

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

January 26, 2005

Date of Report (Date of earliest event reported)

Hershey Foods Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-183

(Commission File Number)

23-0691590

(IRS Employer Identification No.)

100 Crystal A Drive, Hershey, Pennsylvania 17033

(Address of Principal Executive Offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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INFORMATION TO BE INCLUDED IN REPORT

Item 2.02 Results of Operations and Financial Condition

On January 26, 2005, Hershey Foods Corporation ("the Company") announced sales and earnings for the fourth quarter and full year ended December 31, 2004. A copy of the Company's press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information in this Current Report, including the Exhibit, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated January 26, 2005

SIGNATURE

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

Date: January 26, 2005

HERSHEY FOODS CORPORATION

By: /s/David J. West
David J. West
Senior Vice President,
Chief Financial Officer

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Hershey Foods Corporation Press Release dated January 26, 2005

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**HERSHEY FOODS ANNOUNCES RECORD FOURTH QUARTER
AND FULL-YEAR RESULTS**

HERSHEY, Pa., January 26, 2005 — Hershey Foods Corporation (NYSE:HSY) today announced record sales and earnings from operations for the fourth quarter ended December 31, 2004. Consolidated net sales were \$1,267,963,000 compared with \$1,179,255,000 for the fourth quarter of 2003. Net income for the fourth quarter of 2004 was \$170,286,000, or \$.68 per share-diluted, compared with \$144,938,000, or \$.55 per share diluted, for the comparable period of 2003.

For the fourth quarter of 2003, these results, prepared in accordance with generally accepted accounting principals (GAAP), include a pre-tax charge of \$11.8 million, or \$.03 per share-diluted, relating to business rationalization and realignment initiatives. Net income for the fourth quarter of 2004 was \$170,286,000, or \$.68 per share-diluted, compared with \$152,131,000, or \$.58 per share-diluted, after excluding the item described above, for the fourth quarter of 2003, an increase of 17.2 percent.

Record Full-Year Results from Operations

For the full year 2004, consolidated net sales were \$4,429,248,000 compared with \$4,172,551,000 for 2003, an increase of 6.2 percent. Net income for 2004 was \$590,879,000, or \$2.30 per share-diluted, compared with \$457,584,000, or \$1.73 per share-diluted, for 2003.

Net income for 2004 includes the benefit of a \$61.1 million, or \$.24 per share-diluted, non-cash reduction of income tax expense resulting from the second quarter adjustment to tax reserves following the completion of prior years' tax audits. Net income for 2003 includes an after-tax charge of \$7.4 million, or \$.03 per share-diluted, associated with the cumulative effect of the change in accounting for the Company's leases for certain warehouse and distribution facilities. The results for 2003 also include pre-tax charges related to business rationalization and realignment initiatives of \$25.5 million, or \$.05 per share-diluted, and a pre-tax gain on the sale of certain gum brands of \$8.3 million, or \$.02 per share-diluted.

A discussion of the non-cash reduction of income tax expense is contained in Note 15 of the Company's Form 10-Q for the quarterly period ended October 3, 2004. The components of the 2003 brand and product rationalization initiatives and realignment of the sales organization are described in Management's Discussion and Analysis, and Note 4 to the Consolidated Financial Statements, contained in the Company's 2003 Annual Report on Form 10-K.

Excluding the items mentioned above, net income for 2004 was \$529,798,000, or \$2.06 per share-diluted, compared with \$474,734,000, or \$1.79 per share-diluted, for 2003, an increase of 15.1 percent.

Fourth Quarter Performance

Hershey's fourth quarter sales increased by 7.5 percent, primarily attributable to strong unit volume growth for new products and limited editions. Despite higher commodity costs and expenses associated with new product introductions, earnings before interest and taxes grew by 11.7 percent, after excluding the charges for business rationalization and realignment in 2003. Shares outstanding declined as a result of the share purchase from the Milton Hershey School Trust in July, contributing to an increase of 17.2 percent in earnings per share-diluted.

"The fourth quarter was excellent," said Richard H. Lenny, Chairman, President, and Chief Executive Officer. "Strong sales growth fueled by new products and more efficient trade spending combined with solid cost control to deliver record profitability. Marketplace momentum accelerated as we gained market share in all major classes of trade. For the year, Hershey delivered record sales, earnings, and returns despite significant cost pressures. This performance further validates the sustainability of our value-enhancing strategy.

"We expect this momentum to continue in 2005 behind additional consumer-driven innovation and superior performance across the value chain, both within core confectionery and the broader snack market. We expect organic net sales to grow near the top of our long-term objective of 3 to 4 percent, before the benefit of the business acquisitions completed in 2004. Earnings per share-diluted should increase within our long-range goal of 9 to 11 percent," Lenny concluded.

Note: In this sales and earnings release, Hershey has provided income measures excluding certain items described above, in addition to income determined in accordance with GAAP. These non-GAAP financial measures, as shown in the attached pro forma income statements, are used in evaluating results of operations for internal purposes. These non-GAAP measures are not intended to replace the presentation of financial results in accordance with GAAP. Rather, the Company believes exclusion of such items provides additional information to investors to facilitate the comparison of past and present operations.

Safe Harbor Statement

This release contains statements which are forward-looking. These statements are made based upon current expectations which are subject to risk and uncertainty. Actual results may differ materially from those contained in the forward-looking statements. Factors which could cause results to differ materially include, but are not limited to: changes in the confectionery and grocery business environment, including actions of competitors and changes in confectionery preferences; customer and consumer response to selling price increases; changes in governmental laws and regulations, including taxes; market demand for new and existing products; changes in raw material and other costs; pension cost factors such as actuarial assumptions, market performance, and employee retirement decisions; adequacy of the Company's bad debt reserve; and the Company's ability to implement improvements to reduce costs associated with its supply chain, as discussed in the Company's Annual Report on Form 10-K for 2003.

Live Webcast

As previously announced, the Company will hold a conference call with analysts today at 10 a.m. Eastern Time. The conference call will be webcast live via Hershey's corporate Web site www.hersheyfoods.com. Please go to the Investor Relations Section of the Web site for further details.

Media Contact: Stephanie L. Moritz (717) 508-3238
Financial Contact: James A. Edris (717) 534-7556

Hershey Foods Corporation
Summary of Consolidated Statements of Income
for the periods ended December 31, 2004 and December 31, 2003
(in thousands of dollars except per share amounts)

Fourth Quarter

Twelve Months

	2004	2003	2004	2003
	----	----	----	----
Net Sales	\$1,267,963	\$1,179,255	\$4,429,248	\$4,172,551
Costs and Expenses:				
Cost of Sales	764,287	708,292	2,679,531	2,544,726
Selling, Marketing and Administrative	217,150	215,395	847,540	816,442
Business Realignment Charge, net	---	10,908	---	23,357
Gain on Sale of Business	---	---	---	(8,330)
Total Costs and Expenses	981,437	934,595	3,527,071	3,376,195
Income Before Interest and Income Taxes (EBIT)	286,526	244,660	902,177	796,356
Interest Expense, net	17,939	16,116	66,533	63,529
Income Before Income Taxes	268,587	228,544	835,644	732,827
Provision for Income Taxes	98,301	83,606	244,765	267,875
Income Before Accounting Change	170,286	144,938	590,879	464,952
Cumulative Effect of Accounting Change, net of tax	---	---	---	7,368
Net Income	\$170,286	\$144,938	\$590,879	\$457,584
Net Income Per Share Before Cumulative Effect of Accounting Change - Basic - Common	\$0.71	\$0.57	\$2.38	\$1.81
- Basic - Class B	\$0.64	\$0.52	\$2.17	\$1.64
- Diluted	\$0.68	\$0.55	\$2.30	\$1.76
Net Income Per Share - Basic - Common	\$0.71	\$0.57	\$2.38	\$1.78
- Basic - Class B	\$0.64	\$0.52	\$2.17	\$1.61
- Diluted	\$0.68	\$0.55	\$2.30	\$1.73
Shares Outstanding - Basic - Common	186,032	199,456	193,037	201,768
- Basic - Class B	60,842	60,844	60,844	60,844
- Diluted	250,457	262,564	256,827	264,532
Key Margins:				
Gross Margin	39.7%	39.9%	39.5%	39.0%
EBIT Margin	22.6%	20.7%	20.4%	19.1%
Net Margin	13.4%	12.3%	13.3%	11.0%

Hershey Foods Corporation
Pro Forma Summary of Consolidated Statements of Income
for the periods ended December 31, 2004 and December 31, 2003
(in thousands of dollars except per share amounts)

	Fourth Quarter		Twelve Months	
	2004	2003	2004	2003
	----	----	----	----
Net Sales	\$1,267,963	\$1,179,255	\$4,429,248	\$4,172,551
Costs and Expenses:				
Cost of Sales	764,287	707,411 (a)	2,679,531	2,542,606 (a)
Selling, Marketing and Administrative	217,150	215,395	847,540	816,442
Business Realignment Charge, net	---	---	(b)	---
Gain on Sale of Business	---	---	---	(c)
Total Costs and Expenses	981,437	922,806	3,527,071	3,359,048
Income Before Interest and Income Taxes (EBIT)	286,526	256,449	902,177	813,503
Interest Expense, net	17,939	16,116	66,533	63,529
Income Before Income Taxes	268,587	240,333	835,644	749,974
Provision for Income Taxes	98,301	88,202	305,846 (d)	275,240
Net Income	\$ 170,286	\$ 152,131	\$ 529,798	\$ 474,734
Net Income Per Share - Basic - Common	\$ 0.71	\$ 0.60	\$ 2.14	\$ 1.85
- Basic - Class B	\$ 0.64	\$ 0.54	\$ 1.94	\$ 1.67
- Diluted	\$ 0.68	\$ 0.58	\$ 2.06	\$ 1.79

Shares Outstanding - Basic - Common	186,032	199,456	193,037	201,768
- Basic - Class B	60,842	60,844	60,844	60,844
- Diluted	250,457	262,564	256,827	264,532

Key Margins:

Adjusted Gross Margin	39.7%	40.0%	39.5%	39.1%
Adjusted EBIT Margin	22.6%	21.7%	20.4%	19.5%
Adjusted Net Margin	13.4%	12.9%	12.0%	11.4%

- (a) Excludes business realignment charge of \$.9 million pre-tax or \$.5 million after-tax for the fourth quarter and \$2.1 million pre-tax or \$1.3 million after-tax for the twelve months.
- (b) Excludes business realignment charge of \$10.9 million pre-tax or \$6.7 million after-tax for the fourth quarter and \$23.4 million pre-tax or \$14.2 million after-tax for the twelve months.
- (c) Excludes gain on sale of business of \$8.3 million pre-tax or \$5.7 million after-tax for the twelve months.
- (d) Excludes tax adjustment of \$(61.1) million for the twelve months, reflecting the completion of prior years' tax audits.

Hershey Foods Corporation
Consolidated Balance Sheets
as of December 31, 2004 and December 31, 2003
(in thousands of dollars)

Assets	2004	2003
Cash and Cash Equivalents	\$54,837	\$114,793
Accounts Receivable - Trade (Net)	408,930	407,612
Deferred Income Taxes	46,503	13,285
Inventories	557,180	492,859
Prepaid Expenses and Other	114,991	103,020
Total Current Assets	1,182,441	1,131,569
Net Plant and Property	1,682,698	1,661,939
Goodwill	463,947	388,960
Other Intangibles	125,233	38,511
Other Assets	343,212	361,561
Total Assets	\$3,797,531	\$3,582,540
Liabilities and Stockholders' Equity		
Loans Payable	\$622,320	\$12,509
Accounts Payable	148,686	132,222
Accrued Liabilities	472,096	416,181
Taxes Payable	42,280	24,898
Total Current Liabilities	1,285,382	585,810
Long-Term Debt	690,602	968,499
Other Long-Term Liabilities	403,356	370,776
Deferred Income Taxes	328,889	377,589
Total Liabilities	2,708,229	2,302,674
Total Stockholders' Equity	1,089,302	1,279,866
Total Liabilities and Stockholders' Equity	\$3,797,531	\$3,582,540