

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

<b>For the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net sales</b>	\$ 7,440,181	\$ 7,386,626	\$ 7,421,768
Cost of sales	4,282,290	4,003,951	4,085,602
<b>Gross profit</b>	<b>3,157,891</b>	<b>3,382,675</b>	<b>3,336,166</b>
Selling, marketing and administrative expense	1,915,378	1,969,308	1,898,284
Goodwill and other intangible asset impairment charges	4,204	280,802	15,900
Business realignment costs	32,526	94,806	29,721
<b>Operating profit</b>	<b>1,205,783</b>	<b>1,037,759</b>	<b>1,392,261</b>
Interest expense, net	90,143	105,773	83,532
Other (income) expense, net	16,159	30,139	2,686
<b>Income before income taxes</b>	<b>1,099,481</b>	<b>901,847</b>	<b>1,306,043</b>
Provision for income taxes	379,437	388,896	459,131
<b>Net income</b>	<b>\$ 720,044</b>	<b>\$ 512,951</b>	<b>\$ 846,912</b>
<b>Net income per share—basic:</b>			
Common stock	\$ 3.45	\$ 2.40	\$ 3.91
Class B common stock	\$ 3.15	\$ 2.19	\$ 3.54
<b>Net income per share—diluted:</b>			
Common stock	\$ 3.34	\$ 2.32	\$ 3.77
Class B common stock	\$ 3.14	\$ 2.19	\$ 3.52
<b>Dividends paid per share:</b>			
Common stock	\$ 2.402	\$ 2.236	\$ 2.040
Class B common stock	\$ 2.184	\$ 2.032	\$ 1.842

See Notes to Consolidated Financial Statements.

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

December 31,	2016	2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 296,967	\$ 346,529
Accounts receivable—trade, net	581,381	599,073
Inventories	745,678	750,970
Prepaid expenses and other	192,752	152,026
Total current assets	1,816,778	1,848,598
<b>Property, plant and equipment, net</b>	2,177,248	2,240,460
<b>Goodwill</b>	812,344	684,252
<b>Other intangibles</b>	492,737	379,305
<b>Other assets</b>	168,365	155,366
<b>Deferred income taxes</b>	56,861	36,390
Total assets	<u>\$ 5,524,333</u>	<u>\$ 5,344,371</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 522,536	\$ 474,266
Accrued liabilities	750,986	856,967
Accrued income taxes	3,207	23,243
Short-term debt	632,471	363,513
Current portion of long-term debt	243	499,923
Total current liabilities	1,909,443	2,217,912
<b>Long-term debt</b>	2,347,455	1,557,091
<b>Other long-term liabilities</b>	400,161	468,718
<b>Deferred income taxes</b>	39,587	53,188
Total liabilities	<u>4,696,646</u>	<u>4,296,909</u>
<b>Stockholders' equity:</b>		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2016 and 2015	—	—
Common stock, shares issued: 299,281,967 in 2016 and 2015	299,281	299,281
Class B common stock, shares issued: 60,619,777 in 2016 and 2015	60,620	60,620
Additional paid-in capital	869,857	783,877
Retained earnings	6,115,961	5,897,603
Treasury—common stock shares, at cost: 147,642,009 in 2016 and 143,124,384 in 2015	(6,183,975)	(5,672,359)
Accumulated other comprehensive loss	(375,888)	(371,025)
Total—The Hershey Company stockholders' equity	785,856	997,997
Noncontrolling interests in subsidiaries	41,831	49,465
Total stockholders' equity	827,687	1,047,462
Total liabilities and stockholders' equity	<u>\$ 5,524,333</u>	<u>\$ 5,344,371</u>

See Notes to Consolidated Financial Statements.

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

For the years ended December 31,	2016	2015	2014
<b>Operating Activities</b>			
Net income	\$ 720,044	\$ 512,951	\$ 846,912
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	301,837	244,928	211,532
Stock-based compensation expense	54,785	51,533	54,068
Excess tax benefits from stock-based compensation	(22,062)	(24,839)	(53,497)
Deferred income taxes	(38,097)	(38,537)	18,796
Goodwill and other intangible asset impairment charges	4,204	280,802	15,900
Loss on early extinguishment of debt	—	28,326	—
Write-down of equity investments	43,482	39,489	—
Gain on settlement of SGM liability (see Note 2)	(26,650)	—	—
Other	51,375	28,467	(11,027)
Changes in assets and liabilities, net of business acquisitions and divestitures:			
Accounts receivable—trade, net	21,096	(24,440)	(67,464)
Inventories	13,965	52,049	(88,497)
Prepaid expenses and other current assets	(42,955)	118,007	(7,245)
Accounts payable and accrued liabilities	(72,295)	29,406	(59,102)
Contributions to pension and other benefits plans	(41,697)	(53,273)	(53,110)
Other assets and liabilities	16,443	(30,413)	37,111
Net cash provided by operating activities	983,475	1,214,456	844,377
<b>Investing Activities</b>			
Capital additions (including software)	(269,476)	(356,810)	(370,789)
Proceeds from sales of property, plant and equipment	3,651	1,205	1,612
Proceeds from sale of business	—	32,408	—
Equity investments in tax credit qualifying partnerships	(44,255)	(30,720)	—
Business acquisitions, net of cash and cash equivalents acquired	(285,374)	(218,654)	(396,265)
Sale (purchase) of short-term investments	—	95,316	(97,131)
Net cash used in investing activities	(595,454)	(477,255)	(862,573)
<b>Financing Activities</b>			
Net increase in short-term debt	275,607	10,720	117,515
Long-term borrowings	792,953	599,031	3,051
Repayment of long-term debt	(500,000)	(355,446)	(1,442)
Payment of SGM liability (see Note 2)	(35,762)	—	—
Cash dividends paid	(499,475)	(476,132)	(440,414)
Repurchase of common stock	(592,550)	(582,623)	(576,755)
Exercise of stock options	102,722	72,719	122,306
Excess tax benefits from stock-based compensation	22,062	24,839	53,497
Other	—	(48,270)	2,940
Net cash used in financing activities	(434,443)	(755,162)	(719,302)
Effect of exchange rate changes on cash and cash equivalents	(3,140)	(10,364)	(6,156)
Decrease in cash and cash equivalents	(49,562)	(28,325)	(743,654)
Cash and cash equivalents, beginning of period	346,529	374,854	1,118,508
Cash and cash equivalents, end of period	\$ 296,967	\$ 346,529	\$ 374,854
<b>Supplemental Disclosure</b>			
Interest paid (excluding loss on early extinguishment of debt in 2015)	\$ 90,951	\$ 88,448	\$ 87,801
Income taxes paid	425,539	368,926	384,318

**See Notes to Consolidated Financial Statements.**