

the globe and spear

WM. WRIGLEY JR. COMPANY ANNUAL REPORT 1998

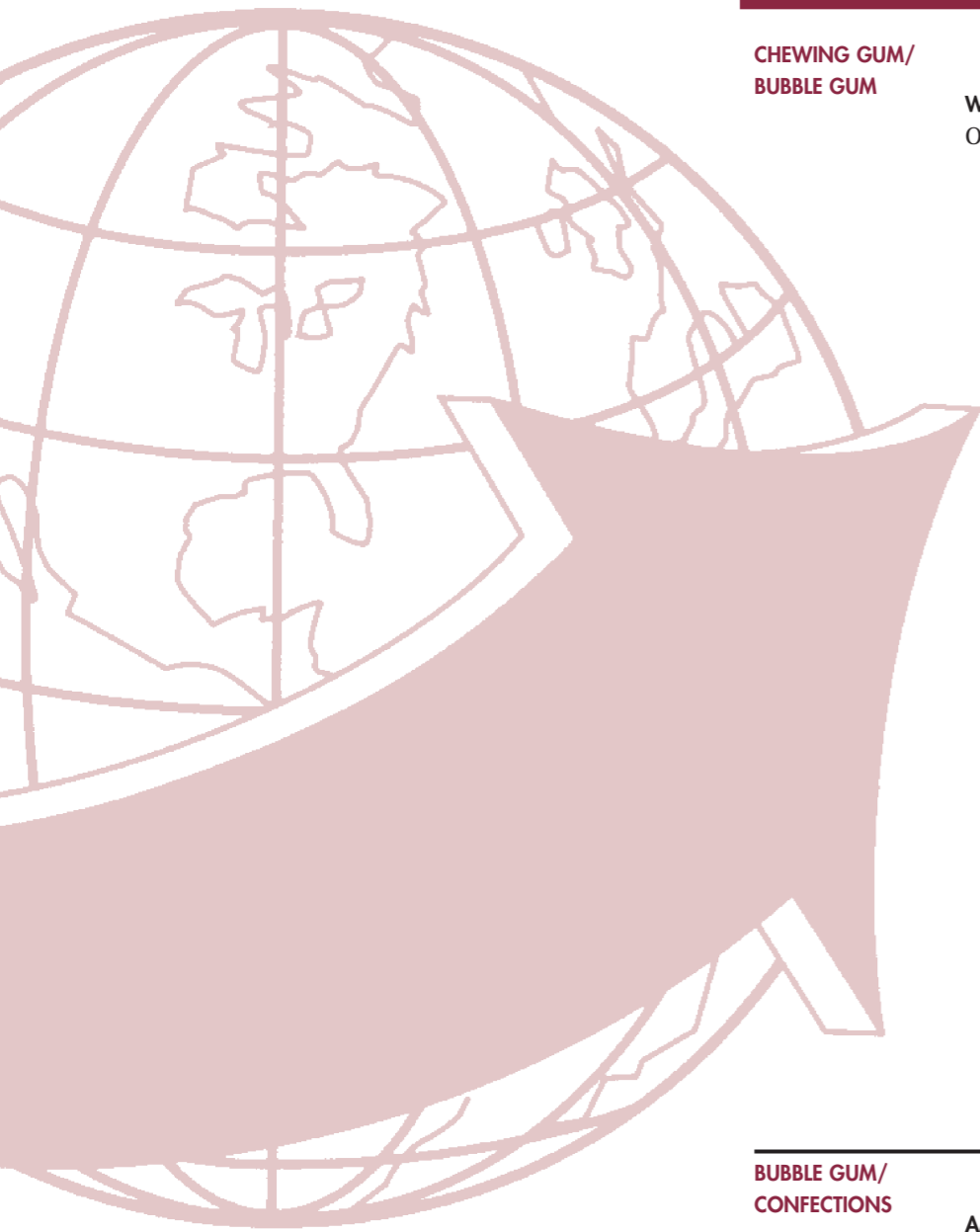
The Wrigley Spear has been associated with the established brands of Wrigley's chewing gum since it was first used in 1893 and is recognized by consumers worldwide as a symbol of quality.

Back in the early 1970's, to reflect the Company's growing international presence, a Wrigley artist first depicted the Spear encircling the globe. The Globe and Spear is now a registered trademark of the Wm. Wrigley Jr. Company. Wrigley brands are produced in 13 factories around the world and sold in over 140 countries. Wrigley's chewing gum represents a truly American product known throughout the world and enjoyed daily by millions.

CONTENTS

- 2** Wrigley at a Glance
- 4** President's Letter
- 6** Highlights
- 7** Consolidated Statement of Earnings
- 8** Consolidated Balance Sheet
- 10** Consolidated Statement of Cash Flows
- 11** Consolidated Statement of Stockholders' Equity Including Comprehensive Income
- 12** Accounting Policies and Notes to Consolidated Financial Statements
- 20** Report of Management
- 21** Report of Independent Auditors
- 22** Management's Discussion and Analysis
- 25** Quarterly Data
- 26** Selected Financial Data
- 28** Corporate Facilities and Principal Associated Companies
- 29** Elected Officers
- 30** Board of Directors
- 32** Stockholder Information

WRIGLEY *at a glance*



PRODUCTS

CHEWING GUM/ BUBBLE GUM

COMPANIES

WRIGLEY
Over 140 countries served

PRODUCTION FACILITIES

UNITED STATES Chicago, Illinois
Gainesville, Georgia

CANADA Don Mills, Ontario

REGIONS SERVED

● North America
● Latin America

ENGLAND Plymouth

FRANCE Biesheim

AUSTRIA Salzburg

POLAND Poznan

KENYA Nairobi

RUSSIA St. Petersburg (1999)

● Europe
● Middle East
● Africa

AUSTRALIA Sydney

PHILIPPINES Antipolo City

TAIWAN Taipei

CHINA Guangzhou

INDIA Bangalore

● Asia
● Pacific

MAJOR BRANDS

WRIGLEY'S
SPEARMINT



DOUBLEMINT



Hubba Bubba

JUICY FRUIT



Orbit

Extra



Big Red

Freedent



Winterfresh

BUBBLE GUM/ CONFECTIONS

AMUROL CONFECTIONS
Over 50 countries served

UNITED STATES Yorkville, Illinois

North America
Latin America
Europe
Middle East
Africa
Asia
Pacific

Bubble Tape

Bubble Jug

CHECKBOOK

OUCH!

**BUBBLE
BEEPER**

SQUEEZE POP

GUM BASE

L.A. DREYFUS

UNITED STATES Edison, New Jersey
FRANCE Biesheim

All Wrigley production facilities
(and some outside customers)

FLAVORING

NORTHWESTERN FLAVORS

UNITED STATES West Chicago, Illinois

All Wrigley production facilities
(and some outside customers)

Wm. **WRIGLEY** Jr. Company

OFFICE OF THE PRESIDENT

WRIGLEY BUILDING • 410 N. MICHIGAN AVENUE • CHICAGO, ILLINOIS 60611 • TELEPHONE: 644-2121

To the Stockholders and Employees of the Wm. Wrigley Jr. Company

Over the past year, the Wrigley team worldwide combined hard work and imagination to navigate through economic volatility in many of our international markets. Through their efforts, your Company achieved new highs in both sales and earnings in 1998. Net earnings also received a boost from the first quarter sale of the land and building in Santa Cruz, California, where Company operations ceased toward the end of 1996.

Our international associated companies, once again, drove the improvement in our overall results. The lion's share of our overseas markets recorded volume gains over the prior year. As was the case in 1997, the increased strength of the U.S. dollar relative to the majority of international currencies reduced consolidated sales and earnings gains for 1998. The dollar's strength, however, did moderate later in the year; and for the fourth quarter, there was essentially no translation impact on the Company's financial results.

Europe's volume growth rate exceeded that of any other region in 1998. Especially strong performances were recorded by the established markets of Western Europe, with gains in almost every market from Austria to the United Kingdom.

The overall positive results across Europe reflect the combined power of increased marketing investments and new product innovations. Airwaves[®], the world's first "vapor release" chewing gum, was a success during its first year in the United Kingdom, and subsequently has been rolled out in several other markets, the most significant of which is Germany. Supported by compelling advertising that effectively communicates a unique, new consumer benefit for chewing gum, Airwaves has added to your Company's business growth. Also helping to raise per capita consumption levels in the region were selective form and flavor introductions, particularly in the sugarfree category.

Those same product innovations, along with increased brand support and improved merchandising and distribution, led to significant progress across the markets of Central and Eastern Europe, with the notable exception of Russia. The decline of our business in Russia, resulting from the ruble's dramatic devaluation and subsequent economic difficulties, offset most of the solid volume increases recorded by our associates in markets such as Poland, Hungary and the Balkans. The net effect in 1998 was that Central and Eastern Europe as a whole experienced only a modest gain in shipments.

Our customers and consumers in Russia are slowly recovering from the economic turbulence. Throughout these trying times, we have stayed the course in Russia, keeping our organization intact and persisting with our advertising, merchandising and distribution efforts. Progress continues on our production facility in St. Petersburg; and consistent with our original schedule, the factory is expected to be up and running by the second quarter of 1999. Besides providing additional capacity, the plant will help shorten the supply chain in the vast Russian market, improving distribution efficiency and ensuring consumers can purchase the freshest possible Wrigley's products.

In the Asia/Pacific region, volume was up, but not as sharply as in recent years. As anticipated in last year's letter, growth in the region was dampened by the decline in value of various Asian currencies and subsequent instability in local economies. Selected price increases helped to minimize the negative financial impact of these devaluations, but contributed to significant volume declines in Indonesia, Malaysia and the Philippines. On the plus side, China and Hong Kong recorded large volume increases in 1998 due to strong sales of our long-established sugar brands, complemented in Hong Kong by the growth of our Extra[®] sugarfree brand. Higher sales of Extra also contributed to solid gains in Australia.

For 1998, China was, by far, the biggest single contributor to your Company's overall volume gain. Expansion of the Guangzhou factory has provided us with the capacity to extend distribution further into China; but penetrating the country's interior is a formidable task, and much work remains to be done. In addition, the recent completion of our replacement factory in the Philippines will enable us to better service the markets of Southeast Asia as they begin to emerge from their economic turmoil.

In North America, 1998 results were mixed. Our U.S. business matched 1997's volume, while Wrigley Canada's shipments improved over the prior year.

Within the U.S. market, Extra and Winterfresh® turned in the best brand performances in 1998. Building on its momentum from the second half of 1997, Extra recorded strong volume gains as consumers continued to respond positively to its improved, longer-lasting flavor and new advertising. Winterfresh added to its impressive track record. In 1998, just four years after its introduction, Winterfresh passed Doublemint® to become the top-selling, single flavor brand of chewing gum in the U.S.

Although the volume gains of Extra and Winterfresh were offset by declines for our other U.S. brands, overall we continued to outperform the total U.S. chewing gum market. Your Company gained a full market share point in a tough retail environment that was complicated by a variety of new chewing gum product introductions from a wide range of competitors.

Increased brand support and the implementation of "Value Pricing" helped advance our business in Canada. Price-marked at 35 cents Canadian, our new 5-stick packages led to notable volume gains for Wrigley's Spearmint®, Doublemint, Juicy Fruit® and especially Big Red®. Another highlight for Wrigley Canada was the continued strong performance of Excel®, a sugarfree pellet product.

Although they remain among our smaller international markets, Mexico, the Caribbean and the countries we serve in Central and South America again recorded solid volume gains. By focusing on a tighter range of product offerings and boosting advertising and merchandising efforts, we were able to increase both the range and depth of our distribution in Latin America over the past year.

During 1998, our associates at Amurol Confections continued the practices that started to turn their business around at the end of 1997 — tighter cost controls and more selective new product introductions. As a result, Amurol posted higher earnings in 1998. Sales, on the other hand, remained somewhat soft, as they did for the entire novelty bubble gum and confectionery category. Amurol is also placing greater emphasis on consumer advertising which has helped improve awareness of and interest in their new product offerings.

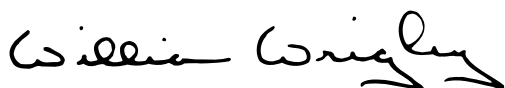
As we begin the new year, economic conditions remain unsettled in a number of your Company's international markets. Greater volatility is a risk we accepted, along with the potential rewards, when we expanded into the emerging markets of Central and Eastern Europe and Asia. To date, the benefits to the Company have far outweighed the complexities encountered, and we remain committed to building our business in these countries for the long haul.

To fully develop the potential of these markets, additional investment will be required — in people, equipment, advertising and merchandising. Your Company's employee base will continue to increase as we expand the infrastructure needed to produce, market and distribute our high quality products in over 140 countries around the world. The capital portion of our 1999 investment in the business is expected to be in the same range as 1998's record expenditure.

Over the past year, computer system testing and modifications to address the Year 2000 challenge proceeded on time and on budget. While we still have some work to do, by far the largest portion of the spending on this project is now behind us. The Company remains on track to have its critical systems Year 2000 ready by the end of the first quarter, with some less sensitive applications to be dealt with later in 1999.

As we are about to enter the 21st Century, it is worth a look back to see how far our Company has come since it stood on the threshold of the 20th Century. In its best year prior to 1900, the Wrigley Company recorded about \$40,000 in sales each month. Today, we record that much in sales every 10 minutes, around the clock. This striking comparison reflects the vast business improvement made possible by the efforts of our dedicated, hard-working employees, both past and present. Also appreciated is the loyalty through the years of our stockholders who have valued the Company's long-term perspective on investment and growth. With all of your support, we look forward to continuing to build our business through 1999 and into the next century.

Sincerely,

A handwritten signature in black ink that reads "William Wrigley". The signature is written in a cursive, flowing style with a prominent loop at the end.

William Wrigley

highlights of operations

	1998	1997
	<i>In thousands of U.S. dollars except for per share amounts</i>	
Net Sales	\$2,004,719	1,937,021
Earnings before factory closure and sale	\$ 297,738	273,771
—Per Share of Common Stock (basic and diluted)	\$ 2.57	2.36
Net Earnings	\$ 304,501	271,626
—Per Share of Common Stock (basic and diluted)	\$ 2.63	2.34
Dividends Paid	\$ 150,835	135,680
—Per Share of Common Stock	\$ 1.30	1.17
Additions to Property, Plant and Equipment	\$ 148,027	126,509
Stockholders' Equity	\$1,157,032	985,379
Return on Average Equity	28.4%	28.9%
Stockholders at Close of Year	38,052	36,587
Average Shares Outstanding (000)	115,964	115,964

For additional historical financial data see page 26.

consolidated statement of earnings

	1998	1997	1996
<i>In thousands of U.S. dollars except for per share amounts</i>			
EARNINGS			
Revenues:			
Net sales	\$2,004,719	1,937,021	1,835,987
Investment and other income	<u>18,636</u>	<u>17,153</u>	<u>14,614</u>
Total revenues	<u>2,023,355</u>	<u>1,954,174</u>	<u>1,850,601</u>
Costs and expenses:			
Cost of sales	848,363	847,366	814,483
Costs (Gains) related to factory closure and sale	(10,404)	3,300	19,436
Selling, distribution and general administrative	743,902	708,310	656,473
Interest	<u>615</u>	<u>958</u>	<u>1,097</u>
Total costs and expenses	<u>1,582,476</u>	<u>1,559,934</u>	<u>1,491,489</u>
Earnings before income taxes	440,879	394,240	359,112
Income taxes	<u>136,378</u>	<u>122,614</u>	<u>128,840</u>
Net earnings	<u>\$ 304,501</u>	<u>271,626</u>	<u>230,272</u>
PER SHARE AMOUNTS			
Net earnings per share of Common Stock (basic and diluted)	<u>\$ 2.63</u>	<u>2.34</u>	<u>1.99</u>
Dividends paid per share of Common Stock	<u>\$ 1.30</u>	<u>1.17</u>	<u>1.02</u>

See accompanying accounting policies and notes.

consolidated balance sheet

	1998	1997
	<i>In thousands of U.S. dollars</i>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 214,572	206,627
Short-term investments, at amortized cost	137,112	120,728
Accounts receivable (less allowance for doubtful accounts: 1998—\$7,564; 1997—\$7,524)	194,977	175,967
Inventories—		
Finished goods	64,934	63,912
Raw materials and supplies	191,174	183,480
	256,108	247,392
Other current assets	25,376	30,538
Deferred income taxes—current	15,027	16,421
Total current assets	843,172	797,673
Marketable equity securities, at fair value	39,888	26,375
Deferred charges and other assets	92,183	59,566
Deferred income taxes—noncurrent	25,522	29,038
Property, plant and equipment, at cost:		
Land	36,013	26,298
Buildings and building equipment	310,212	277,808
Machinery and equipment	642,556	566,766
	988,781	870,872
Less accumulated depreciation	468,691	440,398
Net property, plant and equipment	520,090	430,474
TOTAL ASSETS	\$1,520,855	1,343,126

1998

1997

*In thousands of U.S. dollars and shares***LIABILITIES AND STOCKHOLDERS' EQUITY****Current liabilities:**

Accounts payable	\$ 76,691	71,001
Accrued expenses	67,848	78,378
Dividends payable	23,222	22,034
Income and other taxes payable	49,491	53,460
Deferred income taxes—current	<u>1,374</u>	<u>943</u>
Total current liabilities	218,626	225,816

Deferred income taxes—noncurrent

	40,312	30,874
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Other noncurrent liabilities

	104,885	101,057
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Stockholders' equity:

Preferred Stock—no par value

Authorized: 20,000 shares

Issued: None

Common Stock—no par value

Common Stock

Authorized: 400,000 shares

Issued: **1998—93,007 shares;** 1997—92,545 shares

	12,401	12,339
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Class B Common Stock—convertible

Authorized: 80,000 shares

Issued and outstanding:

1998—23,214 shares; 1997—23,676 shares

	3,095	3,157
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Additional paid-in capital

	272	226
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Retained earnings

	1,184,617	1,032,139
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Common Stock in treasury, at cost

(1998—111 shares; 1997—252 shares)

	(6,712)	(13,363)
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Other comprehensive income—

Foreign currency translation adjustment

	(61,339)	(65,034)
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Unrealized holding gains on marketable equity securities

	<u>24,698</u>	<u>15,915</u>
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	<u>(36,641)</u>	<u>(49,119)</u>
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Total stockholders' equity

	<u>1,157,032</u>	<u>985,379</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>\$1,520,855</u>	<u>1,343,126</u>
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See accompanying accounting policies and notes.

consolidated statement of cash flows

	1998	1997	1996
	<i>In thousands of U.S. dollars</i>		
OPERATING ACTIVITIES			
Net earnings	\$ 304,501	271,626	230,272
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	55,774	50,439	47,288
(Gain) Loss on sales of property, plant and equipment	168	(1,141)	(1,771)
Gain related to factory sale	(10,404)	—	—
(Increase) Decrease in:			
Accounts receivable	(16,319)	(26,318)	2,154
Inventories	(6,299)	(26,916)	973
Other current assets	5,332	(12,712)	3,777
Other assets and deferred charges	(17,350)	11,123	(24,075)
Increase (Decrease) in:			
Accounts payable	4,499	1,549	474
Accrued expenses	(3,869)	16,182	3
Income and other taxes payable	(4,445)	1,779	6,095
Deferred income taxes	9,826	(2,608)	(4,496)
Other noncurrent liabilities	2,433	11,475	25,149
Net cash provided by operating activities	323,847	294,478	285,843
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(148,027)	(126,509)	(101,977)
Proceeds from property retirements	10,662	6,888	10,785
Purchases of short-term investments	(109,292)	(156,553)	(78,549)
Maturities of short-term investments	92,676	153,550	61,157
Net cash used in investing activities	(153,981)	(122,624)	(108,584)
FINANCING ACTIVITIES			
Dividends paid	(150,835)	(135,680)	(118,308)
Common Stock purchased	(7,679)	(3,676)	(6,779)
Net cash used in financing activities	(158,514)	(139,356)	(125,087)
Effect of exchange rate changes on cash and cash equivalents	(3,407)	(7,104)	3,336
Net increase in cash and cash equivalents	7,945	25,394	55,508
Cash and cash equivalents at beginning of year	206,627	181,233	125,725
Cash and cash equivalents at end of year	\$ 214,572	206,627	181,233
SUPPLEMENTAL CASH FLOW INFORMATION			
Income taxes paid	\$ 133,530	126,925	130,499
Interest paid	\$ 1,164	900	631
Interest and dividends received	\$ 19,458	16,598	14,477

See accompanying accounting policies and notes.

consolidated statement of stockholders' equity
including comprehensive income

	COMMON SHARES OUTSTANDING	COMMON STOCK	CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK IN TREASURY	OTHER COMPREHENSIVE INCOME	TOTAL STOCK- HOLDERS' EQUITY
<i>In thousands of U.S. dollars and shares</i>								
BALANCE DECEMBER 31, 1995	<u>91,322</u>	<u>\$ 12,205</u>	<u>3,291</u>	<u>1,625</u>	<u>786,543</u>	<u>(10,178)</u>	<u>3,366</u>	<u>796,852</u>
Net earnings					230,272			230,272
Other comprehensive income:								
Currency translation							(6,678)	(6,678)
Unrealized holding loss on marketable equity securities, net of \$319 tax credit							(592)	(592)
Total comprehensive income								223,002
Dividends to shareholders					(118,303)			(118,303)
Treasury share purchases	(115)					(6,779)		(6,779)
Options exercised and stock awards granted	83			(1,387)		4,046		2,659
Conversion from Class B Common to Common	<u>525</u>	<u>70</u>	<u>(70)</u>					<u>—</u>
BALANCE DECEMBER 31, 1996	<u>91,815</u>	<u>12,275</u>	<u>3,221</u>	<u>238</u>	<u>898,512</u>	<u>(12,911)</u>	<u>(3,904)</u>	<u>897,431</u>
Net earnings					271,626			271,626
Other comprehensive income:								
Currency translation							(50,318)	(50,318)
Unrealized holding gain on marketable equity securities, net of \$2,748 tax							5,103	5,103
Total comprehensive income								226,411
Dividends to shareholders					(137,999)			(137,999)
Treasury share purchases	(56)					(3,676)		(3,676)
Options exercised and stock awards granted	55			(12)		3,224		3,212
Conversion from Class B Common to Common	<u>479</u>	<u>64</u>	<u>(64)</u>					<u>—</u>
BALANCE DECEMBER 31, 1997	<u>92,293</u>	<u>12,339</u>	<u>3,157</u>	<u>226</u>	<u>1,032,139</u>	<u>(13,363)</u>	<u>(49,119)</u>	<u>985,379</u>
Net earnings					304,501			304,501
Other comprehensive income:								
Currency translation							3,695	3,695
Unrealized holding gain on marketable equity securities, net of \$4,729 tax							8,783	8,783
Total comprehensive income								316,979
Dividends to shareholders					(152,023)			(152,023)
Treasury share sales, net of purchases	104					4,078		4,078
Options exercised and stock awards granted	37			46		2,573		2,619
Conversion from Class B Common to Common	<u>462</u>	<u>62</u>	<u>(62)</u>					<u>—</u>
BALANCE DECEMBER 31, 1998	<u>92,896</u>	<u>\$12,401</u>	<u>3,095</u>	<u>272</u>	<u>1,184,617</u>	<u>(6,712)</u>	<u>(36,641)</u>	<u>1,157,032</u>

See accompanying accounting policies and notes.

CONSOLIDATION AND DESCRIPTION OF BUSINESS

The consolidated financial statements include the accounts of the Wm. Wrigley Jr. Company and its associated companies (the Company). The Company's principal business is manufacturing and selling chewing gum. All other businesses constitute less than 10% of combined revenues, operating profit and identifiable assets. Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect assets, liabilities, revenues and expenses. Actual results may vary from those estimates. Certain amounts reported in 1996 and 1997 have been reclassified to conform to the 1998 presentation.

FACTORY CLOSURE AND SALE

In April, 1996, as part of a plan to realign U.S. production capacity, the Company announced its intent to close its Santa Cruz, California factory and transfer, retire or terminate the 311 employees at that factory by the second quarter of 1997. In 1996, the Company provided \$17,000,000 for related closure costs covering employee severance and costs to maintain and sell the property and incurred \$2,436,000 for employee relocation, training and other transition costs related to this plan for a total charge of \$19,436,000. In 1997, the Company incurred \$3,300,000 for employee relocation, training and other transition costs. As a result of these charges, net earnings per share are reduced by \$.02 and \$.11 per share in 1997 and 1996, respectively.

In the first quarter of 1998, the Company sold its real estate holding in Santa Cruz, California and recorded a pretax gain of approximately \$10,404,000 and net earnings of approximately \$6,763,000 or \$.06 per share. Proceeds from the sale of \$7,434,000 are included in proceeds from property retirements in the consolidated statement of cash flows.

With the sale of its real estate holding in Santa Cruz, California, the Company's 1996 plan to realign U.S. production capacity is substantially complete.

CASH AND CASH EQUIVALENTS

The Company considers all highly-liquid investments with original maturity of three months or less to be cash equivalents.

ADVERTISING

The Company expenses all advertising costs in the year incurred. Advertising expense was \$291,344,000 in 1998, \$279,689,000 in 1997 and \$247,571,000 in 1996.

INVESTMENTS IN DEBT & EQUITY SECURITIES

The Company's investments in debt securities, which typically mature in one year or less, are held to maturity and valued at amortized cost, which approximates fair value. The aggregate fair values at December 31, 1998 and December 31, 1997 were, respectively, \$124,645,000 and \$104,684,000 for municipal securities, and \$12,467,000 and \$16,044,000 for other debt securities. The average yield of municipal securities held at December 31, 1998 and December 31, 1997 is 4.03% and 4.28% respectively.

The Company's investments in marketable equity securities are held for an indefinite period. Application of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," resulted in unrealized holding gains of \$37,997,000 at December 31, 1998 and \$24,484,000 at December 31, 1997. Unrealized holding gains, net of the related tax effect, of \$24,698,000 and \$15,915,000 at December 31, 1998 and 1997, respectively, are included as components of accumulated other comprehensive income in stockholders' equity.

INVENTORIES

Inventories are valued at cost on a last-in, first-out (LIFO) basis for U.S. companies and at the lower of cost (principally first-in, first-out basis) or market for international associated companies. Inventories totaled \$256,108,000 and \$247,392,000 at December 31, 1998 and 1997, respectively, including \$106,750,000 and \$104,801,000, respectively, valued at cost on a LIFO basis. If current costs had been used, such inventories would have been \$37,330,000 and \$40,674,000 higher than reported at December 31, 1998 and 1997, respectively.

DEPRECIATION

Depreciation is provided over the estimated useful life of the respective asset: buildings and building equipment — 12 to 50 years; machinery and equipment — 3 to 20 years. Depreciation is provided primarily by the straight-line method for international associated companies and by the accelerated method, with a change to straight-line in the latter years of useful life, for the U.S. companies. The amounts were:

	1998	1997	1996
	<i>In thousands of U.S. dollars</i>		
Straight-line	\$35,602	32,485	30,489
Accelerated	\$20,172	17,954	16,799

ACCRUED EXPENSES

Accrued expenses at December 31, 1998 and 1997 included \$27,606,000 and \$29,667,000 of payroll expenses, respectively.

OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities at December 31, 1998, included liabilities for approximately \$49,100,000 of deferred compensation and \$17,600,000 for postretirement benefits. At December 31, 1997, they included liabilities for approximately \$39,400,000 of deferred compensation and \$18,000,000 for postretirement benefits.

FOREIGN CURRENCY TRANSLATION AND EXCHANGE CONTRACTS

The Company has determined that the functional currency for each associated company except for selected Eastern European entities is its local currency. As some Eastern European entities operate in economies which are considered to be highly inflationary, their functional currency is the U.S. dollar.

Certain foreign associated companies enter into forward exchange contracts and purchase currency options as nonspeculative hedges against future purchase commitments with other associated companies and outside vendors. In addition, the Parent Company enters into forward exchange contracts and purchases currency options as nonspeculative hedges regarding known future royalty payments from, and net investments in, associated companies as well as known foreign currency commitments. Market value gains and losses, recognized at expiration of the contracts, offset foreign exchange gains or losses on the related transactions being hedged. At December 31, 1998, foreign exchange contracts for a number of currencies, primarily British pounds, French francs, German marks, and U.S. dollars, maturing at various dates through December 31, 1999, aggregated \$163,765,000. Open foreign exchange contracts at December 31, 1997 aggregated \$222,209,000. Unrealized gains or losses on these contracts were not significant as of either December 31, 1998 or 1997.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, which is effective for periods beginning after June 15, 1999, establishes accounting and reporting standards which require derivatives to be measured at fair value and recognized as assets or liabilities in the balance sheet. The Company's balance sheet and statements of earnings and cash flows will not be materially impacted by this statement, upon adoption.

accounting policies and notes (continued)

ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE

In 1998, the Accounting Standards Executive Committee of the AICPA (AcSEC) issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 which is effective for periods beginning after December 15, 1998, establishes guidelines on accounting for costs incurred related to internal-use software. The Company's balance sheet and statements of earnings and cash flows will not be materially impacted by this statement.

COMMON STOCK

On March 5, 1997, stockholders approved the Company's Management Incentive Plan (1997 MIP). The 1997 MIP authorizes the granting of up to 5,000,000 shares of the Company's new or reissued Common Stock. The 1997 MIP was designed to provide key employees the opportunity to participate in the long-term growth and profitability of the Company through equity-based incentives. In accordance with the 1997 MIP, shares of Wrigley stock or deferral share units may be awarded under the Long-Term Stock Grant and Stock Award programs. Deferral share units are also awarded to non-employee directors. Neither the cost to provide share and share units nor the number of shares which may be issued is material.

Each share of Class B Common Stock has ten votes, is restricted as to transfer or other disposition and is convertible at any time into one share of Common Stock.

Additional paid-in capital primarily represents the excess of fair market value of Common Stock issued from treasury on the date the shares of stock were awarded over the average acquisition cost of the shares.

Treasury Stock may be acquired for the 1997 MIP plan or under a resolution the Board of Directors adopted at its meeting of August 18, 1993, authorizing the Company to purchase from time to time shares of the Company's Common Stock not to exceed \$100,000,000 in aggregate price.

INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of net deferred tax balances are as follows:

	1998	1997
<i>In thousands of U.S. dollars</i>		
Accrued Compensation, Pension and Postretirement Benefits	\$ 25,592	24,506
Depreciation	(14,300)	(13,465)
Unrealized Holding Gains	(13,297)	(8,569)
Factory Closure and Related Costs	239	3,709
All Other—Net	629	7,461
Net Deferred Tax (Liability) Asset	<u>\$ (1,137)</u>	<u>13,642</u>

Balance sheet classifications of deferred taxes are as follows:

	1998	1997
<i>In thousands of U.S. dollars</i>		
Deferred Tax Asset—		
Current	\$ 15,027	16,421
Noncurrent	25,522	29,038
Deferred Tax Liability—		
Current	(1,374)	(943)
Noncurrent	(40,312)	(30,874)
Net Deferred Tax (Liability) Asset	<u>\$ (1,137)</u>	<u>13,642</u>

Applicable U.S. income and foreign withholding taxes have not been provided on approximately \$437,106,000 of undistributed earnings of international associated companies at December 31, 1998. These earnings are considered to be permanently invested and, under the tax laws, are not subject to such taxes until distributed as dividends. If the earnings were not considered permanently invested, approximately \$30,151,000 of deferred income taxes would have been provided.

Income taxes are based on pre-tax earnings which are distributed geographically as follows:

	1998	1997	1996
<i>In thousands of U.S. dollars</i>			
Domestic	\$188,472	172,391	161,510
Foreign	<u>252,407</u>	<u>221,849</u>	<u>197,602</u>
	<u>\$440,879</u>	<u>394,240</u>	<u>359,112</u>

Reconciliation of the provision for income taxes computed at the U.S. Federal statutory rate of 35% for 1998, 1997, and 1996 to the reported provision for income taxes is as follows:

	1998	1997	1996
<i>In thousands of U.S. dollars</i>			
Provision at U.S. Federal Statutory Rate	\$154,276	137,984	125,690
State Taxes—Net	5,588	8,133	8,284
Foreign Tax Rates	(13,634)	(1,178)	34
Tax Credits (principally foreign)	(3,575)	(16,638)	(376)
Other—Net	<u>(6,277)</u>	<u>(5,687)</u>	<u>(4,792)</u>
	<u>\$136,378</u>	<u>122,614</u>	<u>128,840</u>

The components of the provision for income taxes for 1998, 1997, and 1996 are:

	CURRENT	DEFERRED	TOTAL
<i>In thousands of U.S. dollars</i>			
1998			
Federal	\$ 34,083	5,116	39,199
Foreign	83,623	4,710	88,333
State	<u>8,846</u>	<u>—</u>	<u>8,846</u>
	<u>\$126,552</u>	<u>9,826</u>	<u>136,378</u>
1997			
Federal	\$ 28,054	(3,590)	24,464
Foreign	84,168	982	85,150
State	<u>13,000</u>	<u>—</u>	<u>13,000</u>
	<u>\$ 125,222</u>	<u>(2,608)</u>	<u>122,614</u>
1996			
Federal	\$ 47,890	(6,205)	41,685
Foreign	72,702	1,709	74,411
State	<u>12,744</u>	<u>—</u>	<u>12,744</u>
	<u>\$ 133,336</u>	<u>(4,496)</u>	<u>128,840</u>

RETIREMENT AND POSTRETIREMENT PLANS

In 1997, the Financial Accounting Standards Board issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits." This statement, which is effective for periods beginning after December 15, 1997, modifies previous disclosure requirements. The Company's balance sheet and statement of earnings, and cash flows are not impacted by this statement.

The Company maintains noncontributory defined benefit plans covering substantially all of its employees in the U.S. and at certain international associated companies. Retirement benefits are a function of years of service and the level of compensation generally for the highest three consecutive salary years occurring within ten years prior to an employee's retirement date depending on the plan. The Company's policy is to fund within ERISA or other statutory limits to provide benefits earned to date and expected to be earned in the future.

To the extent that an individual's annual retirement benefit under the plan exceeds the limitations imposed by the Internal Revenue Code of 1986, as amended, and the regulations thereunder, such excess benefits may be paid from the Company's non-qualified, unfunded, noncontributory supplemental retirement plan.

Domestic plan assets consist primarily of high quality marketable fixed income and equity securities. Foreign plan assets consist primarily of contracts with insurance companies.

In addition, the Company maintains certain postretirement plans which provide limited health care benefits on a contributory basis and life insurance benefits in the U.S. and at certain international associated companies. The cost of postretirement benefits is provided during the employee's active working career.

accounting policies and notes (continued)

The funded status of the defined benefit plans and postretirement benefit plans were as follows:

	DEFINED BENEFIT PLANS		POSTRETIREMENT BENEFIT PLANS	
	1998	1997	1998	1997
	<i>In thousands of U.S. dollars</i>			
Change in Benefit Obligation				
Benefit Obligation at Beginning of Year	\$309,800	266,600	\$ 27,900	25,400
Service Cost	11,400	10,900	900	1,000
Interest Cost	22,200	21,000	1,700	2,000
Plan Participants' Contributions	300	300	—	—
Plan Amendments	—	4,800	—	—
Actuarial Loss (Gain)	16,100	22,000	(3,100)	400
Other	(700)	(3,400)	—	—
Benefits Paid	(13,500)	(12,400)	(700)	(900)
Benefit Obligation at End of Year	<u>\$345,600</u>	<u>309,800</u>	<u>\$ 26,700</u>	<u>27,900</u>
Change in Plan Assets				
Fair Value at Beginning of Year	\$343,000	302,600	\$ 8,200	8,000
Actual Return on Plan Assets	34,300	47,500	1,100	1,000
Employer Contribution	8,300	1,900	2,900	100
Plan Participants' Contributions	1,800	1,700	—	—
Other	(200)	1,700	—	—
Benefits Paid	(13,500)	(12,400)	(700)	(900)
Fair Value at End of Year	<u>\$373,700</u>	<u>343,000</u>	<u>\$ 11,500</u>	<u>8,200</u>
Funded (Underfunded) Status of the Plan	\$ 28,100	33,200	(15,200)	(19,700)
Unrecognized Net Actuarial (Gain) Loss	(31,100)	(44,700)	(2,400)	1,700
Unrecognized Prior Service Costs	10,800	12,500	—	—
Unrecognized Transition Asset	(3,900)	(4,800)	—	—
Prepaid (Accrued) Benefit Cost	<u>\$ 3,900</u>	<u>(3,800)</u>	<u>\$(17,600)</u>	<u>(18,000)</u>

The following table provides amounts recognized in the balance sheet as of December 31:

	DEFINED BENEFIT PLANS		POSTRETIREMENT BENEFIT PLANS	
	1998	1997	1998	1997
	<i>In thousands of U.S. dollars</i>			
Prepaid Benefit Cost	\$ 8,900	2,800	\$ —	—
Accrued Benefit Liability	(5,000)	(6,600)	(17,600)	(18,000)
Net Amount Recognized	<u>\$ 3,900</u>	<u>(3,800)</u>	<u>\$(17,600)</u>	<u>(18,000)</u>

The Company's non-qualified, unfunded, noncontributory supplemental retirement plan has an accumulated benefit obligation in the amount of \$5,800,000 and \$4,900,000 at December 31, 1998 and 1997, respectively.

The components of net pension and net periodic postretirement benefit costs are as follows:

	DEFINED BENEFIT PLANS			POSTRETIREMENT BENEFIT PLANS		
	1998	1997	1996	1998	1997	1996
	<i>In thousands of U.S. dollars</i>					
Service Cost	\$ 11,400	10,900	10,200	\$ 900	1,000	1,000
Interest Cost	22,200	21,000	18,900	1,700	2,000	1,800
Expected Return on Plan Assets	(30,400)	(25,600)	(23,100)	(300)	(300)	(200)
Amortization of Unrecognized Transition Assets	(900)	(800)	(800)	—	—	—
Prior Service Costs Recognized	1,500	1,400	(100)	—	—	—
Recognized Net Actuarial Loss	(1,200)	(800)	—	(100)	—	—
Other Pension Plans	3,400	3,900	4,800	—	—	—
Net Periodic Benefit Cost	<u>\$ 6,000</u>	<u>10,000</u>	<u>9,900</u>	<u>\$2,200</u>	<u>2,700</u>	<u>2,600</u>

Assumptions used to determine net pension and net periodic postretirement benefit costs are as follows:

	DEFINED BENEFIT PLANS			POSTRETIREMENT BENEFIT PLANS		
	1998	1997	1996	1998	1997	1996
Discount Rate						
Domestic	6.75%	7.25%	7.50%	6.75%	7.25%	7.50%
Foreign	6.0-8.0%	6.8-8.0%	7.5-9.0%	6.75%	7.25%	7.50%
Long-Term Rates of Return on Plan Assets						
Domestic	9.00%	8.50%	8.50%	5.50%	5.50%	5.50%
Foreign	7.0-8.0%	4.0-8.5%	7.0-9.0%	—	—	—
Rates of Increase in Compensation Levels						
Domestic	4.75%	4.75%	4.75%	—	—	—
Foreign	3.3-6.0%	0.0-5.0%	5.0-6.0%	—	—	—

A 7.5% annual rate of increase in the per capita cost of covered postretirement benefits was assumed for 1999. The rate was assumed to decrease gradually to 5.0% for 2002 and remain at that level thereafter.

Increasing or decreasing the health care trend rates by one percentage point in each year would have the following effect:

	1% INCREASE	1% DECREASE
Effect on Postretirement Benefit Obligation	\$ 2,400	(2,100)
Effect on Total of Service and Interest Cost Components	\$ 300	(300)

In addition to the defined benefit plans and postretirement benefit plans described above, the Company also sponsors defined contribution plans within the U.S. and at certain international associated companies. The plans cover full time employees and provide for contributions between 3% and 5% of salary. The Company's expense for the defined contribution plans totaled \$4,100,000, \$4,719,000, and \$4,700,000 in 1998, 1997, and 1996 respectively.

accounting policies and notes (continued)

SEGMENT INFORMATION

In 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 requires disclosure of revenues and other information based on the way management organizes the segments of the business for making operating decisions and assessing performance.

Management organizes the Company's chewing-gum business based on geographic regions. Intercompany suppliers of flavors, gumbase, and wrapping materials are classified as "All Other". For operating profits, "All Other" also includes costs incurred at the corporate office, net of royalties received from associated companies.

Information by geographic region at December 31, 1998, 1997, and 1996 and for the years then ended is as follows:

NET SALES	1998	1997	1996
	<i>In thousands of U.S. dollars</i>		
North America, principally U.S.	\$ 826,817	837,781	835,972
Europe	900,794	830,300	773,049
Asia/Pacific/Latin America	269,481	262,532	218,079
All Other	152,524	165,897	145,891
Gross Sales	2,149,616	2,096,510	1,972,991
Intersegment Sales	(144,897)	(159,489)	(137,004)
Net Sales	<u>\$2,004,719</u>	<u>1,937,021</u>	<u>1,835,987</u>

Intersegment revenues are sales from intercompany suppliers of flavors and gumbase to the Company's chewing gum production facilities worldwide. Such revenues are valued on a cost-plus basis.

OPERATING PROFITS	1998	1997	1996
	<i>In thousands of U.S. dollars</i>		
North America, principally U.S.	\$ 217,888	208,471	218,108
Europe	185,693	164,833	145,993
Asia/Pacific/Latin America	40,333	35,381	34,723
All Other	(21,930)	(22,046)	(25,644)
Operating Profits	421,984	386,639	373,180
Other Income	8,491	10,901	5,368
Earnings Before Income Taxes, Factory Closure and Sale	430,475	397,540	378,548
Gains (Costs) Related to Factory Closure and Sale	10,404	(3,300)	(19,436)
Earnings Before Income Taxes	<u>\$ 440,879</u>	<u>394,240</u>	<u>359,112</u>

Management separates non-operating items such as foreign currency transaction gains and losses, investment income, and miscellaneous income and expense from operating profits. The non-operating items are classified as "Other Income".

ASSETS	1998	1997	1996
	<i>In thousands of U.S. dollars</i>		
North America, principally U.S.	\$ 448,565	439,098	405,737
Europe	562,356	466,120	426,058
Asia/Pacific/Latin America	188,041	172,340	153,732
All Other	87,223	69,049	80,585
Assets Used in Operating Activities	1,286,185	1,146,607	1,066,112
Corporate	234,670	196,519	167,431
Total Assets	<u>\$1,520,855</u>	<u>1,343,126</u>	<u>1,233,543</u>

Assets are categorized based upon the geographic segment where they reside. Assets in "Corporate" consist principally of short-term investments and marketable equity securities which are held at the corporate office, as well as certain fixed assets.

DEPRECIATION EXPENSE	1998	1997	1996
	<i>In thousands of U.S. dollars</i>		
North America, principally U.S.	\$ 15,961	16,077	16,437
Europe	19,886	17,098	15,287
Asia/Pacific/Latin America	6,784	5,464	4,810
All Other	3,415	3,046	2,112
Depreciation Expense Related to Operating Activities	46,046	41,685	38,646
Corporate	9,728	8,754	8,642
Total Depreciation Expense	<u>\$ 55,774</u>	<u>50,439</u>	<u>47,288</u>

Depreciation expense is categorized consistent with the geographic region where the asset resides.

CAPITAL EXPENDITURES	1998	1997	1996
	<i>In thousands of U.S. dollars</i>		
North America, principally U.S.	\$ 32,870	22,899	23,829
Europe	86,761	49,965	52,205
Asia/Pacific/Latin America	19,074	31,872	17,118
All Other	6,825	3,370	3,590
Capital Expenditures for Operating Activities	145,530	108,106	96,742
Corporate	2,938	20,065	5,585
Gross Capital Expenditures	148,468	128,171	102,327
Intersegment Asset Transfers	(441)	(1,662)	(350)
Net Capital Expenditures	<u>\$ 148,027</u>	<u>126,509</u>	<u>101,977</u>

Capital expenditures are categorized based upon the geographic segment where the expenditure occurred. Intersegment asset transfers are primarily due to sales between production facilities worldwide. Asset sales are typically transferred at net book value.

management's report on responsibility for financial reporting



Management of the Wm. Wrigley Jr. Company is responsible for the preparation and integrity of the financial statements and related information presented in this Annual Report. This responsibility is carried out through a system of internal controls to ensure that assets are safeguarded, transactions are properly authorized and financial records are accurate.

These controls include a comprehensive internal audit program, written financial policies and procedures, appropriate division of responsibility, and careful selection and training of personnel. Written policies include a Code of Business Conduct prescribing that all employees maintain the highest ethical and business standards.

Ernst & Young LLP have conducted an independent audit of the financial statements, and their report appears on the facing page.

The Board of Directors exercises its control responsibility through an Audit Committee composed entirely of outside directors. The Audit Committee meets regularly to review accounting and control matters. Both Ernst & Young LLP and the internal auditors have direct access to the Audit Committee and periodically meet privately with them.

WM. WRIGLEY JR. COMPANY

Chicago, Illinois
January 27, 1999

report of independent auditors



To the Stockholders and Board of Directors of the Wm. Wrigley Jr. Company

We have audited the accompanying consolidated balance sheet of the Wm. Wrigley Jr. Company and associated companies at December 31, 1998 and 1997 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Wm. Wrigley Jr. Company and associated companies at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Chicago, Illinois
January 27, 1999

management's discussion and analysis of results of operations and financial condition

RESULTS OF OPERATIONS

NET SALES

Consolidated net sales for 1998 increased \$67,698,000 or over 3% from 1997. Net sales for 1998 were favorably affected by higher international unit volume and selected selling price increases. Higher shipments increased net sales by 4%, while selected selling price changes increased net sales by 2%. Translation of foreign currency sales to a stronger U.S. dollar reduced reported net sales by approximately 3%.

North American 1998 net sales decreased approximately 1% compared to 1997. The U.S. and Canadian markets maintained volume and net sales levels consistent with the prior year. At Amurof Confections, lower unit shipments reduced North American volume by about 1%.

International 1998 net sales increased by 11%, excluding the effects of foreign currency translation. Unit volume increased over 6%, with higher customer shipments to emerging markets such as Central and Eastern Europe and China offsetting lower volume in Russia and the Philippines.

Consolidated net sales for 1997 increased \$101,034,000 or 6% from 1996. Net sales for 1997 were favorably impacted by higher unit volume and selected selling price increases in international markets, mainly in Europe, and the full year impact of 1996 price increases in North America, primarily the U.S. and Canada. Higher shipments increased net sales 8%, while selected selling price changes increased net sales about 3%. Translation of foreign currency sales to a stronger U.S. dollar reduced reported net sales by 5%.

North American 1997 net sales were essentially unchanged from 1996, as the full year impact of 1996 price increases in the U.S. and Canada offset lower shipments. In total, North American shipments decreased by 2% from the previous year's level mainly due to lower unit shipments at Amurof Confections and lower U.S. shipments of Wrigley brands.

International 1997 net sales increased by 20%, excluding the effects of foreign currency translation. Unit volume increased 17% in 1997, with customer shipments to emerging markets such as China and Eastern Europe accounting for most of the volume gain.

INVESTMENT AND OTHER INCOME

In 1998, consolidated investment and other income increased \$1,483,000 or 9% from 1997. In 1997, consolidated investment and other income increased \$2,539,000 or 17% from 1996. In both years, the increase is mainly due to higher average investment balances worldwide.

COST OF SALES AND GROSS PROFIT

In 1998, consolidated cost of sales increased \$997,000 essentially constant with 1997. Excluding the effect of foreign currency translation, the cost of sales increase was about 3% from 1997. Excluding the effects of the Santa Cruz closure and sale, consolidated gross profit in 1998 was \$1,156,356,000, an increase of \$66,701,000 or 6% from 1997. The consolidated gross profit margin on net sales was 57.7% for 1998, up over 1% from the 1997 gross margin of 56.3%, mainly reflecting lower product costs.

Consolidated cost of sales for 1997 increased \$32,883,000 or 4% from 1996. Excluding the effect of foreign currency translation, 1997 cost of sales increased by about 9% from 1996 mainly due to increased international volume. Excluding the Santa Cruz factory closure costs, consolidated gross profit in 1997 was \$1,089,655,000, an increase of \$68,151,000 or nearly 7% from 1996. The consolidated gross profit margin on net sales was 56.3% for 1997, up nearly 1% from the 1996 gross margin of 55.6%, reflecting lower international product costs and savings from the above mentioned realignment.

SELLING, DISTRIBUTION, AND GENERAL ADMINISTRATIVE EXPENSES

Consolidated 1998 selling, distribution, and general administrative expenses increased \$35,592,000 or 5% from 1997. Excluding the effects of foreign currency translation, the increase was about 8% in 1998, mainly due to higher international selling and marketing expenditures.

In 1997, consolidated selling, distribution and general administrative expenses increased \$51,837,000 or 8% from 1996. Excluding the effects of foreign currency translation, the increase was about 13% in 1997, mainly due to higher international selling and marketing expenditures.

As a percentage of consolidated net sales, the expenses were:

	1998	1997	1996
Selling and Marketing	26.9%	26.5%	25.5%
Distribution and General Administration	<u>10.2%</u>	<u>10.1%</u>	<u>10.3%</u>
	<u>37.1%</u>	<u>36.6%</u>	<u>35.8%</u>

INCOME TAXES

Income taxes in 1998 increased \$13,764,000 or 11% from 1997. The effective consolidated income tax rate was 30.9% in 1998 and 31.1% in 1997.

Income taxes in 1997 decreased \$6,226,000 or 5% from 1996. The effective consolidated income tax rate was 31.1% in 1997 and 35.9% in 1996. The lower effective tax rate in 1997 was mainly from tax credits.

NET EARNINGS

Consolidated net earnings in 1998, including the gain related to the Santa Cruz transaction, increased \$32,875,000 and \$.29 per share or 12% from 1997. Excluding the effects of the Santa Cruz closure and sale, 1998 net earnings increased \$23,967,000, and \$.21 per share or 9%.

Consolidated net earnings in 1997, including costs related to the Santa Cruz factory closure, increased \$41,354,000 and \$.35 per share or 18% from 1996. Excluding factory closure costs, 1997 net earnings increased \$30,509,000, and \$.26 per share or 12%.

LIQUIDITY AND CAPITAL RESOURCES

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for 1998 were \$148,027,000, an increase of \$21,518,000 from 1997 capital expenditures of \$126,509,000. The 1997 capital expenditures represented an increase of \$24,532,000 from the 1996 capital expenditures of \$101,977,000. All of the capital expenditures for 1998 and 1997 were funded from the Company's cash flow from operations. Additions to property, plant, and equipment in 1999 are expected to approximate 1998 capital expenditures and are also planned to be funded from the Company's cash flow from operations.

CURRENT RATIO

The Company has a current ratio (current assets divided by current liabilities) in excess of 3.5 to 1 at December 31, 1998 and 1997.

OTHER MATTERS

SALE OF THE SANTA CRUZ FACTORY

In the first quarter of 1998, the Company sold its real estate holding in Santa Cruz, California and recorded a pretax gain of approximately \$10,404,000 and net earnings of approximately \$6,763,000 or \$.06 per share.

YEAR 2000 READINESS DISCLOSURE

The Company recognizes the potential business impacts related to the Year 2000 issue. The issue is one where computer systems and microprocessors (embedded chips) may recognize the designation "00" as 1900 when it means 2000, resulting in processing failures or errors. The Company began to address this issue in 1995 and believes it has an effective program in place to resolve Year 2000 issues in a timely manner.

The Company has completed the assessment of its business critical systems and processes, and is essentially finished with the remediation of these business critical systems, including those involving suppliers, customers and other business partners. Work continues on the remaining systems and processes, both internal and external.

Most systems should be Year 2000 tested and ready by March 31, 1999, with work continuing on some low-risk equipment and minor issues throughout the year. Implementing our plan, as it now stands, will allow the Company to be fully ready by December 31, 1999.

The Company has certain pre-existing contingency arrangements and has established processes for creating other business critical contingency plans so that operations are not impeded by the millennium change. Appropriate contingency plans to deal with issues created by third parties, those over whom the Company has little or no control, will also be developed. This will be done on an "as needed" basis due to the difficulty of assessing third-party progress toward resolution of their Year 2000 issues.

Given the complexity of the Year 2000 issue, failure by the Company or its external business partners to achieve readiness could adversely affect the Company's operations. The Company believes that its readiness program, including the contingency plans, will minimize the effect of any temporary disruptions in the Company's operations that may occur.

The Company expects to incur approximately \$15,000,000, including approximately \$2,000,000 of capital spending, on all of its Year 2000 efforts. Approximately \$5,000,000 was incurred in 1997 and \$7,500,000 in 1998, with the remaining \$2,500,000 expected to be incurred in 1999.

EURO CONVERSION

On January 1, 1999, the exchange rates of eleven countries (Germany, France, the Netherlands, Austria, Italy, Spain, Finland, Ireland, Belgium, Portugal, and Luxembourg) were fixed amongst one another and became the currencies of the EURO. The currencies of the eleven countries will remain in circulation until mid-2002. The EURO currency will be introduced on January 1, 2002. The Company does not expect future balance sheets and statements of earnings and cash flows to be materially impacted by the EURO conversion.

MARKET RISK

Inherent in the Company's operations are certain risks related to foreign currency, interest rates, and the equity markets. The Company identifies these risks and mitigates their financial impact through its corporate policies and hedging activities. The Company has determined that movements in market values of financial instruments used to mitigate identified risks are not expected to have a material impact on future earnings, cash flows, or reported fair values.

FORWARD-LOOKING STATEMENTS

Statements contained in this report may be considered to be forward looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward looking statements. The Company wishes to ensure that such statements are accompanied by meaningful cautionary statements to comply with the safe harbor under the Act. The Company notes that a variety of factors could cause actual results to differ materially from the anticipated results or expectations expressed in these forward looking statements.

Important factors that may influence the operations, performance, development and results of the Company's business include global and local business and economic conditions; currency exchange and interest rates; ingredients, labor, and other operating costs; insufficient or underutilization of manufacturing capacity; political or economic instability in local markets; competition; retention of preferred retail space; effective marketing campaigns or new product introductions; consumer preferences, spending patterns, and demographic trends; legislation and governmental regulation; accounting policies and practices; and failure of the Company's suppliers, customers or business partners to be Year 2000 ready.

We caution the reader that the list of factors may not be exhaustive. The Company undertakes no obligation to update any forward looking statement, whether as a result of new information, future events, or otherwise.

quarterly data

CONSOLIDATED RESULTS

	NET SALES		COST OF SALES		NET EARNINGS	
					AMOUNT	PER SHARE
<i>In thousands of U.S. dollars except for per share amounts</i>						
1998						
First Quarter ¹	\$ 469,319	200,393	76,106		.66	
Second Quarter	541,162	226,854	84,542		.73	
Third Quarter	493,955	207,140	73,095		.63	
Fourth Quarter	500,283	213,976	70,758		.61	
Total	<u>\$2,004,719</u>	<u>848,363</u>	<u>304,501</u>		<u>2.63</u>	
1997						
First Quarter	\$ 447,607	196,066	62,849		.54	
Second Quarter	521,272	225,348	76,647		.66	
Third Quarter	481,938	208,931	69,526		.60	
Fourth Quarter	486,204	217,021	62,604		.54	
Total	<u>\$ 1,937,021</u>	<u>847,366</u>	<u>271,626</u>		<u>2.34</u>	

¹Net earnings and earnings per share for the 1st quarter 1998 included gains of \$6,763,000 and \$.06 related to the sale of the Santa Cruz factory.

MARKET PRICES

Although there is no established public trading market for the Class B Common Stock, these shares are at all times convertible into shares of Common Stock on a one-for-one basis and are entitled to identical dividend payments.

The Common Stock of the Company is listed and traded on the New York and Chicago Stock Exchanges. The table below presents the high and low sales prices for the two most recent years on the New York Stock Exchange.

	1998		1997	
	HIGH	LOW	HIGH	LOW
First Quarter	\$ 83 ¹ / ₂	73 ¹ / ₂	62 ¹ / ₂	54 ⁹ / ₁₆
Second Quarter	104 ⁵ / ₁₆	78 ¹¹ / ₁₆	71 ³ / ₈	55 ³ / ₄
Third Quarter	102	72 ¹⁵ / ₁₆	77 ⁵ / ₁₆	67 ¹ / ₈
Fourth Quarter	91 ³ / ₈	70 ¹⁵ / ₁₆	82 ¹ / ₁₆	64 ⁷ / ₈

DIVIDENDS

The following table indicates the quarterly breakdown of aggregate dividends declared per share of Common Stock and Class B Common Stock for the two most recent years.

	1998			1997		
	REGULAR	EXTRA	TOTAL	REGULAR	EXTRA	TOTAL
First Quarter	\$.20		.20	.19		.19
Second Quarter	.20		.20	.19		.19
Third Quarter	.20		.20	.19		.19
Fourth Quarter	<u>.20</u>	<u>.51</u>	<u>.71</u>	<u>.19</u>	<u>.43</u>	<u>.62</u>
Total	<u>\$.80</u>	<u>.51</u>	<u>1.31</u>	<u>.76</u>	<u>.43</u>	<u>1.19</u>

selected financial data

	1998	1997	1996	1995
OPERATING DATA				
Net Sales	\$2,004,719	1,937,021	1,835,987	1,754,931
Cost of Sales	848,363	847,366	814,483	778,019
Income Taxes	136,378	122,614	128,840	126,492
Earnings before factory closure and sale in 1998-96, nonrecurring gain on sale of Singapore property in 1994, and cumulative effect of accounting changes in 1992	297,738	273,771	243,262	223,739
—Per Share of Common Stock (basic and diluted)	2.57	2.36	2.10	1.93
Net Earnings	304,501	271,626	230,272	223,739
—Per Share of Common Stock (basic and diluted)	2.63	2.34	1.99	1.93
Dividends Paid	150,835	135,680	118,308	111,401
—Per Share of Common Stock	1.30	1.17	1.02	.96
—As a Percent of Net Earnings	50%	50%	51%	50%
Dividends Declared				
—Per Share of Common Stock	1.31	1.19	1.02	.99
Average Shares Outstanding	115,964	115,964	115,983	116,066
OTHER FINANCIAL DATA				
Net Property, Plant and Equipment	\$ 520,090	430,474	388,149	347,491
Total Assets	\$1,520,855	1,343,126	1,233,543	1,099,219
Working Capital	\$ 624,546	571,857	511,272	458,683
Stockholders' Equity	\$1,157,032	985,379	897,431	796,852
Return on Average Equity	28.4%	28.9%	27.2%	30.1%
Stockholders at Close of Year	38,052	36,587	34,951	28,959
Employees at Close of Year	9,200	8,200	7,800	7,300
Market Price of Stock—High	\$ 104.313	82.063	62.875	54.000
—Low	\$ 70.938	54.563	48.375	42.875

1994	1993	1992	1991	1990	1989	1988
<i>In thousands of U.S. dollars and shares except for per share amounts</i>						
1,596,551	1,428,504	1,286,921	1,148,875	1,110,639	992,853	891,392
697,442	617,156	572,468	507,795	508,957	451,773	392,460
122,746	103,944	83,730	79,362	70,897	64,277	53,491
205,767	174,891	148,573	128,652	117,362	106,149	87,236
1.77	1.50	1.27	1.09	1.00	.90	.73
230,533	174,891	141,295	128,652	117,362	106,149	87,236
1.98	1.50	1.21	1.09	1.00	.90	.73
104,694	87,344	72,511	64,609	58,060	53,506	43,591
.90	.75	.62	.55	.49	.45	.36
45%	50%	51%	50%	49%	50%	50%
.94	.75	.63	.55	.51	.47	.37
116,358	116,511	117,055	117,517	117,743	118,035	120,308
289,420	239,868	222,137	201,386	188,959	171,951	155,260
978,834	815,324	711,372	625,074	563,665	498,624	440,400
413,414	343,132	299,149	276,047	229,735	186,588	165,430
688,470	575,182	498,935	463,399	401,386	342,994	308,538
36.5%	32.6%	29.4%	29.8%	31.5%	32.6%	29.2%
24,078	18,567	14,546	11,086	10,497	10,218	9,440
7,000	6,700	6,400	6,250	5,850	5,750	5,500
53.875	46.125	39.875	27.000	19.750	17.917	13.750
38.125	29.500	22.125	16.375	14.583	11.833	10.667

corporate facilities and principal associated companies — 1998

CORPORATE FACILITIES

Headquarters

Wrigley Building
410 North Michigan Avenue
Chicago, Illinois 60611

Production Facilities

Chicago, Illinois
Gainesville, Georgia

PRINCIPAL ASSOCIATED COMPANIES

Domestic

Amurof Confections Company*
Yorkville, Illinois 60560

Four-Ten Corporation
Chicago, Illinois 60611

International

The Wrigley Company Pty. Limited*
Sydney, Australia

Wrigley Austria Ges.m.b.H.*
Salzburg, Austria

Wrigley Bulgaria EOOD
Sofia, Bulgaria

Wrigley Canada*
Don Mills, Ontario, Canada

Wrigley Chewing Gum Company Ltd.*
Guangzhou, Guangdong,
People's Republic of China

Wrigley s.r.o.
Prague, Czech Republic

The Wrigley Company Limited*
Plymouth, England, U.K.

Oy Wrigley Scandinavia Ab
Turku, Finland

Wrigley France S.N.C.*
Biesheim, France

Wrigley G.m.b.H.
Munich, Germany

Wrigley N.V.
Amsterdam, Holland

The Wrigley Company (H.K.) Limited
Hong Kong

Wrigley Hungária, Kft.
Budapest, Hungary

Wrigley India Limited*
Bangalore, Karnataka, India

Wrigley Israel Ltd.
Herzeliya-Pituach, Israel

Wrigley & Company Ltd., Japan
Tokyo, Japan

L. A. Dreyfus Company*
Edison, New Jersey 08820

Northwestern Flavors, Inc.*
West Chicago, Illinois 60185

The Wrigley Company (East Africa)
Limited*
Nairobi, Kenya

The Wrigley Company (Malaysia)
Sdn. Bhd.
Kuala Lumpur, Malaysia

The Wrigley Company (N.Z.) Limited
Auckland, New Zealand

Wrigley Scandinavia AS
Oslo, Norway

The Wrigley Company (P.N.G.) Ltd.
Port Moresby, Papua New Guinea

Wrigley Philippines, Inc.*
Antipolo City, Philippines

Wrigley Poland Sp. zo.o.*
Poznan, Poland

Wrigley Romania Produse
Zaharoase SRL
Bucharest, Romania

OOO Wrigley
Moscow, Russia
St. Petersburg, Russia**

Wrigley Slovakia s.r.o.
Banska Bystrica, Slovakia

Wrigley d.o.o.
Ljubljana, Slovenia

Wrigley Co., S.A.
Santa Cruz de Tenerife
Canary Islands, Spain

Wrigley Scandinavia AB
Stockholm, Sweden

Wrigley Taiwan Limited*
Taipei, Taiwan, R.O.C.

* Denotes production facility.

** Under construction.

elected officers — 1998

William Wrigley

President & Chief Executive Officer

Douglas S. Barrie

Group Vice President

(elected President — International on January 27, 1999)

Ronald O. Cox

Group Vice President

John F. Bard

Senior Vice President

(elected Executive Vice President on January 27, 1999)

Martin J. Geraghty

Senior Vice President — Manufacturing

William Wrigley, Jr.

Vice President

Donald E. Balster

Vice President — Production

Gary R. Bebee

Vice President — Customer Marketing

David E. Boxell

Vice President — Personnel

Susan S. Fox

Vice President — Consumer Marketing

Philip G. Hamilton

Vice President — International

Shaun Kim

Vice President — Engineering

Dennis R. Mally

Vice President — Information Services

Jon Orving

Vice President — International

Dushan Petrovich

Vice President — Controller

Stefan Pfander

Vice President — International and

Managing Director — Europe

Wm. M. Piet

Vice President — Corporate Affairs and

Assistant to the President

John A. Schafer

Vice President — Purchasing

Philip G. Schnell

Vice President — Research & Development

Christafor E. Sundstrom

Vice President — Corporate Development

Philip C. Johnson

Senior Director — Benefits and Compensation

Howard Malovany

Secretary and General Counsel

Alan J. Schneider

Treasurer

John H. Sutton

General Manager — Converting Division

(retired as of January 1, 1999)

board of directors — 1998



WILLIAM WRIGLEY

Director of the Company *since 1960*
Joined the Wm. Wrigley Jr. Company *in 1956*
President & Chief Executive Officer *since 1961*
Director, Texaco, Inc., *since 1974*
Director, American Home Products Corp., *since 1981*
Director, Grocery Manufacturers of America, *since 1983*



CHARLES F. ALLISON III

Director of the Company *since 1980*
Joined Booz•Allen & Hamilton *in 1958*
Partner of Counsel *since 1996*
Senior Vice President (1977-96)
(retiring on March 4, 1999)



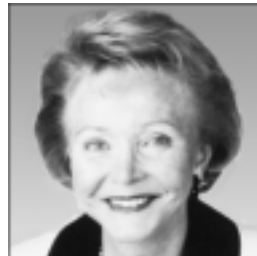
JOHN F. BARD

Director of the Company *since 1999*
Joined the Wm. Wrigley Jr. Company *in 1991*
Senior Vice President (1991-99)
(elected Executive Vice President and Director on
January 27, 1999)



DOUGLAS S. BARRIE

Director of the Company *since 1996*
Joined the Wm. Wrigley Jr. Company *in 1983*
Group Vice President (1984-99)
(elected President-International on January 27, 1999
and retiring as Director on March 4, 1999)



LEE PHILLIP BELL

Director of the Company *since 1981*
Director, Bell Phillip TV Productions, *since 1980*
Co-Creator, *The Bold and the Beautiful* and
The Young and the Restless
(retiring on March 4, 1999)

**COMMITTEES OF THE
BOARD OF DIRECTORS**

AUDIT

Charles F. Allison III *chairman*

Thomas A. Knowlton

Steven B. Sample

Alex Shumate

Richard K. Smucker

COMPENSATION

Thomas A. Knowlton *chairman*

Charles F. Allison III

Lee Phillip Bell

Penny Pritzker

NOMINATING

Richard K. Smucker *chairman*

Lee Phillip Bell

Penny Pritzker

Steven B. Sample



THOMAS A. KNOWLTON

Director of the Company *since 1996*
Joined the Kellogg Company *in 1980*
Executive Vice President *(1992-1998)*
President, Kellogg North America *(1994-1998)*
President, Kellogg Europe *(1992-94)*



ALEX SHUMATE

Director of the Company *since 1998*
Joined law firm of Squire, Sanders & Dempsey *in 1988*
Managing Partner of the Columbus Office *since 1991*
Chief Counsel and Deputy Chief of Staff
to Governor of Ohio *(1985-88)*
Director, Banc One Corporation, *since 1993*
Director, Intimate Brands, Inc., *since 1996*



PENNY PRITZKER

Director of the Company *since 1994*
President, Classic Residence by Hyatt, *since 1987*
Partner, Pritzker & Pritzker, *since 1985*
President, Penguin Group L.P., *since 1989*
Director, Coast-to-Coast Financial Corporation, *since 1990*



RICHARD K. SMUCKER

Director of the Company *since 1988*
Joined The J. M. Smucker Company *in 1972*
President *since 1987* and Director *since 1975*
Director, Sherwin-Williams Company, *since 1991*
Director, International Multifoods, Inc., *since 1997*



MELINDA R. RICH

Director of the Company *since 1999*
Joined Rich Products Corp. *in 1986*
Executive Vice President of Innovation *since 1997*
and Director *since 1998*
President, Rich Entertainment Group, *since 1994*
Director, M & T Bank Corp. (Buffalo, NY), *since 1994*
(elected January 27, 1999)



WILLIAM WRIGLEY, JR.

Director of the Company *since 1988*
Joined the Wm. Wrigley Jr. Company *in 1985*
Vice President *since 1991*
Assistant to the President *(1985-92)*
Director, The J. M. Smucker Company, *since 1991*



STEVEN B. SAMPLE

Director of the Company *since 1997*
President, University of Southern California, *since 1991*
President, State University of New York, Buffalo *(1982-91)*
Director, Presley Companies, *since 1991*
Director, Unova, Inc., *since 1997*

STOCKHOLDER INQUIRIES

Any inquiries about your Wrigley stockholdings should be directed to:

Stockholder Relations
Wm. Wrigley Jr. Company
410 North Michigan Avenue
Chicago, Illinois 60611
1-800-824-9681

Additional information about the Wrigley Company can be found on our Internet home page at the following address — <http://www.wrigley.com>.

CAPITAL STOCK

Common Stock of the Wm. Wrigley Jr. Company is traded on the New York Stock Exchange. The Company's symbol is WWY.

Class B Common Stock, issued to stockholders of record on April 4, 1986, has restricted transferability and is not traded on the New York Stock Exchange. It is at all times convertible, on a share-for-share basis, into Common Stock and once converted is freely transferable and publicly traded. Class B Common Stock also has the same rights as Common Stock with respect to cash dividends and treatment upon liquidation.

DIVIDENDS

Regular quarterly dividends are paid in advance on the first business day of February, May, August, and November with the record date for each payment falling on or about the 15th of the prior month. The Company also has a long history of paying "extra" dividends. In recent years, a single "extra" dividend has been paid in December.

DIRECT DIVIDEND DEPOSIT SERVICE

The Direct Dividend Deposit Service allows stockholders to receive cash dividends through electronic deposits into their checking or savings account.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (DRP) is open to all stockholders of record. The Plan is administered by First Chicago Trust Company (a division of Equiserve) and uses cash dividends on both Common Stock and Class B Common Stock, along with voluntary cash contributions, to purchase additional shares of Common Stock. Cash contributions can be made monthly for a minimum of \$50 and a maximum of \$5,000.

All shares purchased through the Plan are retained in a DRP account, so there are no certificates that could be lost, misplaced, or stolen. Additionally, once a DRP account is established, a participant can deposit any Wrigley stock certificates held outside the Plan into the account for safekeeping. The Company pays all brokerage and administrative costs associated with the DRP.

Over 28,000 or 75% of the Company's stockholders of record currently participate in the DRP. A brochure fully describing the Plan and its enrollment procedure is available upon request.

STOCK CERTIFICATES

For security and tax purposes, stockholders should keep a record of all of their stock certificates. The record should be kept in a separate place from the certificates themselves and should contain the following information for each certificate: exact registration, number of shares, certificate number, date of certificate and the original cost of the shares.

If a stock certificate is lost or stolen, notification should be sent to the Company immediately. The transfer agent has two requirements to be met before a new certificate will be issued — a completed affidavit and payment for an indemnity bond based on the current market value of the lost or stolen stock. The replacement of a certificate will take about seven to ten days. Even if a certificate is lost or stolen, the stockholder will continue to receive dividends on those shares while the new certificate is being issued.

A transfer of stock is required when the shares are sold or when there is any change in name or ownership of the stock. To be accepted for transfer, the stockholder's signature on the certificate or stock power must receive a Medallion Signature Guarantee by a qualified financial institution that participates in the Medallion Guarantee program. A verification by a notary public is not sufficient. Anytime a certificate is mailed, it should be sent registered mail, return receipt requested.

CONSOLIDATION OF MULTIPLE ACCOUNTS

To avoid receiving duplicate mailings, stockholders with more than one Wrigley account may want to consolidate their shares. For more information, please contact the Company.

COMPANY PUBLICATIONS

The Company's 1998 annual report to the Securities and Exchange Commission on Form 10-K is expected to be available on or about April 5, 1999.

Other publications that are currently available include:

The Wrigley Way: Continuing our Legacy of
Social Responsibility
The Story of Chewing Gum and the
Wm. Wrigley Jr. Company
A Historical Look at the Wrigley Building

Requests for these publications should be addressed to Corporate Communications at the main office of the Company. They are also available for review at our Internet home page (<http://www.wrigley.com>).

TRANSFER AGENT AND REGISTRAR

First Chicago Trust Company,
a division of Equiserve
P. O. Box 2500
Jersey City, New Jersey 07303-2500
1-800-446-2617
Internet: <http://www.equiserve.com>
E-Mail: fctc@em.fcnc.com