UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

(X) Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 Fee Required
For the fiscal year ended December 31, 1995

OR

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 No Fee Required
For the transition period from ..... to .....

Registrant, State of Incorporation,
Address and Telephone Number

Hershey Foods Corporation

Commission File No.		I.R.S. Employer Identification No.
1-183	(a Delaware Corporation) 100 Crystal A Drive Hershey, Pennsylvania 17033 (717) 534-6799	23-0691590

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:

Class B Common Stock, one dollar par value
(Title of class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. ( )

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of a specified date within 60 days prior to the date of filing.

Common Stock, one dollar par value $3,708,702,360, as of March 1,1996.

Class B Common Stock, one dollar par value $6,622,769 as of March 1,1996. 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 March 1, 1996.

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 62,093,226 shares, as of March 1,1996.

Class B Common Stock, one dollar par value 15,241,454 shares, as of March 1, 1996.

DOCUMENTS INCORPORATED BY REFERENCE

The Corporation's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 1995 are included in the Appendix to the Corporation's Proxy Statement for the Corporation's 1996 Annual Meeting of Stockholders and are incorporated by reference into Part II and are filed as Exhibit 13 hereto. Portions of the Proxy Statement are incorporated by reference herein into Part III.

PART I

Item 1. BUSINESS

Hershey Foods Corporation and its subsidiaries (the "Corporation") are engaged in the manufacture, distribution and sale of consumer food products. The Corporation, primarily through its Hershey Chocolate North America, Hershey Grocery, Hershey International and Hershey Pasta Group divisions, produces and distributes a broad line of chocolate and non-chocolate confectionery, grocery and pasta products.

The Corporation was organized 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.

The Corporation's principal product groups include: chocolate and non-chocolate confectionery products sold in the form of bar goods, bagged items and boxed items; grocery products in the form of baking ingredients, chocolate drink mixes, peanut butter, dessert toppings and beverages; and pasta products sold in a variety of shapes, sizes and packages. The Corporation believes it is a major factor in these product groups in North America. Operating profit margins vary considerably among individual products and brands. Generally, such margins on chocolate and non-chocolate confectionery products are greater than those on pasta and other food products.

In North America, the Corporation manufactures chocolate and non-chocolate confectionery products in a variety of packaged forms and markets them under more than 50 brands. The different packaged forms include various arrangements of the same bar products, such as boxes, trays and bags, as well as a variety of different sizes and weights of the same bar product, such as snack size, standard, king size, large and giant bars. Among the principal chocolate and non-chocolate confectionery products in the United States are: HERSHEY'S COOKIES 'N' CREME chocolate bars, HERSHEY'S COOKIES 'N' MINT chocolate bars, HERSHEY'S HUGS chocolates, HERSHEY'S HUGS WITH ALMONDS chocolates, HERSHEY'S KISSES chocolates, HERSHEY'S KISSES WITH ALMONDS chocolates, HERSHEY'S milk chocolate bars, HERSHEY'S milk chocolate bars with almonds, HERSHEY'S MINIATURES chocolate bars, HERSHEY'S NUGGETS chocolates, AMAZIN' FRUIT gummy bears fruit candy, CADBURY'S CREME EGGS candy, CARAMELLO candy bars, KIT KAT wafer bars, LUDEN'S throat drops, MR. GOODBAR milk chocolate bars with peanuts, PETER PAUL ALMOND JOY candy bars, PETER PAUL MOUNDS candy bars, REESE'S crunchy peanut butter cups, REESE'S NUTRAGEOUS candy bars, REESE'S peanut butter cups, REESE'S PIECES candies, ROLO caramels in milk chocolate, SKOR toffee bars, SYMPHONY milk chocolate bars, TWIZZLERS candy, WHATCHAMACALLIT candy bars, YORK peppermint pattie candy and 5TH AVENUE candy bars. Principal products in Canada include CHIPITS chocolate chips, GLOSETTE chocolate-covered raisins, peanuts and almonds, OH HENRY! candy bars, POT OF GOLD boxed chocolates, REESE PEANUT BUTTER CUPS candy, and TWIZZLERS candy. The Corporation also manufactures, imports, markets, sells and distributes chocolate products in Mexico under the HERSHEY'S brand name.

The Corporation manufactures and markets a line of grocery products in the baking, beverage, peanut butter and toppings categories. Principal products in the United States include HERSHEY'S baking chips, HERSHEY'S drink boxes, HERSHEY'S chocolate milk mix, HERSHEY'S cocoa, HERSHEY'S CHOCOLATE SHOPPE toppings, HERSHEY'S HOT COCOA COLLECTION cocoa mix, HERSHEY'S syrup, REESE'S peanut butter and REESE'S peanut butter baking chips. HERSHEY'S chocolate milk is produced and sold under license by certain independent dairies throughout the United States, using a chocolate milk mix manufactured by the Corporation.

The Corporation's chocolate and non-chocolate confectionery and grocery products are sold primarily to grocery wholesalers, chain grocery stores, candy distributors, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, concessionaires and food distributors by full-time sales representatives, food brokers and part-time retail sales merchandisers throughout the United States, Canada and Mexico. The Corporation believes its chocolate and non-chocolate confectionery products are sold in over 2 million retail outlets in North America. In 1995, sales to Wal-Mart Stores, Inc. and subsidiaries amounted to approximately 11% of total net sales.

The Corporation manufactures and markets high-quality assorted pralines and seasonal chocolate products in Germany under the GUBOR brand name which are sold directly to retailers. In Italy, the Corporation manufactures and markets

various confectionery and grocery products under the SPERLARI and several other brand names. In Japan, the Corporation imports and markets selected HERSHEY'S chocolate and non-chocolate confectionery products. The Corporation also exports chocolate and non-chocolate confectionery products to over 60 countries worldwide.

The Corporation manufactures and sells quality pasta products throughout the United States. The Corporation markets its products on a regional basis under several brand names, including AMERICAN BEAUTY, IDEAL BY SAN GIORGIO, LIGHT 'N FLUFFY, MRS. WEISS, P&R, RONZONI, SAN GIORGIO and SKINNER, as well as certain private labels. These products are sold through chain grocery stores, grocery wholesalers, wholesale clubs, convenience stores and food distributors.

In June 1995, the Corporation completed the sale of the outstanding stock of Overspecht B.V. (OZF Jamin), which manufactures and distributes chocolate and confectionery products, cookies, biscuits and ice cream in Western Europe. During December 1995, the Corporation completed the acquisition of Henry Heide, Incorporated, a privately held company located in New Jersey which manufactures and markets a variety of non-chocolate confectionery products including JUJYFRUITS candies and WUNDERBEANS jellybeans. Also during December 1995, the Corporation entered into definitive agreements to sell the assets of Hershey Canada, Inc.'s BEECH-NUT cough drop, BREATH SAVERS and LIFE SAVERS hard candy and PLANTERS nut businesses. These divestitures were completed in January, 1996.

The Corporation's marketing strategy is based upon the consistently superior quality of its products, mass distribution and the best possible consumer value in terms of price and weight. In addition, the Corporation devotes considerable resources to the identification, development, testing, manufacturing and marketing of new products. The Corporation utilizes a variety of promotional programs for customers and advertising and promotional programs for consumers. The Corporation employs promotional programs at various times during the year to stimulate sales of certain products. Chocolate and non-chocolate confectionery and grocery seasonal and holiday-related sales have typically been highest during the third and fourth quarters of the year.

The Corporation recognizes that the mass distribution of its consumer food products is an important element in maintaining sales growth and providing service to its customers. The Corporation attempts to meet the changing demands of its customers by planning optimum stock levels and reasonable delivery times consistent with achievement of efficiencies in distribution. To achieve these objectives, the Corporation has developed a distribution network from its manufacturing plants, distribution centers and field warehouses strategically located throughout the United States, Canada and Mexico. The Corporation uses a combination of public and contract carriers to deliver its products from the distribution points to its customers. In conjunction with sales and marketing efforts, the distribution system has been instrumental in the effective promotion of new, as well as established, products on both national and regional scales.

From time to time the Corporation has changed the prices and weights of its products to accommodate changes in manufacturing costs, the competitive environment and profit objectives, while at the same time maintaining consumer value. As a result of higher raw material and packaging costs and the cumulative affect of inflation on other costs since the last standard candy bar price increase in 1991, the Corporation, in December 1995, implemented a wholesale price increase of approximately 11% on its standard and king-size candy bars sold in the United States.

The most significant raw material used in the production of the Corporation's chocolate products is cocoa beans. This commodity is imported principally from West African, South American and Far Eastern equatorial regions. West Africa accounts for approximately 60% of the world's crop. Cocoa beans are not uniform, and the various grades and varieties reflect the diverse agricultural practices and natural conditions found in the many growing areas. The Corporation buys a mix of cocoa beans to meet its manufacturing requirements.

The table below sets forth annual average cocoa prices as well as the highest and lowest monthly averages for each of the calendar years indicated. The prices are the monthly average of the quotations at noon of the three active futures trading contracts closest to maturity on the New York Coffee, Sugar and Cocoa Exchange. Because of the Corporation's forward purchasing practices discussed below, and premium prices paid for certain varieties of cocoa beans, these average futures contract prices are not necessarily indicative of the Corporation's average cost of cocoa beans or cocoa products.

Cocoa Futures Contract Prices
(cents per pound)

	1991	1992	1993	1994	1995
Annual Average. . .	52.8	47.6	47.3	59.1	61.2
High.	60.0	56.2	56.7	66.1	64.1
Low	45.6	41.3	41.8	51.3	58.3

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

The price of sugar, the Corporation's second most important commodity for its domestic chocolate and non-chocolate confectionery products, is subject to price supports under farm legislation. Due to import quotas and duties imposed to support the price of sugar established by that legislation, sugar prices paid by United States users are currently substantially higher than prices on the world sugar market. The average wholesale list price of refined sugar, F.O.B. Northeast, has remained relatively stable in a range of $.28 to $.32 per pound for the past ten years.

Other raw materials purchased in substantial quantities for domestic confectionery manufacturing purposes include milk, peanuts and almonds. The price of milk is affected by Federal Marketing Orders and the prices of milk and peanuts are affected by price support programs administered by the United States Department of Agriculture. The Food, Agriculture, Conservation, and Trade Act of 1990, which is a five-year extension of prior farm legislation, was passed by Congress in October 1990. This legislation has an impact on the prices of sugar, peanuts, and milk because it sets price support levels for these and other commodities. This law is currently being reviewed by Congress and the nature of any new legislation is uncertain at this time.

During the first quarter of 1995, domestic milk prices averaged well below the prior year's levels, as a result of improved milk production in Minnesota and Wisconsin. The extreme heat throughout the country during the summer of 1995 negatively affected milk production and production of dairy feeds. As a result, prices rose during the fourth quarter.

Peanut prices were stable throughout the first three quarters of 1995 due to stagnant demand and a favorable 1994 crop. However, prices increased slightly during the fourth quarter of the year due to a below average 1995 crop.

Almond prices rose significantly in early 1995 as California experienced adverse weather during the growing season. As prospects for a favorable new crop diminished, prices rose again in late summer to an unprecedented level and remained near this level for the balance of the year.

Pasta is made from semolina milled from durum wheat, a class of hard wheat grown in the United States and Canada. The Corporation purchases semolina from commercial mills and is also engaged in a custom milling agreement to obtain sufficient quantities of semolina. In 1995, the market price for semolina remained near historic highs. The exceptionally high cost resulted from short supplies of durum wheat combined with U.S. Government tariffs on imports of Canadian wheat. The tariffs expired as scheduled in September 1995 but prices remained high due to a continued worldwide shortage of durum wheat.

The Corporation attempts to minimize the effect of price fluctuations related to the purchase of its major raw materials primarily through the forward purchasing of such commodities to cover future manufacturing requirements generally for periods ranging from 3 to 24 months. With regard to cocoa, sugar and corn sweeteners, price risks are also managed by entering into futures and options contracts. At the present time, similar futures and options contracts are not available for use in pricing the Corporation's other major raw materials. Futures contracts are used in combination with forward purchasing of cocoa, sugar and corn sweetener requirements principally to take advantage of market fluctuations which provide more favorable pricing opportunities and to increase diversity or flexibility in sourcing these raw materials. The Corporation's commodity procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the Corporation's ability to benefit from possible price decreases.

The primary effect on liquidity from using futures contracts is associated with margin requirements related to cocoa and sugar futures. Cash outflows and inflows result from original margins which are "good faith deposits" established by the

New York Coffee, Sugar and Cocoa Exchange to ensure that market participants will meet their contractual financial obligations. Additionally, variation margin payments and receipts are required when the value of open positions is adjusted to reflect daily price movements. The magnitude of such cash inflows and outflows is dependent upon price coverage levels and the volatility of the market. Historically, cash flows related to margin requirements have not been material to the Corporation's total working capital requirements.

The Corporation manages the purchase of forward and futures contracts by developing and monitoring procurement strategies for each of its major commodities. These procurement strategies, including the use of futures contracts to hedge the pricing of cocoa, sugar and corn sweeteners, are directly linked to the overall planning and management of the Corporation's business, since the cost of raw materials accounts for a significant portion of the cost of finished goods. Procurement strategies with regard to cocoa, sugar and other major raw material requirements are developed by the analysis of fundamentals, including weather and crop analysis, and by discussions with market analysts, brokers and dealers. Procurement strategies are determined, implemented and monitored on a regular basis by senior management. Procurement activities for all major commodities are also reported to the Board of Directors on a regular basis.

The Corporation has license agreements with several companies to manufacture and/or sell products worldwide. Among the more significant are agreements with affiliated companies of Cadbury Schweppes p.l.c. to manufacture and/or market and distribute PETER PAUL ALMOND JOY and PETER PAUL MOUNDS confectionery products worldwide as well as YORK, CADBURY and CARAMELLO confectionery products in the United States. The Corporation's rights under these agreements are extendable on a long-term basis at the Corporation's option. The license for CADBURY and CARAMELLO products is subject to a minimum sales requirement which the Corporation exceeded in 1995. The Corporation also has an agreement with Societe des Produits Nestle SA, which licenses the Corporation to manufacture and distribute in the United States KIT KAT and ROLO confectionery products. The Corporation's rights under this agreement are extendable on a long-term basis at the Corporation's option, subject to certain conditions, including minimum unit volume sales. In 1995, the minimum volume requirements were exceeded.

Competition

Many of the Corporation's brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace. However, these brands are sold in highly competitive markets and compete with many other multinational, national, regional and local firms, some of which have resources in excess of those available to the Corporation.

Trademarks

The Corporation owns various registered and unregistered trademarks and service marks, and has rights under licenses to use various trademarks which are of material importance to the Corporation's business.

Backlog of Orders

The Corporation manufactures primarily for stock and fills customer orders from finished goods inventories. While at any given time there may be some backlog of orders, such backlog is not material in respect to total sales, nor are the changes from time to time significant.

Research and Development

The Corporation engages in a variety of research activities. These principally involve development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines.

Regulation

The Corporation's domestic plants are subject to inspection by the Food and Drug Administration and various other governmental agencies, and its products must comply with regulations under the Federal Food, Drug and Cosmetic Act and with various comparable state statutes regulating the manufacturing and marketing of food products.

Environmental Considerations

In the past the Corporation has made investments based on compliance with environmental laws and regulations. Such expenditures have not been material with respect to the Corporation's capital expenditures, earnings or competitive position.

Employees

As of December 31, 1995, the Corporation had approximately 13,300 full-time and 1,500 part-time employees, of whom approximately 6,000 were covered by collective bargaining agreements. The Corporation considers its employee relations to be good.

Financial Information by Geographic Area

Information concerning the Corporation's geographic segments is contained in Footnote 17 of the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis included in the Appendix to the Proxy Statement for its 1996 Annual Meeting of Stockholders (the "Proxy Statement"), which information is incorporated herein by reference and filed as Exhibit 13 hereto.

Item 2. PROPERTIES

The following is a list of the Corporation's principal manufacturing properties. The Corporation owns each of these properties.

UNITED STATES
- Hershey, Pennsylvania - confectionery and grocery products (3 principal plants)
- Lancaster, Pennsylvania - confectionery products
- Oakdale, California - confectionery and grocery products
- Stuarts Draft, Virginia - confectionery products
- Winchester, Virginia - pasta products

CANADA
- Smiths Falls, Ontario - confectionery products

In addition to the locations indicated above, the Corporation owns or leases several other properties used for manufacturing chocolate and non-chocolate confectionery, grocery and pasta products and for sales, distribution and administrative functions.

The Corporation's plants are efficient and well maintained. These plants generally have adequate capacity and can accommodate seasonal demands, changing product mixes and certain additional growth. The largest plants are located in Hershey, Pennsylvania. Many additions and improvements have been made to these facilities over the years and the plants' manufacturing equipment includes equipment of the latest type and technology.

Item 3. LEGAL PROCEEDINGS

The Corporation has no material pending legal proceedings, other than ordinary routine litigation incidental to its business.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information concerning the principal United States trading market for, market prices of and dividends on the Corporation's Common Stock and Class B Common Stock, and the approximate number of stockholders, may be found in the section "Market Prices and Dividends" on pages A-7 and A-8 of the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis included in the Appendix to the Proxy Statement which is deemed to be part of the Annual Report to Stockholders and which information is incorporated herein by reference and filed as Exhibit 13 hereto.

Item 6. SELECTED FINANCIAL DATA

The following information, for the five years ended December 31, 1995, found in the section "Eleven-Year Consolidated Financial Summary" on pages A-29 through A-31 of the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis included in the Proxy Statement, is incorporated herein by reference and filed as Exhibit 13 hereto: Net Sales; Income from Continuing Operations Before Accounting Changes; Income Per Share from Continuing Operations Before Accounting Changes (excluding Notes g, h, i and j); Dividends Paid on Common Stock (and related Per Share amounts); Dividends Paid on Class B Common Stock (and related Per Share amounts); Long-term Portion of Debt; and Total Assets.

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

The section "Management's Discussion and Analysis", found on pages A-1 through A-8 of the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis included in the Appendix to the Proxy Statement, is incorporated herein by reference and filed as Exhibit 13 hereto.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following audited consolidated financial statements of the Corporation and its subsidiaries are found at the indicated pages in the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis included in the Appendix to the Proxy Statement, and such financial statements, along with the report of the independent public accountants thereon, are incorporated herein by reference and filed as Exhibit 13 hereto.

1. Consolidated Statements of Income for the years ended December 31, 1995, 1994 and 1993.(Page A-9)

2. Consolidated Balance Sheets as of December 31, 1995 and 1994. (Page A-10)

3. Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1994 and 1993. (Page A-11)

4. Consolidated Statements of Stockholders' Equity for the years ended December 31, 1995, 1994 and 1993. (Page A-12)

5. Notes to Consolidated Financial Statements (Pages A-13 through A-26), including "Quarterly Data(Unaudited)." (Page A-26)

6. Report of Independent Public Accountants. (Page A-28)

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions held with the Corporation, periods of service as a director, principal occupations, business experience and other directorships of nominees for director of the Corporation are set forth in the section "Election of Directors" in the Proxy Statement. This information is incorporated herein by reference.

Executive Officers of the Corporation as of March 1, 1996

Name	Age	Positions Held During the Last Five Years
CORPORATE		
K. L. Wolfe. . .	57	Chairman of the Board and Chief Executive Officer (1993); President and Chief Operating Officer (1985)
J. P. Viviano. .	57	President and Chief Operating Officer (1993); President, Hershey Chocolate U.S.A., now Hershey Chocolate North America, a division of Hershey Foods Corporation (1985)
W. F. Christ . .	55	Senior Vice President and Chief Financial Officer (1994); President, Hershey International, a division of Hershey Foods Corporation (1988)
R. E. Bentz. . .	48	Vice President, Information Technology Integration (1995); Vice President, Finance and Administration, Hershey Chocolate North America (1995); Vice President, Finance and Administration, Hershey Chocolate U.S.A. (1989)
C. L. Duncan . .	56	Vice President, Research and Development (1981)
T. C. Fitzgerald .	56	Vice President and Treasurer (1990)
S. A. Lambly . .	55	Vice President, Human Resources (1989)
R. M. Reese . .	46	Vice President, General Counsel and Secretary (1995); Vice President and General Counsel (1992); Assistant General Counsel (1987)
D. W. Tacka. . .	42	Corporate Controller and Chief Accounting Officer (1995); Vice President, Finance and Administration, Hershey Pasta Group, a division of Hershey Foods Corporation (1989)
B. L. Zoumas . .	53	Vice President, Science and Technology (1992); Vice President, Technical, Hershey Chocolate U.S.A. (1990)

Executive Officers of the Corporation (continued)

Name	Age	Positions Held During The Last Five Years
DIVISION		
R. Brace . . .	52	Vice President, Manufacturing, Hershey Chocolate North America (1995); Vice President, Manufacturing, Hershey Chocolate U.S.A. (1987)
J. F. Carr . .	51	President, Hershey International (1994); Vice President, Marketing, Hershey Chocolate U.S.A. (1984)
F. Cerminara . .	47	Vice President, Procurement, Hershey Chocolate North America (1995); Vice President, Commodities Procurement, Hershey Chocolate U.S.A. (1994); Vice President, Corporate Development and Commodities (1988)
D. N. Eshleman .	41	General Manager, Hershey Grocery, a division of Hershey Foods Corporation (1994); Director, Marketing, Hershey Chocolate U.S.A. (1988)
M. H. Holmes . .	51	Vice President and General Manager, Chocolate Confectionery, Hershey Chocolate U.S.A. (1994); General Manager, Grocery, Hershey Chocolate U.S.A. (1989)
M. T. Matthews .	49	Vice President, Sales, Hershey Chocolate U.S.A. (1989)
R. W. Meyers . .	52	President and General Manager, Hershey Canada Inc., a subsidiary of Hershey Foods Corporation (1995); President, Hershey Canada Inc. (1990)
M. F. Pasquale .	48	President, Hershey Chocolate North America (1995); President, Hershey Chocolate U.S.A. (1994); Senior Vice President and Chief Financial Officer (1988)
C. M. Skinner. .	62	President, Hershey Pasta Group (1984)

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

Corporate Officers and Division Presidents are generally elected each year at the organization meeting of the Board of Directors following the Annual Meeting of Stockholders in April.

Reporting of an inadvertent late filing of a Securities and Exchange Commission Form 4 under Section 16 of the Securities Exchange Act of 1934, as amended, is set forth in the Section "Compliance with Section 16(a) of the Securities Exchange Act of 1934" of the Proxy Statement.

Item 11. EXECUTIVE COMPENSATION

Information concerning compensation of the five most highly-compensated executive officers, including the Chairman of the Board and Chief Executive Officer, of the Corporation individually, and compensation of directors, is set forth in the sections "1995 Executive Compensation" and "Compensation of Directors" in the Proxy Statement. This information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning ownership of the Corporation's voting securities by certain beneficial owners, individual nominees for directors, and by management, including the five most highly-compensated executive officers, is set forth in the section "Voting Securities" in the Proxy Statement. This information is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning "Certain Relationships and Related Transactions" is set forth in the section "Certain Transactions and Relationships" in the Proxy Statement. This information is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Item 14(a)(1): Financial Statements

The audited consolidated financial statements of the Corporation and its subsidiaries and the Report of Independent Public Accountants thereon, as required to be filed with this report, are set forth in Item 8 of this report and are incorporated therein by reference to specific pages of the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis included in the Appendix to the Proxy Statement and filed as Exhibit 13 hereto.

Item 14(a)(2): Financial Statement Schedule

The following consolidated financial statement schedule of the Corporation and its subsidiaries for the years ended December 31, 1995, 1994 and 1993 is filed herewith on the indicated page in response to Item 14(d):

Schedule II -- Valuation and Qualifying Accounts (Page 15)

Other schedules have been omitted as not applicable or required, or because information required is shown in the consolidated financial statements or notes thereto.

Financial statements of the parent corporation only are omitted because the Corporation is primarily an operating corporation and there are no significant restricted net assets of consolidated and unconsolidated subsidiaries.

Item 14(a)(3): Exhibits

The following items are attached or incorporated by reference in response to Item 14(c):

(3) Articles of Incorporation and By-laws

The Corporation's Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988. The By-laws, as amended on October 3, 1995, are incorporated by reference from Exhibit 3 to the Corporation's Report on Form 10-Q for the quarter ended October 1, 1995.

(4) Instruments defining the rights of security holders, including indentures

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

a. 8.45% to 9.92% Medium-Term Notes due 1995-1998

b. 6.7% Notes due 2005

c. 8.8% Debentures due 2021

d. Other Obligations

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

(10) Material contracts

a. Kit Kat and Rolo License Agreement (the "License Agreement") between Hershey Foods Corporation and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit 10(a) to the Corporation'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 Corporation'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 Societe des Produits Nestle SA as of January 1, 1990. The Assignment Agreement is incorporated by reference from Exhibit 19 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.

b. Peter Paul/York Domestic Trademark & Technology License Agreement between Hershey Foods Corporation and Cadbury Schweppes Inc. (now CBI Holdings, Inc.) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988.

c. Cadbury Trademark & Technology License Agreement among Hershey Foods Corporation and Cadbury Schweppes Inc. (now CBI Holdings, Inc.) and Cadbury Limited dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988.

d. 364-Day Credit Agreement dated as of December 15, 1995 among Hershey Foods Corporation, the banks, financial institutions and other institutional lenders listed on the signature pages thereof, and Citibank, N.A. as administrative agent bank and Citicorp Securities, Inc. and BA Securities, Inc. as co-syndication agents, is incorporated by reference from Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated January 29, 1996.

e. Five-Year Credit Agreement dated as of December 15, 1995 among Hershey Foods Corporation, the banks, financial institutions and other institutional lenders listed on the signature pages thereof, and Citibank, N.A. as administrative agent bank and Citicorp Securities, Inc. and BA Securities, Inc. as co-syndication agents, is incorporated by reference from Exhibit 10.2 to the Corporation's Current Report on Form 8-K dated January 29, 1996.

Executive Compensation Plans

f. The 1987 Key Employee Incentive Plan, as amended, is incorporated by reference from Exhibit 19(i) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

g. Hershey Foods Corporation's Restated Supplemental Executive Retirement Plan is incorporated by reference from Exhibit 19(ii) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

h. Hershey Foods Corporation's Non-Management Director Retirement Plan is incorporated by reference from Exhibit 19 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 1992.

i. Hershey Foods Corporation's Deferral Plan for Non-Management Directors is incorporated by reference from Exhibit 10 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.

j. A form of the Benefit Protection Agreements entered into between the Corporation and certain of its executive officers is incorporated by reference from Exhibit 10 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

k. Hershey Foods Corporation's Deferred Compensation Plan is filed as Exhibit 10 hereto.

(12) Computation of ratio of earnings to fixed charges statement

A computation of ratio of earnings to fixed charges for the years ended December 31, 1995, 1994, 1993, 1992 and 1991 is filed as Exhibit 12 hereto.

(13) Annual report to security holders

The Corporation's Consolidated Financial Statements and Management's Discussion and Analysis is included in the Appendix to the Proxy Statement and is filed as Exhibit 13 hereto.

(21) Subsidiaries of the Registrant

A list setting forth subsidiaries of the Corporation is filed as Exhibit 21 hereto.

Item 14(b): Reports on Form 8-K

A report on Form 8-K was filed on December 4, 1995, reporting that Hershey Chocolate U.S.A., a division of Hershey Foods Corporation, increased the wholesale price of its standard and king-size bar lines by approximately 11% effective December 4, 1995.

SIGNATURES

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

HERSHEY FOODS CORPORATION
(Registrant)

Date: March 13, 1996 By W. F. CHRIST
(W. F. Christ, Senior Vice President
and 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 Corporation and in the capacities and on the date indicated.

Signature	Title	Date
K. L. WOLFE (K. L. Wolfe)	Chief Executive Officer and Director	March 13, 1996
W. F. CHRIST (W. F. Christ)	Chief Financial Officer	Mrch 13, 1996
D. W. TACKA (D.W. Tacka)	Chief Accounting Officer	March 13, 1996
J. P. VIVIANO (J. P. Viviano)	Director	March 13, 1996
W. H. ALEXANDER (W. H. Alexander)	Director	March 13, 1996
H. O. BEAVER, JR. (H. O. Beaver, Jr.)	Director	March 13, 1996
R. H. CAMPBELL (R. H. Campbell)	Director	March 13, 1996
T. C. GRAHAM (T. C. Graham)	Director	March 13, 1996
B. GUITON HILL (B. Guiton Hill)	Director	March 13, 1996

Signature	Title	Date
J. C. JAMISON (J. C. Jamison)	Director	March 13, 1996
S. C. MOBLEY (S. C. Mobley)	Director	March 13, 1996
F. I. NEFF (F. I. Neff)	Director	March 13, 1996
J. M. PIETRUSKI (J. M. Pietruski)	Director	March 13, 1996
V. A. SARNI (V. A. Sarni)	Director	March 13, 1996

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To Hershey Foods Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Hershey Foods Corporation's Proxy Statement for its 1996 Annual Meeting of Stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 25, 1996. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14(a)(2) on page 9 is the responsibility of the Corporation's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

New York, New York
January 25, 1996

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 25, 1996, included or incorporated by reference in this Form 10-K for the year ended December 31, 1995, into the Corporation's previously filed Registration Statements on Forms S-8 or S-3, (File No. 33-45431, File No. 33-45556 and File No. 33-51089).

ARTHUR ANDERSEN LLP

New York, New York
March 13, 1996

Schedule II

HERSHEY FOODS CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 1995, 1994 and 1993

CAPTION

(in thousands of dollars)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts(a)	Deductions from Reserves	Balance at End of Period
Year Ended December 31, 1995: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable -Trade. . .	$13,972	$1,318	$(432)	$(57)	$14,801
Year Ended December 31, 1994: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable -Trade. . .	$12,479	$3,144	$(1,016)	$(635)	$13,972
Year Ended December 31, 1993: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable -Trade. . .	$10,437	$3,371	$ 107	$(1,436)	$12,479

(a) Includes recoveries of amounts previously written off.

HERSHEY FOODS CORPORATION ANNUAL REPORT ON FORM 10-K

Index to Exhibits

Exhibit No.

10 -- Deferred Compensation Plan

12 -- Computation of ratio of earnings to fixed charges statement

13 -- Consolidated Financial Statements and Management's Discussion and Analysis

21 -- Subsidiaries of the Registrant

27 -- Financial Data Schedule for the period ended December 31, 1995 (Required for electronic filing only).

Hershey Foods Corporation
Deferred Compensation Plan

This Deferred Compensation Plan (the "Plan") allows participants in the Annual Incentive Program (the "AIP") of Hershey Foods Corporation's Key Employee Incentive Plan to defer receipt of all or part of their awards under the AIP. Participants in the Long Term Incentive Program ("LTIP") of the Key Employee Incentive Plan may also defer under this plan the cash equivalent of the dividends received on deferred LTIP awards provided certain minimum stockholding requirements have been satisfied. The Plan is intended to benefit those key executives of Hershey Foods Corporation (and subsidiaries as specified in the AIP and LTIP) who participate in the AIP or LTIP, to secure their goodwill, loyalty and achievement, and to help attract and retain high quality executives.

AIP awards for 1995 and beyond may be deferred under this Plan. Also, Participants who have previously deferred AIP awards under the deferral arrangement in effect for awards prior to 1995 may elect to credit their deferral accounts under the prior deferral arrangement to their Accounts under this Plan as hereinafter described.

Dividends earned on deferred LTIP awards may also be deferred under the Plan, but only if the Participant has satisfied the employee minimum stockholding requirements established by the Compensation and Executive Organization Committee of the Board of Directors. Dividends previously earned, as well as future dividends earned on deferred LTIP awards are eligible for deferral under the Plan.

Article I
Definitions

The following definitions apply to this Plan:

1.1 Account. "Account" means the Account maintained by the Company pursuant to Article II with respect to each Participant.

1.2 AIP. "AIP" means the Annual Incentive Program of Hershey Foods Corporation's Key Employee Incentive Plan.

1.3 Board. "Board" or "Board of Directors" means the Board of Directors of Hershey Foods Corporation.

1.4 Committee or Compensation Committee. "Committee" or "Compensation Committee" means the Compensation and Executive Organization Committee of the Board.

1.5 Company. "Company" means Hershey Foods Corporation, a Delaware corporation.

1.6 Deferral Election. "Deferral Election" means a Participant's election to defer all or part of the Participant's AIP award or the dividends earned on the Participant's deferred LTIP award as described in Article II.

1.7 Determination Date. "Determination Date" means the last day of each calendar quarter.

1.8 Disability. "Disability" means a condition or circumstance entitling a Participant to be classified as "disabled" pursuant to the Company's Long Term Disability Plan.

1.9 Investment Options. "Investment Options" means the following investment options which are to be used as earnings indices as described in Section 2.3:

1. Hershey Fixed Income Fund
2. IDS Cash Management Fund
3. American Express Trust Equity Index Fund I

The Investment Options are chosen by the Plan Administrator and are subject to change from time to time as the Plan Administrator, in its discretion, deems necessary or appropriate. No provision of this Plan shall be construed as giving any Participant an interest in any of these Investment Options nor shall any provision require that the Company make any investment in any such funds.

1.10 LTIP. "LTIP" means the Long Term Incentive Program of Hershey Foods Corporation's Key Employee Incentive Plan.

1.11 Participant. "Participant" means an employee of the Company who is eligible to participate in the AIP or LTIP and who elects to participate in this Plan by filing a Deferral Election as provided in Article II.

1.12 Plan. "Plan" means this Hershey Foods Corporation Deferred Compensation Plan as set forth herein and as amended from time to time.

1.13 Plan Administrator. "Plan Administrator" means the Director, Executive Compensation and Employee Benefits, for Hershey Foods Corporation.

1.14 Plan Year. "Plan Year" means the calendar year.

1.15 Retirement. "Retirement" means termination of employment with a Company after becoming eligible for retirement under the Hershey Foods Corporation Retirement Plan.

Article II
Deferral Elections: Accounts

2.1. Election to Defer.

a. AIP Awards. A Participant may elect to defer receipt of all or a portion of his or her anticipated bonus under the AIP. A Participant's election must be made no later than November 1st of the year in which the Participant renders the services which result in the bonus award. The election must be made on a form supplied by the Plan Administrator. The election to defer a bonus is irrevocable except as specifically provided otherwise in this Plan.

b. LTIP Awards. A Participant may elect under this Plan to defer receipt of all or a portion of the dividends to be earned on deferred LTIP awards. A Participant's election must be made at least sixty (60) days prior to the date the dividend will be paid. The election must be made on a form supplied by the Plan Administrator. The election to defer receipt of an LTIP dividend is irrevocable except as specifically provided otherwise in this Plan.

2.2. Accounts.

a. Establishment of Accounts. Any amounts deferred by a Participant will not be funded or set aside for future payment by the Company. Instead, an Account will be noted for the Participant on the Company's books. A Participant's Account will be credited with amounts deferred and with investment credits as provided in subparagraph c. below. A separate Account will be established for each Deferral Election.

b. Participants as Unsecured Creditors. A Participant's entitlement to receive the amount reflected by his or her Account will be based solely on an unconditional promise to pay by the Company and is not assignable; however, except as provided in Section 7.5 below, the Participant at all times will be fully vested in the Account.

c. Investment Credits to Accounts. Subject to such limitations as may from time to time be required by law or imposed by the Plan Administrator, and subject to such operating rules and procedures as may be imposed from time to time by the Plan Administrator, each Participant may express to the Plan

Administrator a preference as to how the Participant's Account should be constructively invested among the Investment Options. Such preference shall designate the percentage of the Participant's Accounts which is requested to be constructively invested in each Investment Option.

(1) Any initial or subsequent expression of investment preference shall be in writing, on a form supplied by and filed with the Plan Administrator, and shall be subject to such rules and procedures as the Plan Administrator may promulgate from time to time. Participants may change their investment preferences effective as of the beginning of each Plan Year.

(2) All investment preferences shall be advisory only and shall not bind the Company or the Plan Administrator. The Company shall not be obligated to invest any funds in connection with this Plan. If, however, the Company chooses to invest funds to provide for its liabilities under this Plan, the Plan Administrator shall have complete discretion as to investments.

(3) Whether or not a Participant's investment preferences are followed, the Participant's Account will be credited with earnings or losses as follows. As of each Determination Date, the net earnings or losses (as defined below) of each Investment Option since the preceding Determination Date shall be allocated among all Accounts in accordance with the preferences indicated by each Participant as though the Accounts had been invested in the Investment Option in accordance with each Participant's indicated preference.

(4) If the Plan Administrator receives an initial or revised investment preference which it deems to be incomplete, unclear or improper, the Participant's investment preference then in effect shall remain in effect (or, in the case of a deficiency in an initial investment preference, the Participant shall be deemed to have filed no investment preference) until the beginning of the next Plan Year, unless the Plan Administrator provides for, and permits the application of, corrective action prior thereto. If a Participant fails to file an effective investment preference, the Participant's Account will be constructively invested in the IDS Federal Income Fund.

(5) If the Plan Administrator determines that the constructive value of an Account as of any date on which distributions are to be made differs materially from the constructive value of the Account on the prior Determination Date upon which the distribution is to be based, the Plan Administrator, in its discretion, shall have the right to designate any date in the interim as a Determination Date for the purpose of constructively revaluing the Account so that the account from which the distribution is being made will, prior to the distribution, reflect its share of such material difference in value. Similarly, the Plan Administrator may adopt a policy of providing for regular interim valuations without regard to the materiality of changes in the value of the Accounts.

d. Statement of Accounts. Within a reasonable time after the end of each calendar year, the Plan Administrator shall submit to each Participant a statement of the balance in his Accounts.

2.3 Credit of Previous AIP Deferrals to Accounts. Participants who have previously deferred AIP awards under the deferral arrangements in effect for awards prior to 1995 may elect as of any beginning of any Plan Year to credit any portion of their deferral accounts under the prior arrangement to their Accounts under this Plan. Credits shall be made to this Plan pursuant to this Section on January 1 of the year subsequent to any such election being made. Amounts so credited shall become part of a Participant's Account and shall be subject to the terms and conditions of this Plan, except that prior elections as to payment of deferred amounts shall remain in effect. Once amounts are credited to a Participant's Account pursuant to this Section 2.3, they may not thereafter be returned to the Participant's deferral accounts under the prior deferral arrangement.

2.4 Credit of Previous Dividends Paid on LTIP Deferrals to Accounts. Participants who have previously received dividends on deferred LTIP awards under the deferral arrangements in effect for awards prior to 1995 may elect as of the beginning of any Plan Year to credit any portion of their previously deferred dividends under the prior arrangement to their Accounts under this Plan. Notwithstanding the above, previously deferred LTIP dividends are not eligible to be deferred pursuant to the terms of the Plan unless the Participant has satisfied the employee minimum stockholding requirements established by the Committee. Credits shall be made to this Plan pursuant to this Section on the January 1 of the year subsequent to any such election being made. Amounts so credited shall become part of a Participant's Account and shall be subject to the terms and conditions of this Plan, except that prior elections as to payment of deferred amounts shall remain in effect. Once amounts are credited to a Participant's Account pursuant to this Section 2.4, they may not thereafter be returned to the Participant's deferral accounts under the prior deferral arrangement.

Article III
Distribution of Deferrals

3.1 Initial Election of Distribution Options in Deferral Election. A Participant must specify in his or her Deferral Election when the Participant's Account will be distributed. Distribution may be made or begin in any year or years in the future, but distributions must begin not later than the calendar year following the calendar year in which the Participant attains age 70. The Participant may elect to receive amounts deferred in a lump sum or in up to ten approximately equal annual installments. A Participant may specify different distribution dates and forms of payment under each of his or her Deferral Elections.

3.2 Changes in Distribution Options.

a. A Participant is entitled to one future opportunity to further lengthen (not shorten) the deferral period provided in a Deferral Election and to make one future change with regard to lengthening (not shortening) the payment schedule provided in that Election up to a maximum payment schedule of ten years.

b. Any change in the deferral period or the payment schedule must be submitted to the Plan Administrator in writing, on a form provided by the Plan Administrator, at least twelve months before the date payments were originally scheduled to begin. Any change in the deferral period shall not require payments to begin after the calendar year following the Participant's attainment of age 70.

3.3 Payment of Deferred Amounts.

a. Upon the date elected by the Participant, the Company shall begin to pay an amount equal to the total amount then credited to the Participant's Account. Such amount is to be paid either in one lump sum or in approximately equal annual installments over a period of years as elected by the Participant, which period shall be not more than ten years. Each annual installment shall include investment credits on the remaining balance during the previous year until the Account shall have been paid out in full. A Participant may continue to express investment preferences as provided in paragraph c of Section 2.2 during the period that the Account is being distributed.

b. If the Participant should die before payment in full of the amount standing to the Participant's credit in the Account, the unpaid balance may be paid in one lump sum or in installments to the Participant's beneficiary in accordance with whichever election has been made by the Participant. If the Participant should die before the beginning date of the deferral payment and did not indicate a specific method of distribution, then the beneficiary may petition the Plan Administrator regarding the method of distribution. In the absence of a designated beneficiary, the balance of the Account will be paid in a lump sum to the estate of the Participant as soon as possible.

c. If the Participant's employment is terminated for any reason other than Retirement, death or Disability before the elected payment date, then the Company, acting through the Plan Administrator, at its discretion and at any time thereafter may:

(1) Immediately pay over any amounts credited to the Participant's Account to the Participant.

(2) Deposit any amounts credited to the Participant's Account with a third party fiduciary in trust for the Company's benefit who will manage and pay over such amounts to the Participant in accordance with the terms of this Plan, with administrative costs in such event being charged to the Participant's Account.

(3) Continue to itself maintain and pay over amounts deferred to the Participant in accordance with the terms of this Plan and the Participant's election pursuant thereto.

d. If both the Participant and his beneficiary shall die after payments to the Participant begin and before all payments are made from the Participant's Account, the remaining value of the Account shall be determined as of the date of death of the beneficiary or Participant, whichever is later, and shall be paid as promptly as possible in one lump sum to the estate of such beneficiary or as specified in the beneficiary's last will and testament, as the case may be.

e. A Participant may designate or change his or her beneficiary (without the consent of any prior beneficiary) on a form provided by the Plan Administrator and delivered to the Plan Administrator before the Participant's death.

f. Installment payments shall commence on or before the fifteenth day of the year selected by the Participant (or on or before the fifteenth day of the year after the year in which the Participant retires, if the Participant has elected to defer until after Retirement).

3.4 Hardship Distributions. The Compensation Committee may, in its discretion, accelerate payments to a Participant in an amount up to the bonus previously deferred, together with investment credits to date, in the event of demonstrated severe financial hardship. Any such payments made will be limited to the amount needed to meet the demonstrated financial need. A Participant seeking a financial hardship withdrawal from his or her Account must request a hearing with the Plan Administrator, who will gather facts and render a report to the Compensation Committee for a decision.

3.5 Other Withdrawals: Forfeiture Penalty. A Participant may, by written request on a form provided by the Plan Administrator, withdraw all or any portion of his Account as of any Determination Date, provided that the Participant shall forfeit 15% of the amount withdrawn as a penalty.

3.6. Withholding. Any payments made pursuant to this Article III shall be subject to appropriate federal, state or local income tax withholdings.

Article IV
Claims Procedure

4.1 The following provisions are incorporated in the Plan in accordance with the requirements of the Employment Retirement Income Security Act of 1974:

a. The following claims procedure is hereby established:

(1) A Participant or beneficiary shall make a claim for the benefits provided by delivering a written request to the Plan Administrator. Upon receipt of a claim, the Plan Administrator shall determine whether to grant the claim, deny it, or grant it in part.

(2) If a claim is wholly or partially denied, notice of the decision, meeting the requirements of paragraph (3) following shall be furnished to the claimant within a reasonable period of time after receipt of a claim by the Plan Administrator.

(3) The Plan Administrator shall provide to every claimant who is denied a claim for benefits, written notice setting forth in a manner calculated to be understood by the claimant, the specific reason or reasons for the denial; specific reference to pertinent Plan provisions on which denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and an explanation of the Plan's claim review procedure as set forth herein.

(4) The purpose of the review procedures set forth herein is to provide a procedure by which a claimant under the Plan may have a reasonable opportunity to appeal a denial of a claim to the named fiduciary for a full and fair review. To accomplish that purpose, the claimant or his duly authorized representative may request a review upon written application to the Committee may review pertinent Plan documents; and may submit issues and comments in writing. A claimant (or his duly authorized representative) shall request a review by filing a written application for review with the Committee at any time within sixty (60) days after receipt by the claimant of written notice of denial of this claim.

(5) The decision on review of a denied claim shall be made as follows. The decision on review shall be made by the Committee, which may in its discretion hold a hearing on the denied claim. The Committee shall make a decision promptly, and not later than sixty (60) days after receipt of the request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time of reprocessing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. The decision on review shall be in writing and shall include specific reasons for the decisions, written in the manner calculated to be understood by the claimant, and specific references to the pertinent Plan revisions on which the decision is based. The Committee shall have full discretion to decide the claim and its decision on review shall be final and binding on all parties.

b. For purposes of implementing the claims procedure (but not for any other purposes), the Committee is hereby designated as a named fiduciary of this Plan.

Article V
Plan Administrator

5.1 Plan Administrator Duties. The Plan Administrator shall administer this Plan and shall be a named fiduciary of the Plan for that purpose. The Plan Administrator may be a Participant. A Plan Administrator who is a Participant may not vote on matters affecting his or her personal benefit under this Plan, but any such individual shall otherwise be fully entitled to act in matters arising out of or affecting this Plan notwithstanding his or her participation herein. The Plan Administrator shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan.

5.2 Agents. In the administration of this Plan, the Plan Administrator may, from time to time, employ agents and delegate to them or to others (including employees of the Company) such administrative duties as it sees fit. The Plan Administrator may from time to time consult with counsel, who may be counsel to the Company.

5.3 Binding Effect of Decisions. In carrying out its duties herein, the Plan Administrator (or its designee) shall have full discretion to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and its determinations shall be final and binding on all parties.

5.4 Indemnity. The Company shall indemnify and hold harmless the Plan Administrator and any employees to whom administrative duties under this Plan are delegated, against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct.

Article VI
Amendment and Termination

6.1 Amendment. The Committee may at any time amend the Plan in whole or in part. However, no amendment shall be effective to decrease or restrict any then existing Account or to change the Company's obligations under any then existing Deferral Election.

6.2 Board's Right to Terminate. The Board may at any time terminate the Plan in its entirety, in which event no new Deferral Elections shall be made, but the obligations of the Company under existing Deferral Elections shall continue.

Article VII
Miscellaneous

7.1 Unfunded Plan. This Plan is intended to be an "unfunded" plan maintained primarily to provide deferred compensation for a "select group of management or highly compensated employees" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and shall be so construed.

7.2 Unsecured General Creditor. This Plan is unfunded. Benefits shall be paid from the Company's general assets. Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest or claims in any property or assets owned or which may be acquired by the Company. Such assets of the Company shall not be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors or assigns, or held in any way as collateral security against the obligations of the Company under this Plan. The Company's obligation under the Plan shall be that of an unfunded and unsecured promise of the Company to pay money in the future. The Company in its sole discretion, may, however, elect to provide for its liabilities under this Plan through a trust or funding vehicle, provided, however, that the terms of any such trust or funding vehicle shall not alter the status of Participants and beneficiaries as mere general unsecured creditors of the Company or otherwise cause the Plan to be funded or benefits taxable to Participants except upon actual receipt.

7.3 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof. The rights to all such amounts are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owned by Participants or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency, except as required by law.

7.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant, and a Participant shall have no rights against the Company except as may otherwise be specifically provided herein. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge an employee at any time.

7.5 Forfeiture of Benefits. If a Participant's employment is terminated because of willful misfeasance or gross negligence in the performance of his or her duties, his or her right to benefits under this Plan shall, in the discretion of the Committee, be forfeited, and the Company shall have no further obligation hereunder to such Participant or his or her beneficiary(ies).

7.6 Terms. Use of the masculine pronoun in this Plan will include the feminine and use of the singular will include the plural, unless the context clearly indicates otherwise.

7.7 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

7.8 Governing Law. This Plan shall be governed by the laws of the United States and, to the extent not preempted thereby, the laws of Pennsylvania.

7.9 Validity. The illegality or invalidity of any provision of this Plan shall not affect its remaining parts, but this Plan shall be construed and enforced without such illegal or invalid provisions.

7.10 Notice. Any notice or filing required or permitted to be given to the Plan Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to:

Director, Executive Compensation
and Employee Benefits
Hershey Foods Corporation
100 Crystal A Drive
Hershey, Pennsylvania 17033

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

7.11 Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term successors as used herein shall include any corporation or other business entity which shall, whether by merger, consolidation, purchase of assets, or otherwise, acquire all or substantially all of the business or assets of the Company, and successors of any such corporation or other business entity.

7.12 Incapacity. If the Plan Administrator finds that any Participant or beneficiary to whom a benefit is payable under this Plan is unable to care for his affairs, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Plan Administrator, to any person who is charged with the support of the Participant or beneficiary. Any such payment shall be payment for the account of the Participant and shall be a complete discharge of any liability of the Company to the Participant or beneficiary.

EXHIBIT 12

HERSHEY FOODS CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
For the Years Ended December 31, 1995, 1994, 1993, 1992, and 1991
(in thousands of dollars except for ratios)
(Unaudited)

CAPTION	1995	1994	1993	1992	1991
Earnings:					
Income from continuing operations before income taxes and accounting changes.	$465,953(a)	$333,138(b)	$510,875(c)	$400,988	$363,457
Add (Deduct):					
Interest on indebtedness. . .	47,568	37,249	30,224	29,708	29,269
Portion of rents representative of the interest factor(d).	8,176	8,556	8,175	7,987	7,785
Amortization of debt expense	97	64	84	165	284
Amortization of capitalized interest.	3,183	2,958	2,684	1,988	1,390
Adjustment for equity companies(e).	-	-	-	628	262
Adjustment for majority-owned subsidiary(f)	-	-	-	17	(116)
Earnings as adjusted. . . .	$524,977	$381,965	$552,042	$441,481	$402,331
Fixed Charges:					
Interest on indebtedness	$47,568	$37,249	$30,224	$29,708	$29,269
Portion of rents representative of the interest factor(d)	8,176	8,556	8,175	7,987	7,785
Amortization of debt expense . .	97	64	84	165	284
Capitalized interest	1,957	3,009	4,646	12,055	10,386
Adjustment for 50% equity company(g)	-	-	-	-	21
Total fixed charges	$57,798	$48,878	$43,129	$49,915	$47,745
Ratio of earnings to fixed charges.	9.08	7.81	12.80	8.84	8.43

NOTES:

(a) Includes a restructuring credit of $.2 million.

(b) Includes a restructuring charge of $106.1 million.

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

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

(e) Adjustment for equity companies includes the eliminations from income of both undistributed earnings and losses of companies in which at least 20% but less than 50% equity is owned. In April 1992, the Corporation sold its equity interest in its Brazilian joint venture.

(f) In December 1992, the Corporation purchased the remaining shares of Hershey Japan. Prior to the acquisition, the Corporation owned 51% of Hershey Japan.

(g) In October 1991, the Corporation purchased the shares of Nacional de Dulces, S.A. de C.V., subsequently renamed Hershey Mexico, S.A. de C.V. (Hershey Mexico), owned by its joint venture partner, Grupo Carso, S.A. de C.V. Prior to the acquisition, the Corporation owned 50% of the outstanding stock of Hershey Mexico.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Corporation achieved increased sales in 1995 and 1994. Net sales during this two-year period increased at a compound annual rate of 3%, primarily reflecting volume growth from the introduction of new confectionery and grocery products and from foreign acquisitions, and price increases principally in the Corporation's pasta and foreign businesses. These increases were partially offset by lower sales resulting from the divestiture of Overspecht B.V. (OZF Jamin) in the second quarter of 1995 and, in 1994, reduced demand for existing domestic confectionery brands and the discontinuance of the Corporation's refrigerated pudding line.

Hershey Chocolate U.S.A. increased the wholesale price of its standard bar line and king size bars by approximately eleven percent in December 1995. These products represented approximately 25% of the Corporation's 1995 sales. Price increases were intended to offset higher costs for raw materials and packaging, together with the cumulative impact of inflation on other costs since the last standard bar price increase nearly five years ago. Hershey Pasta Group implemented selected price increases in late 1993, early 1994 and late 1995 in an effort to recover substantial increases in semolina costs. The price increases have not been sufficient to recover the full impact of the higher semolina costs, partly due to competition from subsidized pasta imports into the United States.

Income, excluding the net after-tax effect of restructuring activities recorded in 1995 and the 1993 net cumulative effect of accounting changes and the after-tax Freia Marabou a.s (Freia) gain, increased at a compound annual rate of 4% during the two-year period. This increase was a result of the growth in sales, partially offset by a lower gross profit margin and higher selling, marketing and administrative expenses.

The following acquisitions and divestitures occurred during the period:

- December 1995--The acquisition of Henry Heide, Incorporated (Henry Heide), a confectionery company which manufactures a variety of non-chocolate confectionery products including JUJYFRUITS candies and WUNDERBEANS jellybeans.

- December 1995--The Corporation entered into definitive agreements to sell the assets of Hershey Canada, Inc.'s PLANTERS nut (Planters) and LIFE SAVERS and BREATH SAVERS hard candy, and BEECH-NUT cough drop (Life Savers) businesses to Johnvince Foods Group and Beta Brands Inc., respectively. Both transactions were completed in January 1996 as part of a restructuring program announced by the Corporation in late 1994.

- June 1995--The sale of the outstanding shares of OZF Jamin to a management buyout group at OZF Jamin as part of the restructuring program. OZF Jamin was purchased by the Corporation in October 1993.

- September 1993--The acquisition of the Italian confectionery business of Heinz Italia S.p.A. (Sperlari). Sperlari is a leader in the Italian non-chocolate confectionery market and manufactures and distributes a wide range of confectionery products, including nougat and sugar candies. Products are marketed primarily under the SPERLARI, DONDI and SCARAMELLINI brands.

- March 1993--The acquisition of certain assets of the Ideal Macaroni and Weiss Noodle companies (Ideal/Mrs. Weiss) in Cleveland, Ohio.

The Corporation's net sales, net income and cash flows are affected by the timing of business acquisitions, new product introductions, promotional activities, price increases and a seasonal sales bias toward the second half of the year. These factors, from time to time, cause fluctuations in net sales and net income versus the comparable quarterly periods of prior years.

NET SALES

Net sales rose $84.4 million or 2% in 1995 and $118.0 million or 3% in 1994. The increase in 1995 was due to incremental sales from new confectionery and grocery products, volume growth from existing domestic and foreign confectionery brands and pasta products, and selected selling price increases, principally in the Corporation's foreign businesses. These increases were partially offset by lower sales resulting from the divestiture of OZF Jamin in the second quarter of 1995 and the discontinuance of the Corporation's refrigerated pudding line in late 1994. The increase in 1994 was due to volume growth from new products and businesses acquired in late 1993, offset substantially by lower sales caused by reduced demand for existing confectionery and grocery brands. Sales of the Corporation's Canadian and Mexican businesses were lower in 1994 due to volume declines resulting from adverse economic conditions and the impact of currency exchange rates.

COSTS AND EXPENSES

Cost of sales as a percent of net sales increased from 57.2% in 1993 to 58.2% in 1994, but declined to 57.6% in 1995. The increase in gross margin in 1995 was primarily the result of manufacturing efficiency improvements, selling price increases in the Corporation's foreign businesses and the favorable impact of the OZF Jamin divestiture. These increases were partially offset by higher costs for certain major raw materials and packaging, along with inflation in labor and overhead costs. The decrease in gross margin in 1994 was primarily the result of higher costs for certain major raw materials, particularly semolina, higher expenses for depreciation, and lower margins associated with the foreign businesses, partially offset by lower costs resulting from manufacturing efficiency improvements, and pasta selling price increases.

Selling, marketing and administrative costs increased by 2% in 1995 primarily due to increased advertising for existing confectionery brands and the introduction of new products, partially offset by reduced promotion and administrative expenses. Selling, marketing and administrative costs decreased slightly in 1994 primarily due to reduced levels of promotion and advertising expenses for existing confectionery brands, largely offset by increased promotion and advertising expenses related to the introduction of new products and higher selling and administrative expenses associated with the 1993 business acquisitions.

RESTRUCTURING ACTIVITIES

In the fourth quarter of 1994, the Corporation recorded a pre-tax restructuring charge of $106.1 million ($80.2 million after tax or $.92 per share) following a comprehensive review of domestic and foreign operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision-making process.

As of December 31, 1995, $81.8 million of restructuring reserves had been utilized and $16.7 million had been reversed to reflect revisions and changes in estimates to the original restructuring program. The remaining $7.6 million of accrued restructuring reserves will be utilized in early 1996 as the final aspects of the restructuring program are completed, and annual savings of approximately $18.0 million are expected to be realized thereafter.

During the third quarter of 1995, a pre-tax restructuring charge of $16.6 million was recorded in connection with a voluntary retirement program announced by the Corporation in August 1995. The charge was primarily related to the funding of retirement benefits for eligible employees who elected early retirement. This cash charge will be funded from operating cash flows. The impact of this charge was more than offset by the partial reversal of 1994 accrued restructuring reserves, resulting in an increase to income before income taxes of $.2 million and an increase to net income of $2.0 million as the tax benefit associated with the 1995 charge more than offset the tax provision associated with the reversal of 1994 restructuring reserves.

GAIN ON SALE OF INVESTMENT INTEREST

In March 1993, the Corporation recorded a pre-tax gain of $80.6 million on the sale of its 18.6% investment interest in Freia which had the effect of increasing net income by $40.6 million.

INTEREST EXPENSE, NET

Net interest expense increased $9.5 million in 1995 primarily as a result of higher short-term interest expense. Short-term interest expense increased due to higher borrowing rates and increased borrowings associated with the purchase of approximately 9.0 million shares of the Corporation's Common Stock from the Hershey Trust Company, as Trustee for the benefit of Milton Hershey School (Milton Hershey School Trust).

Net interest expense increased $8.4 million in 1994 as higher short-term interest expense, reduced capitalized interest and lower interest income were only partially offset by lower fixed interest expense. Short-term interest expense was above prior year as a result of higher borrowing levels related to a share repurchase program and the 1993 acquisitions, and increased short-term borrowing rates. Fixed interest expense was less than prior year due to the retirement of long-term debt in 1993.

PROVISION FOR INCOME TAXES

The Corporation's effective income tax rate was 39.5%, 44.7%, and 41.8% in 1995, 1994 and 1993, respectively. The lower rate in 1995 compared to 1994 was primarily due to the impact of restructuring activities. The increase in 1994 compared to 1993 was principally a result of the relatively low foreign income tax benefit associated with the restructuring charge.

NET CUMULATIVE EFFECT OF ACCOUNTING CHANGES

Effective January 1, 1993, the Corporation adopted Statements of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" and No. 109 "Accounting for Income Taxes" by means of catch-up adjustments. The net charge associated with these changes in accounting had the effect of decreasing net income by approximately $103.9 million, or $1.16 per share.

NET INCOME

Net income increased by 53% in 1995. Excluding the net after-tax effects of the 1995 and 1994 restructuring activities, income increased $15.5 million or 6%. Net income increased $7.8 million or 3% in 1994, excluding the after-tax effect of the 1994 restructuring charge, and the 1993 after-tax gain on the sale of the Freia investment and the catch-up adjustments for accounting changes. Income as a percent of net sales, after excluding the net after-tax effects of restructuring activities in 1995 and 1994 and the 1993 net cumulative effect of accounting changes and the after-tax Freia gain, was 7.6% in 1995, 7.3% in 1994 and 7.4% in 1993.

FINANCIAL POSITION

The Corporation's financial position remained strong during 1995. The capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 42% as of December 31, 1995, and 25% as of December 31, 1994. The ratio of current assets to current liabilities was 1.1:1 as of December 31, 1995, and 1.2:1 as of December 31, 1994. The decrease in the current ratio and the increase in the capitalization ratio resulted primarily from short-term borrowings and the issuance of long-term debt to finance the purchase of Common Stock from the Milton Hershey School Trust.

ASSETS

Total assets decreased $60.4 million or 2% as of December 31, 1995, primarily as a result of decreases in current assets, property, plant and equipment, and intangibles resulting from business acquisitions, offset somewhat by an increase in other assets.

Current assets decreased by $26.3 million reflecting lower inventories and current deferred income taxes, offset somewhat by an increase in other current assets. The decrease in inventories was primarily related to decreases in raw material inventories. Current deferred income taxes decreased as a result of the realization in 1995 of the income tax benefit associated with the restructuring charge recorded in 1994. The increase in other current assets related to receivables associated with the sale of the Planters and Life Savers businesses and commodity transactions.

The $32.4 million net decrease in property, plant and equipment reflected the divestiture of certain businesses and assets, and depreciation expense of $119.4 million, partially offset by capital additions of $140.6 million.

The decrease in intangibles resulting from business acquisitions was primarily associated with the sale of the Planters and Life Savers businesses and the amortization of intangibles, partially offset by an increase related to the acquisition of Henry Heide. The increase in other assets was primarily associated with employee retirement plans.

LIABILITIES

Total liabilities increased by $297.8 million or 21% as of December 31, 1995, primarily due to increases in current liabilities and long-term debt.

Current liabilities increased by $68.1 million principally as a result of higher short-term debt and accrued liabilities, offset somewhat by a decrease in accrued restructuring reserves. Short-term debt increased as a result of borrowings associated with the purchase of Common Stock from the Milton Hershey School Trust. The increase in accrued liabilities principally reflected increases in liabilities associated with employee retirement plans as a result of the voluntary retirement program. The decrease in accrued restructuring reserves reflected the utilization and partial reversal of reserves related to the 1994 restructuring program.

The increase in long-term debt reflected the issuance of $200 million of 6.7% Notes due 2005 (Notes) in the fourth quarter of 1995. The proceeds from issuance of the Notes were used to repay domestic commercial paper borrowings associated with the purchase of Common Stock from the Milton Hershey School Trust.

STOCKHOLDERS' EQUITY

Total stockholders' equity declined by 25% in 1995, primarily due to the repurchase of Common Stock. Total stockholders' equity has increased at a compound annual rate of 4% over the past ten years.

CAPITAL STRUCTURE

The Corporation has two classes of stock outstanding, Common Stock and Class B Common Stock (Class B Stock). Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

LIQUIDITY

Historically, the Corporation's major source of financing has been cash generated from operations. The Corporation's income and, consequently, cash provided from operations during the year are affected by seasonal sales patterns, the timing of new product introductions, business acquisitions and price increases. Chocolate, confectionery and grocery seasonal and holiday-related sales have typically been highest during the third and fourth quarters of the year, representing the principal seasonal effect. Generally, seasonal working capital needs peak during the summer months and have been met by issuing commercial paper.

Over the past three years, cash requirements for share repurchases, capital additions, dividend payments and several business acquisitions exceeded cash provided from operating activities and the cash from the sale of the Corporation's investment interest in Freia by $209.0 million. Total debt, including debt assumed, increased during the period by $233.1 million. Cash and cash equivalents increased by $8.2 million during the period.

The Corporation anticipates that capital expenditures will be in the range of $125 million to $175 million per annum during the next several years as a result of continued modernization of existing facilities and capacity expansion to support new products and line extensions. As of December 31, 1995, the Corporation's principal capital commitments included manufacturing capacity expansion and modernization.

A portion of the $259.7 million gross proceeds from the sale of the Corporation's Freia investment interest was used for the early repayment of long-term debt in 1993.

In 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time, through open market or privately negotiated transactions, up to $200 million of Common Stock. A total of 3,923,780 shares of Common Stock has been repurchased for approximately $197.7 million under the program, of which 264,000 shares were retired and the remaining 3,659,780 shares were held as Treasury Stock as of December 31, 1995.

In August 1995, the Corporation purchased an additional 9,049,773 shares of its Common Stock to be held as Treasury Stock from the Milton Hershey School Trust for $500.0 million. In connection with the share repurchase program begun in 1993, a total of 2,000,000 shares were also acquired from the Milton Hershey School Trust in 1993 for approximately $103.1 million. As of December 31, 1995, a total of 12,709,553 shares were held as Treasury Stock.

In February 1996, the Corporation's Board of Directors approved an additional share repurchase program to acquire from time to time, through open market or privately negotiated transactions, up to $200 million of Common Stock.

In October 1995, the Corporation issued $200 million of Notes under Form S-3 Registration Statements which were declared effective in June 1990 and November 1993. As of December 31, 1995, $300 million of debt securities remained available for issuance under the November 1993 Registration Statement. Proceeds from any offering of the $300 million of debt securities available under the shelf registration may be used for general corporate requirements including, reducing existing commercial paper borrowings, financing capital additions and funding future business acquisitions and working capital requirements.

In order to minimize its financing costs and to manage interest rate exposure, the Corporation entered into interest rate swap agreements to effectively convert a portion of its floating rate debt to fixed rate debt. As of December 31, 1995, the Corporation had agreements outstanding with an aggregate notional amount of $200.0 million, with maturities through 1997. Any interest rate differential on interest rate swaps is recognized as an adjustment to interest expense over the term of the agreement. The Corporation's risk related to swap agreements is limited to the cost of replacing such agreements at current market rates.

In December 1995, the Corporation entered into committed credit facility agreements with a syndicate of banks under which it could borrow up to $600 million as of December 31, 1995, with options to increase borrowings by $1.0 billion with the concurrence of the banks. Of the total committed credit facility, $200 million is for a renewable 364-day term and $400 million is effective for a five-year term. The credit facilities may be used to fund general corporate requirements, to support commercial paper borrowings and, in certain instances, to finance future business acquisitions. Lines of credit previously maintained by the Corporation were significantly reduced when the credit facility agreements became effective.

CASH FLOW ACTIVITIES

Cash provided from operating activities totaled $1.2 billion during the past three years. Over this period, depreciation and amortization have increased as a result of continuing investment in capital additions and business acquisitions. Cash requirements for accounts receivable and inventories have tended to fluctuate during the three-year period based on sales during December and inventory management practices. The change in cash required for or provided from other assets and liabilities between the years was primarily related to commodities transactions and the timing of payments for accrued liabilities, including income taxes, and in 1995 and 1994, restructuring expenses.

Investing activities included capital additions, several business acquisitions, and the sale of an 18.6% investment interest in Freia in 1993. The income tax effects associated with the 1995 and 1994 restructuring activities and income taxes paid in 1993 on the Freia gain were included in operating activities. Capital additions during the past three years included the purchase of manufacturing equipment and expansion and modernization of existing facilities. Businesses acquired during the past three years included Henry Heide in 1995 and OZF Jamin, Sperlari and Ideal/Mrs. Weiss in 1993. OZF Jamin was sold in 1995 as part of the Corporation's restructuring program. Cash used for business acquisitions represented the purchase price paid and consisted of the current assets, property, plant and equipment, and intangibles acquired, net of liabilities assumed.

Financing activities included debt borrowings and repayments, payment of dividends, the exercise of stock options, incentive plan transactions and the repurchase of Common Stock. During the past three years, short-term borrowings in the form of commercial paper or bank borrowings were used to fund seasonal working capital requirements, business acquisitions, a share repurchase program and the purchase of Common Stock from the Milton Hershey School Trust. A portion of the proceeds received from the sale of the Freia investment was used to repay long-term debt in 1993. The proceeds from the issuance of $200 million of Notes in October 1995 were used to reduce short-term borrowings. During the past three years, a total of 12,973,553 shares of Common Stock has been repurchased for approximately $697.7 million.

COMMODITY PRICE RISK MANAGEMENT

The Corporation's most significant raw materials include cocoa, sugar, milk, peanuts, flour and almonds. The Corporation attempts to minimize the effect of price fluctuations related to the purchase of these raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 3 to 24 months. With regard to cocoa, sugar and corn sweeteners, price risks are also managed by entering into futures and options contracts. At the present time, similar futures and options contracts are not available for use in pricing the Corporation's other major raw materials. Futures contracts are used in combination with forward purchasing of cocoa, sugar and corn sweetener requirements, principally to take advantage of market fluctuations which provide more favorable pricing opportunities and to increase diversity or flexibility in sourcing these raw materials. The Corporation's commodity procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

The cost of cocoa beans and the prices for the related commodity futures contracts historically have been subject to wide fluctuations attributable to a variety of factors, including the effect of weather on crop yield, other imbalances between supply and demand, currency exchange rates and speculative influences. Cocoa prices rose from 1992 to 1994 due to cocoa demand exceeding production. During 1995, prices for cocoa futures were relatively stable as a result of good West African crop development and yield. During 1996, any problems with the development of the West African crop to be harvested beginning in the fall, could result in demand again exceeding production, leading to possible cocoa futures price increases. The Corporation's costs during 1996 will not necessarily reflect market price fluctuations because of its forward purchasing practices, premiums and discounts reflective of relative values, varying delivery times, and supply and demand for specific varieties and grades of cocoa beans.

The major raw material used in the manufacture of pasta products is semolina milled from durum wheat. The Corporation purchases semolina from commercial mills and is also engaged in a custom milling agreement to obtain sufficient quantities of semolina. In 1995, the Corporation's semolina costs per pound remained at historically high levels. The exceptionally high costs resulted from short supplies of durum wheat caused by a poor harvest of the North American crop in 1993 and 1994, combined with U.S. Government tariffs on imports of Canadian wheat. The tariff agreement expired as scheduled in 1995, but prices remained at historically high levels due to a continued worldwide shortage of durum wheat.

Generally, the Corporation has been able to offset the effects of increases in the cost of its major raw materials, particularly cocoa beans, through selling price increases or reductions in product weights. Conversely, declines in the cost of major raw materials have served as a source of funds to enhance consumer value through increases in product weights, respond to competitive activity, develop new products and markets, and offset rising costs of other raw materials and expenses.

MARKET PRICES AND DIVIDENDS

Cash dividends paid on the Corporation's Common Stock and Class B Stock were $110.1 million in 1995 and $107.0 million in 1994. The annual dividend rate on the Common Stock is $1.44 per share, an increase of 11% over the 1994 rate of $1.30 per share. The 1995 dividend represented the 21st consecutive year of Common Stock dividend increases.

On February 6, 1996, the Corporation's Board of Directors declared a quarterly dividend of $.36 per share of Common Stock payable on March 15, 1996, to stockholders of record as of February 23, 1996. It is the Corporation's 265th consecutive Common Stock dividend. A quarterly dividend of $.325 per share of Class B Stock also was declared.

Hershey Foods Corporation's Common Stock is listed and traded principally on the New York Stock Exchange (NYSE) under the ticker symbol "HSY." Approximately 30.5 million shares of the Corporation's Common Stock were traded during 1995. The Class B Stock is not publicly traded.

The closing price of the Common Stock on December 31, 1995, was $65. There were 38,480 stockholders of record of the Common Stock and the Class B Stock as of December 31, 1995.

The following table shows the dividends paid per share of Common Stock and Class B Stock and the price range of the Common Stock for each quarter of the past two years:

	DIVIDENDS PAID PER SHARE		COMMON STOCK PRICE RANGE*	
	COMMON STOCK	CLASS B STOCK	HIGH	LOW
1995				
1st Quarter	$ .325	$ .2950	$52 3/8	$48
2nd Quarter	.325	.2950	55 7/8	50 1/8
3rd Quarter	.360	.3250	64 7/8	53 5/8
4th Quarter	.360	.3250	67 7/8	59
Total	$1.370	$1.2400		
1994				
1st Quarter	$ .300	$ .2725	$53 1/2	$45 3/4
2nd Quarter	.300	.2725	46 3/4	41 5/8
3rd Quarter	.325	.2950	48	41 1/8
4th Quarter	.325	.2950	49 5/8	44 1/2
Total	$1.250	$1.1350		

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* NYSE-Composite Quotations for Common Stock by calendar quarter.

RETURN MEASURES

OPERATING RETURN ON AVERAGE STOCKHOLDERS' EQUITY

The Corporation's operating return on average stockholders' equity was 22.2% in 1995. Over the most recent five-year period, the return has ranged from 17.0% in 1991 to 22.2% in 1995. For the purpose of calculating operating return on average stockholders' equity, earnings is defined as net income, excluding the catch-up adjustments for accounting changes and the after-tax gain on the sale of the investment in Freia in 1993, and the after-tax restructuring activities in 1994 and 1995.

OPERATING RETURN ON AVERAGE INVESTED CAPITAL

The Corporation's operating return on average invested capital was 17.1% in 1995. Over the most recent five-year period, the return has ranged from 13.8% in 1991 to 17.1% in 1995. Average invested capital consists of the annual average of beginning and ending balances of long-term debt, deferred income taxes and stockholders' equity. For the purpose of calculating operating return on average invested capital, earnings is defined as net income, excluding the sale of the investment in Freia, the catch-up adjustments for accounting changes, the after-tax restructuring activities in 1994 and 1995, and the after-tax effect of interest on long-term debt.

HERSHEY FOODS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31,	1995	1994	1993
IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS			
NET SALES	$3,690,667	$3,606,271	$3,488,249
COSTS AND EXPENSES:			
Cost of sales	2,126,274	2,097,556	1,995,502
Selling, marketing and administrative	1,053,758	1,034,115	1,035,519
Total costs and expenses	3,180,032	3,131,671	3,031,021
RESTRUCTURING CREDIT (CHARGE)	151	(106,105)	--
GAIN ON SALE OF INVESTMENT INTEREST	--	--	80,642
INCOME BEFORE INTEREST, INCOME TAXES AND ACCOUNTING CHANGES	510,786	368,495	537,870
Interest expense, net	44,833	35,357	26,995
INCOME BEFORE INCOME TAXES AND ACCOUNTING CHANGES	465,953	333,138	510,875
Provision for income taxes	184,034	148,919	213,642
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	281,919	184,219	297,233
Net cumulative effect of accounting changes	--	--	(103,908)
NET INCOME	$ 281,919	$ 184,219	$ 193,325
INCOME PER SHARE:			
Before accounting changes	$ 3.40	$ 2.12	$ 3.31
Net cumulative effect of accounting changes	--	--	(1.16)
Net income	$ 3.40	$ 2.12	$ 2.15
CASH DIVIDENDS PAID PER SHARE:			
Common Stock	$ 1.370	$ 1.250	$ 1.140
Class B Common Stock	1.240	1.135	1.035

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

HERSHEY FOODS CORPORATION

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	1995	1994
IN THOUSANDS OF DOLLARS		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,346	$ 26,738
Accounts receivable--trade	326,024	331,670
Inventories	397,570	445,702
Deferred income taxes	84,785	105,948
Prepaid expenses and other	81,598	38,608
Total current assets	922,323	948,666
PROPERTY, PLANT AND EQUIPMENT, NET	1,436,009	1,468,397
INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS	428,714	453,582
OTHER ASSETS	43,577	20,336
Total assets	$2,830,623	$2,890,981
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 127,067	$ 115,428
Accrued liabilities	300,549	265,283
Accrued restructuring reserves	7,574	82,055
Accrued income taxes	15,514	8,718
Short-term debt	413,268	316,783
Current portion of long-term debt	383	7,954
Total current liabilities	864,355	796,221
LONG-TERM DEBT	357,034	157,227
OTHER LONG-TERM LIABILITIES	333,814	303,056
DEFERRED INCOME TAXES	192,461	193,377
Total liabilities	1,747,664	1,449,881
STOCKHOLDERS' EQUITY:		
Preferred Stock, shares issued: none in 1995 and 1994	--	--
Common Stock, shares issued: 74,733,982 in 1995 and 74,679,357 in 1994	74,734	74,679
Class B Common Stock, shares issued: 15,241,454 in 1995 and 15,242,979 in 1994	15,241	15,243
Additional paid-in capital	47,732	49,880
Cumulative foreign currency translation adjustments	(29,240)	(24,537)
Unearned ESOP compensation	(35,128)	(38,321)
Retained earnings	1,694,696	1,522,867
Treasury--Common Stock shares, at cost: 12,709,553 in 1995 and 3,187,139 in 1994	(685,076)	(158,711)
Total stockholders' equity	1,082,959	1,441,100
Total liabilities and stockholders' equity	$2,830,623	$2,890,981

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

HERSHEY FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	1995	1994	1993
IN THOUSANDS OF DOLLARS			
CASH FLOWS PROVIDED FROM (USED BY) OPERATING ACTIVITIES			
Net income	$ 281,919	$ 184,219	$ 193,325
Adjustments to reconcile net income to net cash provided from operations:			
Net cumulative effect of accounting changes	--	--	103,908
Depreciation and amortization	133,884	129,041	113,064
Deferred income taxes	26,380	(2,328)	11,047
Restructuring (credit) charge	(151)	106,105	--
Gain on sale of investment interest	--	--	(80,642)
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable--trade	1,666	(36,696)	(100,957)
Inventories	28,147	7,740	32,347
Accounts payable	14,767	(10,230)	(12,809)
Other assets and liabilities	(11,297)	(58,146)	111,358
Other, net	19,614	20,032	9,399
Net Cash Provided from Operating Activities	494,929	339,737	380,040
CASH FLOWS PROVIDED FROM (USED BY) INVESTING ACTIVITIES			
Capital additions	(140,626)	(138,711)	(211,621)
Business acquisitions	(12,500)	--	(164,787)
Sale of investment interest	--	--	259,718
Other, net	8,720	(4,492)	(717)
Net Cash (Used by) Investing Activities	(144,406)	(143,203)	(117,407)
CASH FLOWS PROVIDED FROM (USED BY) FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	103,530	(20,503)	67,485
Long-term borrowings	202,448	102	1,130
Repayment of long-term debt	(7,887)	(14,413)	(104,792)
Cash dividends paid	(110,090)	(106,961)	(100,499)
Exercise of stock options	15,106	3,494	2,574
Incentive plan transactions	(21,903)	(7,726)	(4,903)
Repurchase of Common Stock	(526,119)	(39,748)	(131,783)
Net Cash (Used by) Financing Activities	(344,915)	(185,755)	(270,788)
Increase (Decrease) in Cash and Cash Equivalents	5,608	10,779	(8,155)
Cash and Cash Equivalents as of January 1	26,738	15,959	24,114
Cash and Cash Equivalents as of December 31	$ 32,346	$ 26,738	$ 15,959
Interest Paid	$ 43,731	$ 36,803	$ 32,073
Income Taxes Paid	148,629	177,876	171,586

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

HERSHEY FOODS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

IN THOUSANDS OF DOLLARS	PREFERRED STOCK	COMMON STOCK	CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	UNEARNED ESOP COMPENSATION	RETAINED EARNINGS	TREASURY COMMON STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE AS OF JANUARY 1, 1993	$ --	$74,929	$15,257	$52,129	$ 2,484	$(44,708)	$1,365,188	$ --	$1,465,279
Net income							193,325		193,325
Dividends:									
Common Stock, $1.140 per share							(84,711)		(84,711)
Class B Common Stock, $1.035 per share							(15,788)		(15,788)
Foreign currency translation adjustments					(16,389)				(16,389)
Conversion of Class B Common Stock into Common Stock		4	(4)						--
Incentive plan transactions				(195)					(195)
Exercise of stock options				(1,074)					(1,074)
Employee stock ownership trust transactions				487		3,193			3,680
Repurchase of Common Stock		(264)		(151)			(12,405)	(118,963)	(131,783)
BALANCE AS OF DECEMBER 31, 1993	--	74,669	15,253	51,196	(13,905)	(41,515)	1,445,609	(118,963)	1,412,344
Net income							184,219		184,219
Dividends:									
Common Stock, $1.250 per share							(89,660)		(89,660)
Class B Common Stock, $1.135 per share							(17,301)		(17,301)
Foreign currency translation adjustments					(10,632)				(10,632)
Conversion of Class B Common Stock into Common Stock		10	(10)						--
Incentive plan transactions				(1,264)					(1,264)
Exercise of stock options				(548)					(548)
Employee stock ownership trust transactions				496		3,194			3,690
Repurchase of Common Stock								(39,748)	(39,748)
BALANCE AS OF DECEMBER 31, 1994	--	74,679	15,243	49,880	(24,537)	(38,321)	1,522,867	(158,711)	1,441,100
Net income							281,919		281,919
Dividends:									
Common Stock, $1.370 per share							(91,190)		(91,190)
Class B Common Stock, $1.240 per share							(18,900)		(18,900)
Foreign currency translation adjustments					(4,703)				(4,703)
Conversion of Class B Common Stock into Common Stock		2	(2)						--
Incentive plan transactions				(180)					(180)
Exercise of stock options		53		(2,456)				(246)	(2,649)
Employee stock ownership trust transactions				488		3,193			3,681
Repurchase of Common Stock								(526,119)	(526,119)
BALANCE AS OF DECEMBER 31, 1995	$ --	$74,734	$15,241	$47,732	$(29,240)	$(35,128)	$1,694,696	$(685,076)	$1,082,959

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies employed by the Corporation are discussed below and in other notes to the consolidated financial statements. Certain reclassifications have been made to prior year amounts to conform to the 1995 presentation.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly for accounts receivable and certain current and long-term liabilities.

CASH EQUIVALENTS

All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

COMMODITIES FUTURES AND OPTIONS CONTRACTS

In connection with the purchasing of cocoa, sugar and corn sweeteners for anticipated manufacturing requirements, the Corporation enters into commodities futures and options contracts as deemed appropriate to reduce the effect of price fluctuations. In accordance with Statement of Financial Accounting Standards No. 80 "Accounting for Futures Contracts," these futures and options contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of the product cost.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment is computed using the straight-line method over the estimated useful lives.

INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

Intangible assets resulting from business acquisitions principally consist of the excess of the acquisition cost over the fair value of the net assets of businesses acquired (goodwill). Goodwill is amortized on a straight-line basis over 40 years. Other intangible assets are amortized on a straight-line basis over the estimated useful lives. The Corporation periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of goodwill may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Corporation uses an estimate of the acquired business' undiscounted future cash flows compared to the related carrying amount of net assets, including goodwill, to determine if an impairment loss should be recognized.

Accumulated amortization of intangible assets resulting from business acquisitions was $101.5 million and $86.7 million as of December 31, 1995 and 1994, respectively.

FOREIGN CURRENCY TRANSLATION

Results of operations for foreign entities are translated 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 in a separate component of stockholders' equity, "Cumulative Foreign Currency Translation Adjustments."

FOREIGN EXCHANGE CONTRACTS

The Corporation enters into foreign exchange forward and options contracts to hedge transactions primarily related to firm commitments to purchase equipment, certain raw materials and finished goods denominated in foreign currencies, and to hedge payment of intercompany transactions with its non-domestic subsidiaries. These contracts reduce currency risk from exchange rate movements. Gains and losses are deferred and accounted for as part of the underlying transactions. In entering into these contracts the Corporation has assumed the risk which might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation does not expect any losses as a result of counterparty defaults.

LICENSE AGREEMENTS

The Corporation has entered into license agreements under which it has access to certain trademarks and proprietary technology, and manufactures and/or markets and distributes certain products. The rights under these agreements are extendable on a long-term basis at the Corporation's option subject to certain conditions, including minimum sales levels, which the Corporation has met. License fees and royalties, payable under the terms of the agreements, are expensed as incurred.

RESEARCH AND DEVELOPMENT

The Corporation expenses research and development costs as incurred. Research and development expense was $26.2 million, $26.3 million and $26.2 million in 1995, 1994 and 1993, respectively.

ADVERTISING

The Corporation expenses advertising costs as incurred. Advertising expense was $159.2 million, $120.6 million and $130.0 million in 1995, 1994 and 1993, respectively. Prepaid advertising as of December 31, 1995 and 1994 was $3.0 million and $8.5 million, respectively.

2. ACQUISITIONS AND DIVESTITURES

In December 1995, the Corporation completed the acquisition of the outstanding shares of the confectionery company Henry Heide, Incorporated (Henry Heide), for approximately $12.5 million. Henry Heide's headquarters and manufacturing facility are located in New Brunswick, N.J., where it manufactures a variety of non-chocolate confectionery products including JUJYFRUITS candies and WUNDERBEANS jellybeans.

In September 1993, the Corporation completed the acquisition of the Italian confectionery business of Heinz Italia S.p.A. (Sperlari) for approximately $130.0 million. Sperlari is a leader in the Italian non-chocolate confectionery market and manufactures and distributes a wide range of confectionery products, including nougat and sugar candies. Products are marketed primarily under the SPERLARI, DONDI and SCARAMELLINI brands.

In March 1993, the Corporation acquired certain assets of the Ideal Macaroni and Weiss Noodle companies for approximately $14.6 million.

In accordance with the purchase method of accounting, the purchase prices of the acquisitions summarized above were allocated to the underlying assets and liabilities at the date of acquisition based on their estimated respective fair values, which may be revised at a later date. Total liabilities assumed, including debt, were $10.6 million in 1995 and $54.0 million in 1993. Results subsequent to the dates of acquisition are included in the consolidated financial statements. Had the results of these acquisitions been included in consolidated results for the entire length of each period presented, the effect would not have been material.

In December 1995, the Corporation entered into definitive agreements to sell the assets of Hershey Canada, Inc.'s PLANTERS nut (Planters) and LIFE SAVERS and BREATH SAVERS hard candy, and BEECH-NUT cough drop (Life Savers) businesses to Johnvince Foods Group and Beta Brands Inc., respectively. Both transactions were completed in January 1996, as part of a restructuring program announced by the Corporation in late 1994.

In June 1995, the Corporation completed the sale of the outstanding shares of Overspecht B.V. (OZF Jamin) to a management buyout group at OZF Jamin, as part of the Corporation's restructuring program. The Corporation purchased the outstanding shares of OZF Jamin in October 1993 for approximately $20.2 million. OZF Jamin manufactures chocolate and non-chocolate confectionery products, cookies, biscuits and ice cream for distribution primarily to customers in the Netherlands and Belgium.

3. RESTRUCTURING ACTIVITIES

In the fourth quarter of 1994, the Corporation recorded a pre-tax restructuring charge of $106.1 million, following a comprehensive review of domestic and foreign operations designed to enhance performance of operating assets by lowering operating and administrative costs, eliminating underperforming assets and streamlining the overall decision-making process. The charge of $106.1 million resulted in an after-tax charge of $80.2 million or $.92 per share in 1994.

The charge included $34.3 million of severance and termination benefits for the elimination of approximately 500 positions in the manufacturing, technical and administrative areas at both domestic and foreign operations. The charge also included anticipated losses on disposals of certain businesses of $39.1 million, product line discontinuations of $17.5 million and the consolidation of operations and disposal of machinery and equipment of $15.2 million.

As of December 31, 1995, $81.8 million of restructuring reserves had been utilized and $16.7 million had been reversed to reflect revisions and changes in estimates to the original restructuring program. The remaining $7.6 million of accrued restructuring reserves will be utilized in early 1996 as the final aspects of the restructuring program are completed. Operating cash flows were used to fund cash requirements which represented approximately 25% of the total reserves utilized. The non-cash portion of restructuring reserve utilization was associated primarily with the divestiture of foreign businesses and the discontinuation of certain product lines.

During the third quarter of 1995, a pre-tax restructuring charge of $16.6 million was recorded in connection with a voluntary retirement program announced by the Corporation in August 1995. The charge was primarily related to the funding of retirement benefits for eligible employees who elected early retirement. This cash charge will be funded from operating cash flows. The impact of this charge was more than offset by the partial reversal of 1994 accrued restructuring reserves resulting in an increase to income before income taxes of $.2 million and an increase to net income of $2.0 million, as the tax benefit associated with the 1995 charge more than offset the tax provision associated with the reversal of 1994 restructuring reserves.

4. GAIN ON SALE OF INVESTMENT INTEREST

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

5. RENTAL AND LEASE COMMITMENTS

Rent expense was $24.9 million, $25.7 million and $24.5 million for 1995, 1994 and 1993, respectively. Rent expense pertains to all operating leases, which were principally related to certain administrative buildings, distribution facilities and transportation equipment. Future minimum rental payments under non-cancellable operating leases with a remaining term in excess of one year as of December 31, 1995, were: 1996, $12.6 million; 1997, $11.6 million; 1998, $10.8 million; 1999, $12.7 million; 2000, $12.6 million; 2001 and beyond, $80.7 million.

6. 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, 1995 and 1994, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, approximated fair value as of December 31, 1995 and 1994, based upon quoted market prices for the same or similar debt issues.

As of December 31, 1995, the Corporation had foreign exchange forward contracts maturing in 1996 and 1997 to purchase $54.7 million in foreign currency, primarily Canadian dollars, British sterling, and Swiss francs, and to sell $26.4 million in foreign currency, primarily Italian lira, Canadian dollars and Japanese yen, at contracted forward rates.

To hedge foreign currency exposure related to anticipated transactions associated with the purchase of certain raw materials and finished goods generally covering 3 to 24 months, the Corporation also purchases foreign exchange options which permit, but do not require, the Corporation to exchange foreign currencies at a future date with another party at a contracted exchange rate. To finance premiums paid on such options, from time to time the Corporation may also write offsetting options at exercise prices which limit but do not eliminate the effect of purchased options and forward contracts as a hedge. As of December 31, 1995 and 1994, the Corporation had purchased foreign exchange options of $11.5 million and $11.6 million, respectively, and written foreign exchange options of $8.9 million and $10.9 million as of December 31, 1995 and 1994, respectively, principally related to British sterling.

The fair value of foreign exchange forward contracts is estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences, and the fair value of foreign exchange options is estimated using active market quotations. As of December 31, 1995 and 1994, the fair value of foreign exchange forward and options contracts approximated carrying value. The Corporation does not hold or issue financial instruments for trading purposes.

As of December 31, 1994, the Corporation had foreign exchange forward contracts maturing in 1995 and 1996 to purchase $35.7 million in foreign currency, primarily British sterling and Canadian dollars, and to sell $7.5 million in foreign currency, primarily Japanese yen, at contracted forward rates.

In order to minimize its financing costs and to manage interest rate exposure, the Corporation entered into interest rate swap agreements to effectively convert a portion of its floating rate debt to fixed rate debt. As of December 31, 1995, the Corporation had agreements outstanding with an aggregate notional amount of $200.0 million with maturities through 1997. As of December 31, 1995, interest rates payable were at a weighted average fixed rate of 5.6% and interest rates receivable were floating based on 30-day commercial paper composite rates. Any interest rate differential on interest rate swaps is recognized as an adjustment to interest expense over the term of the agreement. The Corporation's risk related to swap agreements is limited to the cost of replacing such agreements at current market rates.

7. INTEREST EXPENSE

Interest expense, net consisted of the following:

FOR THE YEARS ENDED DECEMBER 31,	1995	1994	1993
IN THOUSANDS OF DOLLARS			
Long-term debt and lease obligations	$20,949	$19,103	$23,016
Short-term debt	28,576	21,155	11,854
Capitalized interest	(1,957)	(3,009)	(4,646)
Interest expense, gross	47,568	37,249	30,224
Interest income	(2,735)	(1,892)	(3,229)
Interest expense, net	$44,833	$35,357	$26,995

8. SHORT-TERM DEBT

Generally, the Corporation's short-term borrowings are in the form of commercial paper or bank loans with an original maturity of three months or less. In December 1995, the Corporation entered into committed credit facility agreements with a syndicate of banks under which it could borrow up to $600 million as of December 31, 1995, with options to increase borrowings by $1.0 billion with the concurrence of the banks. Of the total committed credit facility, $200 million is for a renewable 364-day term and $400 million is effective for a five-year term. The credit facilities may be used to fund general corporate requirements, to support commercial paper borrowings and, in certain instances, to finance future business acquisitions. As of December 31, 1994, the Corporation maintained lines of credit arrangements with domestic and international commercial banks, under which it could borrow in various currencies up to $516 million, at the lending banks' prime commercial interest rates or lower. These lines of credit were reduced by the Corporation to approximately $97.7 million when the credit facility agreements became effective. The Corporation had combined domestic commercial paper borrowings and short-term foreign bank loans against its credit facilities and lines of credit of $413.3 million as of December 31, 1995, and $316.8 million against its lines of credit as of December 31, 1994. The weighted average interest rates on short-term borrowings outstanding as of December 31, 1995 and 1994 were 5.7% and 6.0%, respectively.

The credit facilities and lines of credit were supported by commitment fee arrangements. The average fee was approximately .06% per annum of the commitment. The Corporation is in compliance with all covenants included in the credit facility agreements. There were no significant compensating balance agreements which legally restricted these funds.

As a result of maintaining a consolidated cash management system, the Corporation maintains overdraft positions at certain banks. Such overdrafts, which were included in accounts payable, were $24.8 million and $23.0 million as of December 31, 1995 and 1994, respectively.

9. LONG-TERM DEBT

Long-term debt consisted of the following:

DECEMBER 31, IN THOUSANDS OF DOLLARS	1995	1994
Medium-term Notes, 8.45% to 9.92%, due 1995-1998	$ 40,400	$ 45,400
6.7% Notes due 2005	200,000	--
8.8% Debentures due 2021	100,000	100,000
Other obligations, net of unamortized debt discount	17,017	19,781
Total long-term debt	357,417	165,181
Less--current portion	383	7,954
Long-term portion	$357,034	$157,227

In October 1995, the Corporation issued $200 million of 6.7% Notes due 2005 (Notes) under Form S-3 Registration Statements which were declared effective in June 1990 and November 1993. The proceeds from issuance of the Notes were used to reduce short-term borrowings.

Aggregate annual maturities during the next five years are: 1996, $.4 million; 1997, $15.6 million; 1998, $25.2 million; 1999, $.2 million; and 2000, $2.2 million. The Corporation's debt is principally unsecured and of equal priority. None of the debt is convertible into stock of the Corporation. The Corporation is in compliance with all covenants included in the related debt agreements.

10. INCOME TAXES

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (FAS No. 109), which requires the use of the liability method of accounting for deferred income taxes. This change in accounting as of January 1, 1993, which was recorded as a catch-up adjustment, increased 1993 net income by $8.2 million or $.09 per share.

Income before income taxes and accounting changes was as follows:

FOR THE YEARS ENDED DECEMBER 31, IN THOUSANDS OF DOLLARS	1995	1994	1993
Domestic	$452,084	$411,089	$417,226
Foreign	13,869	(77,951)	13,007
Gain on sale of investment interest	--	--	80,642
Income before income taxes and accounting changes	$465,953	$333,138	$510,875

The provision for income taxes excluding the FAS No. 109 catch-up adjustment in 1993, was as follows:

FOR THE YEARS ENDED DECEMBER 31, IN THOUSANDS OF DOLLARS	1995	1994	1993
Current:			
Federal	$135,034	$126,234	$141,541
State	22,620	24,712	37,358
Foreign	--	301	23,696
Current provision for income taxes	157,654	151,247	202,595
Deferred:			
Federal	12,455	6,221	2,949
State	8,198	2,652	1,764
Foreign	5,727	(11,201)	6,334
Deferred provision for income taxes	26,380	(2,328)	11,047
Total provision for income taxes	$184,034	$148,919	$213,642

The 1994 Foreign deferred income tax benefit was associated primarily with the restructuring charge recorded in the fourth quarter of that year.

The tax effects of the significant temporary differences which comprised the deferred tax assets and liabilities were as follows:

DECEMBER 31,	1995	1994
IN THOUSANDS OF DOLLARS		
Deferred tax assets:		
Post-retirement benefit obligations	$ 85,907	$ 85,530
Accrued expenses and other reserves	78,506	75,949
Net operating loss carryforwards, net of valuation allowances of $25,544 in 1995 and $7,860 in 1994	7,298	7,913
Accrued trade promotion reserves	16,389	14,926
Restructuring reserves	3,352	19,598
Other	24,517	30,830
Total deferred tax assets	215,969	234,746
Deferred tax liabilities:		
Depreciation	239,389	231,035
Other	84,256	91,140
Total deferred tax liabilities	323,645	322,175
Net deferred tax liabilities	$107,676	$ 87,429
Included in:		
Current deferred tax assets, net	$ 84,785	$105,948
Non-current deferred tax liabilities, net	192,461	193,377
Net deferred tax liabilities	$107,676	$ 87,429

As of December 31, 1995, the Corporation had $67.4 million of operating loss carryforwards available to reduce the future taxable income of certain foreign subsidiaries. Loss carryforwards of $24.0 million must be utilized within the next ten years and $43.4 million can be utilized over an indefinite period.

The following table reconciles the Federal statutory income tax rate with the Corporation's effective income tax rate:

FOR THE YEARS ENDED DECEMBER 31,	1995	1994	1993
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	4.6	6.0	6.2
Restructuring (credit) charge for which no tax benefit was provided	(.3)	4.5	--
Non-deductible acquisition costs	.6	.8	.6
Other, net	(.4)	(1.6)	--
Effective income tax rate	39.5%	44.7%	41.8%

11. RETIREMENT PLANS

The Corporation and its subsidiaries sponsor several defined benefit retirement plans covering substantially all employees. Plans covering most domestic salaried and hourly employees provide retirement benefits based on individual account balances which are increased annually by pay-related and interest credits. Plans covering certain non-domestic employees provide retirement benefits based on career average pay, final pay, or final average pay as defined within the provisions of the individual plans. The Corporation also participates in several multi-employer retirement plans which provide defined benefits to employees covered under certain collective bargaining agreements.

The Corporation's 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 and Federal income tax laws, respectively. Non-domestic pension liabilities are funded in accordance with applicable local laws and regulations. Plan assets are invested in a broadly diversified portfolio consisting primarily of domestic and international common stocks and fixed income securities.

Pension expense included the following components:

FOR THE YEARS ENDED DECEMBER 31,	1995	1994	1993
IN THOUSANDS OF DOLLARS			
Service cost	$ 25,311	$ 30,077	$ 27,835
Interest cost on projected benefit obligations	32,531	28,351	26,423
Investment (return) loss on plan assets	(71,578)	8,288	(46,232)
Net amortization and deferral	40,823	(40,550)	18,519
Corporate sponsored plans	27,087	26,166	26,545
Multi-employer plans	361	374	612
Other	615	622	678
Total pension expense	$ 28,063	$ 27,162	$ 27,835

The funded status and amounts recognized in the consolidated balance sheets for the retirement plans were as follows:

	DECEMBER 31, 1995		DECEMBER 31, 1994	
	ASSETS EXCEEDED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEEDED ASSETS	ASSETS EXCEEDED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEEDED ASSETS
IN THOUSANDS OF DOLLARS				
Actuarial present value of:				
Vested benefit obligations	$17,241	$417,027	$310,061	$33,272
Accumulated benefit obligations	$17,833	$447,792	$330,161	$39,966
Actuarial present value of projected benefit obligations	$27,005	$476,439	$367,656	$43,250
Plan assets at fair value	19,765	389,064	341,373	1,748
Plan assets less than projected benefit obligations	7,240	87,375	26,283	41,502
Net gain (loss) unrecognized at date of transition	525	(818)	1,711	(2,198)
Prior service cost and amendments not yet recognized in earnings	(1,159)	(28,701)	(19,620)	(1,744)
Unrecognized net loss from past experience different than that assumed	(3,615)	(3,660)	(9,711)	(455)
Minimum liability adjustment	--	21,678	--	4,031
Pension liability (prepaid pension expense)	$ 2,991	$ 75,874	$ (1,337)	$41,136

The projected benefit obligations for the plans were determined principally using discount rates of 7.25% as of December 31, 1995, and 8.5% as of December 31, 1994. For both 1995 and 1994 the assumed long-term rate of return on plan assets was 9.5%. The assumed long-term compensation increase rate for 1995 and 1994 was primarily 4.8%.

In the third quarter of 1995, the Corporation offered a voluntary retirement program to domestic eligible employees age 55 and over. The voluntary retirement program gave eligible salaried employees an opportunity to retire with enhanced retirement benefits. The pre-tax impact on pension expense of the 1995 charge was $13.0 million or $7.7 million after tax. This amount has not been included in the disclosure of pension expense by component.

12. POST-RETIREMENT BENEFITS

The Corporation and its subsidiaries provide certain health care and life insurance benefits for retired employees subject to pre-defined limits. Substantially all of the Corporation's domestic employees become eligible for these benefits at retirement with a pre-defined benefit being available at an early retirement date. The post-retirement medical benefit is contributory for pre-Medicare retirees and for most post-Medicare retirees retiring on or after February 1, 1993. Retiree contributions are based upon a combination of years of service and age at retirement. The post-retirement life insurance benefit is non-contributory.

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions" (FAS No. 106) which requires that the cost of post-retirement benefits be accrued during employees' working careers. The Corporation elected to adopt FAS No. 106 by means of a catch-up adjustment. This change in accounting as of January 1, 1993, had the effect of decreasing net income by $112.2 million, or $1.25 per share, after a deferred tax benefit of $76.3 million.

Prior to 1993, the Corporation expensed such benefits as paid. Expense recognized under FAS No. 106 during 1993 incrementally reduced net income by $5.9 million.

Net post-retirement benefit costs consisted of the following components:

FOR THE YEARS ENDED DECEMBER 31,	1995	1994	1993
IN THOUSANDS OF DOLLARS			
Service cost	$ 3,262	$ 3,642	$ 3,997
Interest cost on projected benefit obligations	12,918	13,334	12,897
Amortization	(2,322)	(1,028)	(280)
Total	$13,858	$15,948	$16,614

Obligations are unfunded and the actuarial present values of accumulated post-retirement benefit obligations recognized in the consolidated balance sheets were as follows:

DECEMBER 31,	1995	1994
IN THOUSANDS OF DOLLARS		
Retirees	$ 78,090	$ 92,051
Fully eligible active plan participants	24,686	26,030
Other active plan participants	57,448	49,338
Total	160,224	167,419
Plan amendments	31,377	19,224
Unrecognized net gain from past experience different than that assumed	20,892	20,285
Accrued post-retirement benefits	$212,493	$206,928

The accumulated post-retirement benefit obligations were determined principally using discount rates of 7.25% and 8.5% as of December 31, 1995 and 1994, respectively. The assumed average health care cost trend rate used in measuring the accumulated post-retirement benefit obligation as of December 31, 1995, was 6% which was also the ultimate trend rate. As of December 31, 1994, this rate was 12%, gradually declining to approximately 7% by 2003. A one percentage point increase in the average health care cost trend rate for each year would increase the accumulated post-retirement benefit obligations as of December 31, 1995 and 1994, by $22.2 million and $23.5 million, respectively, and would increase the sum of the net service and interest cost components of net post-retirement benefit costs for 1995 and 1994 by $2.4 million and $2.8 million, respectively.

The pre-tax impact on post-retirement benefits expense and liabilities of the 1995 charge for the voluntary retirement program was $.4 million or $.2 million after tax. This amount has not been included in the disclosure of net post-retirement benefit costs by component.

As part of its long-range financing plans, the Corporation, in 1989, implemented a corporate-owned life insurance program covering most of its domestic employees. After paying employee death benefits, proceeds from this program will be available for general corporate purposes and may be used to offset future employee benefits costs, including retiree medical benefits. The Corporation's investment in corporate-owned life insurance policies was recorded net of policy loans in other assets, and interest accrued on the policy loans was included in accrued liabilities as of December 31, 1995 and 1994. Net life insurance expense, including interest expense, was included in selling, marketing and administrative expenses.

13. EMPLOYEE STOCK OWNERSHIP TRUST

The Corporation's employee stock ownership trust (ESOP) serves as the primary vehicle for contributions to its existing employee savings and stock investment plan for participating domestic salaried and hourly employees. The ESOP was funded by a 15-year 7.75% loan of $47.9 million from the Corporation. During 1995 and 1994, the ESOP received a combination of dividends on unallocated shares and contributions from the Corporation equal to the amount required to meet its principal and interest payments under the loan. Simultaneously, the ESOP allocated to participants 79,588 shares of Common Stock each year. As of December 31, 1995, the ESOP held 285,757 of allocated shares and 875,464 of unallocated shares. All ESOP shares are considered outstanding for income per share computations.

The Corporation recognized net compensation expense equal to the shares allocated multiplied by the original cost of $40 1/8 per share less dividends received by the ESOP on unallocated shares. Compensation expense related to the ESOP for 1995, 1994 and 1993 was $1.9 million, $1.7 million and $2.0 million, respectively. Dividends paid on unallocated ESOP shares were $1.2 million in 1995, 1994 and 1993. The unearned ESOP compensation balance in stockholders' equity represented deferred compensation expense to be recognized by the Corporation in future years as additional shares are allocated to participants.

14. CAPITAL STOCK AND NET INCOME PER SHARE

As of December 31, 1995, the Corporation had 530,000,000 authorized shares of capital stock. Of this total, 450,000,000 shares were designated as Common Stock, 75,000,000 shares as Class B Common Stock (Class B Stock), and 5,000,000 shares as Preferred Stock, each class having a par value of one dollar per share. As of December 31, 1995, a combined total of 89,975,436 shares of both classes of common stock had been issued of which 77,265,883 shares were outstanding. No shares of the Preferred Stock were issued or outstanding during the three-year period ended December 31, 1995.

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, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is 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 1995, 1994 and 1993, a total of 1,525 shares, 10,300 shares and 4,000 shares, respectively, of Class B Stock were converted into Common Stock.

Hershey Trust Company, as Trustee for the benefit of Milton Hershey School (Milton Hershey School Trust), as institutional fiduciary for estates and trusts unrelated to Milton Hershey School, and as direct owner of investment shares, held a total of 12,300,979 shares of the Common Stock, and as Trustee for the benefit of Milton Hershey School, held 15,153,003 shares of the Class B Stock as of December 31, 1995, and was entitled to cast approximately 76% of the total votes of both classes of the Corporation's common stock. The Milton Hershey School Trust must approve the issuance of shares of Common Stock or any other action which would result in the Milton Hershey School Trust not continuing to have voting control of the Corporation.

In 1993, the Corporation's Board of Directors approved a share repurchase program to acquire from time to time, through open market or privately negotiated transactions, up to $200 million of Common Stock. A total of 3,923,780 shares of Common Stock had been acquired for approximately $197.7 million under the program, of which 264,000 shares were retired and the remaining 3,659,780 shares were held as Treasury Stock as of December 31, 1995.

In August 1995, the Corporation purchased an additional 9,049,773 shares of its Common Stock to be held as Treasury Stock from the Milton Hershey School Trust for $500.0 million. In connection with the share repurchase program begun in 1993, a total of 2,000,000 shares were also acquired from the Milton Hershey School Trust in 1993 for approximately $103.1 million. As of December 31, 1995, a total of 12,709,553 shares were held as Treasury Stock.

Net income per share has been computed based on the weighted average number of shares of the Common Stock and the Class B Stock outstanding during the year. Average shares outstanding were 82,843,541 for 1995, 87,018,626 for 1994 and 89,757,135 for 1993.

15. INCENTIVE PLAN

The long-term portion of the 1987 Key Employee Incentive Plan, as amended (Plan), provides for grants or awards to senior executives and key employees of one or more of the following: performance stock units, non-qualified stock options (stock options), stock appreciation rights and restricted stock units. The Plan also provides for the deferral of performance stock unit awards by participants.

As of December 31, 1995, a total of 133,365 contingent performance stock units had been granted for potential future distribution, primarily related to three-year cycles ending December 31, 1995, 1996 and 1997. Deferred performance stock units and accumulated dividend amounts totaled 211,113 shares as of December 31, 1995.

Stock options are granted at exercise prices of not less than 100% of the fair market value of a share of Common Stock at the time the option is granted and are exercisable for periods no longer than ten years from the date of grant. Each option may be used to purchase one share of Common Stock. No compensation expense is recognized under the stock options portion of the Plan.

No stock appreciation rights or restricted stock units were outstanding as of December 31, 1995. Stock options exercisable as of December 31, 1995 and 1994 were 1,450,900 shares and 1,734,750 shares, respectively.

Stock option activity was as follows:

	SHARES UNDER OPTIONS	
	NUMBER OF SHARES	OPTION PRICE PER SHARE
Outstanding--January 1, 1993	1,716,975	$25 3/8 to 44 3/4
Granted	116,600	$47 to 53
Exercised	(82,850)	$25 3/8 to 35 3/8
Cancelled	(20,300)	$44 3/4
Outstanding--December 31, 1993	1,730,425	$25 3/8 to 53
Granted	963,800	$49
Exercised	(104,975)	$25 3/8 to 44 3/4
Cancelled	(55,300)	$44 3/4 to 49
Outstanding--December 31, 1994	2,533,950	$25 3/8 to 53
Granted	118,700	$48 3/8
Exercised	(421,550)	$25 3/8 to 47
Cancelled	(13,200)	$44 3/4 to 49
Outstanding--December 31, 1995	2,217,900	$25 3/8 to 53

16. SUPPLEMENTAL BALANCE SHEET INFORMATION

ACCOUNTS RECEIVABLE--TRADE

In the normal course of business, the Corporation extends credit to customers which satisfy pre-defined credit criteria. The Corporation believes that it has little concentration of credit risk due to the diversity of its customer base. Receivables, as shown on the consolidated balance sheets, were net of allowances and anticipated discounts of $14.8 million and $14.0 million as of December 31, 1995 and 1994, respectively.

INVENTORIES

The Corporation values the majority of its inventories under the last-in, first-out (LIFO) method and the remaining inventories at the lower of first-in, first-out (FIFO) cost or market. LIFO cost of inventories valued using the LIFO method was $282.0 million and $318.5 million as of December 31, 1995 and 1994, respectively, and all inventories were stated at amounts that did not exceed realizable values. Total inventories were as follows:

DECEMBER 31,	1995	1994
IN THOUSANDS OF DOLLARS		
Raw materials	$189,371	$234,317
Goods in process	28,201	28,680
Finished goods	249,106	247,272
Inventories at FIFO	466,678	510,269
Adjustment to LIFO	(69,108)	(64,567)
Total inventories	$397,570	$445,702

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment balances included construction in progress of $119.5 million and $76.9 million as of December 31, 1995 and 1994, respectively. Major classes of property, plant and equipment were as follows:

DECEMBER 31,	1995	1994
IN THOUSANDS OF DOLLARS		
Land	$ 35,385	$ 50,678
Buildings	471,663	467,950
Machinery and equipment	1,683,338	1,604,901
Property, plant and equipment, gross	2,190,386	2,123,529
Accumulated depreciation	(754,377)	(655,132)
Property, plant and equipment, net	$1,436,009	$1,468,397

ACCRUED LIABILITIES

Accrued liabilities were as follows:

DECEMBER 31,	1995	1994
IN THOUSANDS OF DOLLARS		
Payroll and other compensation	$ 97,710	$ 67,155
Advertising and promotion	87,368	81,561
Other	115,471	116,567
Total accrued liabilities	$ 300,549	$ 265,283

OTHER LONG-TERM LIABILITIES

Other long-term liabilities were as follows:

DECEMBER 31,	1995	1994
IN THOUSANDS OF DOLLARS		
Accrued post-retirement benefits	$ 204,044	$ 198,251
Other	129,770	104,805
Total other long-term liabilities	$ 333,814	$ 303,056

17. SEGMENT INFORMATION

The Corporation operates in a single consumer foods line of business, encompassing the domestic and foreign manufacture, distribution and sale of chocolate, confectionery, grocery and pasta products. The Corporation's principal operations and markets are located in the United States.

Operations in Canada and Europe represent the majority of the Corporation's foreign business. Historically, transfers of product between geographic areas have not been significant. In 1995 and 1994, sales to Wal-Mart Stores, Inc. and Subsidiaries amounted to approximately 11% and 10% of total net sales, respectively. Net sales, income before interest, income taxes and accounting changes, and identifiable assets by geographic segment were as follows:

FOR THE YEARS ENDED DECEMBER 31,	1995	1994	1993
IN THOUSANDS OF DOLLARS			
Net sales:			
Domestic	$3,218,935	$3,124,155	$3,080,329
Foreign	471,732	482,116	407,920
Total	$3,690,667	$3,606,271	$3,488,249
Income (loss) before interest, income taxes and accounting changes:			
Domestic	$ 499,161	$ 446,585	$ 446,565
Foreign	11,625	(78,090)	10,663
Gain on sale of investment interest	--	--	80,642
Total	$ 510,786	$ 368,495	$ 537,870
Identifiable assets as of December 31:			
Domestic	$2,336,078	$2,338,184	$2,281,766
Foreign	494,545	552,797	573,325
Total	$2,830,623	$2,890,981	$2,855,091

18. QUARTERLY DATA (UNAUDITED)

Summary quarterly results were as follows:

YEAR 1995	FIRST	SECOND	THIRD	FOURTH
IN THOUSANDS EXCEPT PER SHARE AMOUNTS				
Net sales	$867,446	$722,269	$981,101	$1,119,851
Gross profit	364,085	298,506	408,658	493,144
Net income	60,633	33,323	82,127	105,836(a)
Net income per share(b)	.70	.38	1.02	1.37

YEAR 1994	FIRST	SECOND	THIRD	FOURTH
IN THOUSANDS EXCEPT PER SHARE AMOUNTS				
Net sales	$883,890	$675,983	$966,511	$1,079,887
Gross profit	357,162	272,883	404,543	474,127
Net income	53,016	25,325	81,063	24,815(c)
Net income per share	.61	.29	.93	.29

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(a) Net income for the fourth quarter and year 1995 included a net after-tax credit of $2.0 million associated with adjustments to accrued restructuring reserves. Net income per share was similarly impacted.

(b) Quarterly income per share amounts for 1995 do not total to the annual amount due to the changes in weighted average shares outstanding during the year.

(c) Net income for the fourth quarter and year 1994 included an after-tax restructuring charge of $80.2 million. Net income per share was similarly impacted.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Hershey Foods Corporation is responsible for the financial statements and other financial information contained in this report. The Corporation believes that the financial statements have been prepared in conformity with 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.

The Corporation maintains 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. The Corporation believes its system provides an appropriate balance in this regard. The Corporation maintains an Internal Audit Department which reviews the adequacy and tests the application of internal accounting controls.

The financial statements have been audited by Arthur Andersen LLP, independent public accountants, whose appointment was ratified by stockholder vote at the stockholders' meeting held on April 24, 1995. Their report expresses an opinion that the Corporation's financial statements are fairly stated in conformity with generally accepted accounting principles, and they have indicated to us that their examination was performed in accordance with generally accepted auditing standards which are designed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Hershey Foods Corporation:

We have audited the accompanying consolidated balance sheets of Hershey Foods Corporation (a Delaware Corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995, appearing on pages A-9 through A-26. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hershey Foods Corporation and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

As discussed in Notes 10 and 12 to the consolidated financial statements, effective January 1, 1993, the Corporation changed its methods of accounting for income taxes and post-retirement benefits other than pensions.

/s/ Arthur Andersen

New York, New York
January 25, 1996

HERSHEY FOODS CORPORATION

ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

ALL DOLLAR AND SHARE AMOUNTS IN THOUSANDS EXCEPT MARKET PRICE AND PER SHARE STATISTICS

	10-YEAR COMPOUND GROWTH RATE	1995	1994	1993
SUMMARY OF OPERATIONS(a)				
Net Sales	9.2%	$3,690,667	3,606,271	3,488,249
Cost of Sales	8.0%	$2,126,274	2,097,556	1,995,502
Selling, Marketing and Administrative	11.8%	$1,053,758	1,034,115	1,035,519
Restructuring Credit, (Charge) and Gain, Net		$ 151	(106,105)	--
Gain on Sale of Investment Interest		$ --	--	80,642
Interest Expense, Net	15.9%	$ 44,833	35,357	26,995
Income Taxes	7.2%	$ 184,034	148,919	213,642
Income from Continuing Operations Before Accounting Changes	11.3%	$ 281,919	184,219	297,233
Net Cumulative Effect of Accounting Changes		$ --	--	(103,908)
Discontinued Operations		$ --	--	--
Net Income	9.6%	$ 281,919	184,219	193,325
Income Per Share:				
From Continuing Operations Before Accounting Changes(b)	12.7%	$ 3.40(g)	2.12(h)	3.31(i)
Net Cumulative Effect of Accounting Changes		$ --	--	(1.16)
Net Income(b)	11.1%	$ 3.40(g)	2.12(h)	2.15(i)
Weighted Average Shares Outstanding(b)		82,844	87,019	89,757
Dividends Paid on Common Stock	9.3%	$ 91,190	89,660	84,711
Per Share(b)	11.2%	$ 1.370	1.250	1.140
Dividends Paid on Class B Common Stock	11.2%	$ 18,900	17,301	15,788
Per Share(b)	11.2%	$ 1.240	1.135	1.035
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales		7.6%	7.3%(c)	7.4%(d)
Depreciation	15.5%	$ 119,438	114,821	100,124
Advertising	7.5%	$ 159,200	120,629	130,009
Promotion	14.3%	$ 402,454	419,164	444,546
Payroll	7.6%	$ 461,928	472,997	469,564
YEAR-END POSITION AND STATISTICS(a)				
Capital Additions	8.6%	$ 140,626	138,711	211,621
Total Assets	9.8%	$2,830,623	2,890,981	2,855,091
Long-term Portion of Debt	15.2%	$ 357,034	157,227	165,757
Stockholders' Equity	4.1%	$1,082,959	1,441,100	1,412,344
Net Book Value Per Share(b)	6.1%	$ 14.02	16.61	16.12
Operating Return on Average Stockholders' Equity		22.2%	18.5%	17.8%
Operating Return on Average Invested Capital		17.1%	15.6%	15.0%
Full-time Employees		13,300	14,000	14,300
STOCKHOLDERS' DATA				
Outstanding Shares of Common Stock and Class B Common Stock at Year-end(b)		77,266	86,735	87,613
Market Price of Common Stock at Year-end(b)	14.3%	$ 65	48 3/8	49
Range During Year(b)		$67 7/8-48	53 1/2-41 1/8	55 7/8-43 1/2

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See Notes to the Eleven-Year Consolidated Financial Summary on page A-31.

	1992	1991	1990	1989	1988	1987
SUMMARY OF OPERATIONS(a)						
Net Sales	3,219,805	2,899,165	2,715,609	2,420,988	2,168,048	1,863,816
Cost of Sales	1,833,388	1,694,404	1,588,360	1,455,612	1,326,458	1,149,663
Selling, Marketing and Administrative	958,189	814,459	776,668	655,040	575,515	468,062
Restructuring Credit, (Charge) and Gain, Net	--	--	35,540	--	--	--
Gain on Sale of Investment Interest	--	--	--	--	--	--
Interest Expense, Net	27,240	26,845	24,603	20,414	29,954	22,413
Income Taxes	158,390	143,929	145,636	118,868	91,615	99,604
Income from Continuing Operations Before Accounting Changes	242,598	219,528	215,882	171,054	144,506	124,074
Net Cumulative Effect of Accounting Changes	--	--	--	--	--	--
Discontinued Operations	--	--	--	--	69,443	24,097
Net Income	242,598	219,528	215,882	171,054	213,949	148,171
Income Per Share:						
From Continuing Operations Before Accounting Changes(b)	2.69	2.43	2.39(j)	1.90	1.60	1.38
Net Cumulative Effect of Accounting Changes	--	--	--	--	--	--
Net Income(b)	2.69	2.43	2.39(j)	1.90	2.37	1.64
Weighted Average Shares Outstanding(b)	90,186	90,186	90,186	90,186	90,186	90,186
Dividends Paid on Common Stock	77,174	70,426	74,161(e)	55,431	49,433	43,436
Per Share(b)	1.030	.940	.990(e)	.740	.660	.580
Dividends Paid on Class B Common Stock	14,270	12,975	13,596(e)	10,161	9,097	8,031
Per Share(b)	.935	.850	.890(e)	.665	.595	.525
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales	7.5%	7.6%	7.2%(f)	7.1%	6.7%	6.7%
Depreciation	84,434	72,735	61,725	54,543	43,721	35,397
Advertising	137,631	117,049	146,297	121,182	99,082	97,033
Promotion	398,577	325,465	315,242	256,237	230,187	171,162
Payroll	433,162	398,661	372,780	340,129	298,483	263,529
YEAR-END POSITION AND STATISTICS(a)						
Capital Additions	249,795	226,071	179,408	162,032	101,682	68,504
Total Assets	2,672,909	2,341,822	2,078,828	1,814,101	1,764,665	1,544,354
Long-term Portion of Debt	174,273	282,933	273,442	216,108	233,025	280,900
Stockholders' Equity	1,465,279	1,335,251	1,243,537	1,117,050	1,005,866	832,410
Net Book Value Per Share(b)	16.25	14.81	13.79	12.39	11.15	9.23
Operating Return on Average Stockholders' Equity	17.3%	17.0%	16.6%	16.1%	17.5%	19.0%
Operating Return on Average Invested Capital	14.4%	13.8%	13.4%	13.2%	13.3%	13.5%
Full-time Employees	13,700	14,000	12,700	11,800	12,100	10,540
STOCKHOLDERS' DATA						
Outstanding Shares of Common Stock and Class B Common Stock at Year-end(b)	90,186	90,186	90,186	90,186	90,186	90,186
Market Price of Common Stock at Year-end(b)	47	44 3/8	37 1/2	35 7/8	26	24 1/2
Range During Year(b)	48 3/8-38 1/4	44 1/2-35 1/8	39 5/8-28 1/4	36 7/8-24 3/4	28 5/8-21 7/8	37 3/4-20 3/4

	1986	1985
SUMMARY OF OPERATIONS(a)		
Net Sales	1,635,486	1,526,584
Cost of Sales	1,032,061	982,370
Selling, Marketing and Administrative	387,227	345,299
Restructuring Credit, (Charge) and Gain, Net	--	--
Gain on Sale of Investment Interest	--	--
Interest Expense, Net	8,061	10,240
Income Taxes	100,931	91,910
Income from Continuing Operations Before Accounting Changes	107,206	96,765
Net Cumulative Effect of Accounting Changes	--	--
Discontinued Operations	25,558	15,462
Net Income	132,764	112,227
Income Per Share:		
From Continuing Operations Before Accounting Changes(b)	1.15	1.03
Net Cumulative Effect of Accounting Changes	--	--
Net Income(b)	1.42	1.19
Weighted Average Shares Outstanding(b)	93,508	94,011
Dividends Paid on Common Stock	40,930	37,386
Per Share(b)	.520	.475
Dividends Paid on Class B Common Stock	7,216	6,556
Per Share(b)	.472	.428
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales	6.6%	6.3%
Depreciation	31,254	28,348
Advertising	83,600	77,135
Promotion	122,508	105,401
Payroll	238,742	222,267
YEAR-END POSITION AND STATISTICS(a)		
Capital Additions	74,452	61,361
Total Assets	1,262,332	1,116,074
Long-term Portion of Debt	185,676	86,986
Stockholders' Equity	727,941	727,899
Net Book Value Per Share(b)	8.07	7.74
Operating Return on Average Stockholders' Equity	18.2%	17.2%
Operating Return on Average Invested Capital	13.5%	13.5%
Full-time Employees	10,210	10,380
STOCKHOLDERS' DATA		
Outstanding Shares of Common Stock and Class B Common Stock at Year-end(b)	90,186	94,011
Market Price of Common Stock at Year-end(b)	24 5/8	17 1/8
Range During Year(b)	30-15 1/2	18 3/8-11 5/8

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NOTES TO THE ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

(a) All amounts for years prior to 1988 have been restated for discontinued operations, where applicable. Operating Return on Average Stockholders' Equity and Operating Return on Average Invested Capital have been computed using Net Income, excluding the 1988 gain and 1985 loss on disposal included in Discontinued Operations, the 1993 Net Cumulative Effect of Accounting Changes, and the after-tax impacts of the 1990 Restructuring Gain, Net, the 1993 Gain on Sale of the Investment Interest in Freia Marabou a.s (Freia), the 1994 Restructuring Charge and the net 1995 Restructuring Credit.

(b) All shares and per share amounts have been adjusted for the three-for-one stock split effective September 15, 1986.

(c) Calculated percent excludes the 1994 Restructuring Charge. Including the charge, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 5.1%.

(d) Calculated percent excludes the Gain on Sale of Investment Interest in Freia. Including the gain, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 8.5%.

(e) Amounts included a special dividend for 1990 of $11.2 million or $.15 per share of Common Stock and $2.1 million or $.135 per share of Class B Common Stock.

(f) Calculated percent excludes the 1990 Restructuring Gain, Net. Including the gain, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 7.9%.

(g) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1995 included a net $.02 per share credit associated with adjustments to accrued restructuring reserves. Excluding the impact of this net credit, Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share would have been $3.38.

(h) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1994 included a $.92 per share restructuring charge. Excluding the impact of this charge, Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share would have been $3.04.

(i) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1993 included a $.45 per share gain on the sale of the investment interest in Freia. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes would have been $2.86.

(j) Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share for 1990 included a $.22 per share Restructuring Gain, Net. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes and Net Income Per Share would have been $2.17.

SUBSIDIARIES OF REGISTRANT

The following is a listing of Subsidiaries of the Corporation, their jurisdictions of incorporation, and the name under which they do business. Each is wholly owned. Certain subsidiaries are not listed since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary as of December 31, 1995.

Name of Subsidiary	Jurisdiction of Incorporation
Hershey Canada Inc.	Canada
Hershey Holding Corporation	Delaware
Homestead, Inc.	Delaware
Sperlari S.r.l.	Italy

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HERSHEY FOODS CORPORATION'S CONSOLIDATED CONDENSED BALANCE SHEET AS OF DECEMBER 31, 1995 AND CONDOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR
DEC-31-1995
DEC-31-1995
32,346
0
326,024
0
397,570
922,323
2,190,386
754,377
2,830,623
864,355
357,034
0
0
89,975
992,984
2,830,623
3,690,667
3,690,667
2,126,274
3,180,032
151
0
44,833
465,953
184,034
281,919
0
0
0
281,919
3.40
0

BALANCE IS NET OF RESERVES FOR DOUBTFUL ACCOUNTS AND CASH DISCOUNTS.

RELATES TO A PRE-TAX RESTRUCTURING CHARGE OF $16.6 MILLION RELATED TO A VOLUNTARY RETIREMENT PROGRAM OFFSET BY A $16.7 MILLION REVERSAL OF 1994 ACCRUED RESTRUCTURING RESERVES.