

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

For the years ended December 31,	2017	2016	2015
Net sales	\$ 7,515,426	\$ 7,440,181	\$ 7,386,626
Cost of sales	4,070,907	4,282,290	4,003,951
Gross profit	3,444,519	3,157,891	3,382,675
Selling, marketing and administrative expense	1,913,403	1,915,378	1,969,308
Long-lived asset impairment charges	208,712	—	—
Goodwill and indefinite-lived intangible asset impairment charges	—	4,204	280,802
Business realignment costs	47,763	32,526	94,806
Operating profit	1,274,641	1,205,783	1,037,759
Interest expense, net	98,282	90,143	105,773
Other (income) expense, net	65,691	16,159	30,139
Income before income taxes	1,110,668	1,099,481	901,847
Provision for income taxes	354,131	379,437	388,896
Net income including noncontrolling interest	756,537	720,044	512,951
Less: Net loss attributable to noncontrolling interest	(26,444)	—	—
Net income attributable to The Hershey Company	<u>\$ 782,981</u>	<u>\$ 720,044</u>	<u>\$ 512,951</u>
Net income per share—basic:			
Common stock	\$ 3.79	\$ 3.45	\$ 2.40
Class B common stock	\$ 3.44	\$ 3.15	\$ 2.19
Net income per share—diluted:			
Common stock	\$ 3.66	\$ 3.34	\$ 2.32
Class B common stock	\$ 3.44	\$ 3.14	\$ 2.19
Dividends paid per share:			
Common stock	\$ 2.548	\$ 2.402	\$ 2.236
Class B common stock	\$ 2.316	\$ 2.184	\$ 2.032

See Notes to Consolidated Financial Statements.

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

December 31,	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 380,179	\$ 296,967
Accounts receivable—trade, net	588,262	581,381
Inventories	752,836	745,678
Prepaid expenses and other	280,633	192,752
Total current assets	2,001,910	1,816,778
Property, plant and equipment, net	2,106,697	2,177,248
Goodwill	821,061	812,344
Other intangibles	369,156	492,737
Other assets	251,879	168,365
Deferred income taxes	3,023	56,861
Total assets	<u>\$ 5,553,726</u>	<u>\$ 5,524,333</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 523,229	\$ 522,536
Accrued liabilities	676,134	750,986
Accrued income taxes	17,723	3,207
Short-term debt	559,359	632,471
Current portion of long-term debt	300,098	243
Total current liabilities	2,076,543	1,909,443
Long-term debt	2,061,023	2,347,455
Other long-term liabilities	438,939	400,161
Deferred income taxes	45,656	39,587
Total liabilities	<u>4,622,161</u>	<u>4,696,646</u>
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2017 and 2016	—	—
Common stock, shares issued: 299,281,967 in 2017 and 2016	299,281	299,281
Class B common stock, shares issued: 60,619,777 in 2017 and 2016	60,620	60,620
Additional paid-in capital	924,978	869,857
Retained earnings	6,371,082	6,115,961
Treasury—common stock shares, at cost: 149,040,927 in 2017 and 147,642,009 in 2016	(6,426,877)	(6,183,975)
Accumulated other comprehensive loss	(313,746)	(375,888)
Total—The Hershey Company stockholders' equity	915,338	785,856
Noncontrolling interest in subsidiary	16,227	41,831
Total stockholders' equity	931,565	827,687
Total liabilities and stockholders' equity	<u>\$ 5,553,726</u>	<u>\$ 5,524,333</u>

See Notes to Consolidated Financial Statements.

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

For the years ended December 31,	2017	2016	2015
Operating Activities			
Net income including noncontrolling interest	\$ 756,537	\$ 720,044	\$ 512,951
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	261,853	301,837	244,928
Stock-based compensation expense	51,061	54,785	51,533
Deferred income taxes	18,582	(38,097)	(38,537)
Impairment of goodwill, indefinite and long-lived assets (see Notes 3 and 7)	208,712	4,204	280,802
Loss on early extinguishment of debt (see Note 4)	—	—	28,326
Write-down of equity investments	66,209	43,482	39,489
Gain on settlement of SGM liability (see Note 2)	—	(26,650)	—
Other	77,291	51,375	28,467
Changes in assets and liabilities, net of business acquisitions and divestitures:			
Accounts receivable—trade, net	(6,881)	21,096	(24,440)
Inventories	(71,404)	13,965	52,049
Prepaid expenses and other current assets	18,214	(42,955)	118,007
Accounts payable and accrued liabilities	(52,960)	(63,467)	9,574
Accrued income taxes	(71,027)	(937)	36,848
Contributions to pension and other benefit plans	(56,433)	(41,697)	(53,273)
Other assets and liabilities	49,761	16,443	(30,413)
Net cash provided by operating activities	1,249,515	1,013,428	1,256,311
Investing Activities			
Capital additions (including software)	(257,675)	(269,476)	(356,810)
Proceeds from sales of property, plant and equipment	7,609	3,651	1,205
Proceeds from sale of business	—	—	32,408
Equity investments in tax credit qualifying partnerships	(78,598)	(44,255)	(30,720)
Business acquisitions, net of cash and cash equivalents acquired	—	(285,374)	(218,654)
Sale of short-term investments	—	—	95,316
Net cash used in investing activities	(328,664)	(595,454)	(477,255)
Financing Activities			
Net (decrease) increase in short-term debt	(81,426)	275,607	10,720
Long-term borrowings	954	792,953	599,031
Repayment of long-term debt	—	(500,000)	(355,446)
Payment of SGM liability (see Note 2)	—	(35,762)	—
Cash dividends paid	(526,272)	(499,475)	(476,132)
Repurchase of common stock	(300,312)	(592,550)	(582,623)
Exercise of stock options	63,288	94,831	55,703
Other	—	—	(48,270)
Net cash used in financing activities	(843,768)	(464,396)	(797,017)
Effect of exchange rate changes on cash and cash equivalents	6,129	(3,140)	(10,364)
Increase (decrease) in cash and cash equivalents	83,212	(49,562)	(28,325)
Cash and cash equivalents, beginning of period	296,967	346,529	374,854
Cash and cash equivalents, end of period	\$ 380,179	\$ 296,967	\$ 346,529
Supplemental Disclosure			
Interest paid (excluding loss on early extinguishment of debt in 2015)	\$ 101,874	\$ 90,951	\$ 88,448
Income taxes paid	351,832	425,539	368,926

See Notes to Consolidated Financial Statements.