settlement") but such offer is rejected by the Board of Directors of the Company, then to the extent the final settlement amount and/or damages payable by the Company to such third party claimant exceeds the Proposed Settlement ("Excess Damages"), no Buyer Indemnitee shall be entitled to seek indemnification under this Article 12 with respect to the Excess Damages.

(d) The Parties acknowledge and agree that, if any of the Seller and Seller Shareholders has fulfilled its indemnification obligations under this Article 12 with respect to any third party claims, then no Party shall prevent the relevant Seller and/or Seller Shareholder from seeking redress that it may have against the relevant third party.

12.3 Indemnity Escrow. In accordance with the Onshore Escrow Agreement, the Indemnity Escrow Amount shall remain in the Onshore Escrow Account to pay or reimburse the Buyer Indemnitees for Losses in accordance with this Agreement.

12.4 Manner of Payment.

(a) Any indemnification of a Buyer Indemnitee pursuant to Article 12.1 (a) shall first be disbursed from the Escrow Account in accordance with the Escrow Agreement and afterwards (to the extent the Indemnity Escrow Amount is not sufficient to cover any such Losses), shall be effected by direct wire transfer of funds from the Seller to the Buyer (or, at Buyer's sole and absolute discretion, a Buyer's designee) within fifteen (15) Business Days after the determination of the amount of such indemnification.

(b) Any indemnification of a Seller Indemnitee pursuant to Article 12.1(b) shall be effected by wire transfer of funds directly from the Buyer to the Seller within fifteen (15) Business Days after the determination of the amount of such indemnification.

(c) If any Indemnifying Party is adjudicated to have committed any action in bad faith, the Indemnifying Party shall indemnify the relevant Indemnified Party for all relevant Losses by direct wire transfer of funds within fifteen (15) Business Days after the determination of the amount of such indemnification.

12.5 Buyer's Discretion. In the event the Company suffers any Loss that gives rise to or otherwise entitles the Buyer to any indemnification by the Seller and/or Seller Shareholders hereunder, the Buyer shall have the right to direct the Seller and/or Seller Shareholders to either (a) indemnify the Company for the entire amount of the Loss suffered by the Company or (b) indemnify the Buyer (or, at the Buyer's sole and absolute discretion, a Buyer's designee) for the proportion of the Loss that is attributable to the Buyer.

Article 13 Termination and Expiration

13.1 Termination of Agreement before the First Closing Date. This Agreement may be terminated at any time prior to the First Closing Date as follows:

(a) by mutual written consent of all Parties;

(b) by either the Seller or the Buyer if the condition set forth in Article 5.1 shall not have been satisfied on or before the Long Stop Date; provided, however, that such termination shall not prejudice any accrued rights of any Party hereunder, and provided further, that the right to terminate this Agreement under this Article 13.1(b) shall not be available to a Party if any action of or by such Party shall have been the principal cause of such non-satisfaction;

(c) if any of Seller and Seller Shareholders shall have breached any of its representations, warranties, undertakings, covenants or agreements hereunder such as to give rise to a Material Adverse Effect on the Company or any Target Group Member, Buyer may terminate this Agreement;

(d) if the Buyer shall have breached any of its representations, warranties, undertakings, covenants or agreements hereunder, any of the Seller and Seller Shareholders may terminate this Agreement;

(e) if any of the conditions set forth in Article 5.2 or Article 5.3 (save to the extent waived in accordance with this Agreement) shall have not been satisfied on or before the Long Stop Date (which date may be extended in writing by all the Parties), this Agreement shall automatically terminate; provided, however, that such automatic termination shall not prejudice any accrued rights of any Party hereunder.

13.2 Effect of Termination.

(a) In the event of termination of this Agreement by a Party pursuant to Article 13.1, written notice thereof shall forthwith be given by the terminating Party to each other Party, and this Agreement shall thereupon terminate and become void and have no further effect (except as otherwise provided in Article 13.2(b) below).

(b) To the extent this Agreement is duly terminated pursuant to Article 13.1, each Party shall continue to be liable for indemnification with respect to its breaches of this Agreement occurring prior to such termination in accordance with applicable Laws, and shall continue to perform its obligations under the Confidentiality Agreement and under Article 11.6 (Taxes, Fees and Expenses), Article 12 (Indemnification Obligations), this Article 13 (Termination and Expiration) and Article 14 (Miscellaneous).

13.3 Expiry of this Agreement. Unless duly terminated pursuant to Article 13.1, no Party shall have the right to terminate this Agreement, and each Party shall duly perform and complete all its obligations hereunder.

Article 14 Miscellaneous

14.1 Severability. If any provision of this Agreement is determined to be unlawful, invalid or unenforceable in any respect under the Law of any jurisdiction, then such provision shall be deemed to be severed under the Law of such jurisdiction from this Agreement and replaced by a lawful, valid and enforceable provision which carries out, as closely as possible, the intention of the Parties and preserves the economic purpose contemplated by this Agreement and, in such case, each and every other provision of this Agreement shall remain in full force and effect under the Law in that jurisdiction. No such severance shall affect or impair the legality, validity or enforceability under the Law of any other jurisdiction of that or any other provision of this Agreement.

14.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the PRC without reference to its conflict of laws rules.

14.3 Dispute Resolution. If any Dispute arises among the Parties in connection with this Agreement, then the Parties shall resolve such Dispute as follows:

(a) Dispute Notice. One Party may at any time deliver to the other Parties a written dispute notice describing briefly the matters to be resolved following the dispute resolution mechanism set forth in this Article 14.3(a) (a "Dispute Notice"). The Dispute Notice shall be delivered in accordance with Article 14.4 and shall reasonably specify the provision or provisions of this Agreement applicable to the subject matter of the Dispute and the facts or circumstances in connection with the subject matter of the Dispute.

(b) Good Faith Negotiations. The Parties shall, upon the delivery of a Dispute Notice, cause their respective Representatives to meet and seek to resolve the Dispute amicably through good faith negotiations.

Arbitration Procedures.

(i) If, for any reason, Representatives of the Parties fail to resolve the Dispute within thirty (30) days after the delivery of the Dispute Notice in accordance with Article 14.3(b), then any Party may submit the Dispute to arbitration in Hong Kong under the auspices of the HKIAC.

(ii) The arbitral tribunal shall consist of three (3) arbitrators. The Buyer shall appoint one (1) arbitrator, the Seller and Seller Shareholders shall appoint one (1) arbitrator, and the third arbitrator shall be jointly appointed by the two party-appointed arbitrators. All arbitrators must be fluent in both English and Chinese.

(iii) The arbitration proceedings shall be conducted in Chinese and in English.

(iv) The arbitral tribunal shall apply the UNCITRAL Arbitration Rules as administered by the HKIAC in force at the time of the arbitration.

(v) In accordance with the arbitration rules, each party to the arbitration proceedings shall cooperate with each other party in making full disclosure of and providing complete access to all information and documents requested by such other party in connection with such arbitration proceedings.

(vi) The award of the arbitral tribunal shall be final and binding upon all parties to the arbitration proceedings, shall be non-appealable, and may be enforced in any court of competent jurisdiction. The prevailing party or parties may also enforce such award by presenting such award to the Escrow Agent for release of the amount of such award from the Escrow Account or apply to any court or courts of competent jurisdiction for enforcement of such award over the Party against which the award has been rendered, or over the assets of the Party against which such award has been rendered, wherever such assets may be located.

(vii) Regardless of whether an arbitration proceeding has been initiated, each Party may apply to any court of competent jurisdiction to issue a pre-arbitral injunction to maintain the status quo or prevent irreparable harm, pre-arbitral attachment or other conservatory measure, and any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

(viii) The Parties agree that they shall, to the greatest practicable extent, continue to perform the terms of this Agreement during the pendency of any dispute resolution process or related judicial or administrative proceeding.

(d) Confidentiality of Arbitration. Except as may be required by Law or Governmental Authority, the Parties agree to maintain confidentiality as to all aspects of any arbitration, including its existence and results, except that nothing herein shall prevent any Party from disclosing information regarding such arbitration for purposes of proceedings to enforce this clause (including disclosure to the Escrow Agent for the purposes of obtaining a release of funds from the Escrow Account), to otherwise enforce the award or for purposes of seeking provisional remedies from a court of competent jurisdiction, or to protect or pursue a legal right. The Parties further agree to obtain the arbitrators' agreement to preserve the confidentiality of any arbitration.

14.4 Notices. All notices, requests and other communications under this Agreement shall be in writing and shall be deemed to have been duly given at the time of receipt if delivered by hand or via reputable international express courier, charges pre-paid at the addresses shown below:

If to Seller, Seller Shareholders:

Mr. Zhao Qisan
Shanghai Zhaoshi Industrial Investment Co., Ltd.
5100 Hu'nan Road
Pudong New District
Shanghai, the PRC
Facsimile: (86 21) 5814-4788

If to the Company *before* the First Closing Date:

Mr. Zhao Qisan
Shanghai Golden Monkey Food Joint Stock Co., Ltd.
5100 Hu'nan Road
Pudong New District
Shanghai, the PRC
Facsimile: (86 21) 5814 - 2737

If to the Company *on or after* the First Closing Date:

Office of the Chief Counsel
Shanghai Hershey Golden Monkey Food Joint Stock Co., Ltd.
5100 Hu'nan Road
Pudong New District
Shanghai, the PRC
Facsimile: (86 21) 5814-2737

If to the Buyer:

Hershey Netherlands B.V.
c/o Intertrust Corporate Services (Netherlands) B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands
Facsimile: +31 (0)20 521 4888

with a copy to:

The Hershey Company
c/o Office of General Counsel
100 Crystal A Drive
Hershey, PA 17033
Facsimile: (1 717)534-7549

and

Skadden, Arps, Slate, Meagher & Flom LLP
Plaza 66, Tower 1, 36th Floor, Suite 3601
N. 1266 Nanjing West Road
Shanghai 200040, the PRC
Facsimile: (86 21) 6193-8299
Attention: Gregory G. H. Miao

and

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Facsimile: (1 212) 735-2000
Attention: Martha E. McGarry, Esq.

and

Fangda Partners
Plaza 66, Tower 1, 32nd Floor
N. 1266 Nanjing West Road
Shanghai 200040
Facsimile: (86 21) 5298-5599
Attention: Andrew Zhang

Any Party may change its notice address above to a different address by giving the other Parties a written notice of such change pursuant to the provisions of this Article 14.4.

14.5 Effectiveness. This Agreement shall come into effect upon being duly executed by an authorized representative of each Party, provided that neither the First Tranche nor the Second Tranche may be consummated unless all relevant Necessary Regulatory Approvals have been duly obtained.

14.6 Amendment. Any amendment, variation, revision and supplement of this Agreement shall be made by a written instrument duly executed by all Parties.

14.7 Waiver. Any Party may at any time waive the compliance or performance by the other Party or Parties with any undertakings, covenants, obligations or conditions contained herein that are for the benefits of the Party granting such waiver, but only by written instrument executed by the Party granting such waiver; provided, however, no such waiver shall be deemed to constitute a waiver of any such undertaking, covenant, obligation or condition in any other circumstance or a waiver of any other undertaking, covenant, obligation or condition. Any failure to exercise or any delay in exercising any of its rights, powers or remedies by a Party pursuant to this Agreement shall not operate as a waiver or variation of that or any other right, power or remedy or such Party.

14.8 Interest on the Shortfall. In the event that any amount payable to a Party pursuant to this Agreement is not paid in full on or before the relevant payment date as provided in this Agreement, such amount shall bear and accrue interest, payable to the Party entitled to receive such amount pursuant to this Agreement, from the date after (and excluding) the date on which it should have been paid to the Party entitled to receive such amount pursuant to this Agreement to the date on which such amount together with any interest accrued thereon has been paid in full, at the annualized compound rate of eight (8) percent.

14.9 Specific Performance. The Parties agree that if any Party fails to perform any of its obligations under any of the provisions of this Agreement in accordance with their specific terms or otherwise breaches any of the provisions of this Agreement, each other Party who has duly performed its obligations in accordance with the provisions of this Agreement shall be entitled to demand for specific performance of the terms hereof, in addition to any other remedy such non-breaching Party may have under this Agreement or applicable Law, including but not limited to recovering monetary damages from the breaching Party and requiring the breaching Party to take necessary remedial actions.

14.10 Rights Cumulative. Any right, power or remedy of any Party under this Agreement is cumulative and not exclusive of any other right, power or remedy provided by Law or under this Agreement and may be exercised as such Party considers appropriate.

14.11 Successors and Assignment. This Agreement shall be binding upon the successors of the Parties. No assignment of any right or obligation hereunder by any Party is permitted without the prior express written consent of each other Party.

14.12 No Third Party Beneficiaries. This Agreement shall not create any rights in or confer any benefits upon any third party except for the Parties.

14.13 Entire Agreement. This Agreement, together with the other Transaction Agreements, constitutes the entire understanding of the Parties with respect to the transactions and subject matter contemplated herein, and supersede all and any prior memoranda of understanding, letters of intent, agreements, undertakings, arrangements, communications, representations, or warranties, whether oral or written, by any Representative of any Party relating to the transactions contemplated herein.

14.14 Recitals, Exhibits and Schedules. Each Recital and Exhibit constitutes an integral part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the Recitals and Exhibits.

14.15 Counterparts. More than one counterpart of this Agreement may be executed by the Parties hereto, and each fully executed counterpart shall be deemed an original rather than a duplicate. Several counterparts of this Agreement may be executed by the Parties respectively, and all counterparts collectively constitute one and the same executed document.

14.16 Language. This Agreement shall be written in the English and the Chinese languages, with the texts of both versions being equally authoritative.

(The remainder of this page is intentionally left blank; execution page to follow.)

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized representatives on the date first above written.

ZHAO QISAN

/s/ Zhao Qisan

ZHAO DONGWANG

/s/ Zhao Dongwang

ZHAO DONGMING

/s/ Zhao Dongming

SHANGHAI ZHAOSHI INDUSTRIAL INVESTMENT CO., LTD

By: /s/ Zhao Qisan
Name:
Title:

SHANGHAI GOLDEN MONKEY FOOD JOINT STOCK CO., LTD.

By: /s/ Zhao Qisan
Name:
Title:

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized representatives on the date first above written.

Hershey Netherlands B.V.

By: /s/ Bert Alfonso

Name: Bert Alfonso

Title: President - International

AMENDMENT NO. 1 TO THE
CREDIT AGREEMENT

Dated as of November 12, 2013

AMENDMENT NO. 1 TO THE FIVE YEAR CREDIT AGREEMENT among THE HERSHEY COMPANY, a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and BANK OF AMERICA, N.A., as agent (the "Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Company, the Lenders and the Agent have entered into a Five Year Credit Agreement dated as of October 14, 2011 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Company and the Lenders have agreed to further amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 3, hereby amended as follows:

(a) The definitions of "Applicable Margin", "Applicable Percentage Fee", "Applicable Margin", "Eurodollar Rate", "FATCA", "Level 1", "Level 2", "Level 3", "Level 4", "Level 5", "LIBO Rate" and "Termination Date" in Section 1.01 are amended in full to read as follows:

"Applicable Margin" means for Base Rate Advances, or for Eurodollar Rate Advances, as of any date, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level	Applicable Margin for Eurodollar Rate Advances	Applicable Margin for Base Rate Advances
Level 1	0.410%	0.000%
Level 2	0.450%	0.000%
Level 3	0.565%	0.000%
Level 4	0.680%	0.000%
Level 5	0.900%	0.000%
Level 6	0.975%	0.000%

"Applicable Percentage" means, as of any date, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level	Applicable Percentage
Level 1	0.040%
Level 2	0.050%
Level 3	0.060%
Level 4	0.070%
Level 5	0.100%
Level 6	0.150%

"Eurodollar Rate" means:

(a) for any Interest Period with respect to a Eurodollar Rate Advance, the rate per annum equal to the London Interbank Offered Rate or a successor thereto as approved by the Agent ("LIBOR"), as published by Reuters (or such other commercially available source providing quotations of LIBOR as may be designated by the Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for deposits in U.S. dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Advance on any date, the rate per annum equal to LIBOR, at approximately 11:00 a.m., London time determined two Business Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day.

"FATCA" means Sections 1471 through 1474 of the Internal Revenue Code in effect on the date hereof (or any amended or successor version that is substantively comparable) and any regulations promulgated thereunder or any official interpretations thereof and any agreements entered into pursuant to Section 1471 of the Internal Revenue Code.

"Level 1" means that either (a) S&P shall have assigned a rating of at least AA or (b) Moody's shall have assigned a rating of at least Aa2.

"Level 2" means that either (a) S&P shall have assigned a rating lower than AA but at least AA- or (b) Moody's shall have assigned a rating lower than Aa2 but at least Aa3.

"Level 3" means that either (a) S&P shall have assigned a rating lower than AA- but at least A+ or (b) Moody's shall have assigned a rating lower than Aa3 but at least A1.

"Level 4" means that either (a) S&P shall have assigned a rating lower than A+ but at least A or (b) Moody's shall have assigned a rating lower than A1 but at least A2.

"Level 5" means that either (a) S&P shall have assigned a rating lower than A but at least A- or (b) Moody's shall have assigned a rating lower than A2 but at least A3.

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to LIBOR, as published by Reuters (or such other commercially available source providing quotations of LIBOR as may be designated by the Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for deposits in in U.S. dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period.

"Termination Date" means November 12, 2018, subject to the extension thereof pursuant to Section 2.19 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05(a), 2.05(b) or 6.01; provided, however, that the Termination Date of any Lender that is a Non-Consenting Lender to any requested extension pursuant to Section 2.19 shall be the Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement.

(b) Section 1.01 is amended by adding the following definition in appropriate alphabetical order:

"LIBOR" has the meaning specified in the definition of Eurodollar Rate.

(c) Section 2.19(a) is amended by replacing the phrase "first or second anniversary" with the phrase "third or fourth anniversary".

SECTION 2. Waiver; Assignment. The requirements of Section 2.17(b) and Section 9.07 of the Credit Agreement are, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 3, hereby waived to the extent that such Sections require prior notice or execution and delivery of an assignment agreement to effect an assignment by any Lender that does not agree to extend its Commitment as set forth in this Amendment. Accordingly, after giving effect to this Amendment, only those Lenders listed on Schedule A to this Amendment shall have any Commitment or be considered Lenders under the Credit Agreement, in such amounts as set forth on Schedule A.

Each Lender whose Commitment is reduced by giving effect to this Amendment (each, an "Assignor"): (a) represents and warrants that (i) it is the legal and beneficial owner of the relevant Assigned Interest (as defined below), (ii) such Assigned Interest is free and clear of any lien, encumbrance or other adverse claim, (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Amendment and to consummate the transactions contemplated hereby, and (iv) it is not a Defaulting Lender; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

Each Lender whose Commitment is increased (or created) by giving effect to this Amendment (each, an "Assignee"): (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Amendment and to consummate the transactions contemplated hereby and becomes a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 9.07(b)(iii) and (v) of the Credit Agreement (subject to such consents, if any, as may be required under Section 9.07(b)(iii) of the Credit Agreement), (iii) from and after the date of this Amendment, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of its Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by its Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire its Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit

Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.01(h) thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Amendment and to purchase its Assigned Interest, (vi) it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Amendment and to assume its Assigned Interest and (vii) attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, if any, duly completed and executed by such Assignee; and (b) agrees that (i) it will, independently and without reliance upon the Agent, any Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

"Assigned Interest" means (i) all of the respective Assignors' rights and obligations in their respective capacities as Lenders under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the Commitments of the respective Assignors to the extent being assigned under this Agreement and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the respective Assignors (in their respective capacities as Lenders) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received counterparts of this Amendment executed by the Company and all of the Lenders and the Agent shall have additionally received all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Agent (unless otherwise specified), in form and substance satisfactory to the Agent:

(a) Certified copies of the resolutions of the board of directors (or persons performing similar functions) of the Company approving transactions of the type contemplated by this Amendment.

(b) A favorable opinion of Leslie M. Turner, Senior Vice President, General Counsel and Secretary of the Company, substantially in the form of Exhibit G to the Credit Agreement and as to such other matters as any Lender through the Agent may reasonably request.

(c) A certificate signed by a duly authorized officer of the Company stating that:

(i) The representations and warranties contained in Section 4 are correct on and as of the date of such certificate as though made on and as of such date; and

(ii) No event has occurred and is continuing that constitutes a Default.

SECTION 4. Representations and Warranties of the Company The Company represents and warrants as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Company of this Amendment and the Credit Agreement and the Notes of the Company to be delivered by it, as amended hereby, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Company's charter or by laws or (ii) any law or any contractual restriction binding on or affecting the Company, except where such contravention would not be reasonably likely to have a Material Adverse Effect

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by the Company of this Amendment or the Credit Agreement or the Notes of the Company to be delivered by it, as amended hereby, except for those authorizations, approvals, actions, notices and filings where the Company's failure to receive, take or make such authorization, approval, action, notice or filing would not have a Material Adverse Effect

(d) This Amendment has been duly executed and delivered by the Company. This Amendment and the Credit Agreement and the Notes of the Company to be delivered by it, as amended hereby, is the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and general principles of equity.

(e) There is no pending or, to the Company's knowledge, threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action against, or to the Company's knowledge, affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (A) would be reasonably likely to have a Material Adverse Effect or (B) purports to affect the legality, validity or enforceability of this Amendment or the Credit Agreement or any Note or the consummation of the transactions contemplated hereby.

(f) Since December 31, 2012, there has been no Material Adverse Change.

SECTION 5. Reference to and Effect on the Credit Agreement. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 6. Costs and Expenses. The Company agrees to pay on demand all reasonable costs and expenses of the Agent's outside counsel in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 9.04 of the Credit Agreement.

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 8. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE HERSHEY COMPANY

By: /s/ ROSA C. STROH
Name: Rosa C. Stroh
Title: Vice President, Treasurer

By: /s/ DAVID W. TACKA
Name: David W. Tacka
Title: Senior Vice President,
Chief Financial Officer

Agreed as of the date first above written:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /S/ J. CASEY COSGROVE
Name: J. Casey Cosgrove
Title: Director

Lenders

BANK OF AMERICA, N.A.

By: /S/ ERIK M. TRUETTE
Name: Erik M. Truette
Title: Assistant Vice President

BANK OF AMERICA, N.A.

By: /S/ J. CASEY COSGROVE
Name: J. Casey Cosgrove
Title: Director

JPMORGAN CHASE BANK, N.A.

By: /S/ TONY YUNG
Name: Tony Yung
Title: Executive Director

CITIBANK, N.A.

By: /S/ SHANNON SWEENEY
Name: Shannon Sweeney
Title: Vice President

PNC BANK NATIONAL ASSOCIATION

By: /S/ DOUGLAS T. MECKEHBERG
Name: Douglas Meckehberg
Title: Vice President

ROYAL BANK OF CANADA

By: /S/ GORDON MACARTHUR
Name: Gordon MacArthur
Title: Authorized Signatory

US BANK NATIONAL ASSOCIATION

By: /S/ PATRICK MCGRAW
Name: Patrick McGraw
Title: Senior Vice President

THE NORTHERN TRUST COMPANY

By: /S/ ANDREW D. HOLTZ
Name: Andrew D. Holtz
Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION

By: /S/ DAVID W. KEE
Name: David W. Kee
Title: Managing Director

SANTANDER BANK, N.A.

By: /S/ WILLIAM MAAG
Name: William Maag
Title: Senior Vice President

CIBC INC.

By: /S/ DOMINIC SORRESSO
Name: Dominic Sorresso
Title: Authorized Signatory

By: /S/ JONATHAN KIM
Name: Jonathan Kim
Title: Authorized Signatory

BANCO BRADESCO S.A., NEW YORK BRANCH

By: /S/ MAURA LOPES
Name: Maura Lopes
Title: Authorized Signatory

SCHEDULE A to Amendment

SCHEDULE I
COMMITMENTS

Name of Initial Lender	Commitment
Bank of America, N.A.	$135,000,000
JPMorgan Chase Bank, N.A.	$135,000,000
Citibank, N.A.	$135,000,000
PNC Bank National Association	$135,000,000
Royal Bank of Canada	$100,000,000
US Bank National Association	$75,000,000
The Northern Trust Company	$80,000,000
Sumitomo Mitsui Banking Corporation	$75,000,000
Santander Bank, N.A.	$75,000,000
CIBC, Inc.	$30,000,000
Banco Bradesco S.A., New York Branch	$25,000,000
TOTAL OF COMMITMENTS	$1,000,000,000

EXHIBIT 12.1

THE HERSHEY COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
For the Years Ended December 31, 2013, 2012, 2011, 2010 and 2009
(in thousands of dollars except for ratios)
(Unaudited)

	2013	2012	2011	2010	2009
Earnings:					
Income from continuing operations before income taxes	$ 1,251,319 [a]	$1,015,579 [b]	$ 962,845 [c]	$ 808,864 [d]	$ 671,131 [e]
Add (Deduct):					
Interest on indebtedness	91,514	98,509	94,780	97,704	91,336
Portion of rents representative of the interest factor [f]	7,821	8,139	7,734	7,472	8,294
Amortization of debt expense	1,115	1,245	1,149	1,139	970
Amortization of capitalized interest	2,272	1,660	1,835	1,478	1,354
Adjustment to exclude minority interest and income or loss from equity investees	(2,324)	(12,950)	(5,817)	(8,183)	(5,614)
Earnings as adjusted	$ 1,351,717	$ 1,112,182	$ 1,062,526	$ 908,474	$ 767,471
Fixed Charges:					
Interest on indebtedness	$ 91,514	$ 98,509	$ 94,780	$ 97,704	$ 91,336
Portion of rents representative of the interest factor [f]	7,821	8,139	7,734	7,472	8,294
Amortization of debt expense	1,115	1,245	1,149	1,139	970
Capitalized interest	1,744	5,778	7,814	2,116	2,640
Total fixed charges	$ 102,194	$ 113,671	$ 111,477	$ 108,431	$ 103,240
Ratio of earnings to fixed charges	13.23	9.78	9.53	8.38	7.43

NOTES:

(a) Includes total business realignment and impairment charges of $19.1 million before tax.

(b) Includes total business realignment and impairment charges of $83.8 million before tax.

(c) Includes total business realignment and impairment charges of $49.2 million before tax and a gain on sale of trademark licensing rights of $17.0 million before tax.

(d) Includes total business realignment and impairment charges of $98.6 million before tax.

(e) Includes total business realignment and impairment charges of $99.1 million before tax.

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

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

Below is a listing of our subsidiaries, their jurisdictions of incorporation, and the name under which they do business. Each is wholly owned. We do not list certain subsidiaries because when considered in the aggregate as a single subsidiary, they do not constitute a significant subsidiary as of December 31, 2013.

Subsidiary Name	Jurisdiction of Incorporation
Hershey Chocolate & Confectionery Corporation	Delaware
Hershey Chocolate of Virginia, Inc.	Delaware
Hershey Canada, Inc.	Canada
Hershey Mexico S.A. de C.V.	Mexico
Hershey Netherlands B.V.	The Netherlands
Hershey International Ltd.	Delaware
Mauna Loa Macadamia Nut Corporation	Hawaii

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
The Hershey Company:

We consent to the incorporation by reference in the registration statements (File No. 333-159246, File No. 333-174123, File No. 333-143764, File No. 333-107706, File No. 333-72100, File No. 333-72112, File No. 333-52509 and File No. 333-25853) on Forms S-3 and S-8 of The Hershey Company of our report dated February 21, 2014, with respect to the consolidated balance sheets of The Hershey Company and subsidiaries as of December 31, 2013 and 2012, the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2013, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2013, which report appears in the December 31, 2013 Annual Report on Form 10-K of The Hershey Company.

/s/ KPMG LLP

New York, New York
February 21, 2014

Exhibit 31.1

CERTIFICATION

I, John P. Bilbrey, certify that:

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

/s/ JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer
February 21, 2014

Exhibit 31.2

CERTIFICATION

I, David W. Tacka, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID W. TACKA

David W. Tacka
Chief Financial Officer
February 21, 2014

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of The Hershey Company (the “Company”) hereby certify that the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2014 /s/JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer

Date: February 21, 2014 /s/DAVID W. TACKA

David W. Tacka
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.