HERSHEY'S WorkLife Invest

YOUR BENEFITS UNWRAPPED

The New Approach to Retirement Benefits at Hershey

Work*Life* Invest:
The New Approach to Retirement Benefits at Hershey

The Hershey Company's success is driven by the commitment and dedication of our employees. Hershey's long-term growth depends on continued investment—in our people, through attractive wages, incentives and benefits, and in our business, through developing new products, building our brands and pursuing key capital projects.

The Hershey Executive Team and Board of Directors continually examine our benefits programs, balancing the need to remain competitive over the long term with employees' needs for attractive wages and benefits. As with all areas of our business, we occasionally have to adjust our benefits to reflect marketplace conditions and the competitive landscape.

Hershey is one of many businesses across a wide variety of industries that is making changes to its retirement program. Work*Life* Invest, *Hershey's new approach to retirement benefits, positions Hershey to continue delivering superior results while providing a competitive retirement benefit to employees. We encourage you to read this brochure thoroughly and review* ***Your Personal Statement of Retirement Benefits*** *provided with this brochure to learn more about these changes and the components of the new* Work*Life* Invest *program.*

What's Changing and Why

Hershey is moving to a retirement program—Work*Life* Invest—that is aligned with our value-enhancing strategy and our benefits philosophy. Like many other businesses, we are moving away from a traditional defined benefit (DB) pension plan to better manage and predict the future expenses associated with providing retirement benefits. This improved predictability will contribute to Hershey's financial strength and will allow Hershey to drive future growth by investing in key areas of our business. This new approach, which provides a larger portion of retirement benefits through a defined contribution (DC) plan, gives Hershey's employees more control and flexibility in saving for retirement.

The Hershey Company is announcing a new approach to providing retirement benefits to employees—Work*Life* Invest. The new program, which is effective January 1, 2007, enables the Company to control and predict the cost of retirement benefits over the long term, while continuing to provide a strong retirement program for our employees.

What is a defined contribution (DC) plan?

A defined contribution plan provides a benefit equal to the balance of the participant's plan account, which consists of contributions to the account and investment return. In a DC plan, employees can set aside money and invest it for retirement. A specific retirement benefit is not guaranteed. Employers often make additional contributions to match all or a portion of employee contributions. Employees typically make all investment decisions and assume all investment risk. The ESSIOP, Hershey's 401(k) plan, is a defined contribution plan.

What is a defined benefit (DB) plan?

Unlike a DC plan, a defined benefit plan is often fully funded by an employer and provides a certain benefit amount at retirement. In a DB plan, employers make all investment decisions and assume all investment risk. Depending on market conditions and how many employees retire each year, the employer makes financial contributions to cover the benefits earned by employees. The Hershey Company Retirement Plan (known as the Hershey Retirement Account, or "HRA") is a defined benefit plan.

Hershey has decided to make changes now to ensure that our benefits program is sustainable over the long term.

Effective January 1, 2007, Hershey will:

- modify the annual pay-based credits to the Hershey Retirement Account (HRA) for some employees, and cease future pay-based credits for other employees,
- add an automatic Company-paid Core Retirement Contribution (CRC) to your Hershey Company Employee Savings Stock Investment and Ownership Plan (ESSIOP) account, whether or not you currently contribute a portion of your own pay to the ESSIOP 401(k) plan,
- increase the Company match on your contributions to the ESSIOP 401(k) plan, and
- include annual cash incentives in ESSIOP eligible wages.

It is important to remember that although The Hershey Company is making changes to the retirement program, the HRA benefits you will have earned as of December 31, 2006 (before the changes) will not be affected.

While Hershey will continue to help you build a secure retirement, your financial goals are unique to you and reaching them is ultimately your responsibility.

Hershey will support you with comprehensive information, educational programs, tools and retirement resources to help you maximize the value of the new program.

How the Changes Will Affect You

Employees who are 46 years of age or younger on December 31, 2006, and who are participants in the HRA plan as of that date, will have their HRA benefit frozen. **You are receiving this brochure because you are part of this group, referred to as the Non-Transition Group.**

A frozen benefit means that as of January 1, 2007, you will no longer receive pay-based HRA credits (or supplemental interest, as described on page 3), but your HRA balance will continue to grow as a result of regular interest.

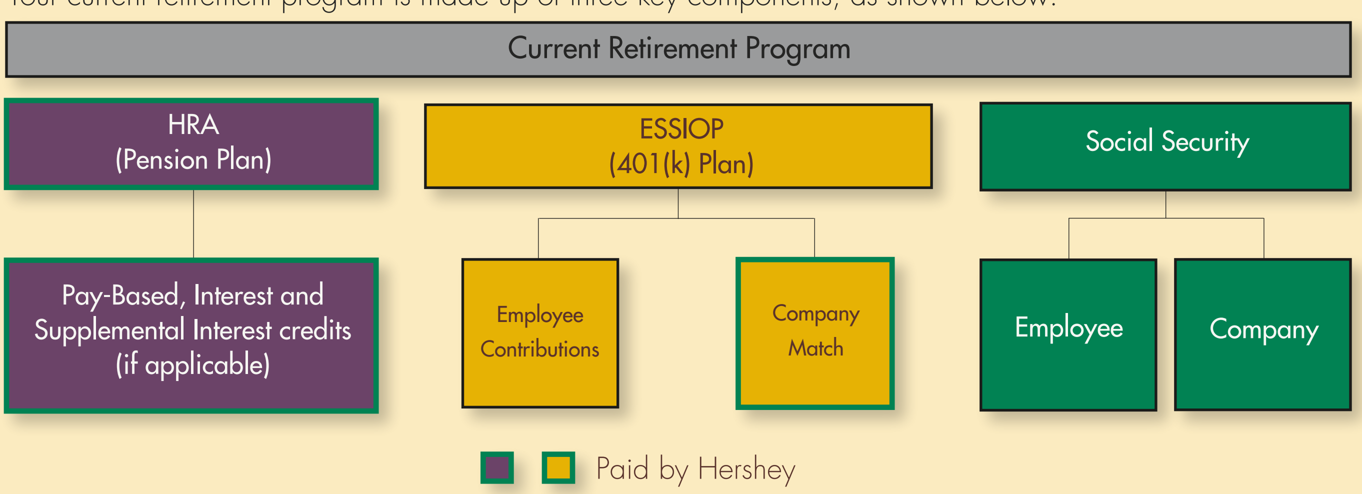
It is important to remember that the benefit you will have earned in the HRA through December 31, 2006, will be protected in the Work*Life* Invest program and is generally payable at retirement or when you terminate employment with a vested benefit.

For all employees, Hershey is increasing the Company's contributions to your ESSIOP 401(k) plan accounts to help you save for retirement.

To better understand how the changes will affect you, let's look at the program we have today.

Your Current Retirement Program

Your current retirement program is made up of three key components, as shown below:



The HRA, Today

Hershey credits your HRA with an annual pay-based credit that depends on your pensionable earnings, your years of service and the Social Security wage base. You receive this credit simply for being employed by Hershey. Also, if you have a Prior Service Account (most employees who were participants in the prior plan on January 1, 1989, or who were part of the Leaf acquisition have a Prior Service Account), your HRA earns an additional credit—called supplemental interest—as long as you remain employed by Hershey.

Features	Your Current Benefit
Pay-based credit on earnings **below** 1/3 of the Social Security wage base	■ < 10 years of service: 4.5% ■ 10-34 years of service: 6% ■ ≥ 35 years of service: 8%
1/3 of the 2006 Social Security wage base = $31,400 in annual earnings	
Pay-based credit on earnings **above** 1/3 of the Social Security wage base	■ < 10 years of service: 8% ■ 10-34 years of service: 10% ■ ≥ 35 years of service: 8%
Supplemental interest (*if applicable*)	4% on Prior Service Account while employed by Hershey
Regular interest earned	Minimum 6%, based on yield on one-year Treasury Constant Maturities, capped at 12%

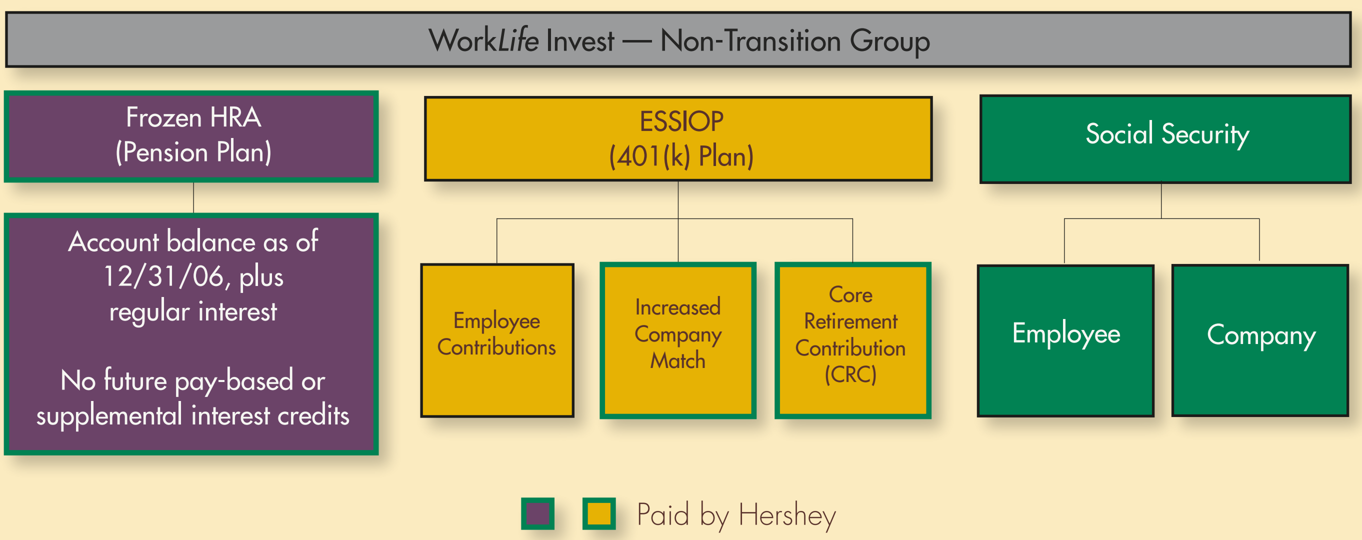
Your HRA, comprised of annual pay-based credits and any applicable supplemental interest credits, grows with regular interest at a rate of at least 6% annually and up to 12% based on the yield on one-year Treasury Constant Maturities (sometimes also referred to as "Treasury Bills" or "T–Bills"). Your account continues to grow with interest until you retire or request payment of your benefit after retirement.

The ESSIOP 401(k) Plan, Today

In addition to accumulating a retirement benefit in your HRA, you may be contributing a percentage of your pay to the ESSIOP 401(k) plan. If so, you receive a Company match from Hershey on all or a portion of the pay you contribute. If you put 5% of pay into your ESSIOP 401(k) plan account, Hershey matches it with a contribution equal to 3% of your regular pay (subject to IRS compensation limits). While you may contribute more, contributions in excess of 5% are not currently matched.

Transitioning to Work*Life* Invest

Work*Life* Invest is also made up of three key components. However, the portion of your total retirement benefits provided by each of the two Hershey plans is changing—partially as a result of the HRA benefit being frozen for employees in the Non-Transition group—as shown below:



The Frozen HRA

For the Non-Transition Group, pay-based credits to the HRA will cease after December 31, 2006.

As it does today, your HRA benefit will continue to grow with annual interest based on the yield on one-year Treasury Constant Maturities, with a minimum of 6% per year—but not more than 12%. If you hold a Prior Service Account, you no longer will receive the 4% supplemental interest credit after December 31, 2006.

At retirement or upon termination with a vested benefit, you will be eligible to receive the HRA benefit you have earned through December 31, 2006, as increased for regular interest.

As described later in this brochure, there will be an increase in the Company's ESSIOP 401(k) plan contribution. Part of this increased contribution is automatic—it is made whether or not you contribute to the ESSIOP 401(k) plan on your own.

Refer to *Your Personal Statement of Retirement Benefits,* included with this brochure, for specific information about your estimated benefit at retirement under Work*Life* Invest and how that compares to what your benefit might have been without these changes.

HRA under Work*Life* Invest*, At a Glance*

Features	Current HRA Formula	Transition Group	Non-Transition Group
Pay-based credit on earnings **below** 1/3 of the Social Security wage base	■ < 10 years of service: 4.5% ■ 10-34 years of service: 6% ■ ≥ 35 years of service: 8%	All years of service: 3%	No pay-based credits; HRA will be frozen as of December 31, 2006
1/3 of the 2006 Social Security wage base = $31,400 in annual earnings			
Pay-based credit on earnings **above** 1/3 of the Social Security wage base	■ < 10 years of service: 8% ■ 10-34 years of service: 10% ■ ≥ 35 years of service: 8%	All years of service: 7%	No pay-based credits; HRA will be frozen as of December 31, 2006
Supplemental interest (*if applicable*)	4% on Prior Service Account while employed by Hershey	4% on Prior Service Account while employed by Hershey	None
Regular interest earned (based on yield on one-year Treasury Constant Maturities)	Minimum 6% and maximum 12%	**On benefit earned through December 31, 2006:** Minimum 6% and maximum 12% **On benefit earned in 2007 and later:** No minimum or maximum	Minimum 6% and maximum 12% on benefit earned through December 31, 2006
Benefits payable	Generally upon termination with vested benefits, or retirement		

The changes will not affect the HRA benefits you will have earned through December 31, 2006—these benefits are protected by law. Hershey will continue to administer the HRA pension plan to pay for the benefits earned prior to the effective date of the changes.

The Enhanced ESSIOP 401(k) Plan, under Work*Life* Invest

The New Core Retirement Contribution (CRC)

As part of the ESSIOP 401(k) plan enhancements beginning in 2007, Hershey will provide an annual Core Retirement Contribution—whether or not you contribute your own pay. You are eligible to receive an automatic annual contribution of 3% of your annual pay (subject to IRS compensation limits), or a minimum of $1,500 for full-time employees and $500 for continuous part-time employees, whichever is greater. To receive the CRC contribution for a given calendar year, you must be employed on December 31 of that year (or you retire, become disabled or die during the plan year).

The annual minimum contribution amount for the first calendar year of your employment with Hershey will be pro-rated based on the month in which you were hired. For example, if you are a full-time employee hired in July, the minimum contribution amount applicable to you is $750 (six months' pro-ration of the $1,500 minimum, for July through December). After December 31 of your first calendar year of employment, the minimum contribution amount applicable to you will not be pro-rated (except if you retire, become disabled or die during the plan year).

Your CRC contribution for a given year will be credited to your ESSIOP 401(k) plan account early in the following calendar year. All annual cash incentives paid during the calendar year will be included in the pay used to calculate your CRC contribution amount.

You are fully vested in the value of your CRC contribution after you complete three years of service or reach age 55 while employed by Hershey, whichever comes first. In addition, participants become automatically vested upon death or disability while employed by Hershey, regardless of age or years of service.

Remember that the value of your annual CRC contributions at retirement depends on the actual performance of the investments you choose—***and investment return can be positive or negative***.

How the CRC minimum contribution works

The minimum contribution from Hershey—$1,500 for full-time employees—ensures a level of retirement security for all employees.

If your annual pay (calculated as annual base salary plus any annual cash incentives) is less than $50,000, the annual minimum contribution exceeds 3% of your pay—therefore you would receive the minimum contribution instead. (For employees who are considered "continuous part-time," the annual minimum contribution will be $500.)

Your 2007 CRC contribution will be calculated using your 2007 annual pay (annual base salary plus any annual cash incentives). Your contribution will be deposited in your account in early 2008.

The New Core Retirement Contribution, At a Glance

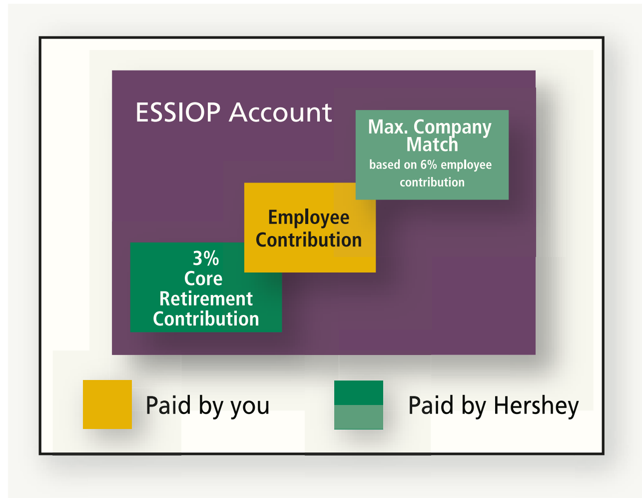
Features	Core Retirement Contribution
Contribution amount	3% of pay, with an annual minimum of: ■ $1,500 for full-time employees, and ■ $500 for continuous part-time employees
Definition of pay	Annual base salary plus annual cash incentives paid during the calendar year are included in ESSIOP eligible wages *Annual cash incentives are those paid under the Annual Incentive Plan (AIP), Sales Incentive Plan (SIP), Manufacturing Incentive Plan (MIP) and Passion for Winning.*
Investment return	Varies based on the performance of the investments you choose
Vesting in CRC	100% vested in the CRC after three years of service with Hershey, reaching age 55 while employed by Hershey, or upon death or disability while employed by Hershey, whichever occurs first

Your Contributions to the ESSIOP 401(k) Plan, and the Company Match

To further encourage and support you in saving for retirement, beginning January 1, 2007,Hershey will:

- increase the Company match on your ESSIOP 401(k) plan contributions, and
- include annual cash incentives paid during the calendar year in the pay used to calculate your ESSIOP 401(k) plan contributions and the Company match.

Hershey will match 75% of the first 6% of pay that you contribute. To receive the full Company match contribution equivalent to 4.5% of pay, you will need to contribute 6% of pay—however, you may contribute more than 6% if you wish. You may elect to contribute (in whole-number percentages) up to 50% of your annual pay to the ESSIOP 401(k) plan, subject to IRS limits.



The Enhanced Company Match, At a Glance

Features	Current Company Match	Company Match under Work*Life* Invest
Company match	75% on first 2% of pay, 50% on next 3%	75% match on first 6% of pay
Maximum Company match	A contribution equivalent to 3% of pay when 5% or more of pay is contributed	A contribution equivalent to 4.5% of pay when 6% or more of pay is contributed
Definition of pay	Excludes annual cash incentives	Includes annual cash incentives paid during the calendar year *Annual cash incentives are those paid under the Annual Incentive Plan (AIP), Sales Incentive Plan (SIP), Manufacturing Incentive Plan (MIP) and Passion for Winning.*
Vesting in Company match	100% vested after three years of service with Hershey, reaching age 55 while employed by Hershey, or upon death or disability while employed by Hershey, whichever occurs first	

Vanguard – Hershey's ESSIOP Partner

Vanguard, Hershey's new ESSIOP 401(k) plan partner, provides diverse and high-quality investment options supported by a range of customized educational programs, personalized tools and retirement resources. Hershey encourages all ESSIOP 401(k) plan participants to use Vanguard's resources—particularly Financial Engines—to ensure that you are preparing appropriately today to reach your unique financial goals.

Vanguard's Personal Online Advisor, Powered by Financial Engines

All participants in the ESSIOP 401(k) plan have access to Vanguard's Personal Online Advisor, powered by Financial Engines. *There is no fee* for participants to use the Advisor, and it is accessible 24 hours a day at www.vanguard.com.

The Personal Online Advisor will project your current ESSIOP 401(k) plan balance using assumptions from thousands of realistic investment scenarios, to determine the level of retirement income your current balance—and current level of savings—could provide in each. By comparing the projections against your desired income at retirement, the Advisor will determine the likelihood that you'll reach your stated retirement income goal in each scenario—and provide you with a "Forecast."

Note also that you can include other non-ESSIOP investments in your Forecast data, such as your HRA or a spouse's 401(k) plan. See the insert entitled "Getting Started: How to Access Financial Engines," included in this mailing, for instructions on including your HRA and other personal investments in your Forecast.

After determining your Forecast, Financial Engines considers inflation, taxes, fund expenses and future income from other retirement investments to help you build an ESSIOP 401(k) plan portfolio that fits your tolerance for risk. And, implementing the Personal Online Advisor's recommendations is simple.

Vanguard's Managed Account Program

Beginning in 2007, participants can also choose to let a financial professional manage their ESSIOP 401(k) plan investments, for a fee. Vanguard's Managed Account Program offers:

- **Expertise.** Backed by the forecasting power of Financial Engines, a Vanguard investment expert will help you build an investment portfolio tailored to your needs and those of your family.
- **Insight.** You'll receive a Personal Plan Preview, showing you the performance potential of your new investment strategy—and quarterly progress reports to tell you how your ESSIOP 401(k) plan account is performing.
- **Flexibility.** You can make changes to your account elections as often as you wish; Vanguard will handle the transactions and monitor your account activity for you.

To help you maximize the value of the Work*Life* Invest program, watch your mail for further information from Vanguard about Financial Engines—or, you can visit www.vanguard.com to learn more.

TIP:

Keep *Your Personal Statement of Retirement Benefits* handy—it's included with this brochure—to help you model your Work*Life* Invest retirement benefits with Vanguard's Personal Online Advisor, powered by Financial Engines. See page 4 of *Your Personal Statement of Retirement Benefits.*

What's Next

We hope this brochure has helped you better understand the changes Hershey is making to the retirement program and why we are making them. We considered many options for our retirement program, and Work*Life* Invest most effectively balances the needs of our employees and the need to meet Hershey's overall business objectives.

It's important to take the time to understand your Hershey retirement benefits. No matter what your age, you need to take an active role in planning and saving for retirement. There are many factors to consider and many decisions to make for you and your family.

Hershey is committed to providing you with the tools, educational resources and information you need to get the most from your retirement benefits. Watch for further communication from Vanguard about the additional support available to you in planning for your retirement. It is up to you to take full advantage of these programs and continue to plan for your retirement.

The changes to the HRA and ESSIOP 401(k) plan described in this brochure do not affect current bargained employees or new hires covered under a collective bargaining agreement. At this time, the retirement program is not changing for bargained employees.

Your right to receive a benefit depends on the actual facts and rules in the legal documents that govern The Hershey Company Retirement Plan and The Hershey Company Retirement Plan for Hourly Employees, or "HRA," and The Hershey Company Employee Savings Stock Investment and Ownership Plan, or "ESSIOP" (Plan documents). The Hershey Company reserves the right to modify or terminate the provisions of the plans comprising the Work*Life* Invest program, and to amend the relevant Plan document(s) at any time. While every effort has been made to ensure the accuracy and applicability of the information in this brochure, the possibility of error always exists. If there is any inconsistency between this brochure and the Plan document(s) governing the HRA and/or the ESSIOP, the provisions of the applicable Plan document(s) will prevail.

This brochure, in combination with the accompanying Personal Statement of Retirement Benefits, constitutes notice in accordance with Section 204(h) of the Employee Retirement Income Security Act of 1974 (ERISA).

If you have any questions, please contact the Work*Life* Center at 717-534-8170 inside the Hershey area or 1-800-878-0440 outside the Hershey area.

Non-Transition Group - 6/06