



HERSHEY'S

Global Supply Chain Transformation

February 15, 2007

Forward Looking Statements

This presentation contains statements which are forward-looking. These statements are made based upon current expectations which are subject to risk and uncertainty. Actual results may differ materially from those contained in the forward-looking statements. Factors which could cause results to differ materially include, but are not limited to: our ability to implement and generate expected ongoing annual savings from the initiatives to transform our supply chain and advance our value-enhancing strategy; changes in raw material and other costs and selling price increases; our ability to execute our supply chain transformation within the anticipated timeframe in accordance with our cost estimates; the impact of future developments related to the recent product recall and temporary plant closure in Canada including our ability to recover costs we incurred for the recall and plant closure from responsible third-parties; pension cost factors, such as actuarial assumptions, market performance and employee retirement decisions; changes in our stock price, and resulting impacts on our expenses for incentive compensation, stock options and certain employee benefits; market demand for our new and existing products; changes in our business environment, including actions of competitors and changes in consumer preferences; changes in governmental laws and regulations, including taxes; risks and uncertainties related to our international operations; and such other matters as discussed in our Annual Report on Form 10-K for 2005.



Global Supply Chain Transformation

- Global supply chain transformation driven by Value-Enhancing Strategy to meet consumer and customer demands while generating resources to invest in growth initiatives
- A three-year program generating on-going savings of \$170 million - \$190 million
- Portion of savings available for strategic growth initiatives



Will transform the business...

- Synchronize supply chain and go-to-market strategies
 - Center of Excellence driven manufacturing
 - Geographically dispersed sourcing
 - Flexibility to meet consumer, customer demands
 - Access to new ingredient, packaging technology
- Improve asset utilization
- Create stronger margin structure



...improving the cost profile

Annualized Savings (\$m)



* Included in previously communicated expectations related to 2007 outlook



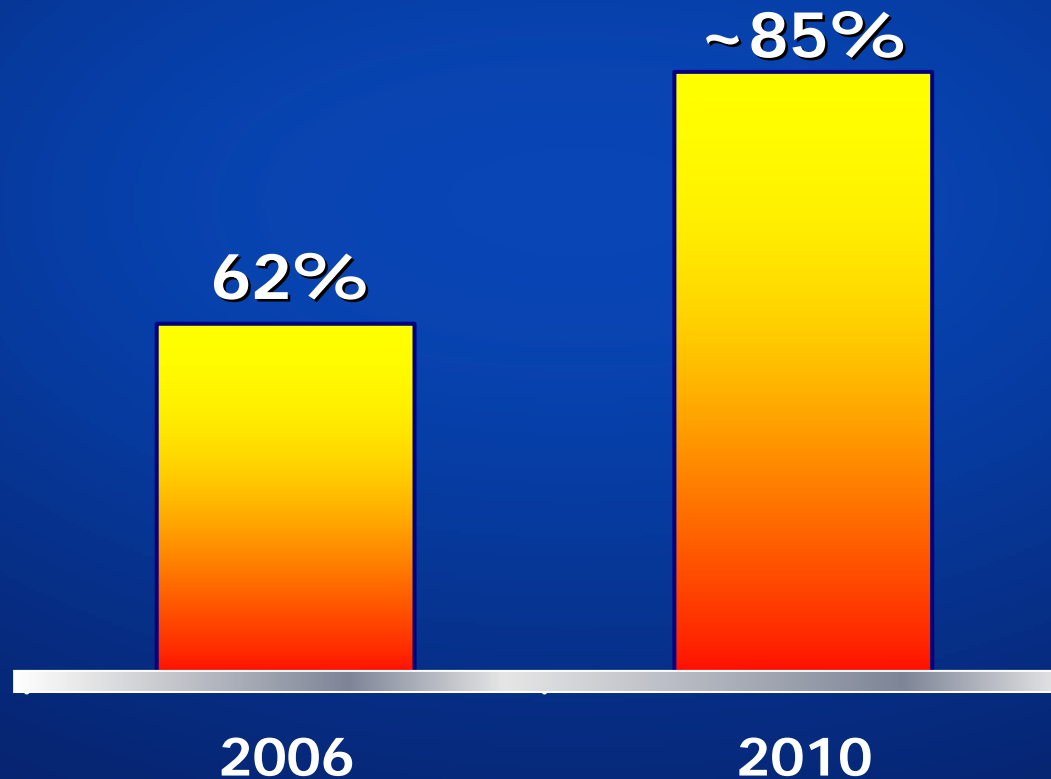
Key Project Initiatives

- Increase manufacturing utilization through consolidation
- Outsource of some low-value added items
- Adding new low-cost capacity in Monterrey, Mexico



Significant increase in capacity utilization

Capacity Utilization %
5 Days/Three Shift Basis



Global Supply Chain Transformation Costs

- Total realignment initiative \$475 - \$525 million
 - Cash costs \$225 - \$250 million
 - Non-cash costs \$250 - \$275 million
- Project Management & Start-up costs of \cong \$50 million
- Annualized on-going savings \$170 - \$190 million by 2010
- Incremental gross margin impact from project of 300+ bps
- Total capital expenditures of \$300 - \$310 million
 - Net incremental capital expenditures \cong \$200 million



Initiated over 3 years...

Expected Timing of Events (\$m)

	2007	2008	2009	2010
Realignment Charges:				
Cash	\$100 - \$110	\$120 - \$130	\$5 - \$25	--
Non-Cash	\$160 - \$180	\$50 - \$70	\$20 - \$30	--
Project Management and Start-up Costs	\$13 - \$17	\$16 - \$20	\$11 - \$15	--
Total Hershey Cap-Ex (including net incremental capital)	\$250 - \$300	\$225 - \$250	\$225 - \$250	\$140 - \$160
Depreciation & Amortization Expense (excluding realignment)	\$200 - \$210	\$185 - \$195	\$180 - \$185	\$180 - \$185



...fueling future growth

Portion of savings available for:

- Core Brand investment, including advertising, consumer promotions, merchandising
- New platforms and product innovation
- Selling / go-to-market capabilities
- Disciplined global expansion



Long-term expectations reaffirmed

	<u>2007</u>	<u>Long-Term</u>
Net Sales	3-4%	3-4%
EBIT Margin*	±0 bps	70-90 bps
EPS from Operations*	7-9%	9-11%
Cap-Ex	\$250 - \$300m	\$140 - \$160m

*From operations, excluding realignment and one-time costs
See page 12 for a reconciliation of GAAP and non-GAAP measures



Reconciliation of GAAP and Non-GAAP Information

	<u>2006</u>	<u>2007</u>
Reported / Expected Diluted EPS	\$2.34	\$1.70 - \$1.83
Realignment Charge	\$0.03	\$0.75 - \$0.84
Diluted EPS from Operations*	\$2.37	
Expected 7-9% Increase in Diluted EPS from Operations*		\$2.54 - \$2.58

*From operations, excluding realignment and one-time costs. This information is used in evaluating results of operations for internal purposes. These non-GAAP measures are not intended to replace the presentation of financial results in accordance with GAAP. Rather, the Company believes exclusion of such items provides additional information to investors to facilitate the comparison of past and present operations.



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