

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended March 31, 2017.

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from to

Commission File Number 001-32504

TreeHouse Foods, Inc.

(Exact name of the registrant as specified in its charter)



Delaware
(State or other jurisdiction of incorporation or organization)

20-2311383
(I.R.S. employer identification no.)

2021 Spring Road, Suite 600
Oak Brook, IL
(Address of principal executive offices)

60523
(Zip Code)

(Registrant's telephone number, including area code) **(708) 483-1300**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting Company	<input type="checkbox"/>
(Do not check if a smaller reporting company)			
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Number of shares of Common Stock, \$0.01 par value, outstanding as of April 30, 2017: 56,939,508

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Part I — Financial Information

Item 1. Financial Statements

TREEHOUSE FOODS, INC. **CONDENSED CONSOLIDATED BALANCE SHEETS** (In millions, except per share data)

	March 31, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 67.2	\$ 62.1
Investments	11.3	10.4
Receivables, net	384.3	429.0
Inventories, net	989.5	978.0
Assets held for sale	3.6	3.6
Prepaid expenses and other current assets	68.0	77.6
Total current assets	1,523.9	1,560.7
Property, plant, and equipment, net	1,338.3	1,359.3
Goodwill	2,451.1	2,447.2
Intangible assets, net	1,118.5	1,137.6
Other assets, net	43.2	41.0
Total assets	\$ 6,475.0	\$ 6,545.8
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 549.2	\$ 626.8
Current portion of long-term debt	79.6	66.4
Total current liabilities	628.8	693.2
Long-term debt	2,677.1	2,724.8
Deferred income taxes	403.0	422.2
Other long-term liabilities	217.5	202.3
Total liabilities	3,926.4	4,042.5
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 10.0 shares authorized, none issued	—	—
Common stock, par value \$0.01 per share, 90.0 shares authorized, 56.9 and 56.8 shares issued and outstanding, respectively	0.6	0.6
Additional paid-in capital	2,085.1	2,071.9
Retained earnings	560.3	532.1
Accumulated other comprehensive loss	(97.4)	(101.3)
Total stockholders' equity	2,548.6	2,503.3
Total liabilities and stockholders' equity	\$ 6,475.0	\$ 6,545.8

See Notes to Condensed Consolidated Financial Statements.

TREEHOUSE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	
Net sales	\$ 1,536.2	\$ 1,270.2
Cost of sales	1,249.8	1,045.6
Gross profit	286.4	224.6
Operating expenses:		
Selling and distribution	104.6	85.5
General and administrative	79.1	94.6
Amortization expense	28.6	23.8
Other operating expense, net	6.8	1.7
Total operating expenses	219.1	205.6
Operating income	67.3	19.0
Other expense (income):		
Interest expense	29.7	25.7
Interest income	(2.8)	(2.8)
Loss (gain) on foreign currency exchange	0.1	(4.1)
Other expense, net	0.6	5.0
Total other expense	27.6	23.8
Income (loss) before income taxes	39.7	(4.8)
Income taxes	11.5	(1.6)
Net income (loss)	\$ 28.2	\$ (3.2)
Net earnings (loss) per common share:		
Basic	\$ 0.50	\$ (0.06)
Diluted	\$ 0.49	\$ (0.06)
Weighted average common shares:		
Basic	56.9	52.7
Diluted	57.6	52.7

See Notes to Condensed Consolidated Financial Statements.

TREEHOUSE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Three Months Ended	
	March 31,	
	2017	2016
	(Unaudited)	
Net income (loss)	\$ 28.2	\$ (3.2)
Other comprehensive income:		
Foreign currency translation adjustments	3.6	24.3
Pension and postretirement reclassification adjustment (1)	0.3	0.3
Other comprehensive income	3.9	24.6
Comprehensive income	<u>\$ 32.1</u>	<u>\$ 21.4</u>

(1) Net of tax of \$0.2 and \$0.1 for the three months ended March 31, 2017 and 2016, respectively.

See Notes to Condensed Consolidated Financial Statements.

TREEHOUSE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three Months Ended March 31,	
	2017	2016
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 28.2	\$ (3.2)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	43.8	35.6
Amortization	28.6	23.8
Stock-based compensation	7.5	6.2
Amortization of deferred financing costs	2.0	1.6
Mark-to-market loss on derivative contracts	0.2	4.7
Loss on disposition of assets	1.7	0.7
Deferred income taxes	(20.3)	(0.9)
Loss (gain) on foreign currency exchange	0.1	(4.1)
Write-down of tangible assets	1.5	—
Other	(0.2)	(0.3)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	45.0	15.5
Inventories	(10.6)	46.8
Prepaid expenses and other assets	3.3	(16.8)
Accounts payable, accrued expenses, and other liabilities	(52.3)	1.3
Net cash provided by operating activities	78.5	110.9
Cash flows from investing activities:		
Additions to property, plant, and equipment	(34.7)	(24.9)
Additions to intangible assets	(8.7)	(2.0)
Acquisitions, less cash acquired	—	(2,640.2)
Proceeds from sale of fixed assets	0.2	0.1
Other	(0.3)	(0.3)
Net cash used in investing activities	(43.5)	(2,667.3)
Cash flows from financing activities:		
Borrowings under Revolving Credit Facility	115.0	106.0
Payments under Revolving Credit Facility	(137.0)	(124.0)
Proceeds from issuance of Term Loan A-2	—	1,025.0
Proceeds from issuance of 2024 Notes	—	775.0
Payments on capitalized lease obligations and other debt	(1.4)	(0.8)
Payment of deferred financing costs	—	(34.3)
Payments on Term Loans	(12.7)	(4.4)
Net proceeds from issuance of common stock	—	835.1
Receipts related to stock-based award activities	6.7	1.9
Payments related to stock-based award activities	(0.9)	(0.1)
Net cash (used in) provided by financing activities	(30.3)	2,579.4
Effect of exchange rate changes on cash and cash equivalents	0.4	3.2
Net increase in cash and cash equivalents	5.1	26.2
Cash and cash equivalents, beginning of period	62.1	34.9
Cash and cash equivalents, end of period	\$ 67.2	\$ 61.1

See Notes to Condensed Consolidated Financial Statements.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of and for the three months ended March 31, 2017
(Unaudited)

1. BASIS OF PRESENTATION

The unaudited Condensed Consolidated Financial Statements included herein have been prepared by TreeHouse Foods, Inc. and its consolidated subsidiaries (the “Company,” “TreeHouse,” “we,” “us,” or “our”), pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to quarterly reporting on Form 10-Q. In our opinion, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted as permitted by such rules and regulations. Certain prior year amounts in the Condensed Consolidated Statements of Cash Flows have been reclassified to conform to the current period presentation. The Condensed Consolidated Financial Statements and related notes should be read in conjunction with the Consolidated Financial Statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Results of operations for interim periods are not necessarily indicative of annual results.

In the first quarter of 2017, the Company completed changes in its organizational structure that resulted in a change in how the Company manages its business and allocates resources. As a result, the Company has revised its reportable segments to reflect how management currently reviews financial information and makes operating decisions. See Note 22 for additional details. All prior period amounts have been recast to reflect the change in reportable segments.

In the fourth quarter of 2016, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No 2016-09, *Improvements to Employee Share-Based Payment Accounting*. Under this ASU, excess tax benefits and deficiencies are no longer recognized as additional paid-in capital in the Condensed Consolidated Balance Sheets. The ASU requires recognition of excess tax benefits and deficiencies in the Condensed Consolidated Statements of Operations. As the Company adopted the ASU in the fourth quarter, any related adjustments were required to be reflected as of the beginning of the fiscal year of adoption. The results for the first quarter of 2016 have been recast to reflect the adoption of the ASU as of January 1, 2016, resulting in an income tax benefit of \$0.2 million related to the recognition of excess tax benefits and deficiencies, which is included in the Income taxes line of the Condensed Consolidated Statements of Operations. The adoption had no impact on basic or diluted net earnings (loss) per common share in the first quarter of 2016. Additionally, the ASU requires excess tax benefits to be reported as a component of operating activities in the Condensed Consolidated Statements of Cash Flows. Excess tax benefits of \$0.2 million were retrospectively reclassified from financing to operating activities in the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016. The effects of the adoption of the other provisions of this ASU were immaterial.

On February 1, 2016, the Company acquired all of the outstanding common stock of Ralcorp Holdings, Inc., the Missouri corporation through which the private brands business (“Private Brands Business”) of ConAgra Foods, Inc. was operated. Ralcorp Holdings, Inc. was renamed TreeHouse Private Brands, Inc. during the first quarter of 2016. The results of operations of the Private Brands Business are included in our financial statements from the date of acquisition and are included in the Baked Goods, Condiments, Meals, and Snacks segments, as applicable.

The Private Brands Business was on a 4-4-5 fiscal calendar during the first quarter of 2016, and March 27, 2016 was the fiscal period end closest to the Company’s fiscal quarter end. This difference did not have a significant impact on the results of operations of the Private Brands Business. In the fourth quarter of 2016, the Company changed the fiscal year end of the Private Brands Business to December 31. The Company did not retrospectively apply the effects of this change to the first quarter of 2016 due to impracticability, and believes the effects would be immaterial.

The preparation of our Condensed Consolidated Financial Statements in conformity with GAAP requires us to use our judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements, and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from these estimates.

A detailed description of the Company’s significant accounting policies can be found in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which revises how employers that sponsor defined benefit pension and other postretirement plans present net periodic benefit cost. The ASU requires an employer to present the service cost component in the same income statement line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of any subtotal of operating income. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The standard requires adoption on a retrospective basis for the presentation of net benefit cost components. The Company is currently assessing the impact that this standard will have upon adoption.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, to eliminate the second step of the goodwill impairment test. This ASU requires an entity to measure a goodwill impairment loss as the amount by which the carrying value of a reporting unit exceeds its fair value. Additionally, an entity should include the income tax effects from any tax deductible goodwill on the carrying value of the reporting unit when measuring a goodwill impairment loss, if applicable. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The standard requires adoption on a prospective basis. The Company is currently assessing the impact that this standard will have upon adoption.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, to require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts on the statement of cash flows. The Company currently classifies changes in restricted cash as an investing activity in the Consolidated Statements of Cash Flows. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The standard requires adoption on a retrospective basis. The Company is currently assessing the impact that this standard will have upon adoption, which is not expected to be significant.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between existing GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under existing GAAP. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The standard requires that entities apply the effects of these changes using a modified retrospective approach, which includes a number of optional practical expedients. The Company is beginning to assess the impact that this standard will have upon adoption.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which requires entities to measure inventory at the lower of cost and net realizable value ("NRV"). This ASU will not apply to inventory valued under the last-in-first-out method. Under current guidance, an entity is required to measure inventory at the lower of cost or market, with market defined as replacement cost, NRV, or NRV less a normal profit margin. The three market measurements added complexity and reduced comparability in the valuation of inventory. FASB issued this ASU as part of its simplification initiative to address these issues. The ASU is effective on a prospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company prospectively adopted the ASU during the first quarter of 2017, the impact of which was not significant.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which introduced a new framework to be used when recognizing revenue in an attempt to reduce complexity and increase comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The standard requires that entities apply the effects of these changes to all prior years presented, upon adoption, using either the full retrospective method, which presents the impact of the change separately in each prior year presented, or the modified retrospective method, which includes the cumulative changes to all prior years presented in beginning retained earnings in the year of initial adoption. The Company expects to use the modified retrospective method. The FASB also issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, and ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients*, in April 2016 and May 2016, respectively, which amend the guidance in ASU 2014-09 and have the same effective date as the original standard. The Company is in the initial stages of assessing the impact that these standards will have on its accounting policies, processes, system requirements, internal controls, and disclosures. Internal resources have been assigned to this assessment, and the Company has engaged a third-party to assist in the assessment and implementation. The Company has begun to assess the impact that these standards will have on our financial position and results of operations.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. RESTRUCTURING

Plant Closing Costs — The Company continually analyzes its plant network to align operations with the current and future needs of its customers. Facility closure decisions are made when the Company identifies opportunities to lower production costs or eliminate excess manufacturing capacity while maintaining a competitive cost structure, service levels, and product quality. Expenses associated with facility closures are primarily aggregated in the Other operating expense, net line of the Condensed Consolidated Statements of Operations, with the exception of asset-related costs, which are recorded in Cost of sales. The key information regarding the Company's announced facility closures is outlined in the table below.

Facility Location	Date of Closure Announcement	End of Production	Full Facility Closure	Primary Products Produced	Primary Segment(s) Affected	Total Costs to Close	Total Cash Costs to Close
(In millions)							
City of Industry, California	November 18, 2015	First quarter of 2016	Third quarter of 2016	Liquid non-dairy creamer and refrigerated salad dressings	Beverages, Condiments	\$ 6.9	\$ 3.8
Ayer, Massachusetts	April 5, 2016	First quarter of 2017	Third quarter of 2017	Spoonable dressings	Condiments	\$ 8.2	\$ 5.5
Azusa, California	May 24, 2016	First quarter of 2017	Third quarter of 2017	Bars and snack products	Snacks	\$ 15.5	\$ 12.2
Ripon, Wisconsin	May 24, 2016	Fourth quarter of 2016	Fourth quarter of 2016	Sugar wafer cookies	Baked Goods	\$ 2.5	\$ 1.4
Delta, British Columbia	November 3, 2016	Fourth quarter of 2017	First quarter of 2018	Frozen griddle products	Baked Goods	\$ 5.2	\$ 3.7
Battle Creek, Michigan	November 3, 2016	(1)	(1)	Ready-to-eat cereal	Meals	\$ 10.4	\$ 2.8

(1) The downsizing of this facility began in January 2017 and is expected to last approximately 15 months.

Total expected costs to close the City of Industry, California facility have been reduced by approximately \$4.9 million since the initial announcement while total expected costs to close the Ayer, Massachusetts, Azusa, California, and Ripon, Wisconsin facilities have been increased by approximately \$1.7 million, \$0.6 million, and \$0.4 million, respectively. Total costs to downsize the Battle Creek, Michigan facility have increased by approximately \$0.9 million since the initial announcement.

Below is a summary of the plant closing costs:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Cumulative Costs To Date	Total Expected Costs
(In millions)				
Asset-related	\$ 4.4	\$ 0.8	\$ 14.6	\$ 19.3
Employee-related	2.5	0.6	9.8	13.6
Other closure costs	2.5	0.1	7.0	15.8
Total	<u>\$ 9.4</u>	<u>\$ 1.5</u>	<u>\$ 31.4</u>	<u>\$ 48.7</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Liabilities recorded as of March 31, 2017 associated with these plant closings relate to severance and the partial withdrawal from a multiemployer pension plan. The severance liability is included in the Accounts payable and accrued expenses line of the Condensed Consolidated Balance Sheets while the multiemployer pension plan withdrawal liability is included in the Other long-term liabilities line of the Condensed Consolidated Balance Sheets. The table below presents a reconciliation of the liabilities as of March 31, 2017:

	Severance	Multiemployer Pension Plan Withdrawal	Total Liabilities
		(In millions)	
Balance as of December 31, 2016	\$ 3.5	\$ 0.8	\$ 4.3
Expense	2.3	—	2.3
Payments	(1.3)	—	(1.3)
Balance as of March 31, 2017	<u>\$ 4.5</u>	<u>\$ 0.8</u>	<u>\$ 5.3</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. ACQUISITIONS

Private Brands Business

On February 1, 2016, the Company acquired the Private Brands Business, which is primarily engaged in manufacturing, distributing, and marketing private label products to retail grocery, food away from home, and industrial and export customers. The business's primary product categories include snacks, retail bakery, pasta, cereal, bars, and condiments. The purchase price, after considering working capital adjustments, was approximately \$2,644.4 million, net of acquired cash. The acquisition was funded by \$835.1 million in net proceeds from a public sale of the Company's common stock, \$760.7 million in net proceeds from a private issuance of senior unsecured notes ("2024 Notes"), and a new \$1,025.0 million term loan ("Term Loan A-2"), with the remaining balance funded by borrowings from the Company's \$900 million revolving credit facility ("Revolving Credit Facility"). The acquisition resulted in a broader portfolio of products and further diversified the Company's product categories.

The Private Brands Business acquisition is accounted for under the acquisition method of accounting and the results of operations are included in our Condensed Consolidated Financial Statements from the date of acquisition in the Baked Goods, Condiments, Meals, and Snacks segments. Included in the Company's Condensed Consolidated Statements of Operations are the Private Brands Business's net sales of approximately \$506.4 million and income before income taxes of \$12.2 million from the date of acquisition through March 31, 2016. Integration costs of \$5.8 million, which are included in the Cost of sales and General and administrative expense lines of the Condensed Consolidated Statements of Operations, were included in determining income before income taxes.

We have completed the purchase price allocation to net tangible and intangible assets acquired and liabilities assumed as follows:

	(In millions)
Cash	\$ 43.3
Receivables	162.7
Inventory	443.7
Property, plant, and equipment	809.6
Customer relationships	510.9
Trade names	33.0
Software	19.6
Formulas	23.2
Other assets	50.2
Goodwill	1,141.2
Assets acquired	3,237.4
Deferred taxes	(152.8)
Assumed current liabilities	(246.6)
Assumed long-term liabilities	(150.3)
Total purchase price	\$ 2,687.7

The Company allocated \$496.1 million to customer relationships with retail grocery customers, which have an estimated life of 13 years, and \$14.8 million to customer relationships with food away from home customers, which have an estimated life of 10 years. The Company allocated \$33.0 million to trade names, which have an estimated life of 10 years. The Company allocated \$23.2 million to formulas, which have an estimated life of 5 years. The Company allocated \$19.6 million to capitalized software with estimated lives of 1 to 5 years, depending on expected use. The aforementioned intangibles will be amortized on a straight line basis. Indemnification assets related to taxes of approximately \$13.8 million were also recorded. The Company increased the cost of acquired inventories by approximately \$8.4 million, and expensed \$8.2 million of this amount as a component of cost of sales in the first quarter of 2016. The Company has allocated \$555.0 million, \$73.3 million, \$413.8 million, and \$97.9 million of goodwill to the Baked Goods, Condiments, Meals, and Snacks segments, respectively. Goodwill arises principally as a result of expansion opportunities and synergies across both new and legacy product categories. None of the goodwill resulting from this acquisition is tax deductible. The Company incurred approximately \$35.2 million in acquisition costs during the three months ended March 31, 2016 and none in 2017. These costs are included in the General and administrative expense line of the Condensed Consolidated Statements of Operations.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair values for customer relationships at the acquisition date were determined using the excess earnings method under the income approach. Trade name fair values were determined using the relief from royalty method, while the fair value of formulas was determined using the cost approach. Real property fair values were determined using the cost and market approaches, while the fair value of personal property was determined using the indirect cost approach. The fair value measurements of intangible assets are based on significant unobservable inputs, and thus represent Level 3 inputs. Significant assumptions used in assessing the fair values of intangible assets include discounted future cash flows, customer attrition rates, and royalty rates.

Since the preliminary purchase price allocation included in the Company's Annual Report for the fiscal year ended December 31, 2016, the Company recorded purchase price adjustments related to taxes, resulting in an increase to goodwill of approximately \$3.0 million. These adjustments did not impact the Condensed Consolidated Statements of Operations.

The following unaudited pro forma information shows the results of operations for the Company as if its acquisition of the Private Brands Business had been completed as of January 1, 2016. Adjustments have been made for the pro forma effects of depreciation and amortization of tangible and intangible assets recognized as part of the business combination, the issuance of common stock, interest expense related to the financing of the business combination, and related income taxes. Excluded from the 2016 pro forma results are \$35.2 million of costs incurred by the Company in connection with the acquisition. The pro forma results may not necessarily reflect actual results of operations that would have been achieved, nor are they necessarily indicative of future results of operations.

	Three Months Ended March 31, 2016
	(In millions, except per share data)
Pro forma net sales	\$ 1,594.1
Pro forma net income	\$ 18.6
Pro forma basic earnings per common share	\$ 0.33
Pro forma diluted earnings per common share	\$ 0.32

5. INVESTMENTS

	March 31, 2017	December 31, 2016
	(In millions)	
U.S. equity	\$ 8.3	\$ 7.6
Non-U.S. equity	1.9	1.8
Fixed income	1.1	1.0
Total investments	\$ 11.3	\$ 10.4

We determine the appropriate classification of our investments at the time of purchase and reevaluate such designation as of each balance sheet date. The Company accounts for investments in debt and marketable equity securities as held-to-maturity, available-for-sale, or trading, depending on their classification. The investments held by the Company are classified as trading securities and are stated at fair value, with changes in fair value recorded as a component of the Interest income or Interest expense line on the Condensed Consolidated Statements of Operations. Cash flows from purchases, sales, and maturities of trading securities are included in cash flows from investing activities in the Condensed Consolidated Statements of Cash Flows based on the nature and purpose for which the securities were acquired.

Our investments include U.S. equity, non-U.S. equity, and fixed income securities that are classified as short-term investments on the Condensed Consolidated Balance Sheets. The U.S. equity, non-U.S. equity, and fixed income securities are classified as short-term investments as they have characteristics of other current assets and are actively managed.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. INVENTORIES

	March 31, 2017	December 31, 2016
	(In millions)	
Raw materials and supplies	\$ 427.9	\$ 429.4
Finished goods	585.6	571.9
LIFO reserve	(24.0)	(23.3)
Total inventories	<u>\$ 989.5</u>	<u>\$ 978.0</u>

Inventory is generally accounted for under the first-in, first-out (“FIFO”) method, and a portion is accounted for under the last-in, first-out (“LIFO”) method and the weighted average costing approach. Approximately \$81.5 million and \$105.9 million of our inventory was accounted for under the LIFO method of accounting at March 31, 2017 and December 31, 2016, respectively. Approximately \$120.4 million and \$116.2 million of our inventory was accounted for using the weighted average costing approach at March 31, 2017 and December 31, 2016, respectively.

7. PROPERTY, PLANT, AND EQUIPMENT

	March 31, 2017	December 31, 2016
	(In millions)	
Land	\$ 71.5	\$ 71.2
Buildings and improvements	473.7	465.3
Machinery and equipment	1,357.0	1,324.5
Construction in progress	57.0	85.0
Total	1,959.2	1,946.0
Less accumulated depreciation	(620.9)	(586.7)
Property, plant, and equipment, net	<u>\$ 1,338.3</u>	<u>\$ 1,359.3</u>

Depreciation expense was \$43.8 million and \$35.6 million for the three months ended March 31, 2017 and 2016, respectively.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. GOODWILL AND INTANGIBLE ASSETS

As a result of the changes in organizational structure completed in the first quarter of 2017, the Company now has the following five operating segments, which are also its reporting units: Baked Goods, Beverages, Condiments, Meals, and Snacks. See Note 22 for more information.

The Company allocated the goodwill balance as of January 1, 2017 between the new reporting units using a relative fair value allocation approach. The change was considered a triggering event indicating a test for goodwill impairment was required as of January 1, 2017. The Company performed the first step of the impairment test, which did not result in the identification of any impairment losses. Changes in the carrying amount of goodwill for the three months ended March 31, 2017 are as follows:

	Baked Goods	Beverages	Condiments	Meals	Snacks	Total
	(In millions)					
Balance at January 1, 2017	\$ 554.2	\$ 713.2	\$ 433.1	\$ 470.6	\$ 276.1	\$ 2,447.2
Purchase price adjustments	1.4	—	0.2	1.1	0.3	3.0
Foreign currency exchange adjustments	—	0.4	0.5	—	—	0.9
Balance at March 31, 2017	<u>\$ 555.6</u>	<u>\$ 713.6</u>	<u>\$ 433.8</u>	<u>\$ 471.7</u>	<u>\$ 276.4</u>	<u>\$ 2,451.1</u>

The carrying amounts of our intangible assets with indefinite lives, other than goodwill, as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
	(In millions)	
Trademarks	\$ 21.7	\$ 21.6
Total indefinite lived intangibles	<u>\$ 21.7</u>	<u>\$ 21.6</u>

The increase in the indefinite lived intangibles balance is due to foreign currency translation.

The gross carrying amounts and accumulated amortization of intangible assets, with finite lives, as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In millions)			(In millions)		
Intangible assets with finite lives:						
Customer-related	\$ 1,285.4	\$ (315.3)	\$ 970.1	\$ 1,284.3	\$ (293.3)	\$ 991.0
Contractual agreements	3.0	(2.9)	0.1	3.0	(2.9)	0.1
Trademarks	65.8	(21.1)	44.7	69.6	(23.6)	46.0
Formulas/recipes	33.7	(14.2)	19.5	33.7	(12.8)	20.9
Computer software	124.3	(61.9)	62.4	115.7	(57.7)	58.0
Total finite lived intangibles	<u>\$ 1,512.2</u>	<u>\$ (415.4)</u>	<u>\$ 1,096.8</u>	<u>\$ 1,506.3</u>	<u>\$ (390.3)</u>	<u>\$ 1,116.0</u>

Total intangible assets, excluding goodwill, as of March 31, 2017 and December 31, 2016 were \$1,118.5 million and \$1,137.6 million, respectively.

Amortization expense on intangible assets for the three months ended March 31, 2017 and 2016 was \$28.6 million and \$23.8 million, respectively.

Estimated amortization expense on intangible assets for 2017 and the next four years is as follows:

	(In millions)
2017	\$ 111.5
2018	\$ 105.1
2019	\$ 103.1
2020	\$ 100.3
2021	\$ 90.4

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	March 31, 2017	December 31, 2016
	(In millions)	
Accounts payable	\$ 416.8	\$ 458.1
Payroll and benefits	65.7	78.5
Interest	7.4	24.1
Taxes	16.2	31.0
Health insurance, workers' compensation, and other insurance costs	26.3	17.2
Marketing expenses	11.8	12.4
Other accrued liabilities	5.0	5.5
Total	<u>\$ 549.2</u>	<u>\$ 626.8</u>

10. INCOME TAXES

Income taxes were recorded at an effective rate of 29.0% and 33.3% for the three months ended March 31, 2017 and 2016, respectively. Our effective tax rate may change from period to period based on recurring and non-recurring factors including the jurisdictional mix of earnings, enacted tax legislation, state income taxes, settlement of tax audits, and the expiration of the statute of limitations in relation to unrecognized tax benefits.

The Company's effective tax rate differs from the U.S. federal statutory tax rate primarily due to state tax expense, the benefits associated with the federal domestic production activities deduction, and an intercompany financing structure entered into in conjunction with the E.D. Smith Foods, Ltd. ("E.D. Smith") acquisition in 2007. In addition, the Company's effective tax rate reflects a discrete benefit of approximately 2.1% attributable to the vesting and exercise of share-based awards.

During the first quarter of 2017, the Internal Revenue Service ("IRS") initiated an examination of TreeHouse Foods, Inc. & Subsidiaries' 2015 tax year. The Canadian Revenue Agency ("CRA") is currently examining the 2008 through 2013 tax years of E.D. Smith. The CRA examination is expected to be completed in 2017 or 2018. The Italian Agency of Revenue ("IAR") is currently examining the 2007 through 2009 and 2013 tax years of Pasta Lensi S.r.l. The IAR examinations are not expected to be completed prior to 2020 due to a backlog of appeals before the agency. The Company has examinations in process with various state taxing authorities, which are expected to be completed in 2017 and 2018.

Management estimates that it is reasonably possible that the total amount of unrecognized tax benefits could decrease by as much as \$5.8 million within the next 12 months, primarily as a result of the resolution of audits currently in progress and the lapsing of statutes of limitations. Approximately \$3.3 million of the \$5.8 million would affect net income when settled.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. LONG-TERM DEBT

	March 31, 2017	December 31, 2016
	(In millions)	
Revolving Credit Facility	\$ 148.0	\$ 170.0
Term Loan A	284.2	288.0
Term Loan A-1	177.5	180.0
Term Loan A-2	999.4	1,005.8
2022 Notes	400.0	400.0
2024 Notes	775.0	775.0
Tax increment financing and other debt	4.3	5.7
Total outstanding debt	2,788.4	2,824.5
Deferred financing costs	(31.7)	(33.3)
Less current portion	(79.6)	(66.4)
Total long-term debt	<u>\$ 2,677.1</u>	<u>\$ 2,724.8</u>

On February 1, 2016, coincident with the closing of the acquisition of the Private Brands Business, the Company entered into the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement amended the Company's prior credit agreement, dated as of May 6, 2014 (as amended from time to time prior to February 1, 2016, the "Prior Credit Agreement").

The Amended and Restated Credit Agreement (1) amended the maturity dates of the Revolving Credit Facility, Term Loan A, and Term Loan A-1 so that they are contemporaneous and mature on February 1, 2021, (2) provided for the issuance of Term Loan A-2, (3) is now a secured facility until, among other conditions, the Company reaches a leverage ratio of 3.5 and has no other pari-passu secured debt outstanding, and (4) increased credit spreads. The proceeds from Term Loan A-2 were used to fund a portion of the purchase price of the Private Brands Business. The Amended and Restated Credit Agreement contains substantially the same covenants as the Prior Credit Agreement with adjustments to reflect the incurrence of Term Loan A-2.

In connection with the Amended and Restated Credit Agreement, \$20.3 million in fees will be amortized ratably through February 1, 2021. Fees associated with Term Loan A, Term Loan A-1, and Term Loan A-2 (the "Term Loans") are presented as a direct deduction from outstanding debt, while fees associated with the Revolving Credit Facility are presented as an asset. Beginning February 1, 2016, unamortized fees associated with the Prior Credit Agreement will be amortized ratably through February 1, 2021.

The Revolving Credit Facility and the Term Loans are known collectively as the "Amended and Restated Credit Agreement." The Company's average interest rate on debt outstanding under its Amended and Restated Credit Agreement for the three months ended March 31, 2017 was 2.79%. Including the interest rate swap agreements described below with a weighted average fixed interest rate base of approximately 0.86% on \$500 million, the average rate increases to 2.80%.

Revolving Credit Facility — As of March 31, 2017, \$702.7 million of the aggregate commitment of \$900 million of the Revolving Credit Facility was available. Under the Amended and Restated Credit Agreement, the Revolving Credit Facility matures on February 1, 2021, as compared to a maturity date of May 6, 2019 under the Prior Credit Agreement. In addition, as of March 31, 2017, there were \$49.3 million in letters of credit under the Revolving Credit Facility that were issued but undrawn, which have been included as a reduction to the calculation of available credit.

Interest is payable quarterly or at the end of the applicable interest period in arrears on any outstanding borrowings. The interest rates under the Amended and Restated Credit Agreement are based on the Company's consolidated leverage ratio, and are determined by either (i) LIBOR, plus a margin ranging from 1.25% to 3.00% (inclusive of the facility fee), based on the Company's consolidated leverage ratio, or (ii) a Base Rate (as defined in the Amended and Restated Credit Agreement), plus a margin ranging from 0.25% to 2.00% (inclusive of the facility fee), based on the Company's consolidated leverage ratio.

The Amended and Restated Credit Agreement is fully and unconditionally, as well as jointly and severally, guaranteed by our 100% owned direct and indirect subsidiaries: Bay Valley Foods, LLC; Sturm Foods, Inc.; S.T. Specialty Foods, Inc.; Associated Brands, Inc.; Cains Foods, Inc.; Cains Foods L.P.; Cains GP, LLC; Flagstone Foods, Inc.; Protenergy Holdings, Inc.; Protenergy Natural Foods, Inc.; TreeHouse Private Brands, Inc.; American Italian Pasta Co.; Nutcracker Brands, Inc.; Linette Quality Chocolates, Inc.; Ralcorp Frozen Bakery Products, Inc.; Cottage Bakery, Inc.; The Carriage House Companies, Inc., and certain other subsidiaries that may become guarantors in the future are collectively known as the "Guarantor Subsidiaries."

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Amended and Restated Credit Agreement contains various financial and restrictive covenants and requires that the Company maintain certain financial ratios, including a leverage and interest coverage ratio. The Amended and Restated Credit Agreement also contains cross-default provisions which could result in the acceleration of payments in the event TreeHouse or the Guarantor Subsidiaries (i) fails to make a payment when due in respect of any indebtedness or guarantee having an aggregate principal amount greater than \$75 million or (ii) fails to observe or perform any other agreement or condition related to such indebtedness or guarantee as a result of which the holder(s) of such debt are permitted to accelerate the payment of such debt. The Amended and Restated Credit Agreement is secured by substantially all personal property of TreeHouse and its Guarantor Subsidiaries.

Term Loan A — On May 6, 2014, the Company entered into a \$300 million term loan whose maturity date was amended in connection with the Amended and Restated Credit Agreement. The new maturity date is February 1, 2021, as compared to May 6, 2021 under the Prior Credit Agreement. The interest rates applicable to Term Loan A are based on the Company's consolidated leverage ratio, and are determined by either (i) LIBOR, plus a margin ranging from 1.25% to 3.00%, or (ii) a Base Rate (as defined in the Amended and Restated Credit Agreement), plus a margin ranging from 0.25% to 2.00%. Payments are due on a quarterly basis. Term Loan A is subject to substantially the same covenants as the Revolving Credit Facility, and also has the same Guarantor Subsidiaries. As of March 31, 2017, \$284.2 million was outstanding under Term Loan A.

Term Loan A-1 — On July 29, 2014, the Company entered into a \$200 million term loan whose maturity date was amended in connection with the Amended and Restated Credit Agreement. The new maturity date is February 1, 2021, as compared to May 6, 2019 under the Prior Credit Agreement. The interest rates applicable to Term Loan A-1 are based on the Company's consolidated leverage ratio, and are determined by either (i) LIBOR, plus a margin ranging from 1.25% to 3.00%, or (ii) a Base Rate (as defined in the Amended and Restated Credit Agreement), plus a margin ranging from 0.25% to 2.00%. Payments are due on a quarterly basis.

Term Loan A-1 is subject to substantially the same covenants as the Revolving Credit Facility, and has the same Guarantor Subsidiaries. As of March 31, 2017, \$177.5 million was outstanding under Term Loan A-1.

Term Loan A-2 — On February 1, 2016, the Company entered into a \$1,025 million term loan pursuant to the Amended and Restated Credit Agreement. Term Loan A-2 matures on February 1, 2021. The interest rates applicable to Term Loan A-2 are based on the Company's consolidated leverage ratio, and are determined by either (i) LIBOR, plus a margin ranging from 1.25% to 3.00%, or (ii) a

Base Rate (as defined in the Amended and Restated Credit Agreement), plus a margin ranging from 0.25% to 2.00%. Payments are due on a quarterly basis. Term Loan A-2 is subject to substantially the same covenants as the Revolving Credit Facility, and has the same Guarantor Subsidiaries. As of March 31, 2017, \$999.4 million was outstanding under Term Loan A-2.

2022 Notes — On March 11, 2014, the Company completed its underwritten public offering of \$400 million in aggregate principal amount of 4.875% notes due March 15, 2022 (the "2022 Notes"). The net proceeds of \$394 million (\$400 million less underwriting discount of \$6 million, providing an effective interest rate of 4.99%) were used to extinguish the Company's previously issued 7.75% notes due on March 1, 2018. Interest is payable on March 15 and September 15 of each year. The 2022 Notes will mature on March 15, 2022.

On or after March 15, 2017, the Company may redeem some or all of the 2022 Notes at redemption prices set forth in the Indenture. Subject to certain limitations, in the event of a change in control of the Company, the Company will be required to make an offer to purchase the 2022 Notes at a purchase price equal to 101% of the principal amount of the 2022 Notes, plus accrued and unpaid interest up to the purchase date.

2024 Notes — On January 29, 2016, the Company completed an exempt offering under Rule 144A and Regulation S of the Securities Act of \$775 million in aggregate principal amount of 6.0% notes due February 15, 2024. The net proceeds from the issuance of the 2024 Notes (approximately \$760.7 million after deducting issuance costs, providing an effective interest rate of 6.23%) were used to fund a portion of the purchase price of the Private Brands Business. Interest is payable on February 15 and August 15 of each year. The 2024 Notes will mature on February 15, 2024.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company may redeem some or all of the 2024 Notes at any time on or after February 15, 2019 at the applicable redemption prices described in the Indenture plus accrued and unpaid interest, if any, up to but not including the redemption date. In addition, prior to February 15, 2019, the Company may redeem all or a portion of the 2024 Notes at a price equal to 100% of the principal amount plus the “make-whole” premium set forth in the Indenture plus accrued and unpaid interest, if any, up to but not including the redemption date. The Company may also redeem up to 40% of the 2024 Notes prior to February 15, 2019 with the net cash proceeds received from certain equity offerings at the redemption price set forth in the Indenture. In the event of certain change of control events, as described in the Indenture, the Company may be required to purchase the 2024 Notes from the holders at a purchase price of 101% of the principal amount plus any accrued and unpaid interest.

The Company issued the 2022 Notes and 2024 Notes pursuant to a single base Indenture among the Company, the Guarantor Subsidiaries, and the Trustee. The Indenture provides, among other things, that the 2022 Notes and 2024 Notes will be senior unsecured obligations of the Company. The Company’s payment obligations under the 2022 Notes and 2024 Notes are fully and unconditionally, as well as jointly and severally, guaranteed on a senior unsecured basis by the Guarantor Subsidiaries, in addition to any future domestic subsidiaries that guarantee or become borrowers under its credit agreement, or guarantee certain other indebtedness incurred by the Company or its restricted subsidiaries.

The Indenture governing the 2022 Notes and 2024 Notes contains customary event of default provisions (including, without limitation, defaults relating to the failure to pay at final maturity or the acceleration of certain other indebtedness). If an event of default occurs and is continuing, the trustee under the Indenture or holders of at least 25% in principal amount of such notes may declare the principal amount and accrued and unpaid interest, if any, on all such notes to be due and payable. The Indenture also contains restrictive covenants that, among other things, limit the ability of the Company and the Guarantor Subsidiaries to: (i) pay dividends or make other restricted payments, (ii) make certain investments, (iii) incur additional indebtedness or issue preferred stock, (iv) create liens, (v) pay dividends or make other payments (except for certain dividends and payments to the Company and certain subsidiaries of the Company), (vi) merge or consolidate with other entities or sell substantially all of its assets, (vii) enter into transactions with affiliates, and (viii) engage in certain sale and leaseback transactions. The foregoing limitations are subject to exceptions as set forth in the Indenture. In addition, if in the future, the 2022 Notes or 2024 Notes have an investment grade credit rating by both Moody’s Investors Services, Inc. and Standard & Poor’s Ratings Services, certain of these covenants will, thereafter, no longer apply to the 2022 Notes or 2024 Notes for so long as the 2022 Notes or 2024 Notes are rated investment grade by the two rating agencies.

Interest Rate Swap Agreements — In June 2016, the Company entered into \$500 million of long-term interest rate swap agreements to lock into a fixed LIBOR interest rate base. Under the terms of the agreements, \$500 million in variable-rate debt was swapped for a weighted average fixed interest rate base of approximately 0.86% for a period of 37 months, beginning on January 31, 2017 and ending on February 28, 2020. The borrowing cost on the swapped principal will range from 2.11% to 3.86% during the life of the swap agreement based on the credit spreads under the Amended and Restated Credit Agreement.

12. STOCKHOLDERS’ EQUITY

Common stock — The Company has authorized 90 million shares of common stock with a par value of \$0.01 per share. No dividends have been declared or paid. As of March 31, 2017, there were 56,921,736 shares of common stock issued and outstanding. There is no treasury stock issued or outstanding.

Preferred Stock — The Company has authorized 10 million shares of preferred stock with a par value of \$0.01 per share. No preferred stock has been issued.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the number of weighted average common shares outstanding during the reporting period. The weighted average number of common shares used in the diluted earnings per share calculation is determined using the treasury stock method and includes the incremental effect related to the Company's outstanding stock-based compensation awards.

The following table summarizes the effect of the share-based compensation awards on the weighted average number of shares outstanding used in calculating diluted earnings per share:

	Three Months Ended March 31,	
	2017	2016
	(In millions, except per share data)	
Net income (loss)	\$ 28.2	\$ (3.2)
Weighted average common shares outstanding	56.9	52.7
Assumed exercise/vesting of equity awards (1)	0.7	—
Weighted average diluted common shares outstanding	57.6	52.7
Net earnings (loss) per basic share	\$ 0.50	\$ (0.06)
Net earnings (loss) per diluted share	\$ 0.49	\$ (0.06)

- (1) Incremental shares from equity awards are computed using the treasury stock method. For the three months ended March 31, 2016, weighted average common shares outstanding is the same for the computations of basic and diluted earnings per share because the Company had a net loss for the period. Equity awards, excluded from our computation of diluted earnings per share because they were anti-dilutive, were 1.6 million and 0.8 million for the three months ended March 31, 2017 and 2016, respectively.

14. STOCK-BASED COMPENSATION

The Board of Directors adopted, and the Company's stockholders approved, the "TreeHouse Foods, Inc. Equity and Incentive Plan" (the "Plan"). On April 27, 2017, the Plan was amended and restated to increase the number of shares available for issuance under the Plan by 3.8 million shares, effective February 14, 2017. The Plan is administered by our Compensation Committee, which consists entirely of independent directors. The Compensation Committee determines specific awards for our executive officers. For all other employees, if the committee designates, our Chief Executive Officer or such other officers will, from time to time, determine specific persons to whom awards under the Plan will be granted, and the terms and conditions of each award. The Compensation Committee or its designee, pursuant to the terms of the Plan, also will make all other necessary decisions and interpretations under the plan.

Under the Plan, the Compensation Committee may grant awards of various types of compensation, including stock options, restricted stock, restricted stock units, performance shares, performance units, other types of stock-based awards, and other cash-based compensation. The maximum number of shares available to be awarded under the Plan is approximately 16.1 million, of which approximately 4.6 million remain available at March 31, 2017.

Income (loss) before income taxes for the three month periods ended March 31, 2017 and 2016 includes stock-based compensation expense of \$7.5 million and \$6.2 million, respectively. The tax benefit recognized related to the compensation cost of these share-based awards was approximately \$2.8 million and \$2.2 million for the three month periods ended March 31, 2017 and 2016, respectively.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Stock Options — The following table summarizes stock option activity during the three months ended March 31, 2017. Stock options generally have a three year vesting schedule, which vest in approximately three equal installments on each of the first three anniversaries of the grant date, and expire ten years from the grant date.

	Employee Options (In thousands)	Director Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value (In millions)
Outstanding, at December 31, 2016	2,069	20	\$ 64.77	5.8	\$ 28.9
Granted	431	—	\$ 84.56		
Forfeited	(13)	—	\$ 87.57		
Exercised	(128)	(8)	\$ 49.52		
Expired	—	—	\$ —		
Outstanding, at March 31, 2017	2,359	12	\$ 69.12	6.6	\$ 41.9
Vested/expected to vest, at March 31, 2017	2,252	12	\$ 68.24	6.4	\$ 41.8
Exercisable, at March 31, 2017	1,245	12	\$ 53.21	4.3	\$ 39.5

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Compensation expense	\$ 1.8	\$ 1.6
Intrinsic value of stock options exercised	\$ 4.5	\$ 1.3
Tax benefit recognized from stock option exercises	\$ 1.7	\$ 0.4

Compensation costs related to unvested options totaled \$19.9 million at March 31, 2017 and will be recognized over the remaining vesting period of the grants, which averages 2.4 years. The Company uses the Black-Scholes option pricing model to value its stock option awards. The assumptions used to calculate the fair value of stock options issued in 2017 include the following: weighted average expected volatility of 26.70%, expected term of six years, weighted average risk free rate of 2.80%, and no dividends.

The weighted average grant date fair value of awards granted in 2017 was \$24.84.

Restricted Stock Units — Employee restricted stock unit awards generally vest based on the passage of time. These awards generally vest in approximately three equal installments on each of the first three anniversaries of the grant date. Director restricted stock units generally vest on the first anniversary of the grant date. Certain directors have deferred receipt of their awards until either their departure from the Board of Directors or a specified date. As of March 31, 2017, 89 thousand director restricted stock units have been earned and deferred.

The following table summarizes the restricted stock unit activity during the three months ended March 31, 2017:

	Employee Restricted Stock Units (In thousands)	Weighted Average Grant Date Fair Value	Director Restricted Stock Units (In thousands)	Weighted Average Grant Date Fair Value
Outstanding, at December 31, 2016	516	\$ 87.03	104	\$ 57.78
Granted	239	\$ 84.00	16	\$ 84.66
Vested	(38)	\$ 80.21	—	\$ —
Forfeited	(8)	\$ 86.98	—	\$ —
Outstanding, at March 31, 2017	709	\$ 86.37	120	\$ 61.43

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Compensation expense	\$ 4.7	\$ 3.5
Fair value of vested restricted stock units	\$ 2.9	\$ 0.2
Tax benefit recognized from vested restricted stock units	\$ 1.1	\$ 0.1

Future compensation costs related to restricted stock units are approximately \$43.5 million as of March 31, 2017 and will be recognized on a weighted average basis over the next 2.3 years. The grant date fair value of the awards is equal to the Company's closing stock price on the grant date.

Performance Units — Performance unit awards are granted to certain members of management. These awards contain service and performance conditions. For each of the three performance periods, one-third of the units will accrue, multiplied by a predefined percentage between 0% and 200%, depending on the achievement of certain operating performance measures. Additionally, for the cumulative performance period, a number of units will accrue, equal to the number of units granted multiplied by a predefined percentage between 0% and 200%, depending on the achievement of certain operating performance measures, less any units previously accrued. Accrued units will be converted to stock or cash, at the discretion of the Compensation Committee, generally, on the third anniversary of the grant date. The Company intends to settle these awards in stock and has the shares available to do so. The following table summarizes the performance unit activity during the three months ended March 31, 2017:

	Performance Units (In thousands)	Weighted Average Grant Date Fair Value
Unvested, at December 31, 2016	246	\$ 85.16
Granted	115	\$ 84.66
Vested	—	\$ —
Forfeited	(1)	\$ 89.89
Unvested, at March 31, 2017	360	\$ 84.99

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Compensation expense	\$ 1.0	\$ 1.1
Fair value of vested performance units	\$ —	\$ —
Tax benefit recognized from performance units vested	\$ —	\$ —

Future compensation costs related to the performance units are estimated to be approximately \$16.9 million as of March 31, 2017, and are expected to be recognized over the next 2.6 years. The grant date fair value of the awards is equal to the Company's closing stock price on the date of grant.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following components, all of which are net of tax, except for the foreign currency translation adjustment:

	Foreign Currency Translation (1)	Unrecognized Pension and Postretirement Benefits (2)	Accumulated Other Comprehensive Loss
	(In millions)		
Balance at December 31, 2016	\$ (89.4)	\$ (11.9)	\$ (101.3)
Other comprehensive income	3.6	—	3.6
Reclassifications from accumulated other comprehensive loss	—	0.3	0.3
Other comprehensive income	3.6	0.3	3.9
Balance at March 31, 2017	<u>\$ (85.8)</u>	<u>\$ (11.6)</u>	<u>\$ (97.4)</u>

	Foreign Currency Translation (1)	Unrecognized Pension and Postretirement Benefits (2)	Accumulated Other Comprehensive Loss
	(In millions)		
Balance at December 31, 2015	\$ (100.5)	\$ (13.0)	\$ (113.5)
Other comprehensive income	24.3	—	24.3
Reclassifications from accumulated other comprehensive loss	—	0.3	0.3
Other comprehensive income	24.3	0.3	24.6
Balance at March 31, 2016	<u>\$ (76.2)</u>	<u>\$ (12.7)</u>	<u>\$ (88.9)</u>

- (1) The foreign currency translation adjustment is not net of tax, as it pertains to the Company's permanent investment in its foreign subsidiaries.
- (2) The unrecognized pension and postretirement benefits reclassification is presented net of tax of \$0.2 million and \$0.1 million for the three months ended March 31, 2017 and 2016, respectively. The reclassification is included in the computation of net periodic pension and postretirement cost, which is recorded in the Cost of sales and General and administrative lines of the Condensed Consolidated Statements of Operations.

The Condensed Consolidated Statements of Operations lines impacted by reclassifications out of Accumulated other comprehensive loss are outlined below:

	Reclassifications from Accumulated Other Comprehensive Loss		Affected line in the Condensed Consolidated Statements of Operations
	Three Months Ended March 31,		
	2017	2016	
	(In millions)		
Amortization of defined benefit pension and postretirement items:			
Prior service costs	\$ 0.1	\$ 0.1	(a)
Unrecognized net loss	0.4	0.3	(a)
Total before tax	0.5	0.4	
Income taxes	0.2	0.1	Income taxes
Net of tax	<u>\$ 0.3</u>	<u>\$ 0.3</u>	

- (a) These accumulated other comprehensive loss components are included in the computation of net periodic pension and postretirement cost, and are recorded in the Cost of sales and General and administrative lines of the Condensed Consolidated Statements of Operations.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. EMPLOYEE RETIREMENT AND POSTRETIREMENT BENEFITS

Pension, Profit Sharing and Postretirement Benefits — Certain employees and retirees participate in pension and other postretirement benefit plans. Employee benefit plan obligations and expenses included in the Condensed Consolidated Financial Statements are determined based on plan assumptions, employee demographic data, including years of service and compensation, benefits and claims paid, and employer contributions.

Components of net periodic pension expense are as follows:

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Service cost	\$ 1.2	\$ 1.0
Interest cost	4.0	3.0
Expected return on plan assets	(4.7)	(3.2)
Amortization of unrecognized prior service cost	0.1	0.1
Amortization of unrecognized net loss	0.4	0.3
Net periodic pension cost	<u>\$ 1.0</u>	<u>\$ 1.2</u>

The Company does not expect to make any contributions to the pension plans in 2017.

Components of net periodic postretirement expense are as follows:

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Service cost	\$ —	\$ —
Interest cost	0.3	0.2
Amortization of unrecognized prior service cost	—	—
Amortization of unrecognized net loss	—	—
Net periodic postretirement cost	<u>\$ 0.3</u>	<u>\$ 0.2</u>

The Company expects to contribute approximately \$1.6 million to the postretirement health plans during 2017.

Net periodic pension and postretirement costs are recorded in the Cost of sales and General and administrative lines of the Condensed Consolidated Statements of Operations.

17. OTHER OPERATING EXPENSE, NET

The Company incurred other operating expense for the three months ended March 31, 2017 and 2016, which consisted of the following:

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Restructuring	\$ 6.8	\$ 1.6
Other	—	0.1
Total other operating expense, net	<u>\$ 6.8</u>	<u>\$ 1.7</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Interest paid	\$ 43.7	\$ 17.9
Income taxes paid	\$ 6.2	\$ 14.6
Accrued purchase of property and equipment	\$ 12.3	\$ 13.9
Accrued other intangible assets	\$ 5.7	\$ 1.9

Non-cash financing activities for the three months ended March 31, 2017 and 2016 include \$2.9 million and \$0.2 million, respectively, related to the vesting of restricted stock, restricted stock units, and performance stock units.

19. COMMITMENTS AND CONTINGENCIES

Litigation, Investigations and Audits — On November 16, 2016, a purported TreeHouse shareholder filed a putative class action captioned *Tarara v. TreeHouse Foods, Inc., et al.*, Case No. 1:16-cv-10632, in the United States District Court for the Northern District of Illinois against TreeHouse and certain of its officers. The complaint, amended on March 24, 2017, is purportedly brought on behalf of all purchasers of TreeHouse common stock from January 20, 2016 through and including November 2, 2016, asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seeks, among other things, damages and costs and expenses. On December 22, 2016, another purported TreeHouse shareholder filed an action captioned *Wells v. Reed, et al.*, Case No. 2016-CH-16359, in the Circuit Court of Cook County, Illinois, against TreeHouse and certain of its officers. This complaint, purportedly brought derivatively on behalf of TreeHouse, asserts state law claims against certain officers for breach of fiduciary duty, unjust enrichment, and corporate waste. On February 7, 2017, another purported TreeHouse shareholder filed an action captioned *Lavin v. Reed*, Case No. 17-cv-01014, in the Northern District of Illinois, against TreeHouse and certain of its officers. This complaint, like *Wells*, is purportedly brought derivatively on behalf of TreeHouse, and it asserts state law claims against certain officers for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and corporate waste.

All three complaints make substantially similar allegations (though the amended complaint in *Tarara* now contains additional detail). Essentially, the complaints allege that TreeHouse, under the authority and control of the individual defendants: (i) made certain false and misleading statements regarding the Company's business, operations, and future prospects; and (ii) failed to disclose that (a) the Company's private label business was underperforming; (b) the Company's Flagstone business was underperforming; (c) the Company's acquisition strategy was underperforming; (d) the Company had overstated its full-year 2016 guidance; and (e) TreeHouse's statements lacked reasonable basis. The complaints allege that these actions artificially inflated the market price of TreeHouse common stock during the class period, thus purportedly harming investors. We believe that these claims are without merit and intend to defend against them vigorously. Since its initial docketing, the *Tarara* matter has been re-captioned as *Public Employees' Retirement Systems of Mississippi v. TreeHouse Foods, Inc., et al.*, in accordance with the Court's order appointing Public Employees' Retirement Systems of Mississippi as the lead plaintiff. Currently, the *Public Employees'* defendants have until May 26, 2017 to file a motion to dismiss, plaintiffs have until June 26, 2017 to file a response, and defendants have until July 28, 2017 to file a reply.

Additionally, due to the similarity of the complaints, the parties in *Wells* have entered a stipulation deferring the litigation until the earlier of (i) the court in *Public Employees'* entering an order resolving defendants' anticipated motion to dismiss therein or (ii) plaintiffs' counsel in *Wells* receiving notification of a settlement of *Public Employees'* or until otherwise agreed to by the Parties. In *Lavin*, the parties are currently negotiating the terms of a similar stay. Accordingly, the next status dates in *Wells* and *Lavin* are October 30, 2017 and August 4, 2017, respectively.

In addition, we are party to a variety of legal proceedings arising out of the conduct of our business. While the results of proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on our consolidated financial statements, results of operations, or cash flows.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

20. DERIVATIVE INSTRUMENTS

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by derivative instruments include interest rate risk, foreign currency risk, and commodity price risk. Derivative contracts are entered into for periods consistent with the related underlying exposure and do not constitute positions independent of those exposures. The Company does not enter into derivative instruments for trading or speculative purposes.

The Company manages its exposure to changes in interest rates by optimizing the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps to hedge our exposure to changes in interest rates, to reduce the volatility of our financing costs, and to achieve a desired proportion of fixed versus floating-rate debt, based on current and projected market conditions, with a bias toward fixed-rate debt.

In June 2016, the Company entered into \$500 million of long-term interest rate swap agreements to lock into a fixed LIBOR interest rate base. Under the terms of the agreements, \$500 million in variable-rate debt was swapped for a weighted average fixed interest rate base of approximately 0.86% for a period of 37 months, beginning on January 31, 2017 and ending on February 28, 2020. These agreements do not qualify for hedge accounting and changes in their fair value are recorded in the Condensed Consolidated Statements of Operations, with their fair value recorded on the Condensed Consolidated Balance Sheets.

Due to the Company's foreign operations, we are exposed to foreign currency risk. The Company enters into foreign currency contracts to manage the risk associated with foreign currency cash flows. The Company's objective in using foreign currency contracts is to establish a fixed foreign currency exchange rate for the net cash flow requirements for purchases that are denominated in U.S. dollars. These contracts do not qualify for hedge accounting and changes in their fair value are recorded in the Condensed Consolidated Statements of Operations, with their fair value recorded on the Condensed Consolidated Balance Sheets. As of March 31, 2017, the Company had \$30.9 million of U.S. dollar foreign currency contracts outstanding, expiring throughout 2017.

Certain commodities we use in the production and distribution of our products are exposed to market price risk. The Company utilizes derivative contracts to manage this risk. The majority of commodity forward contracts are not derivatives, and those that are generally qualify for the normal purchases and normal sales scope exception under the guidance for derivative instruments and hedging activities and, therefore, are not subject to its provisions. For derivative commodity contracts that do not qualify for the normal purchases and normal sales scope exception, the Company records their fair value on the Condensed Consolidated Balance Sheets, with changes in value being recorded in the Condensed Consolidated Statements of Operations.

The Company's derivative commodity contracts may include contracts for diesel, oil, plastics, natural gas, electricity, and other commodity contracts that do not meet the requirements for the normal purchases and normal sales scope exception.

Diesel contracts are used to manage the Company's risk associated with the underlying cost of diesel fuel used to deliver products. Contracts for oil and plastics are used to manage the Company's risk associated with the underlying commodity cost of a significant component used in packaging materials. Contracts for natural gas and electricity are used to manage the Company's risk associated with the utility costs of its manufacturing facilities, and commodity contracts that are derivatives that do not meet the normal purchases and normal sales scope exception are used to manage the price risk associated with raw material costs. As of March 31, 2017, the Company had outstanding contracts for the purchase of 76,608 megawatts of electricity, expiring throughout 2017 and early 2018; 15.6 million gallons of diesel, expiring throughout 2017; 0.7 million dekatherms of natural gas, expiring throughout 2017; and 32.0 million pounds of soybean oil, expiring throughout 2017.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table identifies the derivative, its fair value, and location on the Condensed Consolidated Balance Sheets:

		Fair Value	
		March 31, 2017	December 31, 2016
Balance Sheet Location		(In millions)	
Asset Derivatives			
Commodity contracts	Prepaid expenses and other current assets	\$ 0.7	\$ 1.0
Foreign currency contracts	Prepaid expenses and other current assets	0.6	0.7
Interest rate swap agreements	Prepaid expenses and other current assets	11.4	10.4
		<u>\$ 12.7</u>	<u>\$ 12.1</u>
Liability Derivatives			
Commodity contracts	Accounts payable and accrued expenses	\$ 1.3	\$ 0.5
		\$ 1.3	\$ 0.5

We recorded the following gains and losses on our derivative contracts in the Condensed Consolidated Statements of Operations:

		Three Months Ended March 31,	
		2017	2016
Location of Gain (Loss) Recognized in Net Income (Loss)		(In millions)	
Mark-to-market unrealized gain (loss):			
Commodity contracts	Other expense, net	\$ (1.1)	\$ 0.4
Foreign currency contracts	Other expense, net	(0.1)	(5.1)
Interest rate swap agreements	Other expense, net	1.0	—
Total unrealized gain (loss)		(0.2)	(4.7)
Realized gain (loss):			
Commodity contracts	Manufacturing related to Cost of sales and transportation related to Selling and distribution	0.5	(1.0)
Foreign currency contracts	Cost of sales	0.2	0.8
Interest rate swap agreements	Interest expense	(0.1)	—
Total realized gain (loss)		0.6	(0.2)
Total gain (loss)		\$ 0.4	\$ (4.9)

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

21. FAIR VALUE

The following table presents the carrying value and fair value of our financial instruments as of March 31, 2017 and December 31, 2016:

	March 31, 2017		December 31, 2016		Level				
	Carrying Value	Fair Value	Carrying Value	Fair Value					
	(In millions)		(In millions)						
Not recorded at fair value (liability):									
Revolving Credit Facility	\$	(148.0)	\$	(145.9)	\$	(170.0)	\$	(167.1)	2
Term Loan A	\$	(284.2)	\$	(284.6)	\$	(288.0)	\$	(288.1)	2
Term Loan A-1	\$	(177.5)	\$	(177.8)	\$	(180.0)	\$	(180.3)	2
Term Loan A-2	\$	(999.4)	\$	(1,001.0)	\$	(1,005.8)	\$	(1,007.4)	2
2022 Notes	\$	(400.0)	\$	(411.0)	\$	(400.0)	\$	(410.0)	2
2024 Notes	\$	(775.0)	\$	(811.8)	\$	(775.0)	\$	(809.9)	2
Recorded on a recurring basis at fair value (liability) asset:									
Commodity contracts	\$	(0.6)	\$	(0.6)	\$	0.5	\$	0.5	2
Foreign currency contracts	\$	0.6	\$	0.6	\$	0.7	\$	0.7	2
Interest rate swap agreements	\$	11.4	\$	11.4	\$	10.4	\$	10.4	2
Investments	\$	11.3	\$	11.3	\$	10.4	\$	10.4	1

Cash and cash equivalents and accounts receivable are financial assets with carrying values that approximate fair value. Accounts payable are financial liabilities with carrying values that approximate fair value.

The fair value of the Revolving Credit Facility, Term Loan A, Term Loan A-1, Term Loan A-2, 2022 Notes, 2024 Notes, commodity contracts, foreign currency contracts, and interest rate swap agreements are determined using Level 2 inputs. Level 2 inputs are inputs other than quoted market prices that are observable for an asset or liability, either directly or indirectly. The fair values of the Revolving Credit Facility, Term Loan A, Term Loan A-1, and Term Loan A-2 were estimated using present value techniques and market based interest rates and credit spreads. The fair values of the Company's 2022 Notes and 2024 Notes were estimated based on quoted market prices for similar instruments, where the inputs are considered Level 2, due to their infrequent trading volume. The fair values of the commodity contracts, foreign currency contracts, and interest rate swap agreements are based on an analysis comparing the contract rates to the market rates at the balance sheet date. The commodity contracts, foreign currency contracts, and interest rate swap agreements are recorded at fair value on the Condensed Consolidated Balance Sheets.

The fair value of the investments was determined using Level 1 inputs. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement dates. The investments are recorded at fair value on the Condensed Consolidated Balance Sheets.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

22. SEGMENT AND GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

In the first quarter of 2017, the Company completed changes in its organizational structure that resulted in a change in how the Company manages its business and allocates resources. Our reportable segments are now organized and managed by products: Baked Goods, Beverages, Condiments, Meals, and Snacks. Previously, our reportable segments were organized and managed by customer channels: North American Retail Grocery, Food Away From Home, and Industrial and Export. All prior period information has been recast to reflect this change.

The Company manages operations on a company-wide basis, thereby making determinations as to the allocation of resources in total rather than on a segment-level basis. The Company has designated reportable segments based on how management views its business. The Company does not segregate assets between segments for internal reporting. Therefore, asset-related information has not been presented. The reportable segments, as presented below, are consistent with the manner in which the Company reports its results to the Chief Operating Decision Maker. Our segments are as follows:

Baked Goods – Our Baked Goods segment sells candy; cookies; crackers; in-store bakery products; pita chips; pretzels; refrigerated dough; and retail griddle waffles, pancakes, and French toast.

Beverages – Our Beverages segment sells broths; liquid non-dairy creamer; non-dairy powdered creamers; powdered drinks; single serve hot beverages; specialty teas, and sweeteners.

Condiments – Our Condiments segment sells aseptic cheese and pudding products; jams, preserves, and jellies; mayonnaise; Mexican, barbeque, and other sauces; pickles and related products; refrigerated and shelf stable dressings and sauces; and table and flavored syrups.

Meals – Our Meals segment sells baking and mix powders; condensed, ready to serve, and powdered soups and gravies; infant feeding products; macaroni and cheese; pasta; ready-to-eat and hot cereals; and skillet dinners.

Snacks – Our Snacks segment sells bars; dried fruit; snack nuts; trail mixes; and other wholesome snacks.

The Company evaluates the performance of its segments based on net sales dollars and direct operating income. In conjunction with the change in segments, the Company revised its calculation of direct operating income to include direct general and administrative expenses. Direct operating income is now defined as gross profit less freight out, sales commissions, and direct selling, general, and administrative expenses. All prior period information has been recast to reflect this change. The amounts in the following tables are obtained from reports used by senior management and do not include income taxes. Other expenses not allocated include unallocated selling, general, and administrative expenses, unallocated costs of sales, and unallocated corporate expenses (amortization expense and other operating expense). The accounting policies of the Company's segments are the same as those described in the summary of significant accounting policies set forth in Note 1 to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial information relating to the Company's reportable segments is as follows:

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Net sales to external customers:		
Baked Goods	\$ 341.1	\$ 219.5
Beverages	268.0	224.9
Condiments	310.1	295.6
Meals	324.0	272.4
Snacks	290.6	257.8
Unallocated	2.4	—
Total	<u>\$ 1,536.2</u>	<u>\$ 1,270.2</u>
Direct operating income:		
Baked Goods	\$ 41.9	\$ 28.8
Beverages	58.7	57.7
Condiments	31.7	35.1
Meals	34.0	26.4
Snacks	12.5	9.8
Total	178.8	157.8
Unallocated selling, general, and administrative expenses	(80.0)	(100.7)
Unallocated cost of sales (1)	1.5	(12.6)
Unallocated corporate expense and other	(33.0)	(25.5)
Operating income	67.3	19.0
Other expense	(27.6)	(23.8)
Income (loss) before income taxes	<u>\$ 39.7</u>	<u>\$ (4.8)</u>

(1) Includes charges related to restructurings and other costs managed at corporate.

Geographic Information — The Company had revenues from customers outside of the United States of approximately 8.3% and 8.7% of total consolidated net sales in the three months ended March 31, 2017 and 2016, respectively, with 6.6% and 7.3% of total consolidated net sales in Canada, respectively. The Company held 11.0% and 10.8% of its property, plant, and equipment outside of the United States as of March 31, 2017 and 2016, respectively.

Major Customers — Walmart Stores, Inc. and affiliates accounted for approximately 20.5% and 18.8% of consolidated net sales in the three months ended March 31, 2017 and 2016, respectively. No other customer accounted for more than 10% of our consolidated net sales.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Product Information — The following table presents the Company’s net sales by major products for the three months ended March 31, 2017 and 2016. In the first quarter of 2017, the Company changed the product categories to align with the changes in organizational structure described above. All prior period information has been recast to reflect this change.

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Products:		
Dressings and sauces	\$ 237.3	\$ 221.3
Cereals and other meals	190.4	169.9
Snack nuts	187.7	142.3
Beverages	183.1	144.1
Retail bakery	182.6	113.3
Baked products	158.5	106.2
Pasta and dry dinners	133.6	102.5
Trail mix and bars	105.3	115.5
Beverage enhancers	84.9	80.8
Pickles	72.8	74.3
Total net sales	<u>\$ 1,536.2</u>	<u>\$ 1,270.2</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

23. GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

The Company's 2022 Notes and 2024 Notes are guaranteed fully and unconditionally, as well as jointly and severally, by its Guarantor Subsidiaries. The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances, only upon the occurrence of certain customary conditions. There are no significant restrictions on the ability of the parent company or any guarantor to obtain funds from its subsidiaries by dividend or loan. The following condensed supplemental consolidating financial information presents the results of operations, financial position, and cash flows of the parent company, its Guarantor Subsidiaries, its non-guarantor subsidiaries, and the eliminations necessary to arrive at the information for the Company on a consolidated basis as of March 31, 2017 and 2016, and for the three months ended March 31, 2017 and 2016. The equity method has been used with respect to investments in subsidiaries. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

Condensed Supplemental Consolidating Balance Sheet
March 31, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 0.8	\$ 66.4	\$ —	\$ 67.2
Investments	—	—	11.3	—	11.3
Accounts receivable, net	0.3	332.9	51.1	—	384.3
Inventories, net	—	880.7	108.8	—	989.5
Assets held for sale	—	3.6	—	—	3.6
Prepaid expenses and other current assets	33.6	16.3	18.1	—	68.0
Total current assets	33.9	1,234.3	255.7	—	1,523.9
Property, plant, and equipment, net	30.4	1,161.2	146.7	—	1,338.3
Goodwill	—	2,333.7	117.4	—	2,451.1
Investment in subsidiaries	5,100.3	527.7	—	(5,628.0)	—
Intercompany accounts receivable (payable), net	126.1	(121.2)	(4.9)	—	—
Deferred income taxes	22.1	—	—	(22.1)	—
Intangible and other assets, net	59.4	997.7	104.6	—	1,161.7
Total assets	<u>\$ 5,372.2</u>	<u>\$ 6,133.4</u>	<u>\$ 619.5</u>	<u>\$ (5,650.1)</u>	<u>\$ 6,475.0</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued expenses	\$ 59.6	\$ 429.0	\$ 60.6	\$ —	\$ 549.2
Current portion of long-term debt	77.5	2.0	0.1	—	79.6
Total current liabilities	137.1	431.0	60.7	—	628.8
Long-term debt	2,674.9	2.0	0.2	—	2,677.1
Deferred income taxes	—	398.9	26.2	(22.1)	403.0
Other long-term liabilities	11.6	201.2	4.7	—	217.5
Stockholders' equity	2,548.6	5,100.3	527.7	(5,628.0)	2,548.6
Total liabilities and stockholders' equity	<u>\$ 5,372.2</u>	<u>\$ 6,133.4</u>	<u>\$ 619.5</u>	<u>\$ (5,650.1)</u>	<u>\$ 6,475.0</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Supplemental Consolidating Balance Sheet
December 31, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 0.2	\$ 61.9	\$ —	\$ 62.1
Investments	—	—	10.4	—	10.4
Accounts receivable, net	—	372.9	56.1	—	429.0
Inventories, net	—	869.6	108.4	—	978.0
Assets held for sale	—	3.6	—	—	3.6
Prepaid expenses and other current assets	23.6	36.7	17.3	—	77.6
Total current assets	23.6	1,283.0	254.1	—	1,560.7
Property, plant, and equipment, net	31.3	1,181.0	147.0	—	1,359.3
Goodwill	—	2,330.8	116.4	—	2,447.2
Investment in subsidiaries	5,031.5	519.4	—	(5,550.9)	—
Intercompany accounts receivable (payable), net	199.6	(196.9)	(2.7)	—	—
Deferred income taxes	20.7	—	—	(20.7)	—
Intangible and other assets, net	53.9	1,018.0	106.7	—	1,178.6
Total assets	<u>\$ 5,360.6</u>	<u>\$ 6,135.3</u>	<u>\$ 621.5</u>	<u>\$ (5,571.6)</u>	<u>\$ 6,545.8</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued expenses	\$ 61.3	\$ 493.1	\$ 72.4	\$ —	\$ 626.8
Current portion of long-term debt	63.1	3.2	0.1	—	66.4
Total current liabilities	124.4	496.3	72.5	—	693.2
Long-term debt	2,722.3	2.2	0.3	—	2,724.8
Deferred income taxes	—	418.3	24.6	(20.7)	422.2
Other long-term liabilities	10.6	187.0	4.7	—	202.3
Stockholders' equity	2,503.3	5,031.5	519.4	(5,550.9)	2,503.3
Total liabilities and stockholders' equity	<u>\$ 5,360.6</u>	<u>\$ 6,135.3</u>	<u>\$ 621.5</u>	<u>\$ (5,571.6)</u>	<u>\$ 6,545.8</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Supplemental Consolidating Statement of Operations
Three Months Ended March 31, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 1,455.4	\$ 164.0	\$ (83.2)	\$ 1,536.2
Cost of sales	—	1,188.4	144.6	(83.2)	1,249.8
Gross profit	—	267.0	19.4	—	286.4
Selling, general, and administrative expense	27.5	146.6	9.6	—	183.7
Amortization expense	2.9	23.4	2.3	—	28.6
Other operating expense, net	—	6.6	0.2	—	6.8
Operating (loss) income	(30.4)	90.4	7.3	—	67.3
Interest expense	31.2	0.2	1.2	(2.9)	29.7
Interest income	(2.2)	(2.9)	(0.6)	2.9	(2.8)
Other expense (income), net	0.1	—	0.6	—	0.7
(Loss) income before income taxes	(59.5)	93.1	6.1	—	39.7
Income taxes (benefit)	(22.8)	33.4	0.9	—	11.5
Equity in net income (loss) of subsidiaries	64.9	5.2	—	(70.1)	—
Net income (loss)	<u>\$ 28.2</u>	<u>\$ 64.9</u>	<u>\$ 5.2</u>	<u>\$ (70.1)</u>	<u>\$ 28.2</u>

Condensed Supplemental Consolidating Statement of Operations
Three Months Ended March 31, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 1,204.8	\$ 133.8	\$ (68.4)	\$ 1,270.2
Cost of sales	—	997.1	116.9	(68.4)	1,045.6
Gross profit	—	207.7	16.9	—	224.6
Selling, general, and administrative expense	53.7	116.4	10.0	—	180.1
Amortization expense	2.2	19.4	2.2	—	23.8
Other operating expense, net	—	1.3	0.4	—	1.7
Operating (loss) income	(55.9)	70.6	4.3	—	19.0
Interest expense	25.4	(0.1)	1.5	(1.1)	25.7
Interest income	(2.2)	(1.3)	(0.4)	1.1	(2.8)
Other expense (income), net	—	(4.7)	5.6	—	0.9
(Loss) income before income taxes	(79.1)	76.7	(2.4)	—	(4.8)
Income taxes (benefit)	(30.0)	30.0	(1.6)	—	(1.6)
Equity in net income (loss) of subsidiaries	45.9	(0.8)	—	(45.1)	—
Net (loss) income	<u>\$ (3.2)</u>	<u>\$ 45.9</u>	<u>\$ (0.8)</u>	<u>\$ (45.1)</u>	<u>\$ (3.2)</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Supplemental Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended March 31, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 28.2	\$ 64.9	\$ 5.2	\$ (70.1)	\$ 28.2
Other comprehensive income:					
Foreign currency translation adjustments	—	—	3.6	—	3.6
Pension and postretirement reclassification adjustment, net of tax	—	0.3	—	—	0.3
Other comprehensive income	—	0.3	3.6	—	3.9
Equity in other comprehensive income (loss) of subsidiaries	3.9	3.6	—	(7.5)	—
Comprehensive income (loss)	<u>\$ 32.1</u>	<u>\$ 68.8</u>	<u>\$ 8.8</u>	<u>\$ (77.6)</u>	<u>\$ 32.1</u>

Condensed Supplemental Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended March 31, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (3.2)	\$ 45.9	\$ (0.8)	\$ (45.1)	\$ (3.2)
Other comprehensive income:					
Foreign currency translation adjustments	—	—	24.3	—	24.3
Pension and postretirement reclassification adjustment, net of tax	—	0.3	—	—	0.3
Other comprehensive income	—	0.3	24.3	—	24.6
Equity in other comprehensive income (loss) of subsidiaries	24.6	24.3	—	(48.9)	—
Comprehensive income (loss)	<u>\$ 21.4</u>	<u>\$ 70.5</u>	<u>\$ 23.5</u>	<u>\$ (94.0)</u>	<u>\$ 21.4</u>

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Supplemental Consolidating Statement of Cash Flows
Three Months Ended March 31, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 44.6	\$ 97.7	\$ 5.5	\$ (69.3)	\$ 78.5
Cash flows from investing activities:					
Additions to property, plant, and equipment	(1.1)	(30.5)	(3.1)	—	(34.7)
Additions to intangible assets	(8.2)	(0.5)	—	—	(8.7)
Intercompany transfer	(34.1)	(31.0)	—	65.1	—
Proceeds from sale of fixed assets	—	0.2	—	—	0.2
Other	—	—	(0.3)	—	(0.3)
Net cash (used in) provided by investing activities	(43.4)	(61.8)	(3.4)	65.1	(43.5)
Cash flows from financing activities:					
Net borrowing (repayment) of debt	(34.7)	(1.4)	—	—	(36.1)
Intercompany transfer	27.7	(33.9)	2.0	4.2	—
Receipts related to stock-based award activities	6.7	—	—	—	6.7
Payments related to stock-based award activities	(0.9)	—	—	—	(0.9)
Net cash provided by (used in) financing activities	(1.2)	(35.3)	2.0	4.2	(30.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	0.4	—	0.4
(Decrease) increase in cash and cash equivalents	—	0.6	4.5	—	5.1
Cash and cash equivalents, beginning of period	—	0.2	61.9	—	62.1
Cash and cash equivalents, end of period	\$ —	\$ 0.8	\$ 66.4	\$ —	\$ 67.2

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Supplemental Consolidating Statement of Cash Flows
Three Months Ended March 31, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	\$ 3.0	\$ 153.0	\$ (19.1)	\$ (26.0)	\$ 110.9
Cash flows from investing activities:					
Additions to property, plant, and equipment	(0.1)	(23.7)	(1.1)	—	(24.9)
Additions to intangible assets	(2.0)	—	—	—	(2.0)
Intercompany transfer	93.8	2.8	—	(96.6)	—
Acquisitions, less cash acquired	(2,683.5)	0.3	43.0	—	(2,640.2)
Proceeds from sale of fixed assets	—	0.1	—	—	0.1
Other	—	—	(0.3)	—	(0.3)
Net cash (used in) provided by investing activities	(2,591.8)	(20.5)	41.6	(96.6)	(2,667.3)
Cash flows from financing activities:					
Net borrowing (repayment) of debt	1,777.6	(0.8)	—	—	1,776.8
Payment of deferred financing costs	(34.3)	—	—	—	(34.3)
Intercompany transfer	(1.8)	(130.2)	9.4	122.6	—
Net proceeds from issuance of common stock	835.1	—	—	—	835.1
Receipts related to stock-based award activities	1.9	—	—	—	1.9
Payments related to stock-based award activities	(0.1)	—	—	—	(0.1)
Net cash provided by (used in) financing activities	2,578.4	(131.0)	9.4	122.6	2,579.4
Effect of exchange rate changes on cash and cash equivalents	—	—	3.2	—	3.2
(Decrease) increase in cash and cash equivalents	(10.4)	1.5	35.1	—	26.2
Cash and cash equivalents, beginning of period	10.4	0.1	24.4	—	34.9
Cash and cash equivalents, end of period	\$ —	\$ 1.6	\$ 59.5	\$ —	\$ 61.1

24. SUBSEQUENT EVENTS

On April 25, 2017, the Company announced that it had entered into a definitive agreement to sell its Soup and Infant Feeding (“SIF”) business. The SIF business is based in Pittsburgh, Pennsylvania and produces private label condensed and ready-to-serve soup, baby food, and gravies for the Meals segment. The transaction is subject to customary closing conditions and is expected to close in the second or third quarter of 2017.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

TreeHouse Foods, Inc. is a manufacturer of packaged foods and beverages with more than 50 manufacturing facilities across the United States, Canada, and Italy that focuses primarily on private label products for both retail grocery and food away from home customers. We manufacture shelf stable, refrigerated, frozen, and fresh products, including baked goods (refrigerated and frozen dough, cookies, and crackers); beverages (single serve beverages, coffees, teas, creamers, powdered beverages, and smoothies); condiments (pourable and spoonable dressing, dips, pickles, soups, and sauces); meals (cereal, pasta, macaroni and cheese, and side dishes); and snacks (nuts, trail mix, bars, and dried fruits). We have a comprehensive offering of packaging formats and flavor profiles, and we also offer natural, organic, and preservative free ingredients in many categories. We believe we are the largest manufacturer of private label snack nuts, trail mixes, refrigerated dough, retail griddle items, in-store bakery cookies, pretzels, soup, pickles, salsa, macaroni and cheese dinners, non-dairy powdered creamer, ready-to-eat cereals, and dry pasta in the United States, the largest manufacturer of private label powdered drink mixes, salad dressings, and instant hot cereals in both the United States and Canada, and the largest manufacturer of private label jams in Canada, based on volume. We also believe we are one of the largest manufacturers of private label crackers, snack bars, table syrup, flavored syrup, barbeque sauce, preserves, and jellies in the United States, based on volume.

The following discussion and analysis presents the factors that had a material effect on our results of operations for the three month periods ended March 31, 2017 and 2016. Also discussed is our financial position as of the end of the current period. This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and the Notes to those Condensed Consolidated Financial Statements included elsewhere in this report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See *Cautionary Statement Regarding Forward-Looking Statements* for a discussion of the uncertainties, risks, and assumptions associated with these statements.

In the first quarter of 2017, the Company completed changes in its organizational structure that resulted in a change in how the Company manages its business and allocates resources. Our reportable segments are now organized and managed by products: Baked Goods, Beverages, Condiments, Meals, and Snacks. A discussion of the major product categories that are included in each of our segments is as follows:

Baked Goods – Our Baked Goods segment sells candy; cookies; crackers; in-store bakery products; pita chips; pretzels; refrigerated dough; and retail griddle waffles, pancakes, and French toast.

Beverages – Our Beverages segment sells broths; liquid non-dairy creamer; non-dairy powdered creamers; powdered drinks; single serve hot beverages; specialty teas, and sweeteners.

Condiments – Our Condiments segment sells aseptic cheese and pudding products; jams, preserves, and jellies; mayonnaise; Mexican, barbeque, and other sauces; pickles and related products; refrigerated and shelf stable dressings and sauces; and table and flavored syrups.

Meals – Our Meals segment sells baking and mix powders; condensed, ready to serve, and powdered soups and gravies; infant feeding products; macaroni and cheese; pasta; ready-to-eat and hot cereals; and skillet dinners.

Snacks – Our Snacks segment sells bars; dried fruit; snack nuts; trail mixes; and other wholesome snacks.

The key performance indicators of our segments are net sales dollars and direct operating income. In conjunction with the change in segments, the Company revised its calculation of direct operating income to include direct general and administrative expenses. Direct operating income is now defined as gross profit less freight out, sales commissions, and direct selling, general, and administrative expenses. All prior period information has been recast to reflect this change. The segment results are presented on a consistent basis with the manner in which the Company reports its results to the Chief Operating Decision Maker, and does not include an allocation of taxes and other corporate expenses (which includes interest expense and expenses associated with restructurings). See Note 22 of the Condensed Consolidated Financial Statements for additional information on the presentation of our reportable segments.

From a macroeconomic perspective, the U.S. economy showed continued variability, with continued job growth in the first quarter of 2017 but slowing growth in annualized real gross domestic product. Though the first quarter of 2017 gross domestic product growth was lower than expected, analysts are forecasting gross domestic product growth in the 2 to 3% range for the full year. In March 2017, the Federal Reserve raised interest rates by a quarter percentage point, the second increase in as many quarters. Citing a strong economy and better jobs data, the expectation is that two more similar rate hikes will occur during the remainder of 2017. Despite the positive economic outlook, consumer spending trended downward in the first quarter of 2017 as consumption grew at approximately a 1% annualized rate, down from 3.5% in the fourth quarter of 2016. Weak first quarter spending has occurred in each of the past three

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years only to rebound in the following quarters. Economists expect a similar rebound in 2017, though they warn it could be at a lower rate than seen in recent years. Retail food volumes continue to be weak compared to overall consumer spending. March retail food volumes declined approximately 2-3% compared to the prior year, after adjusting for the Easter shift. Though still weak, March volumes were slightly stronger than January (3.3% decline) and February (3.4% decline). Branded volumes were hardest hit in the first quarter as they experienced a 4.6% year-over-year decline. Private label volumes were slightly better, but were still down 1.5%, comparatively.

While overall volume growth continues to be a challenge, certain retail sectors are experiencing growth as consumers continue to snack, with a focus on “healthy” and “better for you” foods. “Healthy” and “better for you” foods include items such as fresh or freshly prepared foods, natural, organic, or specialty foods, most of which are located in the perimeter of the store. Recent data shows that these product offerings are expected to be the primary growth area for both branded and private label products, and that growth in private label is expected to drive the overall growth in these product categories. These trends are prompting companies to increase or adjust their offerings, while retaining their commitment to provide products at reasonable prices. In an effort to respond to shifting consumer demand, the Company offers an increasing variety of snacks, natural, and organic products.

During the first quarter of 2017, net sales increased approximately 20.9% when compared to the same period last year, primarily due to sales from the additional month of Private Brands Business discussed below. The additional month of sales from the acquisition was partially offset by unfavorable pricing of 0.6%. Volume/mix was favorable by 0.6%, completely offsetting the unfavorable pricing. We expect industry volume to remain challenged throughout the remainder of the year.

The overarching themes impacting the first quarter of 2017 include (1) the February 2016 acquisition of the Private Brands Business contributed an additional month of business to 2017 compared to the first quarter of 2016, (2) reduced acquisition and integration costs associated with the Private Brands Business, and (3) unfavorable pricing from competitive pressure.

As compared to the first quarter of 2016, the average Canadian foreign exchange rate in 2017 was 3.7% stronger. The Company estimates that net sales were positively impacted by approximately 0.1%. The Company closely monitors the Canadian / U.S. dollar exchange rate and at times, enters into foreign exchange contracts.

Recent Developments

On April 25, 2017, the Company announced that it had entered into a definitive agreement to sell its Soup and Infant Feeding (“SIF”) business. The SIF business is based in Pittsburgh, Pennsylvania and produces private label condensed and ready-to-serve soup, baby food, and gravies for the Meals segment. The transaction is subject to customary closing conditions and is expected to close in the second or third quarter of 2017.

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Results of Operations

The following table presents certain information concerning our financial results, including information presented as a percentage of consolidated net sales:

	Three Months Ended March 31,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
	(Dollars in millions)			
Net sales	\$ 1,536.2	100.0 %	\$ 1,270.2	100.0 %
Cost of sales	1,249.8	81.4	1,045.6	82.3
Gross profit	286.4	18.6	224.6	17.7
Operating expenses:				
Selling and distribution	104.6	6.8	85.5	6.7
General and administrative	79.1	5.2	94.6	7.5
Amortization expense	28.6	1.9	23.8	1.9
Other operating expense, net	6.8	0.4	1.7	0.1
Total operating expenses	219.1	14.3	205.6	16.2
Operating income	67.3	4.3	19.0	1.5
Other expense (income):				
Interest expense	29.7	1.9	25.7	2.0
Interest income	(2.8)	(0.2)	(2.8)	(0.2)
Loss (gain) on foreign currency exchange	0.1	—	(4.1)	(0.3)
Other expense, net	0.6	0.1	5.0	0.4
Total other expense	27.6	1.8	23.8	1.9
Income (loss) before income taxes	39.7	2.5	(4.8)	(0.4)
Income taxes	11.5	0.7	(1.6)	(0.1)
Net income (loss)	\$ 28.2	1.8 %	\$ (3.2)	(0.3)%

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Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Net Sales — First quarter net sales increased by \$266.0 million, or 20.9%, in 2017 compared to 2016. The change in net sales from the first quarter of 2016 to the first quarter of 2017 was due to the following:

	Dollars (Dollars in millions)	Percent
2016 Net sales	\$ 1,270.2	
Volume/mix	7.1	0.6 %
Pricing	(7.5)	(0.6)
Acquisitions	264.3	20.8
Foreign currency	2.1	0.1
2017 Net sales	<u>\$ 1,536.2</u>	<u>20.9 %</u>

The increase in net sales is due to an additional month of sales from the 2016 acquisition of the Private Brands Business and favorable volume/mix, partially offset by unfavorable pricing.

Cost of Sales — All expenses incurred to bring a product to completion are included in cost of sales. These include the costs of raw materials, ingredients and packaging, labor, facilities and equipment, operation and maintenance of our warehouses, and transportation of our finished products from our manufacturing facilities to distribution centers. Cost of sales as a percentage of net sales was 81.4% in the first quarter of 2017, compared to 82.3% in 2016. Included in cost of sales in the first quarter of 2016 was \$10.5 million related to acquisition, integration, and restructuring costs. In the first quarter of 2017, this amount was \$2.8 million and included a portion of insurance proceeds received in the first quarter relating to product recalls. The net \$7.7 million decrease in cost of sales year-over-year related to these items contributed 0.5% to the total decline in cost of sales as a percentage of net sales. The remaining decline is primarily related to lower commodity costs and an additional month of relatively higher margin cold weather Private Brands Business products.

Operating Expenses — Total operating expenses were \$219.1 million in the first quarter of 2017 compared to \$205.6 million in 2016. The increase in 2017 resulted from the following:

Selling and distribution expenses increased \$19.1 million, or 22.3%, in the first quarter of 2017 compared to 2016. The increase in selling and distribution expense is primarily related to the additional month of Private Brands Business in 2017. Selling and distribution expense as a percentage of net sales remained relatively flat year-over-year with a slight increase due to temporarily higher freight costs associated with one customer.

General and administrative expenses decreased by \$15.5 million, or 16.4%, in the first quarter of 2017 compared to 2016. This decrease is related to higher acquisition and integration costs in the first quarter of 2016 compared to the first quarter of 2017, partially offset by an additional month of Private Brands Business in 2017. General and administrative expenses as a percentage of net sales decreased from 7.5% in the first quarter of 2016 to 5.2% in 2017 due to the change in acquisition and integration costs year-over-year. In the first quarter of 2016, the Company incurred approximately \$33.0 million (2.6% of net sales) of acquisition and integration costs related to the Private Brands Business acquisition, compared to \$3.6 million (0.2% of net sales) in the first quarter of 2017. Excluding the impact of acquisition and integration costs, general and administrative expenses as a percentage of net sales was relatively flat year-over-year as increases due to the build-out of the new segment structure were mostly offset by cost saving initiatives.

Amortization expense increased \$4.8 million in the first quarter of 2017 compared to 2016, primarily due to the amortization of intangible assets from the acquisition.

Other operating expense was \$6.8 million in the first quarter of 2017 compared to \$1.7 million in 2016. The increase was primarily due to higher costs associated with restructurings that were announced in recent quarters with respect to the Company's closure of the City of Industry, California; Ayer, Massachusetts; Azusa, California; Delta, British Columbia (frozen griddle); and Ripon, Wisconsin facilities as well as the downsizing of the Battle Creek, Michigan facility. See Note 3 to our Condensed Consolidated Financial Statements for additional information regarding restructurings.

Interest Expense — Interest expense increased to \$29.7 million in the first quarter of 2017, compared to \$25.7 million in 2016, due to higher debt levels and interest rates from financing the acquisition.

Interest Income — Interest income of \$2.8 million includes \$1.6 million of interest income related to annual patronage refunds pertaining to Term Loan A. The patronage refund represents our participation in a capital plan related to our Term Loan A and is an annual payment based on a percentage of our average daily loan balance. The remaining \$1.2 million in interest income primarily relates to cash held by our Canadian subsidiaries and gains on investments, as discussed in Note 5 to our Condensed Consolidated Financial Statements. Interest income was relatively flat year-over-year.

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Foreign Currency — The Company's foreign currency impact was a \$0.1 million loss for the first quarter of 2017, compared to a gain of \$4.1 million in 2016, primarily due to fluctuations in currency exchange rates between the U.S. and Canadian dollar during the respective periods.

Other Expense, net — Other expense was \$0.6 million for the first quarter of 2017, compared to expense of \$5.0 million in 2016. The change was due to the non-cash mark-to-market adjustments on derivative instruments, primarily foreign currency contracts and interest rate swaps.

Income Taxes — Income taxes were recorded at an effective rate of 29.0% and 33.3% for the three months ended March 31, 2017 and 2016, respectively. Our effective tax rate may change from period to period based on recurring and non-recurring factors including the jurisdictional mix of earnings, enacted tax legislation, state income taxes, settlement of tax audits, and the expiration of the statute of limitations in relation to unrecognized tax benefits.

The Company's effective tax rate differs from the U.S. federal statutory tax rate primarily due to state tax expense, the benefits associated with the federal domestic production activities deduction, the excess tax benefits related to share-based payments, and an intercompany financing structure entered into in conjunction with the E.D. Smith Foods, Ltd. ("E.D. Smith") acquisition in 2007.

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016 — Results by Segment

Baked Goods

	Three Months Ended March 31,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
	(Dollars in millions)			
Net sales	\$ 341.1	100.0%	\$ 219.5	100.0%
Cost of sales	267.9	78.5	173.2	78.9
Gross profit	73.2	21.5	46.3	21.1
Freight out and commissions	22.4	6.6	12.7	5.8
Direct selling, general, and administrative	8.9	2.6	4.8	2.2
Direct operating income	\$ 41.9	12.3%	\$ 28.8	13.1%

Net sales in the Baked Goods segment increased \$121.6 million, or 55.4%, in the first quarter of 2017 compared to 2016. The change in net sales from 2016 to 2017 was primarily due to an additional month of Private Brands Business in 2017. Partially offsetting this increase was unfavorable volume/mix, primarily in the cookies and crackers categories, combined with unfavorable pricing mostly from competitive pressure.

Cost of sales as a percentage of net sales in the first quarter of 2017 decreased 0.4%, from 78.9% in the first quarter of 2016 to 78.5% in the first quarter of 2017, primarily due to the impact of lower commodity costs of flour, sugar, and eggs, partially offset by unfavorable pricing and higher supply chain and operating costs.

Freight out and commissions paid to independent sales brokers was \$22.4 million in the first quarter of 2017, compared to \$12.7 million in 2016. The increase is associated with the additional month of Private Brands Business in 2017 and slightly higher freight rates.

Direct selling, general, and administrative expenses were \$8.9 million in the first quarter of 2017 compared to \$4.8 million in 2016. The increase in direct selling, general, and administrative expenses was primarily due an additional month of Private Brands Business in 2017. Direct selling, general, and administrative expenses as a percentage of net sales increased 0.4% due to the build-out of the new segment structure.

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Beverages

	Three Months Ended March 31,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
	(Dollars in millions)			
Net sales	\$ 268.0	100.0%	\$ 224.9	100.0%
Cost of sales	194.4	72.5	154.3	68.6
Gross profit	73.6	27.5	70.6	31.4
Freight out and commissions	9.1	3.4	7.1	3.2
Direct selling, general, and administrative	5.8	2.2	5.8	2.5
Direct operating income	\$ 58.7	21.9%	\$ 57.7	25.7%

Net sales in the Beverages segment increased \$43.1 million, or 19.2%, in the first quarter of 2017 compared to 2016. The change in net sales from 2016 to 2017 was primarily due to favorable volume/mix associated with additional distribution in the current quarter in the single serve beverage, broth, and non-dairy creamer categories, partially offset by unfavorable pricing due to competitive pressure. Tonnage increased 14.7% year-over-year in the Beverages segment.

Cost of sales as a percentage of net sales in the first quarter of 2017 increased 3.9%, from 68.6% in the first quarter of 2016 to 72.5% in the first quarter of 2017, primarily due to the impact of higher commodity costs for oils and green coffee and unfavorable sales mix, partially offset by favorable operating costs.

Freight out and commissions paid to independent sales brokers was \$9.1 million in the first quarter of 2017, compared to \$7.1 million in 2016. The increase is primarily related to increased volume year-over-year. Additionally, freight out and commissions as a percentage of net sales increased 0.2% from 2016 due to temporarily higher freight costs associated with one customer.

Direct selling, general, and administrative expenses were \$5.8 million in both the first quarter of 2017 and 2016. The decrease in direct selling, general, and administrative expenses as a percentage of net sales (0.3%) was primarily due to cost savings initiatives.

Condiments

	Three Months Ended March 31,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
	(Dollars in millions)			
Net sales	\$ 310.1	100.0%	\$ 295.6	100.0%
Cost of sales	257.5	83.0	240.1	81.2
Gross profit	52.6	17.0	55.5	18.8
Freight out and commissions	13.4	4.4	12.9	4.4
Direct selling, general, and administrative	7.5	2.4	7.5	2.5
Direct operating income	\$ 31.7	10.2%	\$ 35.1	11.9%

Net sales in the Condiments segment increased \$14.5 million, or 4.9%, in the first quarter of 2017 compared to 2016. The change in net sales from 2016 to 2017 was primarily due to an additional month of Private Brands Business in 2017. Partially offsetting this increase was unfavorable volume/mix, primarily in the sauces and salsa categories, combined with unfavorable pricing mostly from competitive pressure.

Cost of sales as a percentage of net sales in the first quarter of 2017 increased 1.8%, from 81.2% in the first quarter of 2016 to 83.0% in the first quarter of 2017, primarily due to the impact of higher commodity costs for soybean oil, spices, sweeteners, and packaging, as well as higher operating costs, partially offset by favorable foreign currency.

Freight out and commissions paid to independent sales brokers was \$13.4 million in the first quarter of 2017, compared to \$12.9 million in 2016. Costs remained consistent with sales activity as freight out and commissions as a percentage of net sales was 4.4% for both the first quarter of 2017 and 2016.

Direct selling, general, and administrative expenses were \$7.5 million in both the first quarter of 2017 and 2016. The decrease in direct selling, general, and administrative expenses as a percentage of net sales (0.1%) was primarily due to cost savings initiatives.

Meals

	Three Months Ended March 31,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
	(Dollars in millions)			
Net sales	\$ 324.0	100.0%	\$ 272.4	100.0%
Cost of sales	266.2	82.2	228.2	83.8
Gross profit	57.8	17.8	44.2	16.2
Freight out and commissions	15.4	4.7	10.9	4.0
Direct selling, general, and administrative	8.4	2.6	6.9	2.5
Direct operating income	\$ 34.0	10.5%	\$ 26.4	9.7%

Net sales in the Meals segment increased \$51.6 million, or 18.9%, in the first quarter of 2017 compared to 2016. The change in net sales from 2016 to 2017 was primarily due to an additional month of Private Brands Business in 2017. Partially offsetting this increase was unfavorable pricing related to commodity based price reductions and competitive pressure, along with unfavorable volume/mix.

Cost of sales as a percentage of net sales in the first quarter of 2017 decreased 1.6%, from 83.8% in the first quarter of 2016 to 82.2% in the first quarter of 2017, primarily due to an additional month of higher margin Private Brands Business and the impact of lower commodity costs for durum, oats, rice, and corn, partially offset by higher operating costs.

Freight out and commissions paid to independent sales brokers was \$15.4 million in the first quarter of 2017, compared to \$10.9 million in 2016. Freight out and commissions as a percentage of net sales was 4.7% in the first quarter of 2017 compared to 4.0% in 2016. The increase is associated with the additional month of Private Brands Business in 2017 and temporarily higher freight costs associated with one customer.

Direct selling, general, and administrative expenses were \$8.4 million in the first quarter of 2017 compared to \$6.9 million in 2016. The increase in direct selling, general, and administrative expenses was primarily due to an additional month of Private Brands Business in 2017. Direct selling, general, and administrative expenses as a percentage of net sales was relatively flat year-over-year.

Snacks

	Three Months Ended March 31,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
	(Dollars in millions)			
Net sales	\$ 290.6	100.0%	\$ 257.8	100.0%
Cost of sales	265.3	91.3	237.2	92.0
Gross profit	25.3	8.7	20.6	8.0
Freight out and commissions	6.5	2.2	6.1	2.4
Direct selling, general, and administrative	6.3	2.2	4.7	1.8
Direct operating income	\$ 12.5	4.3%	\$ 9.8	3.8%

Net sales in the Snacks segment increased \$32.8 million, or 12.7%, in the first quarter of 2017 compared to 2016. The change in net sales from 2016 to 2017 was primarily due to an additional month of Private Brands Business in 2017 and favorable pricing. Partially offsetting this increase was unfavorable volume/mix due in part to the exit from low margin co-pack business and weak consumer trends for private label snack nuts, trail mixes, and baking nuts in the first quarter of 2017 compared to the prior year.

Cost of sales as a percentage of net sales in the first quarter of 2017 decreased 0.7%, from 92.0% in the first quarter of 2016 to 91.3% in the first quarter of 2017, primarily due to the impact of favorable sales mix, in part related to the exit from low margin co-pack business, and lower operating costs.

Freight out and commissions paid to independent sales brokers was \$6.5 million in the first quarter of 2017, compared to \$6.1 million in 2016. The increase is associated with the additional month of Private Brands Business in 2017. Freight out and commissions as a percentage of net sales decreased 0.2%, to 2.2% in the first quarter of 2017 compared to 2.4% in 2016.

Direct selling, general, and administrative expenses were \$6.3 million in the first quarter of 2017 compared to \$4.7 million in 2016. The increase in direct selling, general, and administrative expenses was primarily due an additional month of Private Brands Business in 2017. Direct selling, general, and administrative expenses as a percentage of net sales increased year-over-year due to the realignment of the Company's organizational structure and the associated build-out of the Snacks segment.

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Liquidity and Capital Resources

Cash Flow

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing, and financing activities. The Company continues to generate substantial cash flow from operating activities and remains in a strong financial position, with resources available for reinvesting in existing businesses, conducting acquisitions, and managing its capital structure on a short and long-term basis. If additional borrowings are needed, approximately \$702.7 million was available under the Revolving Credit Facility as of March 31, 2017. See Note 11 to our Condensed Consolidated Financial Statements for additional information regarding our Revolving Credit Facility. We believe that, given our cash flow from operating activities and our available credit capacity, we comply with the current terms of the Revolving Credit Facility and can meet foreseeable financial requirements.

The Company's cash flows from operating, investing, and financing activities, as reflected in the Condensed Consolidated Statements of Cash Flows, are summarized in the following tables:

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Cash flows from operating activities:		
Net income (loss)	\$ 28.2	\$ (3.2)
Depreciation and amortization	72.4	59.4
Stock-based compensation	7.5	6.2
Deferred income taxes	(20.3)	(0.9)
Changes in operating assets and liabilities, net of acquisitions	(14.6)	46.8
Other	5.3	2.6
Net cash provided by operating activities	<u>\$ 78.5</u>	<u>\$ 110.9</u>

Our cash from operations was \$78.5 million in the first three months of 2017 compared to \$110.9 million in 2016, a decrease of \$32.4 million. The decrease in cash provided by operating activities was primarily due to decreased cash provided by working capital of \$61.4 million. The most significant component of the decrease pertains to inventory (\$57.4 million), where weaker than expected first quarter sales resulted in more inventory on hand at the end of the first quarter of 2017. The remaining changes in working capital mostly offset as cash provided by changes in receivables, prepaid expenses, and other assets, were offset by cash used in accounts payable and accrued expenses. Also contributing to the decrease in cash provided by operating activities was a decrease of \$19.4 million related to deferred income taxes, partially offset by an increase in net income (loss) due to lower acquisition and integration costs and an increase in depreciation and amortization due to an additional month of Private Brands Business in the first quarter of 2017.

	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Cash flows from investing activities:		
Additions to property, plant, and equipment	\$ (34.7)	\$ (24.9)
Additions to intangible assets	(8.7)	(2.0)
Acquisitions, less cash acquired	—	(2,640.2)
Other	(0.1)	(0.2)
Net cash used in investing activities	<u>\$ (43.5)</u>	<u>\$ (2,667.3)</u>

In the first three months of 2017, cash used in investing activities decreased by \$2.6 billion compared to 2016, due to the acquisition of the Private Brands Business in the first quarter of 2016.

We expect capital spending programs to be approximately \$185 million in 2017. Capital spending in 2017 is focused on food safety, quality, productivity improvements, continued implementation of an Enterprise Resource Planning system, and routine equipment upgrades or replacements at our plants.

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	Three Months Ended March 31,	
	2017	2016
	(In millions)	
Cash flows from financing activities:		
Net borrowing (repayment) of debt	\$ (36.1)	\$ 1,776.8
Payment of deferred financing costs	—	(34.3)
Net proceeds from issuance of common stock	—	835.1
Equity award financing activities	5.8	1.8
Net cash (used in) provided by financing activities	<u>\$ (30.3)</u>	<u>\$ 2,579.4</u>

Net cash used in financing activities increased by \$2.6 billion in the first three months of 2017 compared to 2016, as the Company funded the acquisition of the Private Brands Business primarily through the issuance of common stock, the 2024 Notes, and Term Loan A-2 in the first quarter of 2016.

As of March 31, 2017, \$66.4 million of cash held by our foreign subsidiaries as cash and cash equivalents is expected to be used for general corporate purposes in foreign jurisdictions, including capital projects and acquisitions. The cash relates to foreign earnings that, if repatriated, would result in a tax liability. As of March 31, 2017, \$2.9 million of cash is restricted from use to meet certain insurance requirements.

Cash provided by operating activities is used to pay down debt and fund investments in property, plant, and equipment.

Our short-term financing needs are primarily for financing working capital. As discussed in the *Seasonality* section, our financing needs are generally highest in the second and third quarters due to inventory builds, while cash flow is highest in the fourth and first quarters following the seasonality of our sales. We expect our Revolving Credit Facility, plus cash flow from operations, to be adequate to provide liquidity for current operations. Our long-term financing needs depend largely on potential acquisition activity.

Seasonality

In the aggregate, our sales are slightly weighted toward the second half of the year, particularly the fourth quarter, with a more pronounced impact on profitability. As our product portfolio has grown, we have shifted to a higher percentage of cold weather products. Products that show a higher level of seasonality include non-dairy powdered creamer, coffee, specialty teas, cappuccinos, hot cereal, saltine and entertainment crackers, in-store bakery items, refrigerated dough products, and certain pasta products, all of which generally have higher sales in the first and fourth quarters. Additionally, sales of soup and snack nuts are generally higher in the fourth quarter. Warmer weather products such as dressings, pickles, and condiments typically have higher sales in the second quarter, while drink mixes generally show higher sales in the second and third quarters. As a result of our product portfolio and the related seasonality, our financing needs are generally highest in the second and third quarters due to inventory builds, while cash flow is highest in the fourth and first quarters following the seasonality of our sales.

Debt Obligations

At March 31, 2017, we had \$148.0 million in borrowings outstanding under our Revolving Credit Facility, \$284.2 million outstanding under Term Loan A, \$177.5 million outstanding under Term Loan A-1, \$999.4 million outstanding under Term Loan A-2, \$400.0 million of the 2022 Notes outstanding, \$775.0 million of the 2024 Notes outstanding, and \$4.3 million of tax increment financing and other obligations. In addition, at March 31, 2017, there were \$49.3 million in letters of credit under the Revolving Credit Facility that were issued but undrawn.

Also, at March 31, 2017, our Revolving Credit Facility provided for an aggregate commitment of \$900 million, of which \$702.7 million was available. Interest rates on debt outstanding under the Revolving Credit Facility, Term Loan A, Term Loan A-1, and Term Loan A-2 (collectively known as the “Amended and Restated Credit Agreement”) for the three months ended March 31, 2017 averaged 2.79%. Including the interest rate swap agreements with a weighted average fixed interest rate base of approximately 0.86% on \$500 million, the average rate increases to 2.80%.

We are in compliance with all applicable debt covenants as of March 31, 2017. From an interest coverage ratio perspective, the Company’s actual ratio as of March 31, 2017 is nearly 98.7% higher than the minimum required level. As it relates to the leverage ratio, the Company was nearly 32.5% below the maximum level.

See Note 11 to our Condensed Consolidated Financial Statements for additional information regarding our indebtedness and related agreements.

Non-GAAP Measures

We have included in this report measures of financial performance that are not defined by GAAP (“Non-GAAP”). A non-GAAP financial measure is a numerical measure of financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in the Company’s Condensed Consolidated Financial Statements. We believe these measures provide useful information to the users of the financial statements as we also have included these measures in other communications and publications.

For each of these non-GAAP financial measures, we provide a reconciliation between the non-GAAP measure and the most directly comparable GAAP measure, an explanation of why management believes the non-GAAP measure provides useful information to financial statement users, and any additional purposes for which management uses the non-GAAP measure. This non-GAAP financial information is provided as additional information for the financial statement users and is not in accordance with, or an alternative to, GAAP. These non-GAAP measures may be different from similar measures used by other companies.

Adjusted Diluted Earnings Per Share, Adjusting for Certain Items Affecting Comparability

Adjusted earnings per fully diluted share (“Adjusted Diluted EPS”) reflects adjustments to GAAP earnings per fully diluted share to identify items that, in management’s judgment, significantly affect the assessment of earnings results between periods. This information is provided in order to allow investors to make meaningful comparisons of the Company’s earnings performance between periods and to view the Company’s business from the same perspective as Company management. This measure is also used as a component of the Board of Director’s measurement of the Company’s performance for incentive compensation purposes. As the Company cannot predict the timing and amount of charges that include, but are not limited to, items such as acquisition, integration, and related costs, mark-to-market adjustments on derivative contracts, foreign currency exchange impact on the re-measurement of intercompany notes, or facility closings and reorganizations, management does not consider these costs when evaluating the Company’s performance, when making decisions regarding the allocation of resources, in determining incentive compensation for management, or in determining earnings estimates.

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The reconciliation of Adjusted Diluted EPS, excluding certain items affecting comparability, to the relevant GAAP measure of diluted EPS as presented in the Condensed Consolidated Statements of Operations, is as follows:

	Three Months Ended March 31,	
	2017	2016
	(unaudited)	
Diluted EPS per GAAP	\$ 0.49	\$ (0.06)
Restructuring/facility consolidation costs	0.19	0.07
Acquisition, integration, and related costs	0.06	0.77
Mark-to-market adjustments	—	0.09
Foreign currency (gain) loss on re-measurement of intercompany notes	(0.01)	(0.12)
Product recall (reimbursement) costs	(0.06)	—
Tax impact on adjusting items	(0.06)	(0.27)
Adjusted Diluted EPS	\$ 0.61	\$ 0.48

During the first quarter of 2017 and 2016, the Company entered into transactions that affected the year-over-year comparison of its financial results that included acquisition and integration costs, mark-to-market adjustments, restructuring costs, product recall (reimbursement) costs, foreign currency (gains) losses on intercompany notes, and the related tax impact of these items.

As the Company continues to grow, consolidation or restructuring activities are necessary. During the first quarter of 2017, the Company incurred approximately \$11.0 million in costs versus \$3.9 million last year.

The acquisition, integration, and related costs line represents costs associated with completed and potential acquisitions. Costs incurred in the first quarter of 2017 and 2016 primarily related to the acquisition and integration of the Private Brands Business, which was acquired on February 1, 2016. Costs associated with integrating the businesses into the Company's operations are also included in this line.

The Company's derivative contracts are marked-to-market each period with the changes being recorded in the Condensed Consolidated Statements of Operations. These are non-cash charges. As the contracts are settled, realized gains and losses are recognized.

The Company has Canadian dollar denominated intercompany loans and incurred foreign currency gains of \$0.8 million in the first quarter of 2017 versus foreign currency gains of \$6.5 million in the prior year to re-measure the loans at quarter end. These charges are non-cash and the loans are eliminated in consolidation.

The product recall (reimbursement) costs line primarily represents insurance proceeds related to an announced voluntary recall of products that may have been impacted by sunflower seeds contaminated with *Listeria monocytogenes* (L.mono) that were provided by a supplier. Product was distributed nationwide through retail stores. TreeHouse initiated the voluntary recall as a cautionary measure to protect public health. Related costs include, but are not limited to, customer fees, customer reimbursements, inventory write-offs, and other costs to manage the recall. The Company expects to be reimbursed for these costs and will exclude any gains from adjusted earnings in the period in which the proceeds are received, consistent with the Company's exclusion from adjusted earnings of the costs incurred in 2016. In February 2017, the Company received a \$4.0 million reimbursement and has included it in this line. Other product recalls during the first quarter of 2017 were insignificant.

The tax impact on adjusting items is calculated based upon the tax laws and statutory tax rates applicable in the tax jurisdiction of the underlying non-GAAP adjustments.

The Company has revised the prior period presentation of the adjusting items affecting comparability. The revised presentation shows each reconciling item on a gross basis, with the cumulative tax impact on a separate line. In prior periods, each adjusting item was presented on a net of tax basis.

Adjusted Net Income and Adjusted EBITDAS, Adjusting for Certain Items Affecting Comparability

Adjusted net income represents GAAP net income (loss) as reported in the Condensed Consolidated Statements of Operations adjusted for items that, in management's judgment, significantly affect the assessment of earnings results between periods as outlined in the Adjusted Diluted EPS section above. This information is provided in order to allow investors to make meaningful comparisons of the Company's earnings performance between periods and to view the Company's business from the same perspective as Company management. This measure is also used as a component of the Board of Director's measurement of the Company's performance for incentive compensation purposes and is the basis of calculating the Adjusted Diluted EPS metric outlined above.

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Adjusted EBITDAS represents adjusted net income before interest expense, interest income, income tax expense, depreciation and amortization expense, and non-cash stock-based compensation expense. Adjusted EBITDAS is a performance measure commonly used by management to assess operating performance, and the Company believes it is commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance between periods.

The following table reconciles the Company's net income (loss) as presented in the Condensed Consolidated Statements of Operations, the relevant GAAP measure, to Adjusted net income and Adjusted EBITDAS for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
	(unaudited in millions)	
Net income (loss) per GAAP	\$ 28.2	\$ (3.2)
Product recall (reimbursement) costs (1)	(3.8)	—
Foreign currency (gain) loss on re-measurement of intercompany notes (2)	(0.8)	(6.5)
Mark-to-market adjustments (3)	0.2	4.7
Acquisition, integration, and related costs (4)	3.7	41.3
Restructuring/facility consolidation costs (5)	11.0	3.9
Less: Taxes on adjusting items	(3.5)	(14.4)
Adjusted net income	35.0	25.8
Interest expense	29.7	25.7
Interest income	(2.8)	(2.8)
Income taxes	11.5	(1.6)
Depreciation and amortization (6)	69.7	57.6
Stock-based compensation expense	7.5	6.2
Add: Taxes on adjusting items	3.5	14.4
Adjusted EBITDAS	\$ 154.1	\$ 125.3

	Location in Condensed Consolidated Statements of Operations	Three Months Ended March 31,	
		2017	2016
		(unaudited in millions)	
(1) Product recall (reimbursement) costs	Net sales	\$ (2.4)	\$ —
	Cost of sales	(1.4)	—
(2) Foreign currency (gain) loss on re-measurement of intercompany notes	Loss (gain) on foreign currency exchange	(0.8)	(6.5)
(3) Mark-to-market adjustments	Other expense, net	0.2	4.7
(4) Acquisition, integration and related costs	General and administrative	3.6	33.0
	Other expense, net	0.1	0.1
	Cost of sales	—	8.2
(5) Restructuring/facility consolidation costs	Other operating expense, net	6.8	1.6
	Cost of sales	4.2	2.3
(6) Depreciation and amortization included in restructuring/facility consolidation costs	Cost of sales	2.7	1.8

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Other Commitments and Contingencies

We also have the following commitments and contingent liabilities, in addition to contingent liabilities related to the ordinary course of litigation, investigations, and tax audits:

- certain lease obligations, and
- selected levels of property and casualty risks, primarily related to employee health care, workers' compensation claims, and other casualty losses.

See Note 19 to our Condensed Consolidated Financial Statements in Part I—Item 1 of this Form 10-Q and Note 19 to our Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for more information about our commitments and contingent obligations.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is provided in Note 2 to the Company's Condensed Consolidated Financial Statements.

Critical Accounting Policies

A description of the Company's critical accounting policies is contained in our Annual Report on Form 10-K for the year ended December 31, 2016. There were no material changes to our critical accounting policies in the three months ended March 31, 2017.

As discussed in greater detail in Note 8 to our Condensed Consolidated Financial Statements in Part I—Item 1 of this Form 10-Q, the Company has the following five operating segments as of the first quarter of 2017, which are also its reporting units: Baked Goods, Beverages, Condiments, Meals, and Snacks. Reporting units are based on the components one level below operating segments. These components have been aggregated in determining the Company's reporting units.

Off-Balance Sheet Arrangements

We do not have any obligations that meet the definition of an off-balance sheet arrangement, other than operating leases and letters of credit, which have or are reasonably likely to have a material effect on our Condensed Consolidated Financial Statements.

Forward Looking Statements

From time to time, we and our representatives may provide information, whether orally or in writing, including certain statements in this Quarterly Report on Form 10-Q, which are deemed to be "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words "anticipate," "believe," "estimate," "project," "expect," "intend," "plan," "should," and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, or intended. We do not intend to update these forward-looking statements following the date of this report.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this Quarterly Report on Form 10-Q and other public statements we make. Such factors include, but are not limited to: our level of indebtedness and related obligations; disruptions in the financial markets; interest rates; changes in foreign currency exchange rates; customer consolidation; raw material and commodity costs; competition; integration of the Private Brands Business acquisition and our ability to continue to make acquisitions in accordance with our business strategy or effectively manage the growth from acquisitions; changes and developments affecting our industry, including consumer preferences; the outcome of litigation and regulatory proceedings to which we may be a party; product recalls; changes in laws and regulations; and other risks that are set forth in the Risk Factors section, the Legal Proceedings section, the Management's Discussion and Analysis of Financial Condition and Results of Operations section, and other sections of this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2016, and from time to time in our filings with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Fluctuations

As of March 31, 2017, the Company was party to the Revolving Credit Facility with an aggregate commitment of \$900 million, with an interest rate based on the Company's consolidated leverage ratio, and determined by either LIBOR plus a margin ranging from 1.25% to 3.00%, or a base rate (as defined in the Amended and Restated Credit Agreement) plus a margin ranging from 0.25% to 2.00%. The Company was also party to Term Loan A, Term Loan A-1, and Term Loan A-2. Interest rates for the Term Loans are based on the Company's consolidated leverage ratio and determined as follows: by either LIBOR plus a margin ranging from 1.25% to 3.00%, or a base rate (as defined in the Amended and Restated Credit Agreement) plus a margin ranging from 0.25% to 2.00%.

In June 2016, the Company entered into \$500 million of long-term interest rate swap agreements to lock into a fixed LIBOR interest rate base. Under the terms of the agreements, \$500 million in variable-rate debt was swapped for a weighted average fixed interest rate base of approximately 0.86% for a period of 37 months, beginning on January 31, 2017 and ending on February 28, 2020. The borrowing cost on the swapped principal will range from 2.11% to 3.86% during the life of the swap agreement based on the credit spreads under the Amended and Restated Credit Agreement.

We do not hold any derivative financial instruments, other than the interest rate swap agreements discussed above, which could expose us to significant interest rate market risk as of March 31, 2017. Our exposure to market risk for changes in interest rates relates primarily to the increase in the amount of interest expense we expect to pay with respect to our Amended and Restated Credit Agreement, which is tied to variable market rates. Based on our outstanding debt balance of \$1,609.1 million under the Amended and Restated Credit Agreement at March 31, 2017, and adjusting for the impact of the \$500 million in interest rate swap agreements that have a fixed interest rate base, each 1% rise in our interest rate would increase our annual interest expense by approximately \$11.1 million.

Input Costs

The costs of raw materials, packaging materials, fuel, and energy have varied widely in recent years and future changes in such costs may cause our results of operations and our operating margins to fluctuate significantly. When comparing the first quarter of 2017 to the first quarter of 2016, price increases in cashews, coffee, sweeteners, soybean oil, spices, and packaging materials were more than offset by price decreases in almonds, durum, oats, flour, rice, grains, eggs, and sugar. We expect the volatile nature of these costs to continue with an overall long-term upward trend.

We manage the cost of certain raw materials by entering into forward purchase contracts. Forward purchase contracts help us manage our business and reduce cost volatility. Some of these forward purchase contracts qualify as derivatives; however, the majority of commodity forward contracts are not derivatives. Those that are derivatives generally qualify for the normal purchases and normal sales scope exception under the guidance for derivative instruments and hedging activities and, therefore, are not subject to its provisions. For derivative commodity contracts that do not qualify for the normal purchases and normal sales scope exception, the Company records their fair value on the Condensed Consolidated Balance Sheets, with changes in value being recorded in the Condensed Consolidated Statements of Operations.

We use a significant volume of fruits, vegetables, and nuts in our operations as raw materials. Certain of these inputs are purchased under seasonal grower contracts with a variety of growers strategically located to supply our production facilities. Bad weather or disease in a particular growing area can damage or destroy the crop in that area. If we are unable to buy the inputs from local suppliers, we would purchase them from more distant locations, including other locations within the United States, Mexico, or India, thereby increasing our raw material costs. When entering into contracts for input costs, the Company generally seeks contract lengths between nine and twelve months.

Changes in the prices of our products may lag behind changes in the costs of our products. Competitive pressures also may limit our ability to quickly raise prices in response to increased raw materials, packaging, fuel, and energy costs. Accordingly, if we are unable to increase our prices to offset increasing costs, our operating profits and margins could be materially affected. In addition, in instances of declining input costs, customers may seek price reductions in situations where we are locked into pricing at higher costs.

Fluctuations in Foreign Currencies

The Company is exposed to fluctuations in foreign currency as a result of our Canadian and Italian subsidiaries, where the functional currency is the Canadian dollar and Euro, respectively. Items that give rise to foreign exchange transaction gains and losses primarily include foreign denominated intercompany loans and input costs. The foreign exchange gain or loss on intercompany loans and foreign denominated working capital balances are recorded in the (Gain) loss on foreign currency exchange line of the Condensed Consolidated Statements of Operations where the Company recognized a loss of \$0.1 million and a gain of \$4.1 million for the three months ended March 31, 2017 and 2016, respectively.

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A significant portion of the Company's Canadian operations purchase their inputs and packaging materials in U.S. dollars, resulting in higher costs when the U.S. dollar strengthens as compared to the Canadian dollar. The Company estimates the impact on input costs (and Cost of sales) to be approximately \$2 million for each one cent change in the exchange rate between the U.S. and Canadian dollar.

Also impacted by foreign exchange is the translation of the Company's Canadian and Italian financial statements. For the three months ended March 31, 2017 and 2016, the Company recognized translation gains of \$3.6 million and \$24.3 million, respectively, as a component of Accumulated other comprehensive loss.

The Company enters into foreign currency contracts due to the exposure to Canadian/U.S. dollar currency fluctuations on cross border transactions. The Company does not apply hedge accounting to these contracts and records them at fair value on the Condensed Consolidated Balance Sheets. The contracts are entered into for the purchase of U.S. dollar denominated raw materials by our Canadian subsidiaries. As of March 31, 2017, the Company had \$30.9 million of U.S. dollar foreign currency contracts outstanding.

Item 4. Controls and Procedures

The Company maintains a system of disclosure controls and procedures to give reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of March 31, 2017, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective.

There has been no change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2017 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
TreeHouse Foods, Inc.
Oak Brook, Illinois

We have reviewed the accompanying condensed consolidated balance sheet of TreeHouse Foods, Inc. and subsidiaries (the “Company”) as of March 31, 2017, and the related condensed consolidated statements of operations, comprehensive income (loss), and cash flows for the three-month period ended March 31, 2017 and 2016. This interim financial information is the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of TreeHouse Foods, Inc. and subsidiaries as of December 31, 2016, and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated February 16, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2016 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
May 4, 2017

Part II — Other Information

Item 1. Legal Proceedings

On November 16, 2016, a purported TreeHouse shareholder filed a putative class action captioned *Tarara v. TreeHouse Foods, Inc., et al.*, Case No. 1:16-cv-10632, in the United States District Court for the Northern District of Illinois against TreeHouse and certain of its officers. The complaint, amended on March 24, 2017, is purportedly brought on behalf of all purchasers of TreeHouse common stock from January 20, 2016 through and including November 2, 2016, asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seeks, among other things, damages and costs and expenses. On December 22, 2016, another purported TreeHouse shareholder filed an action captioned *Wells v. Reed, et al.*, Case No. 2016-CH-16359, in the Circuit Court of Cook County, Illinois, against TreeHouse and certain of its officers. This complaint, purportedly brought derivatively on behalf of TreeHouse, asserts state law claims against certain officers for breach of fiduciary duty, unjust enrichment, and corporate waste. On February 7, 2017, another purported TreeHouse shareholder filed an action captioned *Lavin v. Reed*, Case No. 17-cv-01014, in the Northern District of Illinois, against TreeHouse and certain of its officers. This complaint, like *Wells*, is purportedly brought derivatively on behalf of TreeHouse, and it asserts state law claims against certain officers for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and corporate waste.

All three complaints make substantially similar allegations (though the amended complaint in *Tarara* now contains additional detail). Essentially, the complaints allege that TreeHouse, under the authority and control of the individual defendants: (i) made certain false and misleading statements regarding the Company's business, operations, and future prospects; and (ii) failed to disclose that (a) the Company's private label business was underperforming; (b) the Company's Flagstone business was underperforming; (c) the Company's acquisition strategy was underperforming; (d) the Company had overstated its full-year 2016 guidance; and (e) TreeHouse's statements lacked reasonable basis. The complaints allege that these actions artificially inflated the market price of TreeHouse common stock during the class period, thus purportedly harming investors. We believe that these claims are without merit and intend to defend against them vigorously. Since its initial docketing, the *Tarara* matter has been re-captioned as *Public Employees' Retirement Systems of Mississippi v. TreeHouse Foods, Inc., et al.*, in accordance with the Court's order appointing Public Employees' Retirement Systems of Mississippi as the lead plaintiff. Currently, the *Public Employees'* defendants have until May 26, 2017 to file a motion to dismiss, plaintiffs have until June 26, 2017 to file a response, and defendants have until July 28, 2017 to file a reply.

Additionally, due to the similarity of the complaints, the parties in *Wells* have entered a stipulation deferring the litigation until the earlier of (i) the court in *Public Employees'* entering an order resolving defendants' anticipated motion to dismiss therein or (ii) plaintiffs' counsel in *Wells* receiving notification of a settlement of *Public Employees'* or until otherwise agreed to by the Parties. In *Lavin*, the parties are currently negotiating the terms of a similar stay. Accordingly, the next status dates in *Wells* and *Lavin* are October 30, 2017 and August 4, 2017, respectively.

In addition, we are party to a variety of legal proceedings arising out of the conduct of our business. While the results of proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on our consolidated financial statements, results of operations, or cash flows.

Item 1A. Risk Factors

Information regarding risk factors appears in Management's Discussion and Analysis of Financial Condition and Results of Operations — Information Related to Forward-Looking Statements, in Part I — Item 2 of this Form 10-Q, and in Part I — Item 1A of the TreeHouse Foods, Inc. Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes from the risk factors previously disclosed in the TreeHouse Foods, Inc. Annual Report on Form 10-K for the year ended December 31, 2016.

Item 5. Other Information

None

Item 6. Exhibits

- | | |
|-------|---|
| 10.1* | TreeHouse Foods, Inc. Equity and Incentive Plan, as amended and restated effective February 14, 2017.** |
| 12.1* | Computation of Ratio of Earnings to Fixed Charges. |
| 15.1* | Awareness Letter from Deloitte & Touche LLP regarding unaudited financial information. |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

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31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

*Filed herewith.

**Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TREEHOUSE FOODS, INC.

/s/ Matthew J. Foulston

Matthew J. Foulston

Executive Vice President and Chief Financial Officer

May 4, 2017

**TREEHOUSE FOODS, INC.
EQUITY AND INCENTIVE PLAN**

(Amended and Restated Effective February 14, 2017)

Section 1. PURPOSE

The TreeHouse Foods, Inc. Equity and Incentive Plan, as amended and restated effective February 14, 2017 (the “Plan”), was originally an amendment and restatement of the TreeHouse Foods, Inc. 2005 Long-Term Stock Incentive Plan approved by stockholders on April 19, 2007 and February 27, 2015. The Plan is intended to promote the interests of the Company and its shareholders by (i) attracting and retaining non-employee directors and executive personnel and other key employees of outstanding ability; (ii) motivating non-employee directors and executive personnel and other key employees, by means of performance-related incentives, to achieve longer-range Performance Criteria; and (iii) enabling such non-employee directors and employees to participate in the growth and financial success of the Company.

Section 2. DEFINITIONS

(a) Certain Definitions. Capitalized terms used herein without definition shall have the respective meanings set forth below:

“Act” means the Securities Exchange Act of 1934, as amended.

“Affiliate” means (i) for purposes of Incentive Stock Options, any corporation that is a “parent corporation” (as defined in Section 424(e) of the Code) or a “subsidiary corporation” (as defined in Section 424(e) of the Code) of the Company, and (ii) for all other purposes, with respect to any person, any other person that (directly or indirectly) is controlled by, controlling or under common control with such person.

“Award” means any grant or award made pursuant to Sections 5 through 8 of the Plan, inclusive.

“Award Agreement” means either a written or electronic agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award or Awards granted to the Participant, or a written or electronic statement issued by the Company describing the terms and conditions of an Award or Awards.

“Board” means the Board of Directors of the Company.

“Cause” means (i) the willful failure of a Participant to perform substantially his or her duties; (ii) a Participant’s willful or serious misconduct that has caused, or could reasonably be expected to result in, material injury to the business or reputation of an Employer; (iii) a Participant’s conviction of, or entering a plea of guilty or nolo contendere to, a crime constituting a felony; (iv) the breach by a Participant of any written covenant or agreement with an Employer, any material written policy of any Employer or any Employer’s “code of conduct”, or (v) the Participant’s failure to cooperate with an Employer in any internal investigation or administrative, regulatory or judicial proceeding; provided that if a Participant is a party to an employment or individual severance agreement with an Employer that defines the term “Cause” then, with respect to any Award made to such Participant, “Cause” shall have the meaning set forth in such employment or severance agreement. In addition, the Participant’s Service shall be deemed to have terminated for Cause if, after the Participant’s Service has terminated (for a reason other than Cause), facts and circumstances are discovered that would have justified a termination for Cause.

“Change in Control” means the first occurrence of any of the following events after the Effective Date:

(i) any person, entity or “group” (as defined in Section 13(d) of the Act), other than the Company, a wholly-owned subsidiary of the Company, and any employee benefit plan of the

Company or any wholly-owned subsidiary of the Company, becomes a “beneficial owner” (as defined in Rule 13d-3 under the Act), of 30% or more of the combined voting power of the Company’s then outstanding voting securities;

(ii) the persons who, as of the Effective Date, are serving as the members of the Board (the “Incumbent Directors”) shall cease for any reason to constitute at least a majority of the Board (or the board of directors of any successor to the Company), provided that any director elected to the Board, or nominated for election, by at least two-thirds of the Incumbent Directors then still in office shall be deemed to be an Incumbent Director for purposes of this clause (ii);

(iii) the Company consummates a merger or consolidation with any other corporation, and as a result of which (A) persons who were shareholders of the Company immediately prior to such merger or consolidation, do not, immediately thereafter, own, directly or indirectly and in substantially the same proportions as their ownership of the stock of the Company immediately prior to the merger or consolidation, more than 50% of the combined voting power of the voting securities entitled to vote generally in the election of directors of (x) the Company or the surviving entity or (y) an entity that, directly or indirectly, owns more than 50% of the combined voting power entitled to vote generally in the election of directors of the entity described in subclause (x), and (B), within the 12-month period after such consummation of the merger or consolidation, the members of the Board as of the consummation of such merger or consolidation cease to constitute a majority of the board of directors of the Company or the surviving entity (or the entity that, directly or indirectly, owns more than 50% of the combined voting power entitled to vote generally in the election of directors of the Company or such surviving entity);

(iv) the Company consummates a sale, transfer or other disposition of all or substantially all of the assets of the Company, which is consummated and immediately following which the persons who were shareholders of the Company immediately prior to such sale, transfer or disposition, do not own, directly or indirectly and in substantially the same proportions as their ownership of the stock of the Company immediately prior to the sale, transfer or disposition, more than 50% of the combined voting power of the voting securities entitled to vote generally in the election of directors of (x) the entity or entities to which such assets are sold or transferred or (y) an entity that, directly or indirectly, owns more than 50% of the combined voting power entitled to vote generally in the election of directors of the entities described in subclause (x); and

(v) the shareholders of the Company approve a plan of complete liquidation of the Company, or such a plan is commenced; provided that if a Participant is a party to an employment or individual severance agreement with an Employer that defines the term “Change of Control” then, with respect to any Award made to such Participant, “Change of Control” shall have the meaning set forth in such employment or severance agreement.

“Change in Control Price” means the price per share offered in respect of Stock in conjunction with any transaction resulting in a Change in Control on a fully-diluted basis (as determined in good faith by the Committee as constituted before the Change in Control, if any part of the offered price is payable other than in cash) or, in the case of a Change in Control occurring solely by reason of a change in the composition of the Board, the highest Fair Market Value of a share of Stock on any of the 30 trading days immediately preceding the date on which a Change in Control occurs.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the Compensation Committee of the Board or such other committee of the Board as the Board shall from time to time designate to administer the Plan.

“Company” means TreeHouse Foods, Inc., a Delaware corporation.

“Consultant” means any person, including an advisor, engaged by an Employer to render services to such Employer and who is not a Director or an Employee.

“Designated Beneficiary” means the beneficiary designated by the Participant, in a manner determined by the Committee, to receive amounts due the Participant in the event of the Participant’s death. In the absence of an effective designation by the Participant, Designated Beneficiary shall mean the Participant’s estate.

“Director” means any individual who is a member of the Board or the board of directors of an Affiliate of the Company.

“Disability” means, unless another definition is incorporated into the applicable Award Agreement, the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, (i) unable to engage in any substantial gainful activity, or (ii) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Affiliate; provided that if a Participant is a party to an employment or individual severance agreement with an Employer that defines the term “Disability” then, with respect to any Award made to such Participant, “Disability” shall have the meaning set forth in such employment or severance agreement.

“Effective Date” means February 14, 2017, the date on which the Plan, as amended and restated, was approved by the Committee on behalf of the Board.

“Employee” means any officer or employee employed by any Employer in a common-law employee-employer relationship.

“Employer” means the Company and any Affiliate thereof.

“Executive Officer” means any “officer” within the meaning of Rule 16(a)-1(f) promulgated under the Act or any “covered employee” within the meaning of Section 162(m)(3) of the Code.

“Fair Market Value” means the closing price of the Stock as reported for consolidated trading of issues on the New York Stock Exchange on the date in question, or if the Stock was not traded on such date, the closing price on the first date prior thereto on which the Stock was so traded.

“Good Reason” means, as determined by the Committee in its sole discretion and solely with respect to this Plan and any Award made hereunder, the occurrence of any of the following events without the Participant’s express written consent: (i) the material reduction of the Participant’s authorities, duties, and position with the Company, (ii) a material reduction by the Company of the Participant’s base compensation, other than a reduction approved by the Board that similarly applies to all executive officers of the Company or similarly situated Participants, or (iii) a change in the offices of the Participant to a place that is more than thirty (30) miles in distance farther from the Participant’s home than the current executive offices of the Company in Oak Brook, IL; provided that if a Participant is a party to an employment or individual severance agreement with an Employer that defines the term “Good Reason” then, with respect to any Award made to such Participant, “Good Reason” shall have the meaning set forth in such employment or severance agreement.

The Participant must provide notice to the Company of the existence of one or more of the foregoing conditions within ninety (90) calendar days of the initial existence of the condition, upon the notice of which the Company will have thirty (30) calendar days during which it may remedy the condition. For a Participant’s termination of Service to be on account of “Good Reason,” it must occur within one hundred eighty (180) calendar days following the initial existence of the applicable condition.

“Incentive Stock Option” means a stock option granted under Section 7 of the Plan that is designated as an Incentive Stock Option that is intended to meet the requirements of Section 422 of the Code.

“Net Exercised” means the exercise of an Option or any portion thereof by the delivery of the greatest number of whole shares of Stock having a Fair Market Value on the date of exercise not in excess of the difference between the aggregate Fair Market Value of the shares of Stock subject to the Option (or the portion of such Option then being exercised) and the aggregate exercise price for all such shares of Stock under the Option (or the portion thereof then being exercised), with any fractional share that would result from such equation to be payable in cash.

"New Employer" means, after a Change in Control, a Participant's employer, or any direct or indirect parent or any direct or indirect majority-owned subsidiary of such employer.

"Non-statutory Stock Option" means a stock option granted under Section 7 of the Plan that is not intended to be an Incentive Stock Option.

"Option" means an Incentive Stock Option or a Non-statutory Stock Option.

"Other Stock-Based Award" means an award of, or related to, shares of Stock other than Options, SARs, Restricted Stock, Performance Shares, Restricted Stock Units or Performance Units, as granted by the Committee in accordance with the provisions of Section 8 of the Plan.

"Participant" means an Employee, Director or Consultant who is selected by the Committee to receive an Award under the Plan.

"Performance Award" means an Award granted pursuant to Section 5 of the Plan of a contractual right to receive cash or Stock (as determined by the Committee) upon the achievement, in whole or in part, of the applicable Performance Criteria.

"Performance Criteria" means the objectives established by the Committee for a Performance Period pursuant to Section 5(c) of the Plan for the purpose of determining the extent to which an Award of Performance Shares, Performance Awards, or Performance Units has been earned.

"Performance Period" means the period selected by the Committee during which performance is measured for the purpose of determining the extent to which an Award of Performance Shares, Performance Awards, or Performance Units has been earned, provided that the minimum duration of a Performance Period shall be one-year.

"Performance Share" means an Award granted pursuant to Section 5 of the Plan of a contractual right to receive one share of Stock (or the Fair Market Value thereof in cash or any combination of cash and Stock, as determined by the Committee), or a fraction or multiple thereof, upon the achievement, in whole or in part, of the applicable Performance Criteria.

"Performance Unit" means an Award granted pursuant to Section 5 of the Plan of a contractual right to receive a fixed or variable dollar denominated unit (or a unit denominated in the Participant's local currency), or a fraction or multiple thereof, upon the achievement, in whole or in part, of the applicable Performance Criteria. The Committee shall determine whether the earned portion of any such Performance Units shall be payable in cash, Stock or any combination thereof.

"Restriction Period" means the period of time selected by the Committee during which an Award of Restricted Stock and Restricted Stock Units, as the case may be, is subject to forfeiture and/or restrictions on transfer pursuant to the terms of the Plan, provided that the minimum duration of a Restriction Period shall be one-year.

"Restricted Stock" means shares of Stock contingently granted to a Participant under Section 6 of the Plan.

"Restricted Stock Unit" means a fixed or variable stock denominated unit contingently awarded to a Participant under Section 6 of the Plan.

"Retirement" means, unless another definition is incorporated into the applicable Award Agreement, a termination of the Participant's Service at or after the date the Participant has reached age 55 and has completed five years of Service with the Company; provided that if a Participant is a party to an employment or individual severance agreement with an Employer that defines the term "Retirement" then, with respect to any Award made to such Participant, "Retirement" shall have the meaning set forth in such employment or severance agreement.

"Service" means the provision of services to the Company or its Affiliates in the capacity of (i) an Employee, (ii) a Director, or (iii) a Consultant.

“Special Termination” means a termination of the Participant’s Service due to death or Disability.

“Stock” means the common stock of the Company, par value \$0.01 per share.

“Stock Appreciation Right” or “SAR” means an Award, granted alone or in tandem with an Option, designated as an SAR under Section 7 of the Plan.

“Subsidiary” means any business entity in which the Company possesses directly or indirectly fifty percent (50%) or more of the total combined voting power.

(b) Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

Section 3. POWERS OF THE COMMITTEE

(a) Eligibility. Each Employee, Director or Consultant who, in the opinion of the Committee, has the capacity to contribute to the successful performance of the Company is eligible to be a Participant in the Plan.

(b) Power to Grant and Establish Terms of Awards. The Committee shall have the discretionary authority, subject to the terms of the Plan, to determine which Employees, Directors or Consultants to whom Awards shall be granted, the type or types of Awards to be granted, and the terms and conditions of any and all Awards including, without limitation, the number of shares of Stock subject to an Award, the time or times at which Awards shall be granted, and the terms and conditions of applicable Award Agreements. The Committee may establish different terms and conditions for different types of Awards, for different Participants receiving the same type of Award, and for the same Participant for each type of Award such Participant may receive, whether or not granted at the same or different times.

(c) Administration. The Plan shall be administered by the Committee. The Committee shall have sole and complete authority and discretion to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time to time deem advisable, and to interpret the terms and provisions of the Plan. The Committee’s decisions (including any failure to make decisions) shall be binding upon all persons, including the Company, shareholders, Employers, and each Employee, Director, Consultant, Participant or Designated Beneficiary, and shall be given deference in any proceeding with respect thereto.

(d) Delegation by the Committee. The Committee may delegate to the Company’s Chief Executive Officer and/or to such other officer(s) of the Company the power and authority to make and/or administer Awards under the Plan with respect to individuals who are below the position of Company Senior Vice President (or any analogous title), pursuant to such conditions and limitations as the Committee may establish; provided that only the Committee or the Board may select, and grant Awards to, Executive Officers or exercise any other discretionary authority under the Plan in respect of Awards granted to such Executive Officers. Unless the Committee shall otherwise specify, any delegate shall have the authority and right to exercise (within the scope of such person’s delegated authority) all of the same powers and discretion that would otherwise be available to the Committee pursuant to the terms hereof. The Committee may also appoint agents (who may be officers or employees of the Company) to assist in the administration of the Plan and may grant authority to such persons to execute agreements, including Award Agreements, or other documents on its behalf. All expenses incurred in the administration of the Plan, including, without limitation, for the engagement of any counsel, consultant or agent, shall be paid by the Company.

(e) Restrictive Covenants and Other Conditions. Without limiting the generality of the foregoing, the Committee may condition the grant of any Award under the Plan upon the Participant to whom such Award would be granted agreeing in writing to certain conditions (such as restrictions on the ability to transfer the underlying shares of Stock) or covenants in favor of the Company and/or one or more Affiliates thereof (including, without limitation, covenants not to compete, not to solicit employees and customers and not to disclose confidential information, that may have effect following the termination of the Participant’s Service and after the Stock subject to the Award has been transferred to the Participant), including, without limitation, the requirement that the Participant disgorge any profit, gain or other benefit received in respect of the Award prior to any breach of any such covenant.

(f) Participants Based Outside the United States. To conform with the provisions of local laws and regulations, or with local compensation practices and policies, in foreign countries in which the Company or any of its Subsidiaries or Affiliates operate, but subject to the limitations set forth in Section 4 of the Plan regarding the maximum number of shares of Stock issuable hereunder and the maximum Award to any single Participant, the Committee may (i) modify the terms and conditions of Awards granted to Participants employed outside the United States (“Non-US Awards”), (ii) establish, without amending the Plan, subplans with modified exercise procedures and such other modifications as may be necessary or advisable under the circumstances (“Subplans”), and (iii) take any action which it deems advisable to obtain, comply with or otherwise reflect any necessary governmental regulatory procedures, exemptions or approvals with respect to the Plan. The Committee’s decision to grant Non-US Awards or to establish Subplans is entirely voluntary and at the complete discretion of the Committee. The Committee may amend, modify or terminate any Subplans at any time, and such amendment, modification or termination may be made without prior notice to the Participants. The Company, Subsidiaries, Affiliates of any of the foregoing and members of the Committee shall not incur any liability of any kind to any Participant as a result of any change, amendment or termination of any Subplan at any time. The benefits and rights provided under any Subplan or by any Non-US Award (i) are wholly discretionary and, although provided by either the Company, a Subsidiary or Affiliate of any of the foregoing, do not constitute regular or periodic payments and (ii) are not to be considered part of the Participant’s salary or compensation under the Participant’s employment with the Participant’s local employer for purposes of calculating any severance, resignation, redundancy or other end of service payments, vacation, bonuses, long-term service awards, indemnification, pension or retirement benefits, or any other payments, benefits or rights of any kind. If a Subplan is terminated, the Committee may direct the payment of Non-US Awards (or direct the deferral of payments whose amount shall be determined) prior to the dates on which payments would otherwise have been made, and, in the Committee’s discretion, such payments may be made in a lump sum or in installments.

Section 4. MAXIMUM AMOUNT AVAILABLE FOR AWARDS

(a) Number. Subject in all cases to the provisions of this Section 4, the maximum number of shares of Stock that are available for issuance pursuant to Awards shall be 16,060,167 or the sum of (i) 12,260,167 shares of Stock previously authorized under the Plan and (ii) 3,800,000 shares of Stock requested pursuant to this most recent amendment and restatement of the Plan. Such maximum number of shares shall be subject to adjustment in Section 4(d). Notwithstanding the provisions of Section 4(b) of the Plan, the maximum number of shares of Stock that may be issued in respect of Incentive Stock Options shall not exceed 1,000,000 shares. Shares of Stock may be made available from Stock held in treasury or authorized but unissued shares of the Company not reserved for any other purpose.

(b) Canceled, Terminated, or Forfeited Awards, etc. Any shares of Stock subject to an Award which for any reason expires without having been exercised, is canceled or terminated or otherwise is settled without the issuance of any Stock shall again be available for grant under the Plan. In applying the immediately preceding sentence, if (i) shares of Stock otherwise issuable or issued in respect of, or as part of, any Award other than Options and SARs are withheld to cover taxes, such shares shall not be treated as having been issued under the Plan and shall again be available for issuance under the Plan, (ii) shares of Stock otherwise issuable or issued in respect of, or as part of, any Award of Options or SARs are withheld to cover taxes or the exercise price of such Award, such shares shall be treated as having been issued under the Plan and shall not be available for issuance under the Plan (iii) any Options are Net Exercised, the aggregate number of shares of Stock subject to such Options shall be deemed issued under the Plan and shall not be available for issuance under the Plan, and (iv) any stock-settled SARs are exercised, the aggregate number of shares of Stock subject to such SARs shall be deemed issued under the Plan and shall not be available for issuance under the Plan. In addition, shares of Stock tendered to exercise outstanding Options or other Awards or to cover applicable taxes on Awards of Options and SARs shall not be available for issuance under the Plan, but shares of Stock tendered to cover applicable taxes on Awards other than Options and SARs shall be available for issuance under the Plan. The number of shares of Stock remaining available for issuance shall be reduced by the number of shares of Stock subject to outstanding Awards and, for Awards that are not denominated by shares of Stock, by the number of shares of Stock actually delivered upon settlement or payment of the Award; provided, however, that, notwithstanding the foregoing, for every one Share issued in respect of an award of (i) Restricted Stock, (ii) Restricted Stock Units,

(iii) Performance Shares, (iv) Performance Units, (v) Performance Awards, and (vi) Other Stock-Based Awards, the number of shares of Stock available for issuance under the Plan shall be reduced by 2.38 shares of Stock for purposes of determining the number of shares of Stock that remain available for issuance under the Plan. Solely for the purpose of applying the limitation set forth in Section 4(a), the number of shares available for issuance under the Plan shall be increased by one (1.00) Share for every one (1.00) Share granted in respect of an Award of an Option or SAR that again become available for grant pursuant to this Section 4(b) and two and thirty-eight hundredths (2.38) shares of Stock for every one (1.00) Share granted in respect of an Award other than an Award of a Stock Option or Stock Appreciation Right that again become available for grant pursuant to this Section 4(b).

(c) Individual Award Limitations.

(i) Annual Limit on Awards to Participants. Subject to the annual award limitations applicable to a non-Employee Director under Section 4(c)(ii), no Participant may be granted under the Plan in any calendar year Awards of Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units covering an aggregate of more than 1,500,000 shares of Stock, subject to adjustment as described in Section 4(d) or 10(b). No Participant may be granted Options and SARs with respect to more than 1,500,000 shares of Stock under the Plan in any calendar year, subject to adjustment as described in Section 4(d) or 10(b). The maximum aggregate cash payment with respect to cash-based Awards (including Performance Awards) granted in any one fiscal year that may be made to any Participant shall be \$5,000,000.

(ii) Annual Limit on Awards to Non-employee Directors. No non-employee Director may receive in any calendar year Awards with an aggregate Fair Market Value greater than \$500,000 whether such Awards are settled in cash or in shares of Stock; provided that this limit shall not apply to any Awards a non-employee Director elects to receive at Fair Market Value in lieu of all or a portion of such non-employee Director's Compensation. "Compensation" for this purpose includes all cash remuneration payable to a non-employee Director, other than reimbursement for expenses, and shall include retainer fees for Service on the Board, fees for serving as Chairman of the Board or for serving as Chairman or member of any committee of the Board, compensation for work performed in connection with service on a committee of the Board or at the request of the Board, any committee of the Board or a Chief Executive Officer or any other kind or other category of fees or payments which may be put into effect in the future.

(d) Adjustment in Capitalization.

(i) In the event that the Committee shall determine that any stock dividend, stock split, share combination, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Stock at a price substantially below Fair Market Value, or other similar corporate event affects the Stock such that an adjustment is required in order to preserve, or to prevent the enlargement of, the benefits or potential benefits intended to be made available under this Plan, then an adjustment shall be made, as applicable, in (1) the number and class of shares of stock available for Awards under Section 4(a), (2) the limitations in Section 4(c), (3) the shares of Stock that may become subject to an Award the number and kind of shares of stock or other securities into which each outstanding share of Stock was changed, for which each such share of Stock was exchanged, or to which each such share of Stock, as the case may be, (4) the exercise price applicable to outstanding Awards, and (5) other value determinations applicable to outstanding Awards. In the event of any other change in corporate capitalization (including, but not limited to, a merger, consolidation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), or any partial or complete liquidation of the Company to the extent such events do not constitute equity restructurings or business combinations within the meaning of FASB ASC Topic 718, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights. In either case, any such adjustment shall be conclusive and binding for all purposes of the Plan. Unless otherwise determined by the Committee, the number of shares of Stock subject to an Award shall always be a whole number.

(ii) In addition to the adjustments permitted under subparagraph (d)(i) above, the Committee, in its sole discretion, may make such other adjustments or modifications in the terms of any Awards that it deems appropriate to reflect any of the events described in subparagraph (d)(i) above, including, but not limited to, (1) modifications of performance goals and changes in the length of Performance Periods, or (2) the substitution of other property of equivalent value (including, without limitation, cash, other securities and securities of entities other than the Company that agree to such substitution) for the shares of Stock available under the Plan or the shares of Stock covered by outstanding Awards, including arranging for the assumption, or replacement with new awards, of Awards held by Participants, but in either case only to the extent permitted by Section 162(m) of the Code with respect to Awards intended to qualify as performance-based compensation within the meaning of Section 162(m)(4) of the Code and (3) in connection with any sale of a Subsidiary, arranging for the assumption, or replacement with new awards, of Awards held by Participants employed by the affected Subsidiary by the Subsidiary or an entity that controls the Subsidiary following the sale of such Subsidiary.

(iii) The determination of the Committee as to the foregoing adjustments set forth in this Section 4(d), if any, shall be made in accordance with Code Sections 409A or 424, to the extent applicable, and shall be conclusive and binding on Participants under the Plan.

(e) *Effect of Plans Operated by Acquired Companies.* If a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares of Stock authorized for grant under the Plan. Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees, non-employee Directors or Consultant prior to such acquisition or combination.

(f) *Minimum Vesting Standards.* Any Award granted under this Plan shall be subject to a minimum vesting period of not less than one year following the date the applicable Award is granted. Notwithstanding the foregoing, the Committee may grant Awards covering up to five percent of the total number of shares of Stock authorized under this Plan without respect to the minimum vesting standards set forth in this Section 4(f). Nothing in this Section 4(f) shall preclude the Administrator from taking action, in its sole discretion, to accelerate the vesting of any Award in connection with or following a holder's death, disability, or in connection with a Change in Control.

Section 5. PERFORMANCE AWARDS, PERFORMANCE SHARES AND PERFORMANCE UNITS

(a) *Generally.* The Committee shall have the authority to determine the Participants who shall receive Performance Awards, Performance Shares and Performance Units, the number of Performance Shares and the number and value of Performance Units each Participant receives for each or any Performance Period, and the Performance Criteria applicable in respect of such Performance Awards, Performance Shares and Performance Units for each Performance Period. The Committee shall determine the duration of each Performance Period (which may differ from each other), and there may be more than one Performance Period in existence at any one time as to any Participant or all or any class of Participants. Each grant of Performance Shares and Performance Units shall be evidenced by an Award Agreement that shall specify the number of Performance Shares and the number and value of Performance Units awarded to the Participant, the Performance Criteria applicable thereto, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine. No shares of Stock will be issued at the time an Award of Performance Shares is made, and the Company shall not be required to set aside a fund for the payment of Performance Shares or Performance Units. Subject to the terms of the Plan, Performance Awards may be granted to Participants in such amounts, subject to such Performance Criteria, and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

(b) *Earned Performance Awards, Performance Shares and Performance Units.* Performance Awards, Performance Shares and Performance Units shall become earned, in whole or in part, based upon the achievement of one or more Performance Criteria or other performance conditions achieved during a Performance Period selected by the Committee. In the case of an Award to any Executive Officer of Performance Awards, Performance Shares or Performance Units that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code, such Award must solely be subject to one or more Performance Criteria selected from among the criteria set forth in Section 5(c) of the Plan. The Committee may provide, at the time of any grant of Performance Shares or Performance Units, that if performance relative to the Performance Criteria exceeds targeted levels, the number of shares issuable in respect of each Performance Share or the value payable in respect of each Performance Unit shall be adjusted by such multiple (not in excess of 200%) as the Committee shall specify.

(c) *Performance Criteria.* At the discretion of the Committee, Performance Criteria may be based on the total return to the Company’s shareholders, inclusive of dividends paid, during the applicable Performance Period (determined either in absolute terms or relative to the performance of one or more similarly situated companies or a published index covering the performance of a number of companies), or upon the relative or comparative attainment of one or more of the following criteria, whether in absolute terms or relative to the performance of one or more similarly situated companies or a published index covering the performance of a number of companies: working capital, book value, cash flow (including funds from operations), customer satisfaction, combined ratio, earnings (either in aggregate or on a per-share basis), earnings before or after either, or any combination of, interest, taxes, depreciation, or amortization (EBITDA), economic value added, expenses/ costs, gross or net income, gross or net operating margins, gross or net profits, gross or net revenues, inventory turns, margins, market share, net income or earnings, operating income or earnings, operational performance measures, pre-tax income, productivity ratios and measures, profitability ratios, return measures (including return on assets, return on equity, return on investment, return on capital, return on invested capital, gross profit return on investment, gross margin return on investment), share price (including growth in share price and total shareholder return), strategic business objectives (including objective project milestones), or transactions relating to acquisitions or divestitures, and, in the case of persons who are not Executive Officers, such other criteria as may be determined by the Committee. Performance Criteria may be established on a Company-wide basis or with respect to one or more business units or divisions or Subsidiaries. When establishing Performance Criteria for a Performance Period, the Compensation Committee shall exclude, unless it determines otherwise at the time that it establishes the Performance Criteria, (i) any or all items determined to be unusual in nature and/or infrequent in occurrence as determined under ASC Topic 225, (ii) charges or costs associated with restructuring of the Company or any subsidiary, (iii) discontinued operations, (iv) other unusual or non-recurring items, (v) the cumulative effects of accounting changes or (vi) such other objective factors as the Compensation Committee deems appropriate.

Except in the case of Awards to Executive Officers intended to be “performance-based compensation” under Section 162(m)(4) of the Code, the Committee may also adjust the Performance Criteria for any Performance Period as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

(d) *Special Rule for Performance Criteria.* If, at the time of grant, the Committee intends an Award of Performance Awards, Performance Shares or Performance Unit to qualify as “performance-based compensation” within the meaning of Section 162(m)(4) of the Code, (i) the Committee must establish the Performance Criteria for the applicable Performance Period no later than the 90th day after the Performance Period begins (or by such other date as may be required under Section 162(m) of the Code) and (ii) the Committee may not in any event increase the amount of compensation payable to a covered employee (within the meaning of Section 162(m) of the Code) upon attainment of the Performance Criteria above the maximum amount approved by the Committee in clause (i) above.

(e) *Certification of Attainment of Performance Criteria.* As soon as practicable after the end of a Performance Period and prior to any payment in respect of such Performance Period, the Committee shall certify the amount of the Performance Award, the number of Performance Shares, or the number and value of Performance Units, that have been earned on the basis of performance in relation to the established Performance Criteria.

(f) Payment of Awards. Earned Performance Awards, Performance Shares and the value of earned Performance Units shall be distributed to the Participant or, if the Participant has died, to the Participant's Designated Beneficiary, as soon as practicable after the expiration of the Performance Period and the Committee's certification under Section 5(e) above, provided that (i) earned Performance Awards, Performance Shares and the value of earned Performance Units shall not be distributed to a Participant until any other conditions on payment of such Awards established by the Committee have been satisfied, and (ii) any amounts payable in respect of Performance Awards, Performance Shares or Performance Units pursuant to Section 9 of the Plan shall be distributed in accordance with Section 9. The Committee shall determine whether Performance Awards, Performance Shares and the value of earned Performance Units are to be distributed in the form of cash, shares of Stock or in a combination thereof, with the value or number of shares of Stock payable to be determined based on the Fair Market Value of Stock on the date of the Committee's certification under Section 5(e) above.

(g) Newly Eligible Participants. Notwithstanding anything in this Section 5 to the contrary, the Committee shall be entitled to make such rules, determinations and adjustments as it deems appropriate with respect to any Participant who becomes eligible to receive Performance Awards, Performance Shares or Performance Units after the commencement of a Performance Period.

(h) Termination of Service.

(i) Special Termination or Retirement. Unless otherwise determined by the Committee at or after the grant date, or except as provided in an employment or individual severance agreement between a Participant and an Employer, a Participant whose Service terminates by reason of a Special Termination or due to Retirement shall be entitled to a distribution of the same Performance Awards, number of Performance Shares, or the value of Performance Units that would have been payable for the Performance Period had his or her Service continued until the end of the applicable Performance Period (based on actual performance), prorated for the Participant's length of Service during the Performance Period. Any Performance Awards, Performance Shares or value of Performance Units becoming payable in accordance with the preceding sentence shall be paid at the same time as the Performance Awards, Performance Shares and the value of Performance Units are paid to other Participants (or at such earlier time as the Committee may permit). Any rights that a Participant or Designated Beneficiary may have in respect of any Performance Awards, Performance Shares or Performance Units outstanding at the date of the Special Termination or Retirement that are not available to be earned or that are not earned in accordance with this Section 5(h)(i) shall be forfeited and canceled, effective as of the date of the Participant's termination of Service.

(ii) Termination for any Other Reason. Unless otherwise determined by the Committee at or after the grant date, or except as provided in an employment or individual severance agreement between a Participant and an Employer, if a Participant's Service is terminated for any reason other than a Special Termination or Retirement prior to vesting in the Performance Awards, Performance Shares or Performance Units, all of the Participant's rights to Performance Awards, Performance Shares and Performance Units shall be immediately forfeited and canceled as of the date of such termination of Service. Notwithstanding the immediately preceding sentence, a Participant's rights in respect of unearned Performance Awards, Performance Shares and Performance Units shall in all events be immediately forfeited and canceled as of the date of the Participant's termination of Service for Cause.

(iii) Termination in Connection with a Change in Control. Notwithstanding anything to the contrary in this Section 5(h), Section 9 of the Plan shall determine the treatment of Performance Awards, Performance Shares and Performance Units upon a Change in Control, including the treatment of such Awards granted to any Participant whose Service is involuntarily terminated by an Employer other than for Cause or whose Service is terminated due to a Special Termination, in either case, on or after the date on which the shareholders of the Company approve the transaction giving rise to the Change in Control, but prior to the consummation thereof.

Section 6. *RESTRICTED STOCK AND RESTRICTED STOCK UNITS*

(a) Grant. Restricted Stock and Restricted Stock Units may be granted to Participants at such time or times as shall be determined by the Committee. The grant date of any Restricted Stock or Restricted Stock Units under the Plan will be the date on which such Restricted Stock or Restricted Stock Units are awarded by the Committee, or such other date as the Committee shall determine. Restricted Stock and Restricted Stock Units shall be evidenced by an Award Agreement that shall specify (i) the number of shares of Restricted Stock and the number of Restricted Stock Units granted to each Participant, (ii) the Restriction Period(s) applicable thereto and (iii) such other terms and conditions not inconsistent with the Plan as the Committee shall determine, including customary representations, warranties and covenants with respect to securities law matters. Awards of Restricted Stock Units shall be evidenced by a bookkeeping entry in the Company's records (or by such other reasonable method as the Company shall determine from time to time).

(b) Vesting. Subject to Section 4(f), Restricted Stock and Restricted Stock Units granted to a Participant under the Plan shall be subject to a Restriction Period as specified in the Award Agreement, provided that the Participant continuously provides Service through such vesting date. The Committee in its discretion may provide that the Restriction Period on Restricted Stock and Restricted Stock Units shall lapse, in whole or in part, upon the achievement of one or more Performance Criteria or other performance conditions, during a Performance Period selected by the Committee. In the case of an Award to any Executive Officer of Restricted Stock or Restricted Stock Units that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, such Award shall be (i) solely subject to Performance Criteria selected from among the criteria set forth in Section 5(c) of the Plan, (ii) subject to the same restrictions and limitations applicable to Awards of Performance Shares under Section 5(d) of the Plan and (iii) subject to the certification required under Section 5(e) of the Plan.

(c) Dividends and Dividend Equivalents. The Committee shall determine whether and to what extent dividends payable on Stock will be credited, or paid currently, to a Participant in respect of an Award of Restricted Stock or Restricted Stock Units provided however, that in the case of an Award of Restricted Stock or Restricted Stock Units as to which vesting depends upon the satisfaction of a service condition and/or one or more performance conditions, the payment of dividends or dividend equivalents shall be subject to the same service conditions and/or performance conditions, as applicable to the underlying Award. A Participant holding Restricted Stock Units shall not be entitled to exercise any voting rights and any other rights as a shareholder with respect to shares of Stock underlying such Award.

(d) Settlement of Restricted Stock and Restricted Stock Units. At the expiration of the Restriction Period for any Restricted Stock, the Company shall remove the restrictions applicable to the Restricted Stock, and shall, upon request, deliver the stock certificates evidencing such Restricted Stock to the Participant or the Participant's legal representative (or otherwise evidence the issuance of such shares free of any restrictions imposed under the Plan). At the expiration of the Restriction Period for any Restricted Stock Units, for each such Restricted Stock Unit, the Participant shall receive, in the Committee's discretion, (i) a cash payment equal to the Fair Market Value of one share of Stock as of such payment date, (ii) one share of Stock or (iii) any combination of cash and shares of Stock having an aggregate value equal to the Fair Market Value of one share of Stock.

(e) Restrictions on Transfer. Except as provided herein or in an Award Agreement, shares of Restricted Stock and Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restriction Period. Any such attempt by the Participant to sell, assign, transfer, pledge or encumber shares of Restricted Stock and Restricted Stock Units without complying with the provisions of the Plan shall be void and of no effect.

(f) Termination of Service.

(i) Special Termination. Unless otherwise determined by the Committee at or after the grant date, or except as provided in an employment or individual severance agreement between a Participant and an Employer, if a Participant's Service terminates by reason of a Special Termination during the Restriction Period, a pro rata portion of any Stock related to Restricted Stock or a Restricted Stock Unit held by such Participant shall become nonforfeitable at the date of such termination, based on the number of full calendar months of such Participant's Service relative to the number of full calendar months in the relevant Restriction Period.

(ii) Retirement. Unless otherwise determined by the Committee at or after the grant date, or except as provided in an employment or individual severance agreement between a Participant and an Employer, if a Participant's Service terminates by reason of Retirement during the Restriction Period, a pro rata portion of any Stock related to a Restricted Stock Unit held by such Participant shall become nonforfeitable at the date of such termination, based on the number of full calendar months of such Participant's Service relative to the number of full calendar months in the relevant Restriction Period. If shares of Restricted Stock Units are subject to the achievement of Performance Criteria, the pro rata portion of any Stock earned with respect to Restricted Stock Units described in the previous sentence shall only vest based on the actual achievement (if any) of the Performance Criteria and be paid to the Participant at the same time as the Restricted Stock Units are paid to other Participants.

(iii) Termination for any Other Reason. Unless otherwise determined by the Committee at or after the grant date, or except as provided in an employment or individual severance agreement between a Participant and an Employer, if a Participant's Service terminates for any reason other than a Special Termination or Retirement during the Restriction Period, any Restricted Stock or Restricted Stock Units held by such Participant shall be forfeited and cancelled as of the date of such termination of Service. Notwithstanding the immediately preceding sentence, a Participant's rights in respect of unvested Restricted Stock or Restricted Stock Units shall in all events be immediately forfeited and canceled as of the date of the Participant's termination of Service for Cause.

(iv) Termination in Connection with a Change in Control. Notwithstanding anything to the contrary in this Section 6(f), Section 9 of the Plan shall determine the treatment of Restricted Stock and Restricted Stock Units upon a Change in Control, including the treatment of such Awards granted to any Participant whose Service is involuntarily terminated by an Employer other than for Cause or whose Service is terminated due to a Special Termination, in either case, on or after the date on which the shareholders of the Company approve the transaction giving rise to the Change in Control, but prior to the consummation thereof.

Section 7. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

(a) Grant. Options and Stock Appreciation Rights ("SARs") may be granted to Participants at such time or times as shall be determined by the Committee. The Committee shall have the authority to grant Incentive Stock Options, Non-statutory Stock Options and SARs. The grant date of an Option or SAR under the Plan will be the date on which the Option or SAR is awarded by the Committee, or such other future date as the Committee shall determine in its sole discretion. Each Option or SAR shall be evidenced by an Award Agreement that shall specify the type of Option Award granted, the exercise price, the duration of the Option or SAR, the number of shares of Stock to which the Option or SAR pertains, the conditions upon which the Option or SAR or any portion thereof shall become vested or exercisable and such other terms and conditions not inconsistent with the Plan as the Committee shall determine, including customary representations, warranties and covenants with respect to securities law matters. For the avoidance of doubt, Incentive Stock Options may only be granted to Employees.

(b) Exercise Price. The Committee shall establish the exercise price at the time each Option or SAR is granted, which price shall not be less than 100% of the Fair Market Value of the Stock on the grant date. Notwithstanding the foregoing, if an Incentive Stock Option is granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate thereof, the exercise price shall be at least 110% of the Fair Market Value of the Stock on the grant date.

(c) Vesting and Exercisability. Subject to Section 4(f), each Option and SAR awarded to a Participant under the Plan shall vest and become exercisable as specified in the applicable Award Agreement, provided that the Participant continuously provides Service through such vesting date. The Committee, in its discretion, may establish performance conditions with respect to the exercisability of any Option or SAR during a Performance Period selected by the Committee. No Option or SAR shall be exercisable on or after the tenth anniversary of its grant date (the fifth anniversary of the grant date for an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes

of stock of the Company or any Affiliate thereof). The Committee may impose such conditions with respect to the exercise of Options or SARs, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable.

(d) Payment of Option Exercise Price. No Stock shall be delivered pursuant to any exercise of an Option until payment in full of the exercise price therefore is received by the Company. Such payment may be made in cash or its equivalent or, if permitted by the Committee, (i) by exchanging shares of Stock owned by the Participant and which are not the subject of any pledge or other security interest, (ii) through an arrangement with a broker approved by the Company whereby payment of the exercise price is accomplished with the proceeds of the sale of Stock or (iii) by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such exercise price of the portion of the Option being exercised. Additionally, to the extent authorized by the Committee (whether at or after the grant date), Options may be Net Exercised subject to such terms and conditions as the Committee may from time to time impose. The Company may not make a loan to a Participant to facilitate such Participant's exercise of any of his or her Options or payment of taxes.

(e) Payment of SAR Amount. Upon exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying: (i) the excess of the Fair Market Value of a share of Stock on the date of exercise over the grant price; by (ii) the number of shares of Stock with respect to which the SAR is exercised. At the sole discretion of the Committee, the payment upon SAR exercise may be in cash, in shares of Stock of equivalent value, or in some combination thereof.

(f) Incentive Stock Option Status. Notwithstanding anything in this Plan to the contrary, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code.

(g) Termination of Service.

(i) Special Termination. Unless otherwise determined by the Committee at or after the grant date, or except as provided in an employment or individual severance agreement between a Participant and an Employer, if the Participant's Service is terminated due to a Special Termination, then all Options and SARs held by the Participant on the effective date of such Special Termination shall vest and become exercisable and shall remain exercisable until the first to occur of (A) the second anniversary of the effective date of such Special Termination (or, for Incentive Stock Options, the first anniversary of such Special Termination) or (B) the expiration date of the Option or SAR.

(ii) Termination for any Other Reason. Unless otherwise determined by the Committee at or after the grant date, or except as provided in an employment or individual severance agreement between a Participant and an Employer, (A) if the Participant's Service is voluntarily or involuntarily terminated for any reason other than a Special Termination prior to the expiration date of the Option or SAR, any Options and SARs that have not become vested and exercisable on or before the effective date of such termination shall terminate on such effective date, and (B) if the Participant's Service is terminated voluntarily or involuntarily for any reason other than a Special Termination or for Cause, any vested and exercisable Options and SARs then held by the Participant shall remain exercisable for a period of 90 days following the effective date of such termination of Service.

(iii) Termination for Cause. Notwithstanding anything contrary in this Section 7(g), if the Participant's Service is terminated for Cause, then all Options or SARs (whether or not then vested or exercisable) shall terminate and be canceled immediately upon such termination.

(iv) Termination in Connection with a Change in Control. Notwithstanding anything to the contrary in this Section 7(g), Section 9 of the Plan shall determine the treatment of Options and SARs upon a Change in Control, including the treatment of Options and SARs granted to any Participant whose Service is involuntarily terminated by an Employer other than for Cause or whose Service is terminated due to a Special Termination, in either case, on or after the date on which the shareholders of the Company approve the transaction giving rise to the Change in Control, but prior to the consummation thereof.

(v) Limited Extension of Exercisable Period. If the exercise period of an Option or SAR would expire at a time when trading in the Stock is prohibited by federal securities law or the Company's insider trading policy, the expiration of the Option or SAR shall be automatically extended until the thirtieth (30th) calendar day following the expiration of such prohibition (so long as such extension shall not violate Section 409A).

Section 8. *OTHER STOCK-BASED AWARDS*

(a) *Other Stock Based Awards*. The Committee may grant Other Stock-Based Awards, including, but not limited to, the outright grant of Stock in satisfaction of obligations of the Company or any Affiliate thereof under another compensatory plan, program or arrangement, modified Awards intended to comply with or structured in accordance with the provisions of applicable non-U.S. law or practice, or the sale of Stock, in such amounts and subject to such terms and conditions as the Committee shall determine, including, but not limited to, the satisfaction of Performance Criteria. Subject to Section 4(f), each Other-Stock Based Award shall be evidenced by an Award Agreement that shall specify the terms and conditions applicable thereto. Any Other Stock-Based Award may entail the transfer of actual shares of Stock or the payment of the value of such Award in cash based upon the value of a specified number of shares of Stock, or any combination of the foregoing, as determined by the Committee. The terms of any Other Stock-Based Award need not be uniform in application to all (or any class of) Participants, and each Other Stock-Based Award granted to any Participant (whether or not at the same time) may have different terms.

(b) *Termination of Service*. In addition to any other terms and conditions that may be specified by the Committee, each Other Stock-Based Award shall specify the impact of a termination of Service upon the rights of a Participant in respect of such Award. At the discretion of the Committee, such conditions may be the same as apply with respect to Restricted Stock or Restricted Stock Units, or may be contain terms that are more or less favorable to the Participant.

Section 9. *CHANGE IN CONTROL*

(a) *In General*. If the Participant has in effect an employment, retention, severance or similar agreement with the Company that discusses the effect of a Change in Control on the Participant's awards (a "Separate Agreement"), then the terms of the Separate Agreement shall control. If no Separate Agreements exist, except as otherwise specified in an Award Agreement, the provisions of this Section 9 shall apply upon a Change in Control with respect to Awards granted on or after the Effective Date (for the avoidance of doubt, Awards granted prior to the Effective Date shall be governed by the terms of the Plan in effect prior to the Effective Date). Upon a Change in Control, each outstanding Award may be assumed by the New Employer or replaced with an award that preserves the existing value of the Award at the time of the Change in Control and shall provide for subsequent payout in accordance with the same vesting schedule applicable to the original Award; provided, however, that with respect to any Awards that are assumed or replaced, such assumed or replacement awards shall (i) be subject to "double-trigger" vesting as follows: if a Participant's Service is involuntarily terminated (for a reason other than Cause) or the Participant terminates his or her Service due to Good Reason within 24 months following the Change in Control, such assumed or replacement awards shall immediately vest upon such termination of Service, and (ii) if assumed or replaced in relation to a Performance Award, Performance Share or Performance Unit outstanding under this Plan, also be (A) no longer subject to any Performance Criteria, which shall be deemed satisfied at the higher of actual performance through the date of the Change in Control or the target performance level for such assumed or replaced award and (B) subject only to a time-based vesting period substantially equivalent to the applicable remaining Performance Period for such award, subject to acceleration pursuant to (i) above.

(b) *Failure to Assume Awards*. In the event the New Employer after a Change in Control does not assume the Award or substitute for the Award an economically equivalent award that meets the requirements of Section 9(a) above, notwithstanding any other provision of the Plan to the contrary, immediately upon occurrence of the Change in Control (i) all outstanding Options, SARs and Other Stock-Based Awards shall become vested and exercisable; (ii) the Restriction Period on Restricted Stock and Restricted Stock Units shall lapse; (iii) each outstanding Performance Award and Performance Share shall be cancelled in exchange for a payment equal to

the payment that would have been payable had each such Performance Award or Performance Share been deemed equal to 100% (or such greater or lesser percentage as the Committee shall specify at the grant date or such greater percentage as the Committee shall specify after the grant date) of the amount earned upon full achievement of applicable Performance Criteria; and (iv) each outstanding Performance Unit shall be cancelled in exchange for a payment equal to the value that would have been payable had each such Performance Unit been deemed equal to 100% (or such greater or lesser percentage as the Committee shall specify at the grant date or such greater percentage as the Committee shall specify after the grant date) of its initially established dollar or local currency denominated value. Additionally, in the event the New Employer after a Change in Control does not assume an Award or substitute for an Award an economically equivalent award that meets the requirements of Section 9(a) above, the Committee (as constituted prior to the Change in Control) may provide that in connection with the Change in Control (i) each Option and SAR shall be cancelled in exchange for an amount (payable in accordance with Section 9(c) below) equal to the excess, if any, of the Change in Control Price over the exercise price for such Option or SAR and (ii) each share of Restricted Stock and each Restricted Stock Unit shall be cancelled in exchange for an amount (payable in accordance with Section 9(c) below) equal to the Change in Control Price, multiplied by the number of shares of Stock covered by such Award. Notwithstanding any provision to the contrary, the settlement of Awards under this Section 9(b) shall be made pursuant to its original schedule if necessary to comply with Code Section 409A).

(c) Payments. Payment of any amounts calculated in accordance with Sections 9(a) and (b) shall be made in cash or, if determined by the Committee (as constituted prior to the Change in Control), in shares of the stock of the New Employer having an aggregate fair market value equal to such amount or in a combination of such shares of stock and cash. All amounts payable hereunder shall be payable in full, as soon as reasonably practicable, but in no event later than 10 business days, following the date of the Participant's termination of Service or the Change in Control, as applicable. For purposes hereof, the fair market value of one share of stock of the New Employer shall be determined by the Committee (as constituted prior to the consummation of the transaction constituting the Change in Control), in good faith. Notwithstanding any provision to the contrary, the settlement of Awards under this Section 9(c) shall be made pursuant to its original schedule if necessary to comply with Code Section 409A).

(d) Termination of Service Prior to Change in Control. In the event that any Change in Control occurs as a result of any transaction described in clause (iii) or (iv) of the definition of such term, any Participant whose Service is involuntarily terminated by an Employer other than for Cause, by the Participant for Good Reason or due to a Special Termination, in each case, on or after the date on which the shareholders of the Company approve the transaction giving rise to the Change in Control, but prior to the consummation thereof, shall be treated, solely for purposes of this Plan (including, without limitation, this Section 9), as continuing in Service until the occurrence of such Change in Control, and to have been terminated immediately thereafter.

Section 10. EFFECTIVE DATE, AMENDMENT, MODIFICATION, AND TERMINATION OF THE PLAN OR AWARDS

(a) General. The Plan shall be effective on the Effective Date, and shall continue in effect, unless sooner terminated pursuant to this Section 10, until the 10th anniversary of the Effective Date, after which no new Awards may be granted under the Plan. The Board may at any time in its sole discretion, for any reason whatsoever, terminate or suspend the Plan, and from time to time may amend or modify the Plan; provided that without the approval by a majority of the votes cast at a duly constituted meeting of shareholders of the Company, no amendment or modification to the Plan may (i) materially increase the benefits accruing to Participants under the Plan, (ii) except as otherwise expressly provided in Section 4(d) of the Plan, materially increase the number of shares of Stock subject to the Plan or the individual Award limitations specified in Section 4(c) of the Plan, (iii) materially modify the requirements for participation in the Plan or (iv) materially modify the Plan in any other way that would require shareholder approval under any regulatory requirement that the Committee determines to be applicable. In the event that the Committee shall determine that such action would, taking into account such factors as it deems relevant, be beneficial to the Company, the Committee may affirmatively act to amend, modify or terminate any outstanding Award at any time prior to payment or exercise in any manner not inconsistent with the terms of the Plan, subject to Section 10(b), including without limitation, to change the date or dates as of which (A) an Option becomes exercisable, (B) a Performance Award,

Performance Share or Performance Unit is deemed earned, or (C) Restricted Stock and Restricted Stock Units becomes nonforfeitable, except that no outstanding Option or SAR may be amended or otherwise modified or exchanged (other than in connection with a transaction described in Section 4(d) of the Plan) in a manner that would have the effect of (I) reducing the exercise price of an outstanding Option or an outstanding SAR, (II) cancelling outstanding Options or SARs in exchange for other Options or SARs with an exercise price that is less than the exercise price of the cancelled Option or the cancelled SAR or (III) cancelling an outstanding Option or outstanding SAR with an exercise price that is less than the Fair Market Value of a share of Stock on the date of cancellation in exchange for cash or another Award. Any such action by the Committee shall be subject to the Participant's consent if the Committee determines that such action would adversely affect in any material way the Participant's rights under such Award, whether in whole or in part. No amendment, modification, or termination of the Plan or any Award shall adversely affect in any material way any Award theretofore granted under the Plan, without the consent of the Participant. Notwithstanding any other provision of the Plan to the contrary, the Board may amend the Plan and the Board or the Committee may amend an Award Agreement without Participant consent, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or an Award Agreement to (i) any law relating to plans of this or similar nature, and to the administrative regulations and rulings promulgated thereunder, (ii) any applicable exchange requirements and (iii) any compensation recoupment policy adopted by the Company.

(b) Adjustment of Awards Upon the Occurrence of Certain Events.

(i) *Equity Restructurings.* If the outstanding shares of Stock are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company through a non-reciprocal transaction between the Company and its stockholders that causes the per share fair value underlying an Award to change, such as stock dividend, stock split, spin-off, rights offering, recapitalization through a large, non-recurring cash dividend, or other similar transaction, a proportionate adjustment shall be made to the number or kind of shares or securities allocated to Awards that have been granted prior to any such change. Any such adjustment in an outstanding Option or SAR shall be made without change in the aggregate exercise price applicable to the unexercised portion of such Option or SAR but with a corresponding adjustment in the exercise price for each share of Stock or other unit of any security covered by such Option or SAR.

(ii) *Reciprocal Transactions.* The Board may, but shall not be obligated to, make an appropriate and proportionate adjustment to an Award or to the exercise Price of any outstanding Award, and/or grant an additional Award to the holder of any outstanding Award, to compensate for the diminution in the intrinsic value of the shares of Stock resulting from any reciprocal transaction.

(iii) *Certain Unusual or Nonrecurring Events.* In recognition of unusual or nonrecurring events affecting the Company or its financial statements, or in recognition of changes in applicable laws, regulations, or accounting principles, and, whenever the Board determines that adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, the Board may, using reasonable care, make adjustments in the terms and conditions of, and the criteria included in, Awards. In case of an Award designed to qualify for the Performance-Based Exception (as defined in Code Section 409A), the Board will take care not to make an adjustment that would disqualify the Award.

(iv) *Fractional Shares and Notice.* Fractional shares of Stock resulting from any adjustment in Awards pursuant to this Section 10(b) may be settled in cash or otherwise as the Board determines. The Company will give notice of any adjustment to each Participant who holds an Award that has been adjusted and the adjustment (whether or not such notice is given) will be effective and binding for all Plan purposes.

Section 11. DEFERRALS AND SECTION 409A

(a) *Deferrals.* As provided in an Award Agreement, the Board may permit a Participant to defer receipt of cash or shares of Stock that would otherwise be due to him or her under the Plan or otherwise create a deferred compensation arrangement (as defined in Section 409A) in accordance with this Section 11. For purposes of the Plan, "Section 409A" shall mean Code Section 409A and any applicable regulations or interpretative authority promulgated thereunder.

(b) Initial Deferral Elections. The deferral of an Award or compensation otherwise payable to the Participant shall be set forth in the terms of the Award Agreement or as elected by the Participant pursuant to such rules and procedures as the Board may establish. Except as may otherwise be provided in the Award Agreement, any such initial deferral election by a Participant will designate a time and form of payment and shall be made at such time as provided below:

(i) A Participant may make a deferral election with respect to an Award (or compensation giving rise thereto) at any time in any calendar year preceding the year in which services giving rise to such compensation or Award are rendered.

(ii) In the case of the first year in which a Participant becomes eligible to receive an Award or defer compensation under the Plan (aggregating other plans of its type as set forth in Section 409A), the Participant may make a deferral election within 30 days after the date the Participant becomes eligible to participate in the Plan; provided that such election may apply only with respect to the portion of the Award or compensation attributable to services to be performed subsequent to the election.

(iii) Where the grant of an Award or payment of compensation, or the applicable vesting is conditioned upon the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months in which the Participant performs Service, a Participant may make a deferral election no later than 6 months prior to the end of the applicable performance period.

(iv) Where the vesting of an Award is contingent upon the Participant's continued Service for a period of no less than 13 months, the Participant may make a deferral election within 30 days of receiving an Award. Any such deferral election must defer receipt for a period of at least two years.

(v) A Participant may make a deferral election in other circumstances and at such times as may be permitted under Section 409A.

(c) Distribution Dates. Any deferred compensation arrangement created under the Plan shall be distributed at such times as provided in the Award Agreement, which may be upon the earliest or latest of one or more of the following:

(i) A fixed date as set forth in the Award Agreement or pursuant to a Participant's election;

(ii) the Participant's death;

(iii) the Participant's disability, as defined in Section 409A;

(iv) a change in control event, as defined in Section 409A;

(v) an Unforeseeable Emergency, as defined in Section 409A and implemented by the Board;

(vi) a Participant's separation of Service, as defined in Section 409A; or

(vii) such other events as permitted under Section 409A.

(d) Redeferals. The Company, in its discretion, may permit a Participant to make a subsequent election to delay a distribution date, or, as applicable, to change the form of distribution payments, attributable to one or more events triggering a distribution, so long as (i) such election may not take effect until at least twelve (12) months after the election is made, (ii) such election defers the distribution for a period of not less than five years from the date such distribution would otherwise have been made, and (iii) such election may not be made less than twelve (12) months prior to the date the distribution was to be made.

(e) Termination of Deferred Compensation Arrangements. The Company may in its discretion terminate the deferred compensation arrangements created under the Plan subject to the following:

(i) the arrangement may be terminated within the 30 days preceding, or 12 months following, a change in control, as defined in Section 409A, provided that all payments under such arrangement are distributed in full within 12 months after such termination;

(ii) the arrangement may be terminated in the Company's discretion at any time provided that (A) all deferred compensation arrangements of similar type maintained by the Company are terminated, (B) all payments are made at least 12 months and no more than 24 months after such termination, and (C) the Company does not adopt a new arrangement of similar type for a period of five years following the termination of the arrangement; and (iii) the arrangement may be terminated within 12 months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A) provided that the payments under the arrangement are distributed by the latest of the (A) the end of the calendar year of such termination, (B) the calendar year in which such payments are fully vested, or (C) the first calendar year in which such payment is administratively practicable.

(f) *Section 409A Savings Clause.* Notwithstanding anything in this Plan to the contrary, no terms of this Plan relating to Awards or any deferral with respect thereto shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to cause an Award, or the deferral or payment thereof, to become subject to interests and additional tax under Section 409A. Notwithstanding any other provision in the Plan to the contrary, if a Participant is a "Specified Employee," as that term is used in Section 409A, at the time of his or her separation from service, no amount that is subject to Code Section 409A and that becomes payable by reason of such separation from service shall be paid to such Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's separation from service, and (ii) within 30 days following the Participant's death.

Section 12. GENERAL PROVISIONS

(a) *Withholding.* The Employer shall have the right to deduct from all amounts paid to a Participant in cash (whether under this Plan or otherwise) any amount required by law to be withheld in respect of Awards under this Plan as may be necessary in the opinion of the Employer to satisfy any applicable tax withholding requirements under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gains taxes, transfer taxes, and social security contributions that are required by law to be withheld. In the case of payments of Awards in the form of Stock, at the Committee's discretion, the Participant shall be required to either pay to the Employer the amount of any taxes required to be withheld with respect to such Stock or, in lieu thereof, the Employer shall have the right to retain (or the Participant may be offered the opportunity to elect to tender) the number of shares of Stock whose Fair Market Value equals such amount required to be withheld provided however that such amount may not exceed the maximum statutory withholding rate.

(b) *Nontransferability of Awards.* No Award shall be assignable or transferable except by will or the laws of descent and distribution; provided that the Committee may permit (on such terms and conditions as it shall establish) a Participant to transfer an Award for no consideration to the Participant's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have all of the beneficial interest and any other entity in which these persons (or the Participant) own all of the voting interests ("*Permitted Transferees*"). Except to the extent required by law, no right or interest of any Participant shall be subject to any lien, obligation or liability of the Participant. All rights with respect to Awards granted to a Participant under the Plan shall be exercisable during the Participant's lifetime only by such Participant or, if applicable, his or her Permitted Transferee(s). The rights of a Permitted Transferee shall be limited to the rights conveyed to such Permitted Transferee, who shall be subject to and bound by the terms of the agreement or agreements between the Participant and the Company.

(c) *No Limitation on Compensation.* Nothing in the Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation, in cash or property, in a manner which is not expressly authorized under the Plan.

(d) *No Right to Employment.* No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the

Employer. The grant of an Award hereunder, and any future grant of Awards under the Plan is entirely voluntary, and at the complete discretion of the Company. Neither the grant of an Award nor any future grant of Awards by the Company shall be deemed to create any obligation to grant any further Awards, whether or not such a reservation is explicitly stated at the time of such a grant.

The Plan shall not be deemed to constitute, and shall not be construed by the Participant to constitute, part of the terms and conditions of employment and participation in the Plan shall not be deemed to constitute, and shall not be deemed by the Participant to constitute, an employment or labor relationship of any kind with an Employer. Each Employer expressly reserves the right at any time to dismiss a Participant free from any liability, or any claim under the Plan, except as provided herein and in any agreement entered into with respect to an Award. The Company expressly reserves the right to require, as a condition of participation in the Plan, that Award recipients agree and acknowledge the above in writing. Further, the Company expressly reserves the right to require Award recipients, as a condition of participation, to consent in writing to the collection, transfer from the Employer to the Company and third parties, storage and use of personal data for purposes of administering the Plan.

(e) No Rights as Shareholder. Subject to the provisions of the applicable Award contained in the Plan and in the Award Agreement, no Participant, Permitted Transferee or Designated Beneficiary shall have any rights as a shareholder with respect to any shares of Stock to be distributed under the Plan until he or she has become the holder thereof.

(f) Construction of the Plan. The validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of the State of Illinois (without reference to the principles of conflicts of law).

(g) Compliance with Legal and Exchange Requirements. The Plan, the granting and exercising of Awards thereunder, and any obligations of the Company under the Plan, shall be subject to all applicable federal, state, and foreign country laws, rules, and regulations, and to such approvals by any regulatory or governmental agency as may be required, and to any rules or regulations of any exchange on which the Stock is listed. The Company, in its discretion, may postpone the granting and exercising of Awards, the issuance or delivery of Stock under any Award or any other action permitted under the Plan to permit the Company, with reasonable diligence, to complete such stock exchange listing or registration or qualification of such Stock or other required action under any federal, state or foreign country law, rule, or regulation and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Stock in compliance with applicable laws, rules, and regulations. The Company shall not be obligated by virtue of any provision of the Plan to recognize the exercise of any Award or to otherwise sell or issue Stock in violation of any such laws, rules, or regulations, and any postponement of the exercise or settlement of any Award under this provision shall not extend the term of such Awards. Neither the Company nor its directors or officers shall have any obligation or liability to a Participant with respect to any Award (or Stock issuable thereunder) that shall lapse because of such postponement.

(h) Indemnification. Each person who is or shall have been a member of the Committee and each delegate of such Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be made a party or in which he or she may be involved in by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided that the Company is given an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it personally. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or By-laws, by contract, as a matter of law, or otherwise.

(i) No Impact On Benefits. Except as may otherwise be specifically stated under any employee benefit plan, policy or program, no amount payable in respect of any Award shall be treated as compensation for purposes of calculating a Participant's right under any such plan, policy or program.

(j) Dividend Treatment. No cash dividends or distributions declared with respect to any Award (including Performance Awards) shall be paid to any Participant unless and until the Participant vests in such underlying Award. All unvested dividends shall be forfeited by the Participants to the extent their underlying Awards are forfeited.

(k) No Constraint on Corporate Action. Nothing in this Plan shall be construed (i) to limit, impair or otherwise affect the Company's right or power to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets or (ii) to limit the right or power of the Company, or any Subsidiary, to take any action which such entity deems to be necessary or appropriate.

(l) Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

TreeHouse Foods, Inc.
Computation of Ratio of Earnings to Fixed Charges
(Dollars in millions)

	Three Months Ended March 31, 2017	Year Ended December 31, 2016
Earnings:		
Income (loss) before income taxes	\$ 39.7	\$ (195.4)
Add (deduct):		
Fixed charges	40.1	154.8
Capitalization of interest, net of amortization	0.2	(1.5)
Earnings available for fixed charges (a)	<u>\$ 80.0</u>	<u>\$ (42.1)</u>
Fixed charges:		
Interest expense	\$ 29.7	\$ 119.2
Capitalized interest and tax interest	0.4	2.5
One third of rental expense ⁽¹⁾	10.0	33.1
Total fixed charges (b)	<u>\$ 40.1</u>	<u>\$ 154.8</u>
Ratio of earnings to fixed charges (a/b) ⁽²⁾	<u>2.00</u>	<u>(0.27)</u>

(1) Considered to be representative of interest factor in rental expense.

(2) The Company incurred a loss before income taxes for the year ended December 31, 2016. As a result, our earnings were less than our fixed charges by approximately \$196.9 million.

May 4, 2017

To the Board of Directors and Stockholders of
TreeHouse Foods, Inc.
2021 Spring Road
Suite 600
Oak Brook, Illinois 60523

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of TreeHouse Foods, Inc. and subsidiaries for the periods ended March 31, 2017, and 2016, as indicated in our report dated May 4, 2017; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, is incorporated by reference in Registration Statement Nos. 333-126161, 333-150053, 333-183321, and 333-206161 on Form S-8 and Registration Statement No. 333-217604 on Form S-3.

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sam K. Reed, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TreeHouse Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Sam K. Reed

Sam K. Reed

Chairman of the Board and Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew J. Foulston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TreeHouse Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ Matthew J. Foulston

Matthew J. Foulston

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of TreeHouse Foods, Inc. (the “Company”) for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sam K. Reed, Chairman of the Board and Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sam K. Reed

Sam K. Reed

Chairman of the Board and Chief Executive Officer

Date: May 4, 2017

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of TreeHouse Foods, Inc. (the “Company”) for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew J. Foulston, Executive Vice President and Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew J. Foulston

 Matthew J. Foulston
Executive Vice President and Chief Financial Officer

Date: May 4, 2017

