

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

For the years ended December 31,	2018	2017	2016
Net sales	\$ 7,791,069	\$ 7,515,426	\$ 7,440,181
Cost of sales	4,215,744	4,060,050	4,270,642
Gross profit	3,575,325	3,455,376	3,169,539
Selling, marketing and administrative expense	1,874,829	1,885,492	1,891,305
Long-lived and intangible asset impairment charges	57,729	208,712	4,204
Business realignment costs	19,103	47,763	18,857
Operating profit	1,623,664	1,313,409	1,255,173
Interest expense, net	138,837	98,282	90,143
Other (income) expense, net	74,766	104,459	65,549
Income before income taxes	1,410,061	1,110,668	1,099,481
Provision for income taxes	239,010	354,131	379,437
Net income including noncontrolling interest	1,171,051	756,537	720,044
Less: Net loss attributable to noncontrolling interest	(6,511)	(26,444)	—
Net income attributable to The Hershey Company	<u>\$ 1,177,562</u>	<u>\$ 782,981</u>	<u>\$ 720,044</u>
Net income per share—basic:			
Common stock	\$ 5.76	\$ 3.79	\$ 3.45
Class B common stock	\$ 5.24	\$ 3.44	\$ 3.15
Net income per share—diluted:			
Common stock	\$ 5.58	\$ 3.66	\$ 3.34
Class B common stock	\$ 5.22	\$ 3.44	\$ 3.14
Dividends paid per share:			
Common stock	\$ 2.756	\$ 2.548	\$ 2.402
Class B common stock	\$ 2.504	\$ 2.316	\$ 2.184

See Notes to Consolidated Financial Statements.

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

December 31,	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 587,998	\$ 380,179
Accounts receivable—trade, net	594,145	588,262
Inventories	784,879	752,836
Prepaid expenses and other	272,159	280,633
Total current assets	2,239,181	2,001,910
Property, plant and equipment, net	2,130,294	2,106,697
Goodwill	1,801,103	821,061
Other intangibles	1,278,292	369,156
Other assets	252,984	251,879
Deferred income taxes	1,166	3,023
Total assets	<u>\$ 7,703,020</u>	<u>\$ 5,553,726</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 502,314	\$ 523,229
Accrued liabilities	679,163	676,134
Accrued income taxes	33,773	17,723
Short-term debt	1,197,929	559,359
Current portion of long-term debt	5,387	300,098
Total current liabilities	2,418,566	2,076,543
Long-term debt	3,254,280	2,061,023
Other long-term liabilities	446,048	438,939
Deferred income taxes	176,860	45,656
Total liabilities	<u>6,295,754</u>	<u>4,622,161</u>
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2018 and 2017	—	—
Common stock, shares issued: 299,287,967 in 2018 and 299,281,967 in 2017	299,287	299,281
Class B common stock, shares issued: 60,613,777 in 2018 and 60,619,777 in 2017	60,614	60,620
Additional paid-in capital	982,205	924,978
Retained earnings	7,032,020	6,371,082
Treasury—common stock shares, at cost: 150,172,840 in 2018 and 149,040,927 in 2017	(6,618,625)	(6,426,877)
Accumulated other comprehensive loss	(356,780)	(313,746)
Total—The Hershey Company stockholders' equity	1,398,721	915,338
Noncontrolling interest in subsidiary	8,545	16,227
Total stockholders' equity	1,407,266	931,565
Total liabilities and stockholders' equity	<u>\$ 7,703,020</u>	<u>\$ 5,553,726</u>

See Notes to Consolidated Financial Statements.

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

For the years ended December 31,	2018	2017	2016
Operating Activities			
Net income including noncontrolling interest	\$ 1,171,051	\$ 756,537	\$ 720,044
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	295,144	261,853	301,837
Stock-based compensation expense	49,286	51,061	54,785
Deferred income taxes	36,255	18,582	(38,097)
Impairment of long-lived and intangible assets (see Notes 3 and 7)	57,729	208,712	4,204
Write-down of equity investments	50,329	66,209	43,482
Gain on settlement of SGM liability (see Note 2)	—	—	(26,650)
Other	37,278	77,291	51,375
Changes in assets and liabilities, net of business acquisitions and divestitures:			
Accounts receivable—trade, net	8,585	(6,881)	21,096
Inventories	(12,746)	(71,404)	13,965
Prepaid expenses and other current assets	(39,899)	18,214	(42,955)
Accounts payable and accrued liabilities	(100,252)	(52,960)	(63,467)
Accrued income taxes	75,568	(71,027)	(937)
Contributions to pension and other benefit plans	(25,864)	(56,433)	(41,697)
Other assets and liabilities	(2,471)	49,761	16,443
Net cash provided by operating activities	1,599,993	1,249,515	1,013,428
Investing Activities			
Capital additions (including software)	(328,601)	(257,675)	(269,476)
Proceeds from sales of property, plant and equipment and other long-lived assets	49,759	7,609	3,651
Proceeds from sales of businesses, net of cash and cash equivalents divested	167,048	—	—
Equity investments in tax credit qualifying partnerships	(52,641)	(78,598)	(44,255)
Business acquisitions, net of cash and cash equivalents acquired	(1,338,459)	—	(285,374)
Net cash used in investing activities	(1,502,894)	(328,664)	(595,454)
Financing Activities			
Net increase (decrease) in short-term debt	645,805	(81,426)	275,607
Long-term borrowings	1,199,845	954	792,953
Repayment of long-term debt	(910,844)	—	(500,000)
Repayment of tax receivable obligation	(72,000)	—	—
Payment of SGM liability (see Note 2)	—	—	(35,762)
Cash dividends paid	(562,521)	(526,272)	(499,475)
Repurchase of common stock	(247,500)	(300,312)	(592,550)
Exercise of stock options	63,323	63,288	94,831
Net cash provided by (used in) financing activities	116,108	(843,768)	(464,396)
Effect of exchange rate changes on cash and cash equivalents	(5,388)	6,129	(3,140)
Increase (decrease) in cash and cash equivalents	207,819	83,212	(49,562)
Cash and cash equivalents, beginning of period	380,179	296,967	346,529
Cash and cash equivalents, end of period	\$ 587,998	\$ 380,179	\$ 296,967
Supplemental Disclosure			
Interest paid	\$ 132,486	\$ 101,874	\$ 90,951
Income taxes paid	118,842	351,832	425,539

See Notes to Consolidated Financial Statements.